Agent Empowerment Using Collaboration Tools in Life Insurance

Collaborative solutions to retain agent participation in a changing life insurance market place

People matter, results count.

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1. Highlights

Globally, the market share of agents has been declining across life insurance markets, while that of direct and other/alternative networks[1] has been increasing. While agents have been the key life insurance distributors for decades, direct, bancassurance, and other/alternative networks have been increasing in prominence in recent years. Facing an ongoing decline in both the number of affiliated agents and the profitability of affiliated networks, prominence of agency network in life insurance is shrinking. It is also hurting insurers' growth prospects as life insurance as an industry is predominantly advice based.

Despite these challenges, agents still remain an important distribution network in the life insurance industry. Advice in understanding life insurance products remains critical, and agents as advisors fulfill this need. While insurance customers are increasingly turning to the Internet (both PC and mobile) for research, the majority seek advice to understand complex life insurance products and still buy through agents. This makes agent empowerment a key differentiator, especially in advanced markets where premium growth rates have slowed down. Agent empowerment offers a new opportunity for insurers to increase their top-line in difficult economic times.

Agent empowerment can be defined as equipping agents with various tools and solutions, that can be accessed anytime, anywhere, and on any device with relevant information to address the various needs of prospects. It is critical to successfully complete an insurance sale and expand customers' wallet share. By investing in collaborative solutions, insurers can derive tangible value in four key areas: top-line growth; cost reduction; customer satisfaction; and operational efficiency. Based on our assessment of the market trends, agent empowerment has the potential to increase sales conversion rates by up to 60%, improving agent/broker productivity and generating additional revenue. However, developing user-friendly solutions that can streamline and accelerate the research, sales, and service process effectively are essential to achieve the desired results of agent empowerment.

1   Other/alternative networks include independent financial advisors, supermarkets, wholesalers, worksite marketing representatives, car dealers, etc.

2. Overview of Agent Empowerment in Life Insurance

In recent years, insurers have been focusing on employing multiple networks and channels to engage their customers. While agents have been the key life insurance distributors for decades, direct and other/alternative networks have been increasing in prominence in recent years. Facing an ongoing decline in both the number of affiliated agents and the profitability of affiliated networks, prominence of agency networks in life insurance markets is shrinking. This is in turn hurting insurers' growth prospects, because life insurance as an industry is predominantly advice-based.

Completing a sale in insurance is not easy. The availability of information to demonstrate a product's benefits to a potential customer is a critical component in completing a sale and expanding wallet share. Equipping distributors with various tools/solutions that can be accessed anytime, anywhere, and on any device empowers them to successfully complete a sale. Agent collaboration tools enable its users to team up more easily and effectively with specialists in the home office, customers and with each other.

Collaboration tools will increase agent productivity by making it easier for agents to share product knowledge, marketing strategies, and sales best practices, and to answer complex financial planning questions more easily. Making customer account information and financial plans accessible via agent websites will also intensify contact between customers and agents, and increase cross-selling and up-selling.

2.1. Evolution of Agent Empowerment

The first major milestone in agent empowerment dates back to 1970 when the National Association of Insurance Agents (NAIA, now IIABA) and 12 carriers formed the ACORD committee within the agents association to begin the development of standardized applications and forms. In 1977, the Insurance Institute for Research (IIR) was successful in creating the first electronic standards for the industry along with the creation of Insurance Value Added Network Services (IVANS), an entity that most carriers and agencies use to aggregate and transmit carrier downloads to agencies each evening. However, ACORD and IIR merged in 1982 and developed both the paper and electronic standards for the industry.

The advent of the Internet in the 1990s enabled enterprising agency management system vendors to create a workflow that allowed agencies to realize their long held vision of a real-time single entry, multiple company interface (SEMCI) workflow. The real-time workflow enabled agents to work with multiple carriers in a consistent way through their own systems, handled logons and passwords to carrier systems and websites automatically, and eliminated having to re-enter data already in the agency management system. In 2000, insurers started leveraging existing agent portals by adding instant messaging, blogging, web conferencing, and secure document-exchange technologies. Starting in 2005, customers' financial plans and account data were made accessible through agent websites, and an electronic virtual work space where agents and customers collaborate evolved. Recently, social networking sites, such as Facebook and Linkedin, have emerged as a popular medium for collaboration between insurers, agents, and customers. This trend is expected to gain momentum in the coming years.

2.2. The Need to Improve Agent Empowerment

Global life insurance premium volume grew at 5.3%[2] (nominal) during the period 2009–2011, reaching US$2.63 trillion. It was the emerging markets that propelled this overall life insurance growth with a 12.0% nominal growth rate. Advanced markets[3] witnessed slower nominal growth rates at 4.4% during the same period. Growth continues to be slow as these markets have reached a point of saturation. It is critical for insurers there to empower agents/brokers to achieve stronger growth rates as most life insurance sales occur through these networks.

Exhibit 1: Global Life Insurance Premium Volume by Market ($ Trillion), 2006–2011

	CAGR 2006-'09	CAGR 2009-'11
Total	3.7%	5.3%
Emerging Markets	18.8%	12.0%
Advanced Markets	2.1%	4.4%
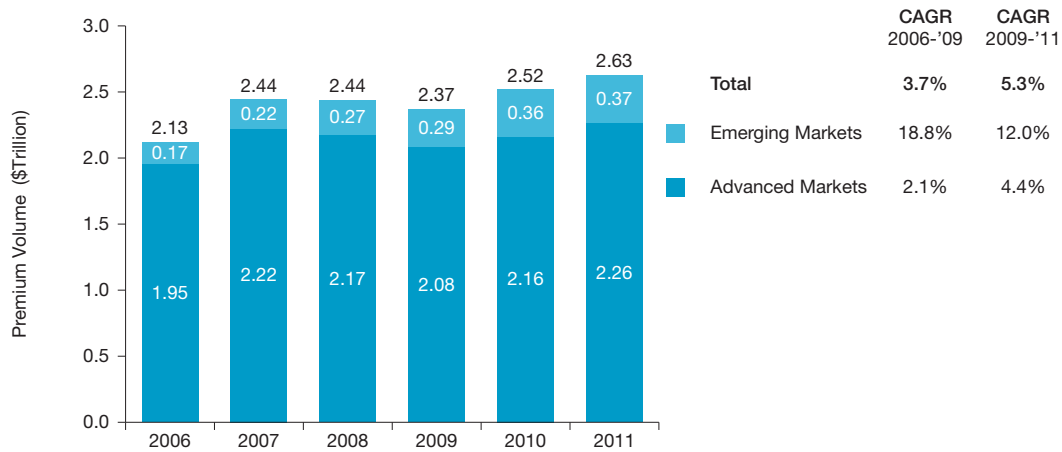
Source: Capgemini Analysis, 2012; Swiss Re Sigma Reports, 2007–2012

Facing a continuous decline in both the number of tied agents and the profitability of the agency network, life insurers are enhancing their focus.

Based on our latest interactions with insurance executives around the globe, we expect the agency network to shrink in the future due to low replacement and retention rates. Facing a continuous decline in both the number of tied agents and the profitability of the agency network, life insurers are enhancing their focus on expanding other distribution networks including direct, bancassurance, and other/alternative networks. Decreasing market share of agents highlights the need for insurers to take up empowerment in order to leverage their largest distribution network.

Currently, five market factors are driving the need for agent empowerment in the life insurance industry. These include slowing life insurance premium growth, customer cross-channel behavior, pressure from agents/brokers, increasing product complexity, and growing competition from other networks.

- **Slowing life insurance premium growth**

  Life insurance premium growth in advanced markets is slowing as the markets have reached a point of saturation. Agents and brokers hold more than 50% market share in life insurance distribution in the identified advanced markets and could aid growth if empowered by the latest technologies.

- **Customer cross-channel behavior**

  An increasing number of life insurance buyers are starting their research on the Internet only to cross channels and complete the purchase in person with an agent. Empowering agents by providing them with Internet presence would help capture this customer segment.

- **Pressure from agents/brokers**

  New channels/access points, such as the Internet (both PC and mobile), continue to shift customers' research, purchase and service behavior, and insurance distribution. Agents are demanding insurer investment and support in PC and mobile functionality to increase ease of doing business.

- **Increasing product complexity**

  Life insurance needs of customers are increasingly becoming multifaceted and are reflected in new and complex products. Empowering agents with *intelligent* interfaces (e.g., interactive illustration tools) will help address various planning scenarios to customers. Collaboration tools will increase agent productivity by making it easier to share product knowledge and to answer complex financial planning questions more efficiently.

- **Growing competition from other networks**

  Direct, bancassurance, and other/alternative networks are steadily increasing their market share across multiple geographies at the expense of the agent/broker network. Empowering agents will help them address this declining market share.

3. Trends in Life Insurance Agent/Broker Distribution

It is very important for global insurers to take note of the latest trends in life insurance agent/broker distribution. To achieve desirable results from the agent empowerment initiatives these insurers need to focus their time and investments in the right areas. The following sections summarize some of the recent trends witnessed in the life insurance industry from a business and technology perspective.

3.1. Business Trends

Increasing Competition Reducing Agent Market Share

Increasing competition from direct and bancassurance networks is eroding the agents' share of insurance market sales in most markets. Private banking divisions at major banks now sell a complete suite of financial products including insurance as part of their wealth management offerings, leading to a reduced market share for agents. Finally, the rise in sales of insurance policies through insurers' websites has also resulted in an increasing conflict between the direct and agency distribution networks. It is critical for insurers to address the network conflict between various entities by creating proper distribution governance and compensation management structures. This step in turn would increase the retention rates of agents and lead to improved agent network productivity.

Increasing Use of Social Media for Marketing Life Insurance Products

Social media has been widely identified by analysts as a growing phenomenon for insurance. Customers are now using social media platforms to get advice on insurance products, as well as increase their awareness about new product launches. Life insurance agents are trying to capitalize on this new trend by building their own Twitter or Facebook pages to increase their market reach/share and identify the emerging needs of their customers.

Increasing Role of Agents in Helping Customers Understand Complex Insurance Products

While customers are increasingly turning towards the Internet to gather product information, many of them are also seeking agents' advice in deciphering the complexity and better understanding of these products. Hence, the role of an agent as advisor is helping agents remain an important network in life insurance market place.

Increasing Leverage of Information Technology by Brokers in the Small and Medium Enterprise Segment

Brokers have traditionally held a large share of small and medium sized (SME) businesses, as well as the high net worth individuals segment of the life insurance market. Recently, increased competition from direct distribution networks in the SME segment has forced brokers to alter their strategies and leverage information technology capabilities to better serve this market while maintaining lower costs.

Brokers Increasingly Positioning as Financial Advisors

In a market that has otherwise become focused on price, brokers expect to highlight the *value proposition* of their advice by positioning themselves as financial advisors and adding banking, mortgage, and credit advice related products to their portfolios. This trend has grown in part due to increased demands from high net worth individuals, as well as increased competition from bancassurance distribution. Brokers are expected to add even more products and services that can be distributed using their existing platforms without increasing their cost overheads.

Broker Market Share Erosion Due to Emergence of New Distribution Networks

The SME market is now increasingly served by direct distribution networks, posing a great threat to brokers' dominance in this segment. Superior private banking platforms have also enabled banks to bundle insurance along with other financial products for their privileged customer segment. The high-cost nature of brokerage houses makes their services cost inefficient when compared to other alternate, emerging, and low-cost distribution models.

3.2. Technology Trends

Agent/Broker Applications Ideal Candidates for Launch through Cloud

Insurers have slowly started adapting cloud-based/SaaS solutions for functions such as distribution, focusing on agent/broker portals and applications. Firms that need to invest in technology to support growth objectives are exploring cloud-based/SaaS solutions as adoption of these technologies significantly reduces the insurers' burden on internal information technology and per user costs. It is this context that makes agent/broker applications, as well as underwriting tools, the ideal candidates for launch over the cloud. However, various non-technological concerns, such as data privacy, security, and regulatory compliance issues, act as impediments to a higher level of adoption in various markets.

Need for Greater Complexity and Customization Capabilities within Illustration Solutions

Illustration solutions are a key element in the insurance business workflow, aimed at describing value and benefits of a product to customers. The key drivers pushing the need for advanced illustration solutions are greater complexity around product features and selling methods, and the need to provide better understanding to clients with regards to specific insurance products. Hence, there is a need for customizable illustration solutions with capabilities around product, user-interface, and calculation engines to illustrate benefits in a user-friendly manner to prospective customers.

Customer Use of Internet for Purchasing Insurance Products Expected to Rise in the Near Future

There has been a gradual but slow proliferation of Internet (both PC and mobile) usage to interact and transact with insurance systems. While online usage has been relatively low for sales, it has been mainly around for researching, contacting the insurance firm/agent, and self-servicing. The increasing cross-channel behavior of life insurance customers, those using one channel to research and understand the products and a different channel to purchase the insurance, is an important driver for insurers to provide Internet access to their agents.

4. Collaborative Solutions in Agent/ Broker Distribution

4.1. Strategic Alignment

In light of increased competition from direct distributors, customer satisfaction is critical for agents to acquire and retain customers. Currently, multi-channel presence, customer advocacy, quality service, and one-stop shopping are key differentiators for agents/brokers as identified by customers. To grab market share from other networks and deliver on a value-added brand promise, agents will need to focus on enhancing the customer shopping experience. Insurers need to formulate their agent empowerment strategy keeping in mind the above requirements so as to provide the required support to their agency network.

Many life insurance buyers start their research online, only to cross channels and purchase offline. Hence, a multi-channel presence is critical for agents/brokers in order to get these customers. For an increasing number of life insurance buyers, the most important criteria for going to an agent/broker is the advice they give.

Customers also expect superior customer service, and therefore insurers need to provide agents/brokers with competitive support services, such as 24x7 agent phone availability. Round-the-clock policy servicing and the ability to provide continuous updates to customers through internet (both PC and mobile) channels are also critical to customer satisfaction. Finally, the ability of agents to provide a comprehensive set of services has a big impact on a customer's choice as an increasing number of customers are looking for a one-stop insurance shopping experience.

Before proceeding with agent empowerment initiatives, insurers need to focus on four areas to derive maximum value from their investments. These broad focal areas include **increasing revenue growth, enhancing customer experience, reducing costs, and improving operational efficiency**. Empowered agents can increase the number of new policies sold, generate additional sales through cross-selling and up-selling, facilitate the continuation of existing policies, and reduce the time required for sales cycle completion leading to revenue growth. Customer experience can be enhanced as agents provide a superior round-the-clock service leading to increased retention rates and new referrals.

The bottom-line benefit is also a reduction in the cost per sale with fast online processing that requires no travel and limits meeting costs. Finally, insurers can achieve improved operational efficiency as they have a full 360-degree customer view by using business intelligence from newly implemented agent solutions and through increased agent efficiency and retention rates.

Exhibit 2: Focal Areas for Agent Empowerment Strategy Using Collaborative Solutions
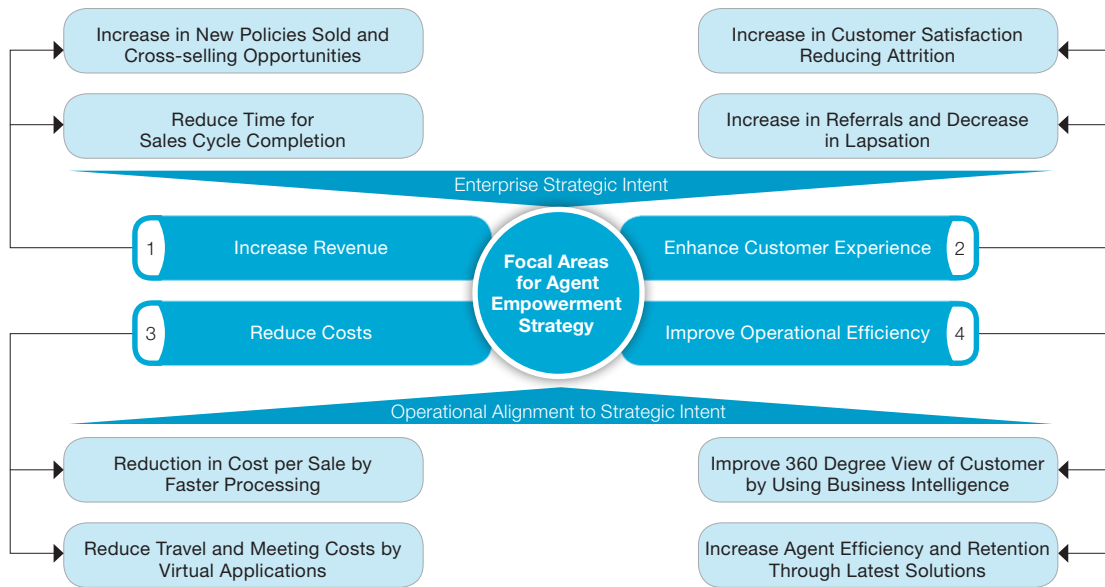
Source: Capgemini Analysis, 2012

4.2. Empowerment Areas and Tools

Insurers can leverage empowerment tools to aid agents/ brokers in four main areas leading to higher efficiency. Currently, these areas include **product information, sales enablement, policyholder servicing,** and **activity management**.

Exhibit 3: Empowerment Areas and Requirements

	Customer Sales/Servicing Areas			Agent Management Areas
Empowerment Area	Product Information	Sales Enablement	Policyholder Servicing	Activity Management
Requirements	• New/Existing Product details • Marketing Campaigns • Marketing Collaterals • Product Comparison Tools • Training	• Lead Management • Need Analyzer • Benefit Illustrators • "Logged-in" Application Status Tracker • e-Signature capture	• Pending Requirements Tracker • Fund Performance Dashboard • NAV Calculator • Path lab/Service Center Locator • Service Request Applications (Policy Changes/Claims/ Policy Renewals)	• License Status Alerts • License Renewal Application • CE Credits Tracker/Manager • Compensation Manager • Performance Dashboard • Pending Tasks Alerts • Book-of-Business Manager
Technology as Enabler for Agency Empowerment:				
	1) Web-Based Applications	2) Hand-held device applications	3) Cloud Based applications	
	4) Business Process Management	5) Integrated Call-Centre Support	6) Social Networking Analytics	

Source: Capgemini Analysis, 2012

However, having user-friendly solutions that can streamline and accelerate the research, sales, and service process is essential in agent empowerment. The life insurance sales and servicing life cycle spans from lead generation to policy servicing and many solutions/tools can be utilized to accelerate its components. Some of the potential solutions/tools that can be utilized for agent empowerment across the life insurance life cycle are listed below.

Exhibit 4

Lifecycle Stage	Potential Solutions and Tools
Lead Generation	• Solutions enabling partnership with online comparison sites for lead generation • Solutions for call centers to provide the leads generated through focused campaigns and marketing initiatives • Search engine optimization and search engine marketing • Mobile applications and integrated social media applications • Big Data[4] analytics: analytics designed on the Big Data available across the enterprise help in providing valuable insights about the prospects and their future requirements
First Contact/ Advocacy/ Recommendation/ Quote	• Web 2.0 storefronts and enhanced functionality for agent websites, editable PDF document templates, and e-apps for pre-underwritten products • Illustration solutions including mobile applications • Comparative raters[5] (giving agents the ability to run real-time, accurate quotes and compare data for many insurers at a time) • Electronic virtual work space where agents and customers can collaborate • Gaming and simulation applications: tools that are the latest innovations in the life insurance market, where the prospective customer participates in a virtual game simulated to represent real-life scenarios. Based on the behavior of participants and their reflexive responses, the risk-taking ability is assessed with certainty and the data gathered is used to design customized risk management solutions. These applications are currently available on agents' handheld devices
Policy Issuance/ First Premium/ Cross-Selling	• Secure email and document sharing tools • Mobile web apps via netbooks, notebooks, or tablets, allowing agents to electronically process all new life insurance documentation including legal e-signature • Tools that create customer financial plans based on their current situation and future requirements and make their account data accessible through agent websites (for cross-selling opportunities)
Policy Servicing	• Secure email and document sharing tools • Secure communication tools, such as discussion threads blogging, web conferencing, and secure instant messaging • 24x7 click-to-chat and click-to-call service and forms enabling customers to manage a policy through the agent's website • Continuous policy status updates through e-mail, alerts, and SMS

Source: Capgemini Analysis, 2012

4   According to Gartner IT glossary, Big Data in general is defined as high volume, velocity and variety information assets that demand cost-effective, innovative forms of information processing for enhanced insight and decision making

5   A Comparative Rater is an insurance software tool that rates a given insurance risk across multiple insurance carriers and display rate quotes for that insurance risk

5. Benefits and Challenges of Leveraging Collaborative Solutions

When implemented properly, long-term sustained benefits of agent empowerment can far outweigh the costs associated with it, leading to a superior return on investment for the insurer.

Based on our assessment of the market trends, we feel that for a constant level of activity (i.e., number of appointments), agent empowerment has the potential to increase sales conversion rates by up to 60%, improving agent/broker productivity and generating additional revenue. This increase can be achieved primarily through better targeting of deals using collaboration tools. The resulting additional revenue can be shared between customers (better price), distributors (increased commission/rewards), and insurers (increased market share/revenue).

When implemented properly, long-term sustained benefits of agent empowerment can far outweigh the costs associated with it, leading to a superior return on investment for the insurer. Some of the potential benefits, costs, and challenges of agent empowerment are:

5.1. Benefits

- Increase in number of policies sold leading to top-line growth
- Better conversion ratio for the agents/brokers as the relevant data is available at the point of sale
- Increased cross-selling opportunities leading to top-line growth and higher profitability
- Reduced sales cycle completion time
- Increased agent and customer satisfaction leading to better retention rates
- Fewer lapsations due to better customer follow-up
- Reduced cost per sale by faster processing
- Reduced travel and meeting costs by virtual applications
- Increased agent efficiency

5.2. Costs

- Technology and hardware costs are high as collaborative solutions are generally expensive
- Additional cost of aligning these solutions with remaining business technology infrastructure
- Cost of training the agents in using these tools
- Software upgrade costs
- Hardware servicing/replacement costs

5.3. Challenges

Currently, some of the key challenges faced in leveraging collaborative solutions in the life insurance industry are:

- **No proven correlation between solutions and increased sales**

  While collaborative solutions enhance service and customer relationships, there is no proven correlation between the adoption of *state of the art* solutions and increased sales. Insurers are generally reluctant to increase spending on field technology unless there is a direct relationship to sales.

- **Security**

  Collaborative solutions involving handheld devices are easily misplaced and sensitive customer data may be stolen. Exposing the existing system data for increasing mobility raises concerns about the quality and security of constituent data repositories.

- **Inadequate business technology infrastructure and connectivity**

  With the emergence of new mobile applications, channels/access points are becoming more fragmented and complex. Current business technology infrastructure may not support the new initiatives unless upgraded. Inconsistent connectivity may not support a broad wireless community and the performance of wireless network connections remains inconsistent, spotty, and costly.

- **Lack of mobile/social media guidelines affect branding**

  In the absence of corporate social media guidelines, agents creating their own profiles on Facebook may affect the brand value of the insurance company. Globally, very few insurers have fully integrated social media into their overall enterprise-wide CRM strategies (across marketing, sales, and service) and therefore have not created robust guidelines for appropriate usage. Hence, insurers need to develop integrated social media applications for supporting agents' lead-generation efforts.

6. In Practice: Agency Empowerment through Handheld Device-Based Applications

A large global insurance giant with extensive presence in the Asia Pacific has embarked upon an agent empowerment initiative recently. To derive competitive advantage and provide better customer service, the client intended to empower its agency channel by providing them with business illustrator and e-apps on handheld devices.

Challenges

Challenges in implementing the project included

- Gathering the requirements and understanding the boundaries of the proposed application and integration with legacy applications, especially policy administration systems
- Design of e-apps capable of processing e-signatures and delivering policies with minimal data re-entry

Value Delivered

The solution implemented by the insurer resulted in

- Faster speed to market
- Improved productivity of agents due to (a) greater product knowledge, (b) effective interactions with end-prospects, and (c) better conversion ratio
- Speedier access to relevant information
- Faster turnaround time through e-apps

Conclusion

Life insurance premium growth in advanced markets continues to be slow as these markets have reached a point of saturation. In order to achieve strong growth rates, it is critical for insurers in these markets to empower agents/brokers, as most life insurance sales there occur through these networks. Agent empowerment is a key differentiator, especially in advanced markets, offering a new opportunity for insurers to increase their top-line in difficult economic times.

However, in the absence of a proven correlation between collaborative solutions and sales, adoption remains slow in the life insurance industry. Insurers need to overcome this business challenge by creating more robust measurement techniques that can provide a relationship between agent empowerment and sales.

Finally, agent empowerment is increasingly becoming critical to successfully complete a sale and expand customers' wallet share. When implemented successfully, agent empowerment has the potential to increase sales conversion rates by up to 60%, improving agent/broker productivity and generating additional revenue.

Agent empowerment is a key differentiator, especially in advanced markets, offering a new opportunity for insurers to increase their top-line in difficult economic times.

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