



2009 Outlook: Agency Automation

**Author: Deb Smallwood; Co-founder of SMA Inc.
January 2009**



As we dive deeper into a soft market and an economic downturn, with the credit and mortgage crisis and the stock market continuing to make historical swings – the insurance industry is being hit hard. Agency and insurers investment returns, written premium and operating income are all down at record lows. Today, the industry is experiencing the lowest growth rates since 1943 from both the effects of the soft market and slow economy. The downturn of the stock market has also set record loss from investment income. Net written premium shrunk by 1% in 2007 and this year, it is trending at less than 1% decrease. The forecast for 2009 premiums continues to be relatively flat. The competitive landscape is increasingly more aggressive, market share among the carriers is shifting and the new customer continues to demand and expect higher levels of service and responsiveness. As we look into the forecasts for 2009, it is teeing up to be another trying year for the industry. The market cycle will soon flip in to a hard market cycle, it is imperative for the industry to stay strong by weathering this downturn and begin to position for tomorrow's growth.

Although these powerful market dynamics are forcing agency management to be very focused and diligent with expenditures, including IT, they are also requiring the agency management business to relook at the way it does business. The need to change the agency business model is not driven from just these traditional challenges of the economic downturn, soft market cycle and the need to drive lower operating costs. We have survived these trials before. There is a new set of dynamic challenges upon the industry. The demographic shifts of our customers, employees and carrier underwriters are real, not optional and creating a new set of expectations and demands of real-time, anytime, anyhow advice and service. The agency competitive landscape is becoming more aggressive with consolidation creating larger agencies that are raising the bar with automation and scale. And driving growth through operational

efficiencies, improved selling and servicing business processes and workflows are also required. As we look across these market dynamics, they all point to a common thread of using these challenges as an opportunity to embrace technology. We must begin to create the reality of a new agency work environment with full automation. With today's technology capabilities, we can easily change the way we interact with our customers and carriers by provide a real time, any time any how service environment. The results will be attracting and retaining new employees and customers and reducing costs and risks; all with the goal to drive profitable growth in today's changing competitive market and ultimately position for tomorrow opportunities.



Regardless of the sophistication or characteristics of an agency business, the goals for growth and customer service are the same. Whether an agency/owner is ready for retirement and ready to sell the business or there is status quo in running today's business or that the agency is a niche player or offering a broad spectrum of financial products—embracing automation is a requirements for all.

The good news is the technology capabilities are mature and ready to deploy. With the advent of the internet and industry standards, along with newer versions of agency management systems and other advanced technologies, there are many options available. Embracing technology is no longer an option. Technology can no longer be viewed as a pure cost, but as an enabler. For some, spending on technology is already an integral part of running an agency business but for many others, it is still just viewed as an expense. Let's shift our mind set and start thinking about technology and automation as a way to save money and help make money.

At the core of the technology spend are two main elements – base level technology and a current core agency management system. Base level technology is core office products like email, words, spreadsheets and internet access. Core agency management automates the fundamental insurance and financial management capabilities along with core correspondence and reporting. These two elements go hand and hand and create the foundational technology platform necessary to compete in today's marketplace. Once those are in place, there are a variety of add on functionality for agency management and advanced technologies towards the next steps.

Adding capabilities like web technology with portals, ability to upload with real time comparative raters and connectivity to carriers systems in real time bring mature levels of automation that are differentiators. Other advance technologies starting with scanning and imaging to create the paperless office, download policy transactions with carriers to create the seamless real-time loop, along with advanced marketing campaign tools to assist with growth, wireless and mobile technologies for producers

to work from anywhere and advanced licensing and commissions system to track and monitor the revenue streams of your agency are quickly becoming the norm

With this level automation level, there are clear hard and soft benefits in support of the key business drivers; profitable growth, reduction in operation costs and improved customer service. A few examples: numerous case studies showing increased premiums volumes (up to double) with little to no increase in staffing; creates an environment with consistent business procedures, business processes and work flow that reduces key strokes, clicks, minimizes input and time for each transaction. Other benefits include: with integration to carrier systems, the elimination of rekeying results in less time, less errors and less rework, and the ability to meet the new customers demand and expectations with service levels with real time servicing. Overall, automation reduces internal servicing cost and more importantly, provides improves the ability to respond immediately when a customer calls without putting them on hold, no call backs. Having all of the information at the finger tips of the CSR is priceless. And last but not least, with automation, there is an environment that attracts and retains, keeping the best and brightest talent pool with better work flows and automation.

As we look out into the marketplace, there are still many agency principals not willing or not able to contemplate automation, and what is clear, they will deny themselves, their employees and their customers this opportunity for future success. Not only embracing automation for today's challenges and survival, but clearly to positioning for the future as well. When the soft market shifts into a full hard market, agencies need to be ready to scale with people, process and technology and push through high volumes while meeting the new demands of the marketplace.

This article is an excerpt from a recent whitepaper "Agency Management: Turning Today's Challenges into Tomorrow's Opportunities *A Guide to Full Agency Management Automation* authored by Deb Smallwood Co-founder of SMA Inc. and published and sponsored by AMS.

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