

Become a Preferred Source of Insurance ***by Chris Burand***

Independent insurance agencies are a means to an end for insurance companies. They are one means for companies to distribute their insurance products. Independent insurance agencies have long been a very efficient method for distributing, or selling, insurance because this method eliminates the need for insurance companies to invest huge sums in their own distribution force, buildings, computers, and most of all, people. However, insurance companies have alternate options for distributing their products and many alternatives are becoming more prevalent and economically feasible.

As technology improves, low cost insurance is more easily delivered directly to the consumer and the quality added by independent agents becomes less valued by certain classes of customers. These customers do not believe the difference in the quality provided by personal service versus direct methods, such as the Internet or an 800 number, is big enough to justify paying a higher price. Therefore, agencies need to identify those clients who do value their service and only solicit prospects likely to buy from an agency.

Consider Allstate's approach. In the October 1998 *Best's Review*, Allstate President Robert Gary noted that as important, or even more important, than socioeconomic status, family size, cars, and homes in determining what to sell is the buyer's attitude. When comparing two otherwise similar prospects he states, "One might be . . . a minimalist, who just doesn't believe in insurance" and only buys auto or homeowner insurance because laws compel him to do so. His demographic twin though could be "a strong believer in insurance." Obviously, the latter is more likely to value the personal attention and customized coverage an independent insurance agency can provide while the former would be happy to buy insurance without ever talking to an agent or any other insurance person. These people want minimal interaction with an agent, low cost insurance, and they believe they know enough to obviate the agent. The Internet may therefore be the best distribution method for the minimalists with some computer savvy.

As a result, independent agents must begin focusing more and more on the "strong believers in insurance" and tailoring services to meet their needs. The most obvious way to accomplish this is to offer all the coverages a client needs. While agents also need to offer the best coverage to all clients for E&O purposes, this approach also makes each sale much more profitable. Currently, most producers do not even ask what coverages the client wants, much less analyze their true needs. Instead, many simply get a copy of the current coverages and try to duplicate those coverages at a lower price. For the minimalist customer, this approach may work. Your best customers will not be minimalists though!

The best way to compete with direct sales through the Internet is to *stop selling insurance*. Instead, sell advice with a product thrown in for free. After all, anyone with a license, and probably a few without, can sell insurance. Selling insurance requires no creativity because companies provide the product. Selling insurance is the easy way—not the smart way—to sell. Few people can sell good advice regarding the best way to protect assets. Few people are creative enough or willing to work hard enough. Therefore, those who can and do will have a

terrific competitive advantage.

Additionally, most consumers who believe they can successfully bypass the agent are kidding themselves. Insurance is complex, with homeowners insurance alone having at least 30,000,000 possible combinations of coverage. Most consumers do not understand enough about insurance and protecting their assets to eliminate the agent. In a letter to the editor in *Countryside* (Jan/Feb 1999), an insured whose house burned down wrote, “We had a newly built home that we moved into in December 1997. Our insurance agent suggested we insure for more than the amount I was looking at, and I’m glad we did! We had \$67,000 insurance on our possessions. This may sound like a lot, but it’s not. We lost everything to a fire but the clothes we were wearing. Everything we had accumulated in 57 years of life was gone! I’m so glad we spent the \$232 a year for insurance. It’s a bargain.” These people were saved from their own lack of knowledge by an insurance agent!

Unfortunately, many producers act as though insurance is a simple product. They only offer what the client already has, they do not offer the best coverages and they focus on price. As a result, consumers will never know they are ignorant and they will eliminate the agent out of ignorance. If that happens, both consumers and agents will lose and we only have ourselves to blame.

Rather than selling insurance, sell knowledge, advice, experience, and information and provide more alternatives in less time. By doing so, we can beat the Internet sales, we can beat 800 number sales, and we can beat all competition! Agents are a means to an end for distributing insurance. Distinguish yourself from the competition—provide an added value to become the *preferred* means for distributing insurance!

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