

An Eye-Opener By Chris Burand

IBM recently released a study that found insurance companies are not providing the products and services customers want, regardless of how satisfied the customers claim to be with their current products. This seems mystifying at first, but think of it this way: the customers are happy with their Tauruses but they would be happier with a Mustang.

This insight is a valuable opportunity for smart insurance agents, especially in this soft market. IBM surveyed more than 3,000 policyholders and learned that less than 50% know their carriers have any new products and even worse, only 43% believe their company tailors policies to meet their specific needs. Insurance is an easily customized product. Every policy can be and should be customized to each consumer's needs. Yet, only 43% of consumers believe their policies have been customized and truth be told, I would bet that at least half of that 43% is mistaken. They think their policy has been customized, but it probably has not. Getting to choose your policy limits is not customization.

The absolutely only way coverage can be fully customized is through the use of coverage checklists. To customize coverage, an agent must sit with a customer and go through each coverage. I understand this means possibly having to explain coverages (which is part of a professional insurance agent's job the last time I checked). I understand this means taking more time. I understand this means getting to know your customer. I understand this means being a professional rather than an amateur, and I also know a lot of producers prefer the latter because they have bluntly told me so.

Beyond the fact that the proper use of coverage checklists significantly decreases E&O exposures and agents that use them properly sell more insurance, IBM's study points to four more reasons agencies need to adapt to customizing each customer's coverages.

- First, this study, like many other studies, found that younger consumers prefer internet providers versus real insurance agents. The study stated the reason for this preference is that younger consumers are more price conscious and tech savvy. This may be, but another reason is they are more naive and ignorant. They are happy purchasing insurance this way because they have never been educated that insurance should be customized to their needs and therefore, they see all insurance as a commodity, a "one-size-fits-all" product.

I once calculated that more two million combinations of homeowners endorsements existed. It is probably more now. How can insurance be treated like a commodity, a product without differentiation, when so many combinations of a fairly simple policy exist? Yet the perception is clear, insurance is a commodity. We have let it become such a commodity that cavemen and geckos can sell it. We no longer need humans to sell insurance—unless the human will customize it. So the ball is in the professional agent's court. Are you going to customized coverages as only a human can do or are you going to sell a common product and compete against a gecko? For those that choose competing against a gecko, just to update you on the score, the gecko is winning.

- Second, in this soft market, do not get comfortable because you have, say, a 92% retention rate. Make sure the reason your customers are happy with you is because they know they are being offered the best coverages. If they are happy simply because they do not know something better exists, don't be surprised if you eventually lose them. In this marketplace, someone will soon advise them something better exists by offering better coverages and/or a lower price.

In a soft market, agents must sell more insurance to stay even. A great way of doing this is offering clients more coverage through the use of coverage checklists. Provided their business is doing well or they do not have an ARM, they can now afford to purchase more insurance and still save a lot of money. They can get the best of both worlds, but only if the agent acts as a professional and is not trying to mimic a caveman.

- Third, the IBM study strongly recommends carriers invest in distribution that bypasses insurance agents. You can bet the carriers are paying attention. It makes sense for carriers to bypass agents if agents are not going to bring anything tangible and extra to the sales process. If young people prefer an internet-based solution, then why use agents if those agents are not going to thoroughly customize their coverages and educate them why they need to look beyond price?
- Finally, the IBM study strongly recommends companies create more direct communication and knowledge of their customers, including customer direct access to key customer data. The agent should be doing this already. If companies follow IBM's advice, the opportunity to disintermediate the agency grows. Again, agent disintermediation, or the elimination of the middleman, makes sense if the middleman is not bringing tangible value to the relationship. And if the agent is not bringing tangibly more value, value the customer recognizes, the agent does deserve to be eliminated.

This study is worth reading. It is available at www.us.ibm.com. When you are done reading it, ask yourself, "What am I doing to truly add value? What am I doing that my customers need, value, and recognize?"

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