

Is Insurance Knowledge Important?

By Chris Burand

What does an agency sell? The answer to this question will make or break many an agency.

One might say an agency sells price. Fair enough. But what are they selling for price? An insurance policy? Any policy? Is whether or not the policy provides the coverages the insured needs secondary, to be discovered in court together?

Is an agency selling insurance I.D. cards and evidences of insurance for a price? That is all some insureds want so it makes sense to only sell them what they effectively want, right? They really do not care about coverage, just proof of insurance. Do these particular insureds then even need an agent? What value does an agent selling pure price really provide that software cannot provide?

Consumers do get two benefits. First, they benefit from the agency's E&O policy when coverage proves inadequate. Second, they gain false comfort by believing the agent knows what they are doing.

Computer processing speed is so fast and powerful today that when combined with massive advertising, in most of this market, which is large, the agent is obviated. This is a fact. It is not an opinion no matter how much many readers may protest.

The I.D. card portion of the insurance market is already lost. Agents obviously still write this business, but the future is dire. The rest of the market can be saved if knowledge rather than price is sold. I hear many, many agents and association executives claiming we have to compete for this market, a market that does not care what an agent knows. If the market does not care what an agent knows, then they are not going to value the agent and therefore, the agent is obsolete to this market. Marketing the agents' knowledge to people that could not care less about agents' knowledge is just a waste of money, time, effort, and hope.

If agents want to make themselves viable, they have to bring value to the table and that value must be more than a price. Computers can bring price faster and cheaper than humans. The human value is knowledge. Fortunately a great percentage of the market still cares about buying from a resource that offers personal knowledge. Unfortunately, I see too many producers literally running away from knowledge. Here is the proof: When I ask producers why they do not use coverage checklists, they regularly tell me they do not use them because they're afraid the customer will ask them about a coverage for which they do not have knowledge! Think about this! They think the consumer values knowledge but they refuse to gain the knowledge they think the consumer wants! Those producers should just find another career.

Think about this a different way. Do you want a doctor whom, because he does not understand cardiac medicine, refuses to test or discuss cardiac issues? These consumers want to buy from a professional who understands their needs and can match their needs to the prices AND products available. At this moment, only professional independent agencies can do this. These people and businesses are the market. Do not run away! Embrace this market and gain the knowledge required to meet this market.

A key difference between the younger generation and older generations in the industry is that knowledge used to be less important because company underwriters knew much more and producers could rely on their underwriter's knowledge. Company underwriters today, as a rule, with some exceptions, do not know coverages nearly as well. Deficiencies create opportunity and this is a great opportunity because a majority of people never will expend enough adequate effort to gain adequate technical knowledge. Those that do gain extensive coverage and exposure knowledge will have a competitive advantage that will endure.

Moreover, much to the disbelief of some, Google does not offer all the answers. A consumer cannot competently look up coverages whenever they need and apply them correctly. Truly understanding coverages and forms requires a full understanding and context. This is what a large and important consumer segment and a huge proportion of the B2B segment clearly want from their agent so why not give them what they want just like so many agents are willing to give I.D. card shoppers what they want?

The alternative is that if knowledge is not advertised and emphasized, the rest of the market will eventually turn into commodity seekers too. Several new research studies suggest the small commercial market is already turning that direction. The small commercial market is the bread and butter of many agencies. Are you ready to lose those clients too?

Technical insurance knowledge is a great asset. Sometimes the people possessing the most of this asset are not the greatest salespeople and sometimes the best salespeople are just not geared to possess considerable insurance knowledge. This is no reason to ignore the opportunity and in fact, ignore the opportunity at your own peril because if you do not provide the client knowledge, someone else eventually will. Perhaps the best solution is to create a team which combines knowledge with sales skills. Creating a team may result in less commission to the producer but it will gain the producer more sales more than making up the difference.

Knowledge makes a positive difference. Gain and use knowledge or let the competition take advantage of your ignorance.

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