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Accenture Distribution and Agency Management Survey

Reimagining insurance distribution

High performance. Delivered.

Digital disruption transforms insurance distribution

A variety of well-documented, strengthening trends are causing insurance distribution to be transformed at an ever-accelerating pace. Carriers that are resisting the imperative to change are standing firm in the face of higher service standards, rising customer expectations, continuous digital innovation and a wealth of emerging opportunities for growth.

Arguably the greatest – and most disruptive – of these opportunities is the Internet of Things (IoT), which not only enables insurers to better understand their customers and improve their interactions with them; it is also driving the expansion of insurance beyond indemnification to real-time protection.

To gain a comprehensive perspective of insurers' responses to the disruption of their business and operating models, Accenture polled more than 400 senior executives at large and medium-sized life, P&C (both personal lines and small commercial) and multiline carriers in 20 countries (see About the Research on page 4). All are responsible for or involved in their companies' distribution and agency management functions.

The survey found that insurance companies are accelerating the shift to a radically different distribution model, where digital plays an increasingly important role in the majority of interactions, and agents' efforts are being refocused to add more value. Only one out of five carriers reject this model (Figure 1).

Respondents also reported that their organizations are, to an increasing degree, defining strategies or piloting or launching products and services that take advantage of the IoT. The momentum is evident in their expectation of a two- to three-fold increase in connected insurance initiatives over the next three years, not only in the more mature area of auto telematics, but also in homes and buildings, health and fitness monitors, and other wearables.

An analysis of the survey findings shows there are six key distribution-related areas insurers are concentrating on:

- Channel digitization
- Insight-driven customer experiences
- The changing role of the agent
- The future of aggregators
- The role of ecosystems
- The Internet of Things

Each of these demands clear strategies. Many of the forces that are shaping the future of insurance are beyond the control of insurers. They include customers' demand for 'living services' that are designed around the needs of individuals as opposed to generic services defined by an organization for mass consumption (see page 3). A dizzying succession of technological and other innovations are also challenging the traditional insurance business model.

Insurers need to move beyond a succession of pilots and commit to their chosen business and distribution models in ways that will deliver profitable growth for the future. The decisions they make today will determine not only the kind of customer experiences they will provide to remain competitive, but in fact the kind of businesses they will be in the years to come.

Figure 1: Insurers' progress toward distribution transformation

Q: What progress have you made towards having a wholly digital sales process, using human interactions only for customers needing advice?

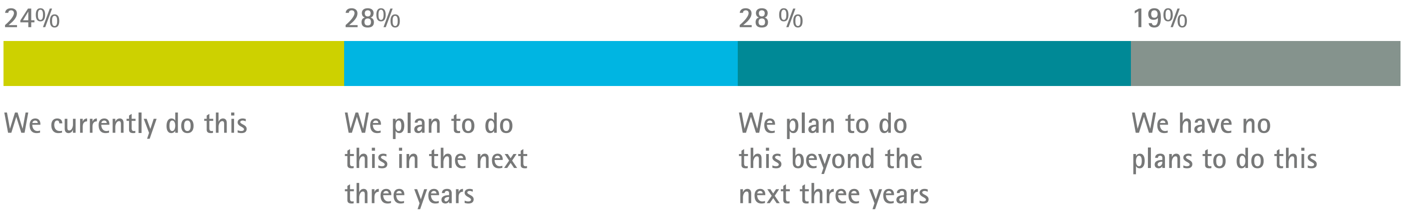
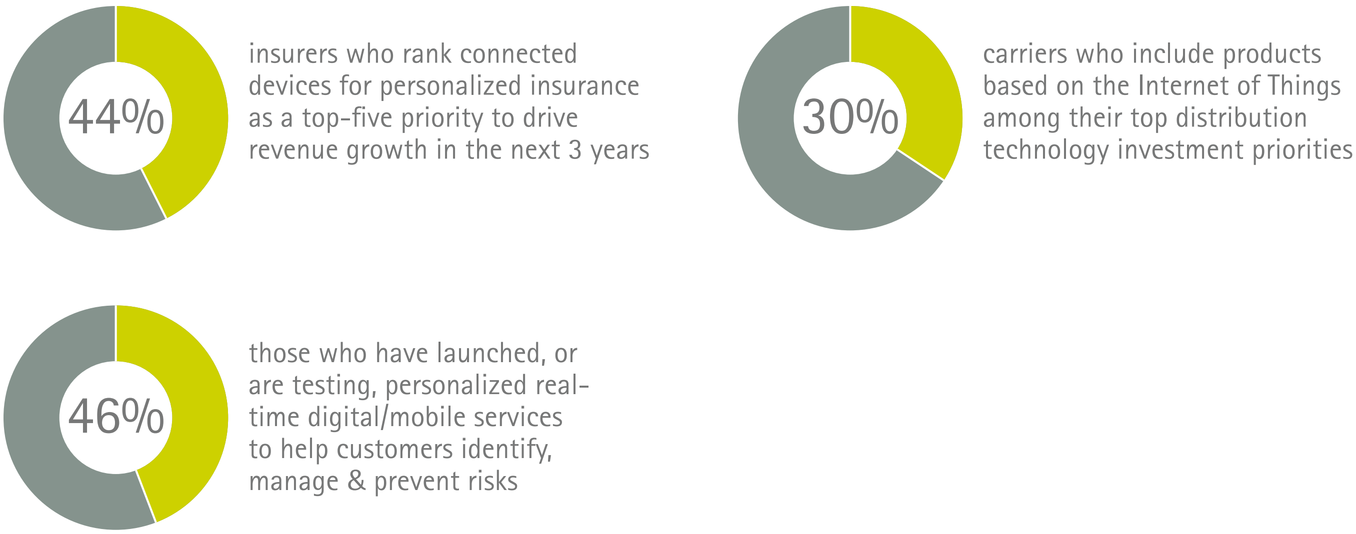


Figure 2: The Internet of Things is being targeted as an important growth opportunity



What are "living services"?

Living services are the result of two strengthening forces: the digitization of everything and 'liquid' consumer expectations.

Living services respond by wrapping around consumers, constantly learning more about their needs, intents and preferences, so that they can flex and adapt to make themselves more relevant, engaging and useful. Consumers demand this now as the standards are being set by leading providers across the entirety of their experiences, not restricted by sector – hence liquid expectations.

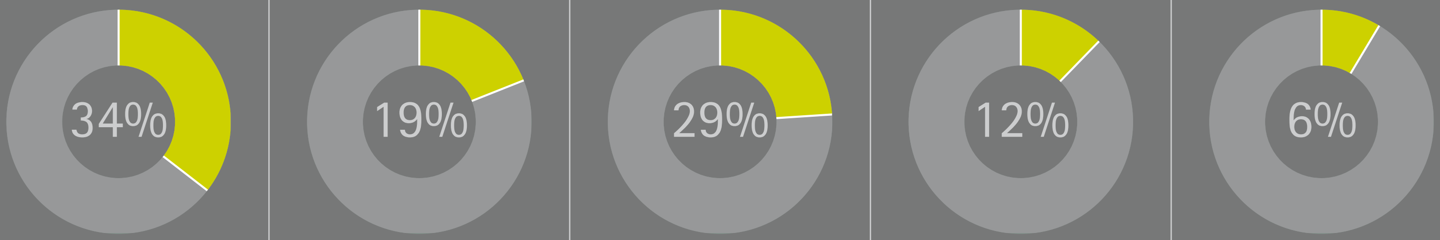
Accenture thinks of this time as the era of living services. Over the next five years, sensors, the cloud, connected smart devices and real-time analytics will combine to deliver a new layer of connected intelligence that will revolutionize the ability of insurers to offer interesting and increasingly indispensable digital services to consumers.

To learn more about living services and how they are likely to transform the world of service provision, read the Fjord report: **The Era of Living Services.**

About the research

414 insurance executives surveyed in Europe, North America, Asia Pacific and Latin America from July to October 2015

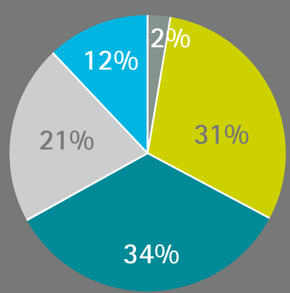
Executives interviewed



Head of Marketing | CIO | Head of Distribution and Sales | Head of Brokerage | Chief Digital Officer

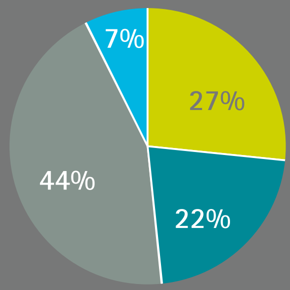
Europe	**191**
Austria	5
Belgium	6
Germany	20
Denmark	5
Finland	6
France	29
Italy	32
The Netherlands	7
Norway	4
Spain	21
Sweden	8
Switzerland	8
Turkey	10
UK	30
Latin America	**30**
Brazil	30
APAC	**90**
Japan	30
China	30
Australia	30
North America	**103**
US	73
Canada	30
Total Sample	**414**

Respondents by Premium Income



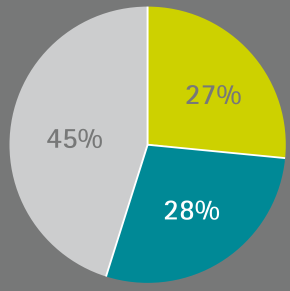
- Less than $1bn
- $1bn-$2.9bn
- $3bn-$4.9bn
- $5bn-$9.9bn
- More than $10bn

Respondents by Region



- North America
- Asia Pacific
- Europe
- Latin America

Respondents by Line of Business



- Life
- Property & Casualty: personal lines & small commercial
- Multiline

1. Channel digitization: shifting roles

Insurers are moving steadily toward a digitally-enabled omnichannel distribution model. Every stage of the sales process is affected, from discovery of information through to advice and purchase (Figure 3).

Today, 32 percent of property and casualty personal lines insurance sales advice and quotes are provided through digital channels. The figure for life insurance is 27 percent. Both are expected to increase by approximately 10 percentage points in the next three years. This trend also extends to small-commercial insurers, who expect 38 percent of quotes to be delivered digitally and almost one quarter (24 percent) of sales processes to be fully digitized from end to end in the next three years.

Notwithstanding this shift, most insurers expect physical channels to endure in the digital age. They envisage a vital role for agents and brokers, albeit one that is markedly different than that which most of them fulfill today (see page 7). They are examining how best to reposition the agent channel in a transforming sales and service environment, and are giving a lot of thought to which interactions should take place online.

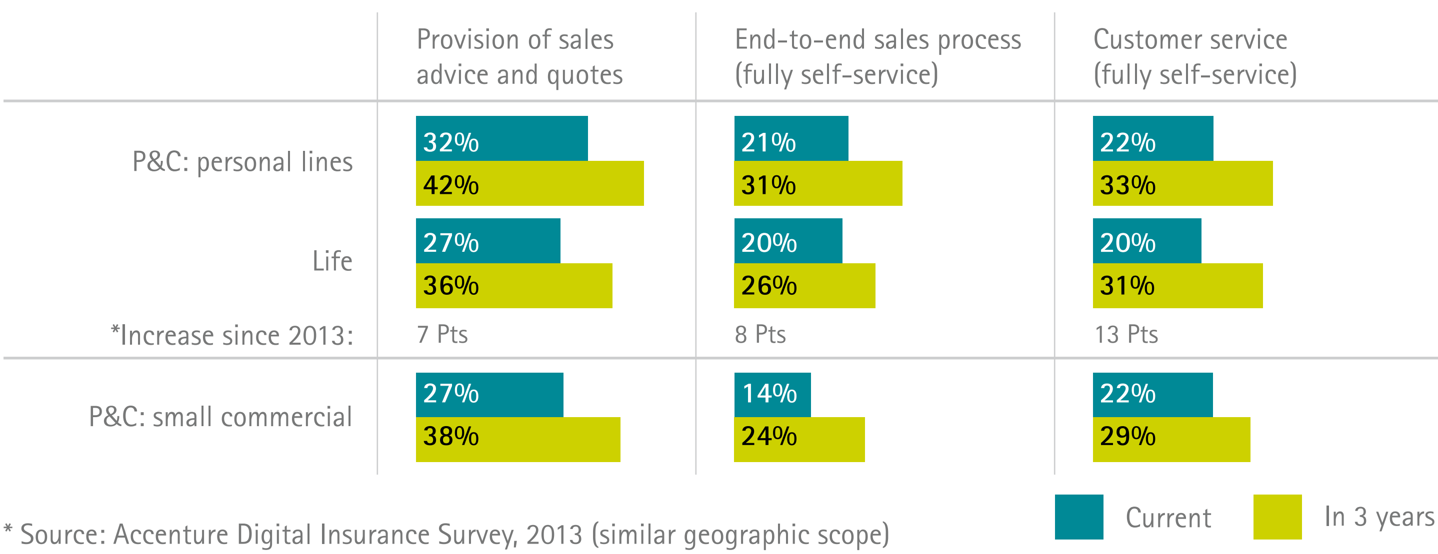
The trend to digitization is most notable on the services side of distribution. Over the last couple of years, insurance companies have been investing in their processes to make their services more available to customers. This has been driven not only by customer expectations and a desire to increase their convenience and control, but also by the need to reduce distribution costs. Key features of this trend have been a renewed focus on the contact center, the redirection of agents to handle more complex service transactions, and a continued shift toward a full self-service capability.

"We're seeking to engage more directly with customers by learning about the types of things they may be interested in through data we build over time. We can then deliver relevant pieces of knowledge to them to add value, without necessarily trying to sell them something in the moment."

Keith Bexell, Vice President, Chief Operating Officer of Individual Insurance, Prudential

Figure 3: The current and expected share of digital channels in the sales process

Q: What proportion of the following sales- and service-related functions do you currently provide digitally as opposed to via other channels – and what proportion do you expect in three years' time?



* Source: Accenture Digital Insurance Survey, 2013 (similar geographic scope)

2. Insight-driven customer experiences: striving for intimacy

To an increasing degree, insurers are moving from a product-focused sales process to one that is intimately grounded in the needs of the customer. Sixty-three percent of survey respondents cited the move to needs-based selling as a high priority.

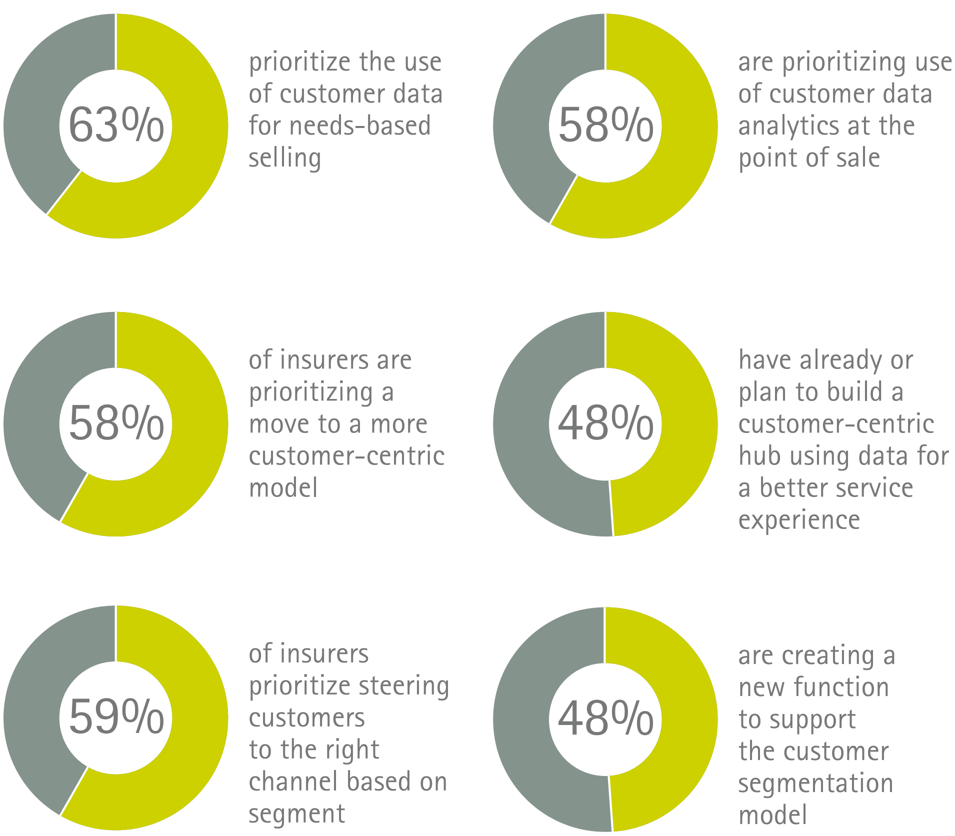
In order to accomplish this shift to customer intimacy, insurers are recognizing the need to have customer-centric capabilities within their organizations – 58 percent are prioritizing the move to a more customer-centric model. Just under half already have or are planning to build a customer-centric hub, while 60 percent are prioritizing the creation and extension of their omnichannel capabilities to provide a seamless and responsive customer experience across all channels. This is a significant shift from the single interaction channel of old, when the customer experience was often 'outsourced' to the agent or broker.

Recognizing that mastering customer data is the key to providing relevant and personalized experiences, 41 percent of survey respondents rank the improvement of their data and analytics capability as their top distribution technology investment priority.

Following on from that, a large percentage of insurance companies are developing customer segmentation models – and setting up functions to support these models – to move beyond their traditional product strategies and toward a more customer-centric strategy. This in turn is enabling them to flex their experiences in ways that make them more effective for the respective customer segments.

Mastery of data and analytics is also critical to understanding the potential value of individual customers, the right channels to reach them, the right time to engage, and the right offers and messages to use. These in turn enable both marketers and agents to better apply their time and resources.

Figure 4: Insurers' commitment to customer intimacy



"We're using predictive analytics to understand and anticipate the needs individual customers may have and how we can best support them. It means advisors are responding directly to customers' evolving needs."

Paul LaPiana, Executive Vice President, MetLife Premier Client Group

3. The changing role of the agent: adding value in an omnichannel environment

As most insurers shift to a digitally-enabled omnichannel distribution model, they are rethinking the roles they expect their physical channels to play.

Today, nearly two-thirds of carriers are giving high priority to refocusing their physical channels to those stages of the sales process where they can add the greatest value. They want agents and brokers, for example, to increase their cross-selling and sell more profitable products. They also place a high value on agents improving their advisory skills with regard to complex products, and enhancing their sales interactions with customers across multiple channels.

In order to achieve and sustain these changes, carriers are re-evaluating their remuneration models – 44 percent are in the process of restructuring their compensation, while a further 35 percent are in discussions about it. Figure 6 shows the behavior they are prioritizing.

Carriers are also targeting a different set of skills when they recruit agents for the omnichannel era. For example, 50 percent of survey respondents expect that their agents, in three years' time, will be able to use digital and social media effectively for marketing, prospecting and lead qualification. They will also screen new candidates for their ability and willingness to cross-sell, provide complex advice and build a strong rapport with customers.

Finally, insurers plan to equip their agents with the tools they need to perform their new roles. In addition to enabling them with tablet apps, 57 percent of carriers are providing customer data analytics at the point of interaction to help agents close the sale. Customer data is also used for segmentation, enabling prospects to be steered to the channel that best suits their needs (a priority for 58 percent of respondents).

> *"We think it's going to be difficult for a lot of agents to remain relevant if all they do is personal lines. Some will be big and innovative enough to still make a go of it, but we believe we have to help our agency partners diversify."*
>
> *Ron Kerr, Vice President of Multi-Channel Customer Experience, Agency and Field Solutions, Nationwide Insurance*

Figure 5: Insurers are determined to change agents' behavior

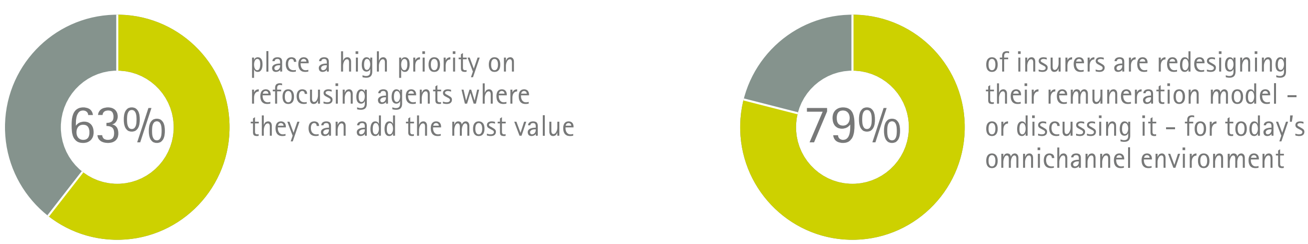


Figure 6: Insurers plan to incentivize the agent behavior they require

Q: How strongly will you incentivize your sales agents for the following behavior in 3 years' time?

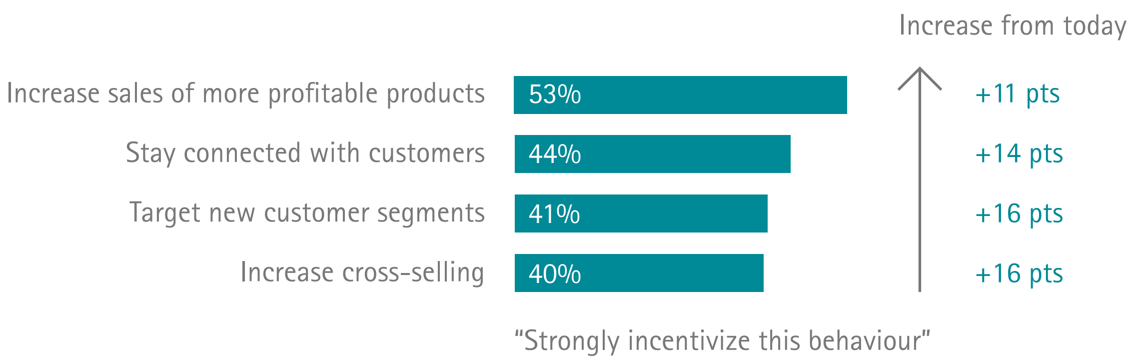
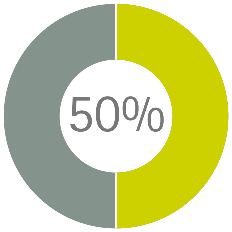
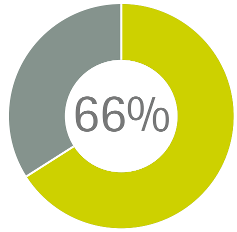


Figure 7: Insurers expect agents to perform more valuable roles



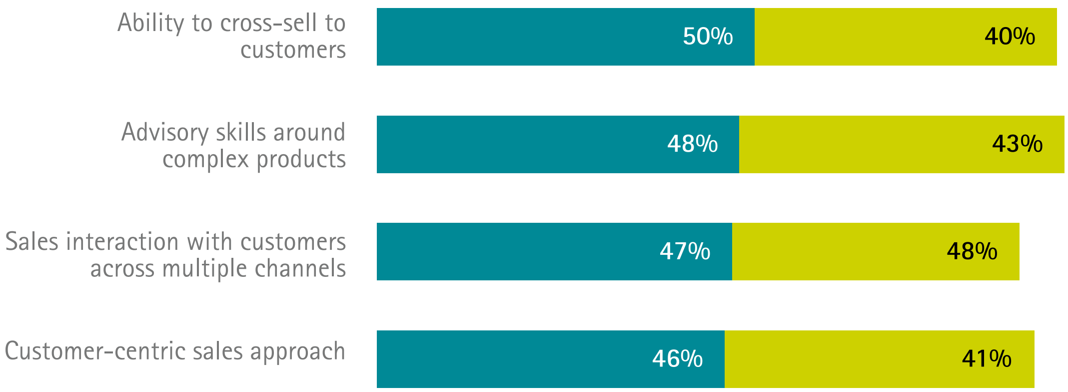
expect agents, in three years, to use digital and social media more effectively for marketing, prospecting and lead qualification



are prioritizing digital enablement of the salesforce with new tools (e.g. tablet apps) to improve sales and distribution process management

Figure 8: Insurers are seeking agents with different skill sets

Q: Which sales skills are the highest recruitment priority to ensure you are competitive in three years?



4. The future of aggregators: strategies for engagement

As insurers rethink their distribution models for the digital age, aggregator platforms – which allow consumers to access and compare insurance products from across the market – are expected to be an increasingly important part of the channel mix. As Figure 9 shows, respondents foresee that more consumers will use the service, especially at the early stages of the sales process such as information discovery and quote generation.

As a result, a growing number of carriers are adopting strategies for engagement. Fifty-one percent are considering low-cost product sets specifically for aggregators, either as part of their main brand offering or under a sub-brand. The proportion of those favoring the use of a sub-brand is expected to increase from 42 percent currently to 55 percent in three years, with a further 20 percent responding "Perhaps / don't know" regarding their future strategy. Fifty-seven percent are thinking of launching their own aggregator service.

The approach to aggregators varies significantly by geography and line of business (Figure 11). For example, 83 percent of UK insurers are weighing the merits of launching their own comparison site, as opposed to 45 percent elsewhere in Europe, 60 percent in the US and 57 percent in Asia Pacific. Life carriers are more open to this approach than their P&C counterparts.

Irrespective of insurers' views on the role of aggregators, it seems they are here to stay. We believe insurers should view them as an additional distribution channel with its own distinct characteristics, and consider strategies for making the most of the channel.

For insurers in markets with low aggregator penetration, an important lesson from the UK is that carriers that are open to working in concert with aggregators can create mutually beneficial value propositions that enable the customer with both transparency and high quality products.

Some insurers are planning to embrace the model; others are more tentative – the survey findings reveal considerable uncertainty about the future of aggregators and how insurers should respond to them. A few are participating on an experimental basis, to measure consumer sentiment, test the system and explore ways of optimizing their involvement. Whichever strategy prevails in the future, it is unlikely aggregators will be ignored.

(For a more in-depth perspective on this topic, see our report: Coming to Terms with Insurance Aggregators: Global Lessons for Carriers.)

"When a customer visits an aggregator site, we build the premium based on more than 200 different variables that we calculate in a split second with our algorithm. If we want the customer, we bring in a premium that's very competitive — we even know when a well-known brand is competing, so we will then offer a tailored, cheaper price to that customer."

Frank Cooler, CEO, Intrasurance Group

Figure 9: The increasing role of aggregators

Q: What percentage of the distribution of your products currently happens through aggregator sites, and will happen in three years' time?

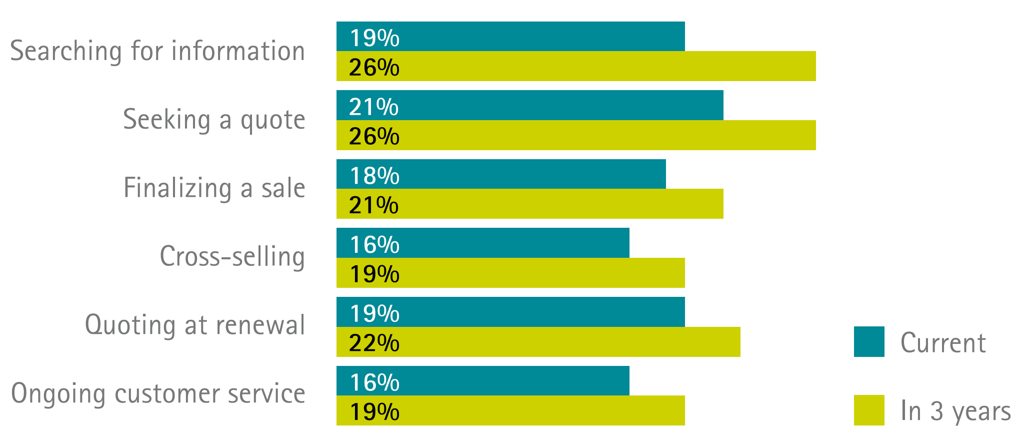


Figure 10: Tailoring the approach for aggregators

Q: Does your organization work with aggregators today under its main brand or under a sub-brand, and does it intend to do so in three years' time?

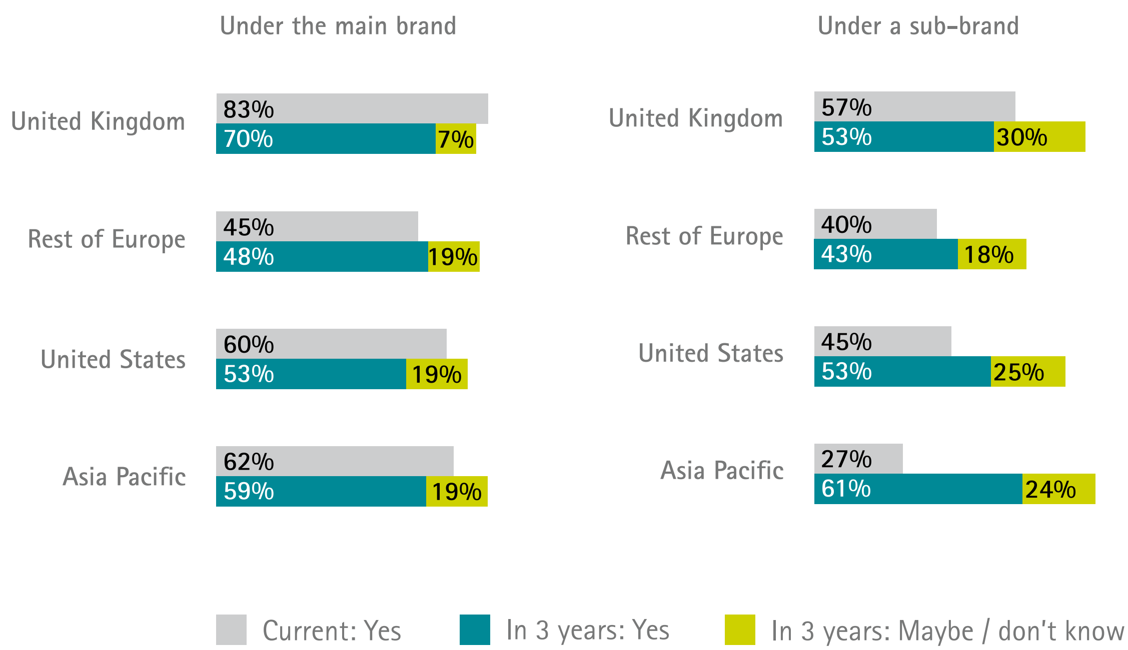
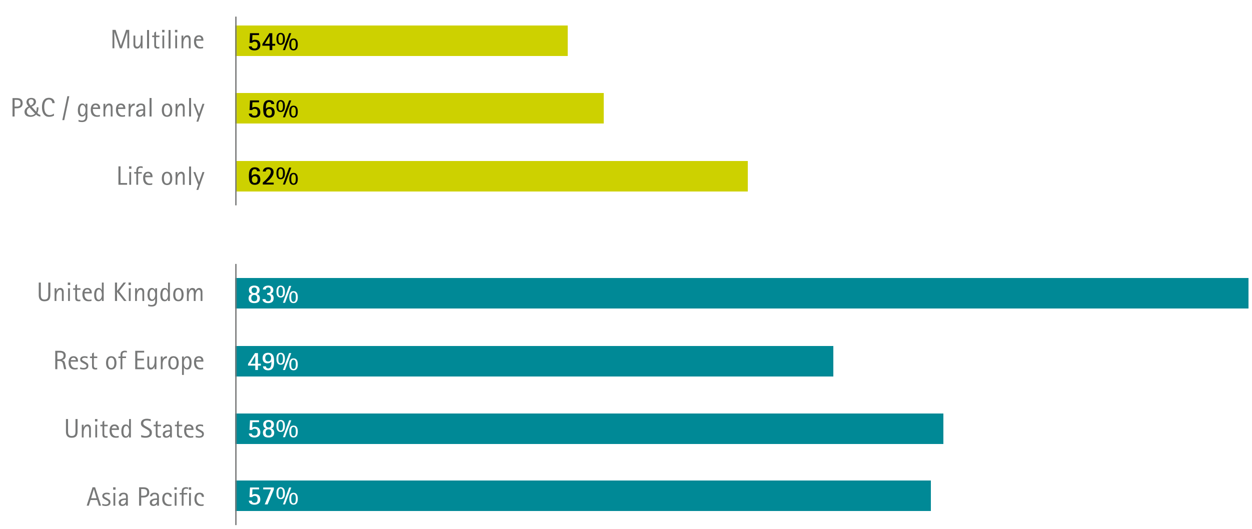


Figure 11: Insurers are considering setting up their own aggregator sites

Q: Which options is your organization considering regarding the use of aggregators?
A: Setting up your own aggregator site to sell your own and other products.



5. Ecosystems: end-to-end buying experiences

To offer their customers a broader range of relevant products and services, leading insurers are creating or joining new ecosystems that transcend industry boundaries and facilitate end-to-end buying experiences for customers. Forward thinking insurers will leverage these new ecosystems to usher in the era of 'living services', creating greater engagement and relevance across every customer touchpoint.

Such collaboration is a widespread ambition. In our survey, 40 percent of insurers are either already partnering with non-insurance companies to offer customers a broader range of products and services, or regard it as a high priority.

In addition to collaborating with more established players in other markets, leading insurance carriers are teaming up with start-ups or other players outside the sector to speed up digital innovation. Nearly half of our survey respondents said they are either already doing this, or that it is a high priority for them (Figure 12).

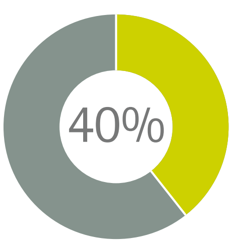
It is increasingly obvious that insurers cannot meet and exceed their customers' expectations alone. The industry front-runners do not intend to. They are reaching out to new partners to rapidly expand the services they can deliver for customers and to provide them with end-to-end buying experiences.

"We want to be an ecosystem in which we could be seen as a platform and other partners can be creating value around the platform. We have to be open in terms of our culture and mind-set to make this work, as well as opening up our architecture."

Demetrio Migliorati, Head of Digital Workplace and Innovation, Banca Mediolanum

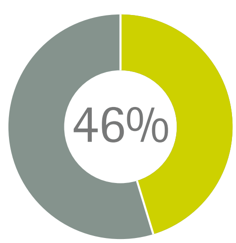
Figure 12: The future of insurance lies beyond insurance

Goal: Offer customers a broader range of relevant products and services



of insurers are already partnering with non-insurance companies, or regard this as a high priority

Goal: Look externally to drive digital innovation



are working with start-ups and external partners, or have prioritized this

6. The Internet of Things: the next big game-changer

The IoT is just one example of the rapid digitization of insurance distribution. While much of the early attention was directed at vehicle telematics, there has in the past 12 months been a two- to three-fold increase in the number of IoT-related products, services and pilots focused on homes and buildings, health and fitness, and other wearable (Figure 13).

Leading insurers view the disruptive impact of the IoT as an unprecedented opportunity to drive growth. It offers the potential to move up the value chain, from providing indemnification for a negative event – a loss that has occurred – to a more proactive, positive role where they continuously help customers prevent the loss.

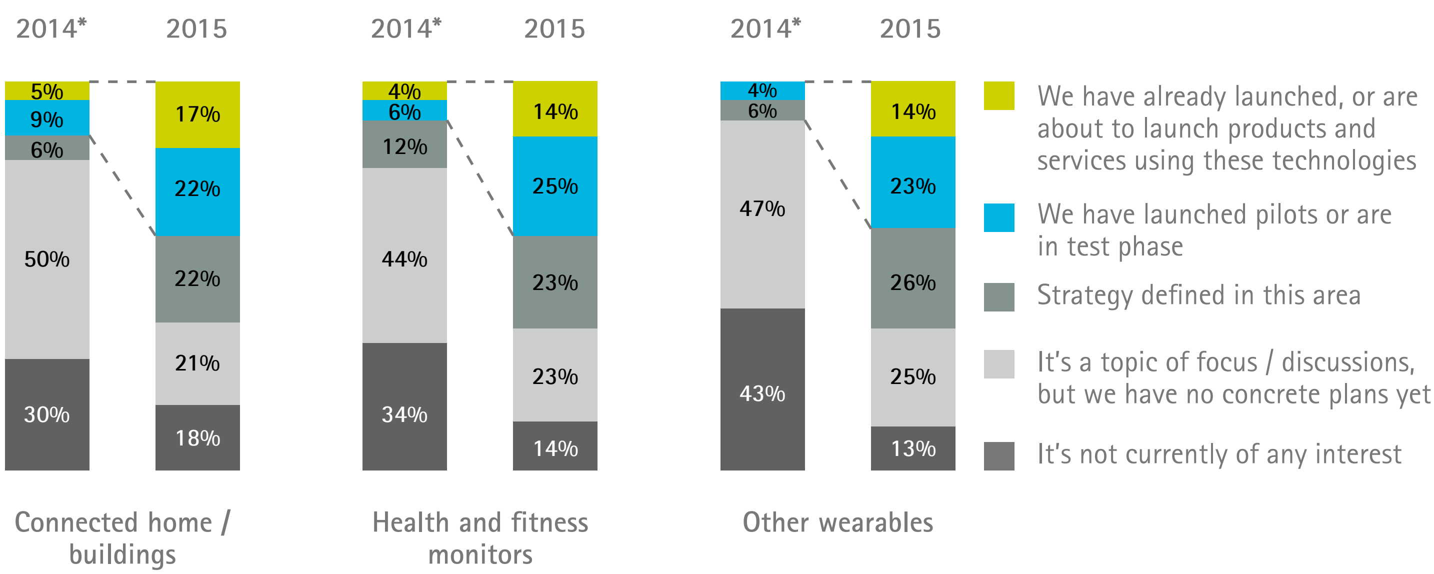
Many of the larger commercial carriers already offer their customers a risk management service. However, the proliferation of lower-cost networked tracking devices is transforming this service from one based on occasional inspections to a much more valuable service that includes real-time monitoring and instant alerts.

"We're definitely excited about the potential of the IoT. Already, any smartphone user has got a motion sensor, GPS, and a step counter with them at most times. At some point you will be able to create behavior profiles that are incredibly valuable when it comes to risk-pricing that particular person."

Alex Koslowski, Head of Consumer Proposition, Royal London Group

Figure 13: Many insurers are planning, or have launched, new connected insurance products and services

Q: How far, if at all, has your company progressed with these IoT-related connected insurance initiatives?



* Source: Accenture Digital Innovation Survey 2014

Digital Transformers are leading the way

As in any industry, there are a few insurance companies that have a clearly developed vision of the future of their business and are investing in their transformation to realize that vision. We call these carriers the Digital Transformers, and they comprise 28 percent of our survey sample.

Most of the Digital Followers are also investing in digital channels and other technologies. But their aim is less to transform than to explore digital capabilities and to enhance existing products, processes and efficiencies. The difference is highlighted by Figure 14, which shows the extent to which Digital Transformers are outpacing their slower competitors.

Across each of these dimensions, the front-runners show an appreciation of the disruption confronting the industry and the opportunities it presents. They are well ahead in deciding on their course of action and embarking on the first steps of their transformation. A good example is their response to the IoT, where the majority have launched connected insurance initiatives or are planning to do so (Figure 15).

Figure 14: Digital Transformers lead the way across most dimensions of digital transformation

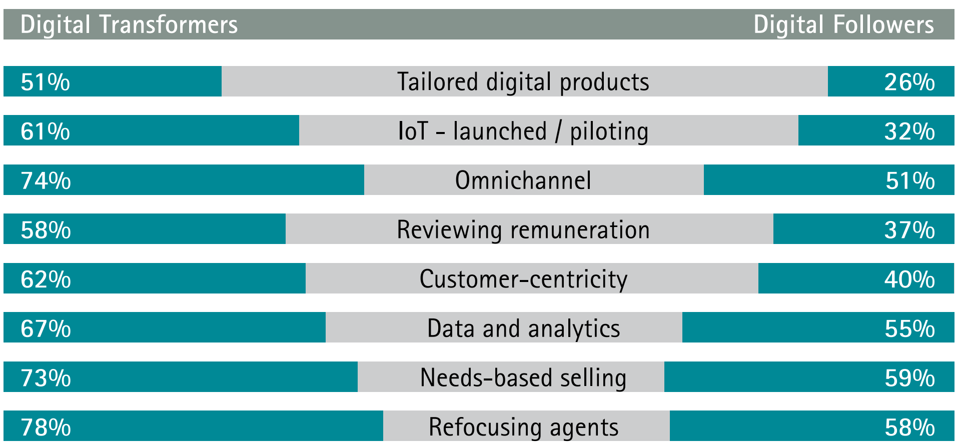
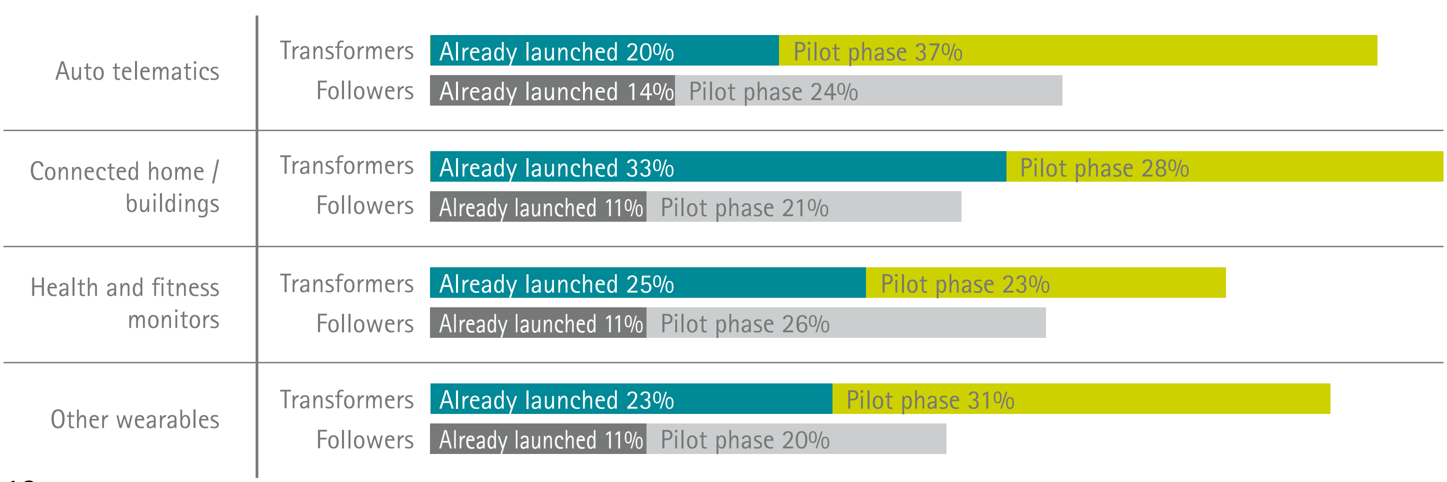


Figure 15: Digital Transformers are quicker off the mark in capitalizing on the Internet of Things

Q: What stage, if any, has your company reached with regard to the following digital technologies?
A: Already launched or about to launch; or have launched pilots.

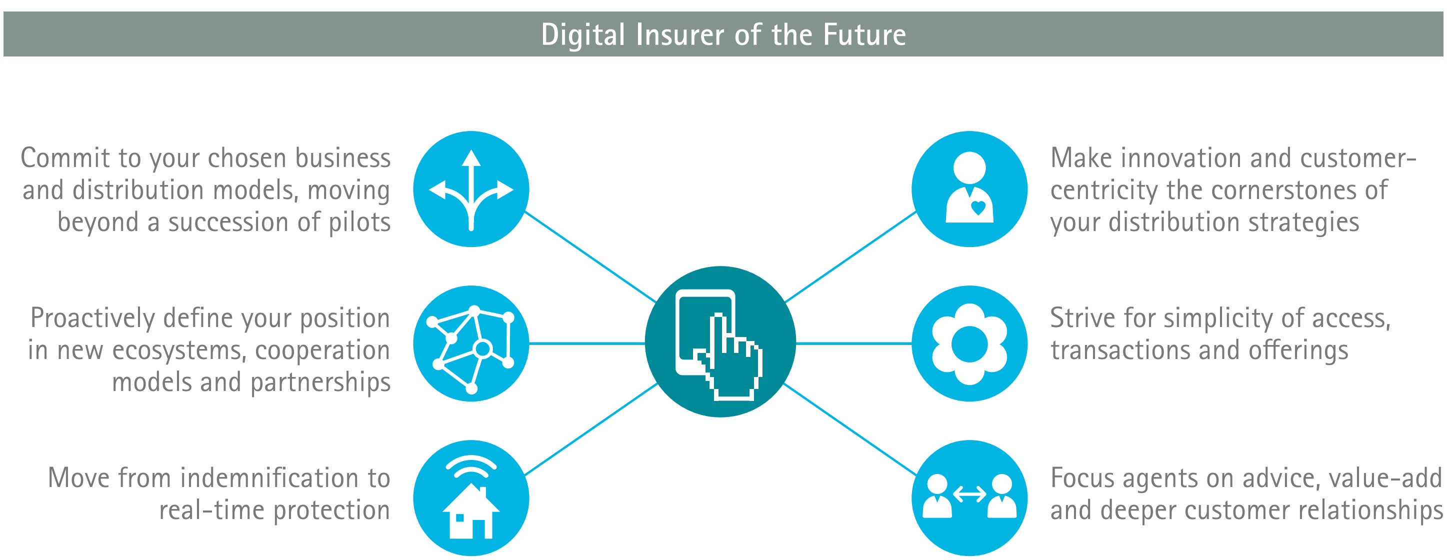


Recommendations: becoming a digital insurer of the future

A shift is underway in the insurance industry. Rapid, disruptive change is putting pressure on traditional sales and distribution models. Insurers have an opportunity to address each of the six areas outlined in this report, proactively positioning themselves as disruptors rather than trying to defend their current positions and their legacy business and distribution models. Figure 16 summarizes our recommendations.

Figure 16: Become a disruptor, rather than a casualty of disruption

Insurers need to move swiftly and assertively, examining the six key issues and adopting a clear position on each.



Commit to your chosen business and distribution models

The level and pace of change mandates a strategy of active investment in new and emerging technologies and business models. Pilots are an indispensable step in the process, but insurers need to move beyond successive waves of experimentation – they must seize the moment and commit to the products, models and partners that will take them to the next era.

Not all of these initiatives will deliver the hoped-for results. However, the secret to long-term success is having the agility to react efficiently, abandoning the losers and capitalizing on the winners.

Make innovation and customer-centricity the cornerstones of your distribution strategy

In a marketplace where product features and benefits are easily copied and price is often the primary selection criterion, does an investment in the customer experience yield a sufficient return? We believe, in fact, that customer-centric innovation is the best defense against commoditization and a solid bulwark against price competition.

Advances in data and analytics are enabling insurers to develop customer segmentation models that allow them to better define customer strategies in addition to brand or product strategies. They also enable them to leverage customer insights at the point of interaction, helping them tailor the customer experience and better meet customer needs through more relevant customer engagement.

In addition, the advent of the IoT and the proliferation of ecosystems are enhancing the customer experience by offering new opportunities for value-added engagement: a steady stream of novel benefits, bundled into 'living services' that appeal to customers on a higher level than insurance on its own ever could.

Proactively define your position in new ecosystems, cooperation models and partnerships

Partnerships are increasingly important to insurers' long-term innovation and growth prospects. The spate of announcements of surprising new alliances leaves no doubt: the race is on to secure the most eligible partners.

To be seen as a desirable partner, carriers need to enhance their credentials: improve their digital capabilities, optimize their architecture for cross-sector integration, and develop their partnering skills to secure a favorable role in their ecosystem of choice.

Large carriers with strong brands and wide product ranges have a built-in advantage, as they are able to offer more to the group. Those with strong capabilities relating to customer-centricity, customer data management and contact centers will also be welcomed. These attributes will be important counters to the perception that insurers lag their ecosystem partners with regard to innovation, and customer trust and service. Carriers with a heavy dependence on agents also have to overcome the assumption that their service capability lacks industrialization.

The ability to demonstrate a high degree of customer-centricity and advanced digitization will not only increase insurers' chances of participating in the more powerful ecosystems, but will gain them a more prominent and influential role.

In defining the role that insurers will play in ecosystems, four key questions are critical:

- Whose brand will own the customer experience?
- How broad or narrow will the offer be - will it be just indemnification, will it include protection, or will it be something even broader?
- Who will have access to the customer data and insights that can be derived from the customer experience?
- What are the competitive dynamics? Will there be a single insurer in the consideration set or more than one?

Strive for simplicity of access, transactions and offerings

The customer experiences that insurers provide are judged not against those of rival carriers but rather their 'experiential competitors' – the innovative platform-based service providers like Amazon and Uber that have made simplicity their mantra.

For this reason a senior executive at a global Europe-based carrier said at Accenture's Insurance Day conference in Milan that the group had recently embarked on a very complex program of digitalization. But despite the complexity, the over-riding goal was simplicity. Insurers need to identify and eliminate every element of the omnichannel experience that causes friction and customer effort.

Innovation, ecosystems and the IoT are just three aspects that are adding layers of complexity to insurers' business and operating models. They cannot be an excuse for making the customer experience more complicated.

Focus agents on advice, value-add and deeper customer relationships

If it is a given that agents' roles will change, the obvious question is: what should they be? A wide array of new technologies is helping relieve agents of many routine, low-level tasks. This allows them to focus on higher-value tasks such as deepening their relationships, developing multi-product solutions for customers and advising them on more complex issues.

However, there are constraints. Agents with large books of business lack the ability to identify the customers who represent the greatest value to them. The effective implementation of customer analytics at the point of sale could significantly improve these agents' productivity.

Skills are also an issue, and carriers need to seek out sales personnel with the ability to work across multiple channels. Their ability to up-sell and cross-sell is also increasingly important.

Most carriers recognize they cannot change their agents' behavior without changing their incentive and remuneration structures. Experience has shown there is more to this than simply using a different carrot. It can also take time to confirm that new incentives are failing – or having unintended, perverse consequences. Experience in performance management will help ensure that incentives deliver the desired results, while supporting it with advanced analytics will help quantify the return on investment and enable a 'test and learn' approach to agent management.

Move from indemnification to real-time protection

In a market where indemnification is becoming increasingly commoditized and price sensitive, carriers should welcome the opportunity to expand into protection services. By enabling cost-efficient individual monitoring, in real time and at scale, the IoT is likely to be a game-changer for the insurance industry – not only in transportation, where most of the early attention has been focused, but also in homes and buildings, life and health, and operations.

Numerous organizations with strong brands have started to invest in the IoT. The potential roles range from the traditional carrier with a connected insurance offering, to a risk manager offering access facilitation and/or solution integration, and a risk advisor providing continuous personalized protection. In all cases a connected insurance platform, digitized back-end and transactional systems, and advanced data / analytics and partnering capabilities are required; as carriers move up the protection maturity curve, the more sophisticated, integrated and digitized their capabilities will be.

The gaps that confront most carriers today – that would need to remedied to become a successful connected insurer – include:

- Effective ecosystem orchestration and the seamless connection of all partners;
- The ability to gain the necessary, actionable insight from a constant flow of IoT data;
- The establishment and management of a connected insurance operating model.

Transforming to secure the future

The pace at which insurance distribution is transforming is accelerating. New competitors with novel offerings, and a steady flow of technological innovations, are reshaping customers' expectations and changing the traditional insurance landscape. To remain viable, insurers too must change.

Some carriers are responding with conviction. Others are more tentative, hoping the wise course of action will become obvious in time. Many are reacting to the disruption by seeking to defend their legacy business and distribution models. Their more successful peers are becoming disruptors in their own right.

The one thing we know for certain is that the insurance company of tomorrow will be different than it is today. Transformation is inevitable. The question facing every insurer is: do we dictate the nature and pace of our transformation, or do we allow others to set the agenda?

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Accenture Research is Accenture's global business research team with over 180 professional researchers across 22 countries. The team has experts in industry, technology, financial, survey and economic research. For more information about this research, please contact André Schlieker (andre.schlieker@accenture.com or Mélina Viglino (melina.viglino@accenture.com).

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