

DELOITTE POLL

Producers Seek More Input, Tech Support, Better Compensation In Satisfaction Survey

While mostly happy with insurer performance, opportunities seen for competitive edge

BY SAM FRIEDMAN

WHILE THE MAJORITY of producers appear to be basically satisfied with many key aspects of their dealings with carriers, there is still plenty of room for improvement—particularly when it comes to giving agents and brokers meaningful input on insurance company activities, as well as better compensation and tech support, a new survey conducted exclusively by Deloitte for *National Underwriter* reveals.

The Producer Satisfaction Survey of 1,596 qualified agents and brokers by Deloitte’s Insurance Industry Group—conducted in partnership with *National Underwriter*—explored “nine experience attributes that could impact a producer’s decision to increase business or sign on with property and casualty carriers,” Deloitte noted.

The survey identified a trio of “core” attributes characterized as “very important” by over 60 percent of producers surveyed—products and coverage (71.5 percent), claims handling (62.9 percent), and policy pricing (62.5 percent).

There were also a series of “differentiating” attributes ranked as very important by between 40 percent and 60 percent of producers—those being financial strength (57.1 percent), overall relationship/business support (55.1 percent), and technology to ease work flow (47.5 percent).

Deloitte explained that while “core” attributes are necessary for a producer to even consider doing business with a particular carrier, “differentiating” attributes provide opportunities to establish longer-term, competitive advantage.”

“Understanding what is important to producers, and then meeting or exceeding these expectations, is a key to carrier growth over the long term,” said Rebecca Amoroso, Deloitte’s U.S. insurance leader.

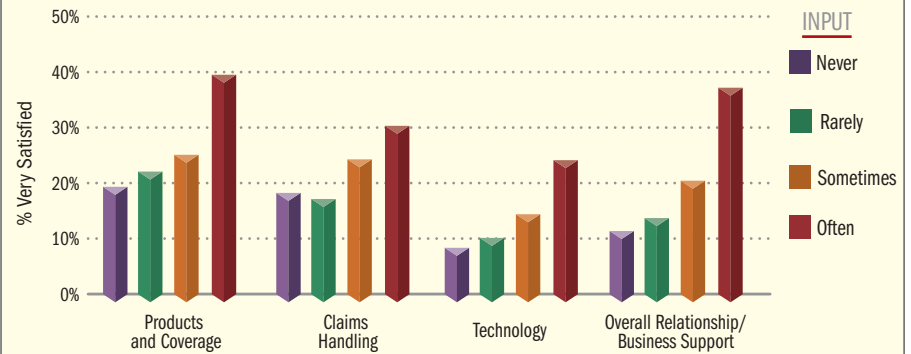
Then there were what Deloitte called

“ancillary” factors, which less than 40 percent of producers felt to be very important—compensation, in terms of fees and commissions (34.5 percent), carrier brand/reputation (29.1 percent), and the availability of risk or loss control services (20.9 percent).

accounts, real-time processing and download of key customer information to agency management systems. (Deloitte noted that “surprisingly, only a small percentage of producers found social networking technology important, despite its growing use among consumers.”)

KEY POINTS

FREQUENCY OF INPUT SOLICITED VS. SATISFACTION



Source: Deloitte Development LLC

▶ **DELOITTE’S SURVEY FOUND** that the more input sought from producers on various key issues, the happier the agent or broker is doing business with them.

Among the “core” attributes, the survey found that the most important features are:

- ▶ Competitive pricing, timely delivery of policies and ease of customization (for products and coverage).
- ▶ Paying claims promptly, adjusting claims fairly and timely notification of a customer-filed claim (for claims handling).

Among the attributes that “differentiated” carriers, the most important features are:

- ▶ Customer retention, personal interaction with carriers and having a dedicated underwriter (for overall relationship/business support).
- ▶ Technology providing automated underwriting for small personal or commercial

Overall, the good news, according to Deloitte, is that “as a percentage of the overall sample, the number of producers who said they are either satisfied or very satisfied with attributes they find important/very important is high. This indicates that carriers are generally doing a good job delivering value on those attributes that matter to producers.”

Indeed, “80 percent or more of producers indicated they are either satisfied or very satisfied with six of the nine attributes,” Deloitte reported—those being financial strength, products and coverage, overall relationship/business support, brand/reputation, policy pricing and claims handling.

However, Deloitte noted, “although the majority of producers indicate high satis-

faction levels with many aspects of their relationships with carriers, a closer look shows that there are still many opportunities for carriers to drive stronger relationships with producers.”

One of the biggest problems identified by the survey is that “carriers do not routinely seek input from producers into key business activities,” such as marketing initiatives, product development, technology, claims and integration of distribution channels, Deloitte found.

“Qualitative evidence suggests that producers would like carriers to view them as partners and to jointly develop business strategies,” Deloitte observed, while warning that “true partnership would require greater consistency and commitment from carriers.”

Proactive carriers could seize a competitive edge, according to Deloitte, based on another survey result indicating that “the more frequently carriers seek input from producers, the more satisfied producers are.”

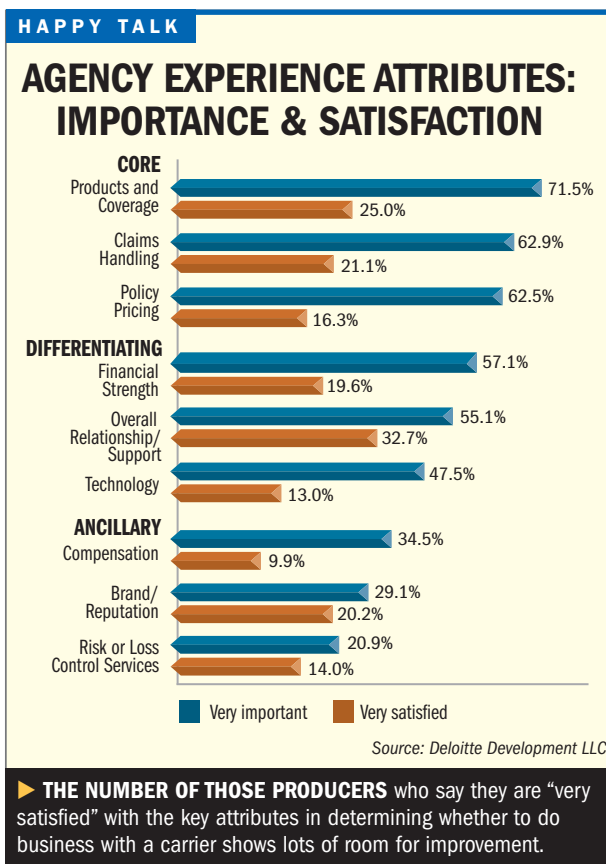
For example, of those who said that carriers often ask for their input into marketing activities, 36 percent said they were very satisfied with the overall relationship and support they received from their insurers, compared to only 11 percent for those who said they were never asked for input—a 25-percentage point lift.

Indeed, Deloitte suggested, “carriers can leverage this insight to drive greater satisfaction levels and build true partnerships in the future.”

The survey also found that 12 percent of producers are either dissatisfied or very dissatisfied with their compensation. Indeed, only 9.9 percent said they are very satisfied with what carriers are paying these days.

Insurers might also boost producer satisfaction with better tech support, as only 13 percent said they were very satisfied with current carrier technology.

There is opportunity for improvement and competitive advantage even in the many areas where producers indicated they



are relatively happy with their carriers’ performance, the survey found.

with the commission-based compensation they’re earning on policy sales. ■

While 80 percent or more of producers surveyed are at least “satisfied” with many of the key points of distinction among carriers, the numbers shrink dramatically when you break out those who are “very satisfied,” leaving a gap that could be exploited by a superior performer.

For example, in these economically challenging times, the survey found that only one-fifth of producers are very satisfied with their carriers’ financial strength.

Only one-quarter of producers are very satisfied with their carriers’ products and coverage, along with about one-fifth on claims handling and brand/reputation. Only one-third are very satisfied with their overall relationship with carriers.

Only 16.3 percent said they are very satisfied with the prices they are getting for policies—which, in a relatively soft market like this, might explain why less than 10 percent are very satisfied

FEAR FACTOR

Producers Brace For Competitive Threats

BY SAM FRIEDMAN

PRODUCERS ARE feeling the heat in this tough economy, expecting buyers to cut back on coverage, push harder for the best price and go bare in some areas, according to a new Producer Satisfaction Survey.

Meanwhile, the majority of the 1,596 qualified agents and brokers responding to the survey by Deloitte’s Insurance Industry Group, conducted in partnership with *National Underwriter*, expect increased competition from other distribution systems.

“The majority of producers expect policyholders to increase comparison shopping, assume more risks to reduce

premium and cancel policies over the next 12 months,” Deloitte noted in its survey report.

This finding is particularly significant because it is “in line with the high importance producers place on products and coverage, policy pricing and customer retention,” Deloitte added.

“The economic downturn continues to affect consumers,” said Bert Fortney, director, Deloitte Consulting LLP. “Carriers should equip their producers with the tools to compete in this environment.”

Specifically, 68.6 percent of producers indicated that competitive pricing is very

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PRODUCERS BRACE

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important, "making it the most salient product and coverage feature," according to Deloitte. The firm observed that "this result is consistent with producers' views toward likely or very likely scenarios in the industry over the next 12 months," including:

► **Increased comparison shopping** by existing policyholders (expected by 89.5 percent of producers, including 54.2 percent calling this development very likely).

► **Increased competition** from alternative channels (82.9 percent, with 41.3 percent characterizing this scenario as very likely).

► **Clients assuming more risks** to reduce premium (78.9 percent, although only 31.1 percent see this path as very likely).

► **Cancellation of policies** due to economic pressures (78.6 percent, with 34.3 percent seeing this trend as very likely).

The survey found that producers who expect increased comparison shopping place higher importance on:

► **Technology features**, such as upload technology, interface with mobile technologies, SEMCI (single-entry, multicompany interface) capabilities and real-time processing via their agency management systems.

► **Overall relationship/business support**, such as backing for sales and marketing, financial needs, lead generation and training for producers.

Drilling down into their fears about alternative distribution systems, the survey found that "producers are most concerned with competition from carrier direct sales and online quoting services."

Indeed, 41.9 percent said they are "very concerned" about potential conflict from carriers selling direct to their clients.

As for online quoting services, Deloitte cited studies indicating growing popularity in many insurance markets, with some expecting consumers to tap comparison-shopping sites to save on their insurance premiums during this economic downturn.

"Carriers should address these concerns to build trust with producers, and provide them with the knowledge and tools they need to compete better against other channels," Deloitte advised.

One interesting finding was that while 42.8 percent of producers said they expect to add additional carriers, more than one-third (36.9 percent) are going in the other direction, noting they intend to consolidate their business among fewer insurers.

"Both figures suggest that carriers are likely to see increased competition for shelf space with producers," Deloitte warned.

When asked to rank their organizational priorities over the next 12 months, growth topped the list, with 46.6 percent of producers citing that as their number one goal, while 84.7 percent listed it as one of their top-three.

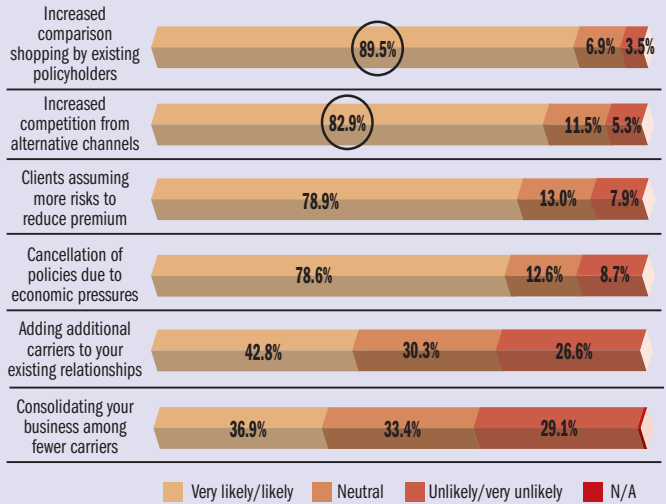
Two other factors ranked consistently among the top-three priorities for producers—retaining their existing books of business (28.6 percent listing this number one; 81.3 percent among top three) and meeting customer expectations (17.8 percent listing this as their top priority; 70.4 percent among top three).

In fact, approximately 94 percent of respondents ranked carrier support for customer retention as important or very important.

Expense reduction also ranked among the top-three priorities for nearly one-third (31.7 percent) of producers. Recruiting new talent only made the top-three for 15.8 percent of those surveyed, and succession planning for a mere 6.6 percent. ■

OUTLOOK

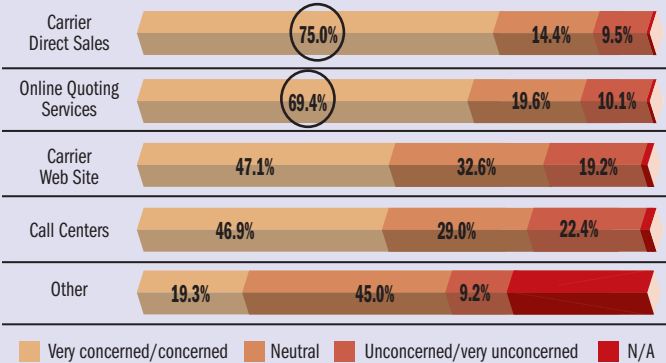
WHAT DO PRODUCERS EXPECT?



► **AGENTS AND BROKERS ANTICIPATE** a lot more comparison shopping in this tough economy and competitive market, as well as more competition from alternative distribution outlets.

FACE OFF

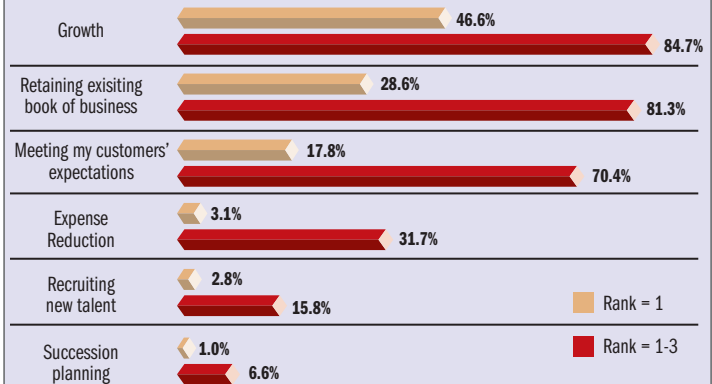
NEW COMPETITION GETS PRODUCERS' ATTENTION



► **PRODUCERS ARE CONCERNED** they may get cut out of the loop by direct carrier sales and online quoting services, among other alternative sales channels.

AGENDA

PRODUCERS SET TOP PRIORITIES FOR YEAR AHEAD



► **THE TOP GOAL IN THIS TOUGH ECONOMY** is growth for agents and brokers, with protecting their current customer base and meeting their clients' expectations completing the top-three priorities.

DEMOGRAPHICS COUNT

Size Matters When Dealing With Insurers

Satisfaction differs depending on how big an organization a producer has behind them

BY SAM FRIEDMAN

WHILE PRODUCER PRIORITIES and perceptions of how well insurers are fulfilling their needs are often alike no matter the age, gender or race of respondents, there are some significant differences carriers should be aware of—especially when it comes to the size of an agency or brokerage, a new survey conducted exclusively by Deloitte for *National Underwriter* demonstrates.

“If they are truly committed to growth, carriers may want to consider developing different strategies along the organizational size spectrum to connect with producers,” suggested Rick Berry, director, Deloitte Consulting LLP.

The vast majority of the 1,596 qualified producers surveyed by Deloitte’s Insurance Industry Group, in partnership with NU, were white (89.3 percent), male (77.6 percent) and from the Baby Boomer generation—those age 45 to 63 (65.9 percent).

The survey base was an experienced lot, as 45.6 percent boasted between 30- and 44 years in the business, while another 34.2 percent reported serving between 15- and 29 years.

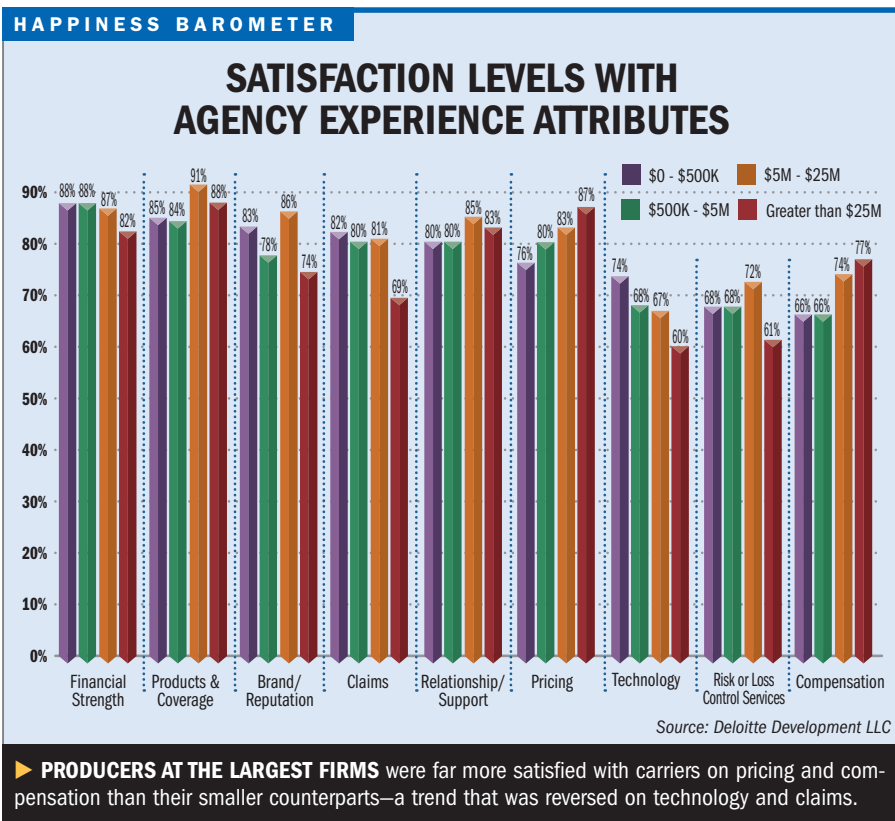
The respondents were also key decision-makers, with 62.7 percent in senior management, identifying themselves as the president, CEO or principal of their firms—84.2 percent of which are privately held.

Nearly a quarter (23.5 percent) of respondents reported working for agencies or brokerages generating over \$5 million in revenue, including 9.6 percent doing \$25 million or more.

Just over one-third (34.1 percent) work in firms with less than \$500,000 in annual revenue, while the largest single share—42.3 percent—are at organizations between \$5 million and \$25 million in revenue.

The mix in business was a fairly even split between personal and commercial property and casualty lines.

A key question examined by Deloitte in



crunching the survey numbers was whether there are significant differences among the respondents, depending on the size of their firm or their demographic characteristics.

Many response levels tracked very similarly across the board, but there were some intriguing distinctions revealed. For example, the survey found that in many key areas, size does matter.

► On claims issues, respondents from the biggest firms were the least happy with their carriers’ performance (only 69 percent said they were satisfied or very satisfied), while the other three size categories all had satisfaction rates of around 80 percent.

► The same pattern followed on technology, with satisfaction among bigger firms at only 60 percent, compared to 74 percent for those at outfits with less than \$500,000 in revenue. The other two size categories came in the middle, at around 67 percent.

► The trend was repeated on producer satisfaction with risk or loss control services offered by carriers, with only 61 percent of those at outfits generating over \$25 million in revenue being pleased—lower than their colleagues at smaller firms.

► However, the pattern was reversed on two other critical areas, as the largest firms were more satisfied with pricing (87 percent) and compensation (77 percent) from carriers, compared to those in the three smaller categories.

When it comes to one of the biggest complaints cited in the survey—the lack of producer input into carrier decisions and initiatives—size once again plays a part, the survey revealed.

Whether on marketing initiatives (24 percent), product development (22 percent), technology to enable work flow (18 percent), claims (15 percent) or integra-

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SIZE MATTERS

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tion of distribution channels (9 percent), those at the biggest firms surveyed were most likely to say they were "often" solicited for input from carriers.

The differences were stark when compared to the smallest firms surveyed, where only 10 percent said they were often consulted on marketing (against 22 percent in this same size category who said they are never consulted on such matters). On product development, "often" was checked by only 6 percent of this sector, against 27 percent who said "never."

On claims, 30 percent of the smallest firms said they are never consulted, versus only 7 percent of the \$25 million-plus outfits.

Size of business also played a part in a producer's fears about the future. The bigger their firm, the less a producer is concerned about carrier direct sales, online quoting services, call centers and carrier Web sites—with the difference being quite dramatic

See *NU's* Nov. 30 edition for a Producer-Carrier Roundtable on Deloitte's survey

between the biggest and smallest.

In addition, producers in personal lines are more concerned about competition from all these venues than are those in commercial lines.

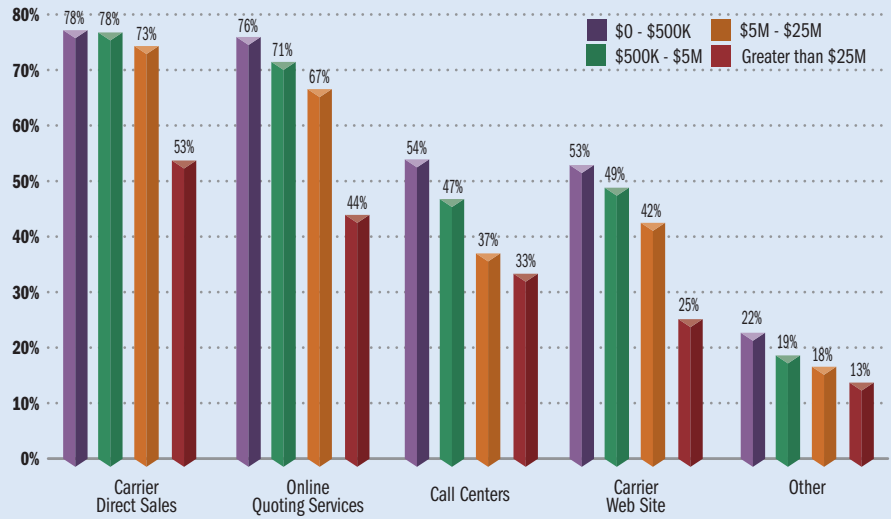
Age of the producer also was a factor in the survey's trends. Returning to the critical question about producer input, those in Generation X (age 28-44) said they were often consulted by carriers, led by 22 percent on marketing initiatives, while both those older and younger than that felt left out of the loop more often.

Race played a part as well, with minority producers placing far more importance on a number of factors than did their Caucasian colleagues—including getting help from carriers in terms of financial support (78- versus 59 percent), lead generation (69- versus 48 percent), succession planning (54- versus 33 percent) and recruiting (51- versus 31 percent).

The same trend on these specific categories was evident, although to a lesser degree, when the responses of women were compared to those of men. **NU**

ON THE LOOKOUT

PRODUCER CONCERN OVER COMPETITION FROM OTHER CHANNELS

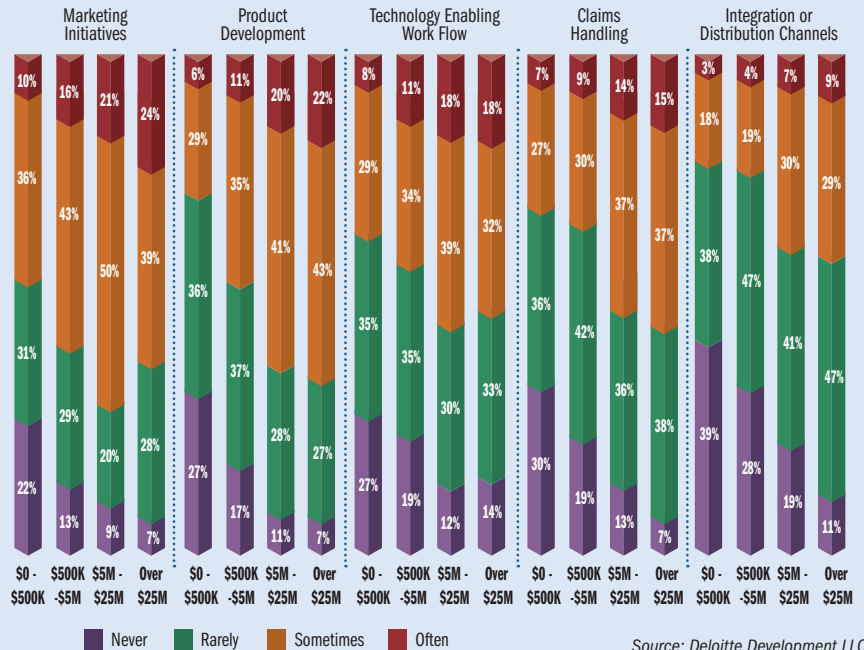


Source: Deloitte Development LLC

► **THE SMALLER THE AGENCY**, the more concerned a producer is about competition from alternative outlets. The same trend held true in personal versus commercial lines.

CAN WE TALK?

HOW FREQUENTLY DO CARRIERS CONSULT PRODUCERS?



Source: Deloitte Development LLC

► **THE BIGGER THE BETTER**—at least when it comes to getting face time with carriers, as producers at the largest firms were far more likely to say they often or at least sometimes have their opinions sought on key areas.

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