



Agents Are Customers, Too

Insurers should provide their field forces with the same top-notch service as their policyholders.

by Steve Callahan

In a recent survey, insurance company executives indicated that strategic priorities are starting to shift from an internal, predominantly operational focus to an external, market-driven one.

With this shift comes a demand for effectively balancing the trade-offs between service, support, product features and returns. In balancing these trade-offs and the convergence of product prices, often to the point of negligible differentiation, many firms have discovered that customer service has become critically important in creating a competitive advantage.

In fact, using service to offset the commoditization of product features now stands out as one of the key differentiation opportunities, according to forward-thinking executives who participated in a life and annuity industry survey, *Strategies for a Changing Industry*, conducted by the Robert E. Nolan Co., a management consulting firm specializing in the insurance industry. And, the survey found, differentiation is compounded by the growing customer diversity in the marketplace.

Investments in customer service need to be driven by a top-down, outside-in look at the business. With so many choices for resource utilization, a clear vision of what is important—and why—is needed to filter out all but those ideas expected to have the most impact.

To help define the service strategy vision, a framework has been developed that consists of four categories: roles, goals, incentives and priorities. Having a well-defined and clearly communicated service strategy that encompasses each of these pillars will better position a company for success in the increasingly complex and competitive world of insurance.

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Roles: Who's No. 1?

How often has the topic of “who is our No. 1 customer, the agent or the insured?” been intensely debated in conference rooms throughout the insurance industry?

Defining the field's role is one of the more hotly debated service strategy issues. It incites reactions and generates conflict among decisionmakers and their staffs, resulting in wasted time and effort while the “correct” solution is pursued. This debate is muddled further by using terms such as “partner” and “distributor,” created to lessen the friction by clouding up roles with disingenuous labels.

The reality is that both the agent, or field force, and the insured, are critical customers of the insurance company. Why? Because they have choices in terms of where they send their business, making it incumbent on the company to treat both as free-willed customers rather than partners or associates. Even dedicated career channels—those single-carrier independents producing for one company—have the choice to move their sales elsewhere, even if it's more complicated than just walking away. As the saying goes, nothing happens until someone sells something, a fact many companies seem to have forgotten in their quest for growth.

Keep in mind that, for most if not all policyholders in today's electronic world, the face of their insurance company is the agent and the agent's staff, not the home office. The home office is only a voice, usually automated, at the other end of a phone call. As society becomes more sensitive to relationships, that face in the field is what defines the bond between the insurance company and its policyholders.

The sooner this issue is resolved and accepted, the sooner the company can move on to the next step in crafting its service vision.

Goals: Finding Focus

“What gets measured gets treated,” as number crunchers often say. With that in mind, the organiza-

► **The News:** Insurers are emphasizing service as a key priority of their business strategies.

► **The Upshot:** Agents should be considered just as important to an insurer's success as customers.

► **The Road Ahead:** Goal-setting will be based on serving both clients and agents equally well.

tion's goals must follow consistently and clearly from the given definition of roles.

If agents are critical customers, then the measurement of agent service must be a core component of every operational area's dashboards and reports. Just like the satisfaction surveys that go out to customers with new policies or paid claims, so also should similar surveys be sent to agents, to measure their satisfaction with the service and support they received from the company.

Not that “issued all business” or “paid all claims” would be the factor measured. Qualitative, opinion-oriented questions will be of most value: How good was the treatment received? How responsive was the support? Were decisions communicated in a timely manner? How accurate was the information provided, and how thorough was the explanation given?

It is not so much a matter of getting everything desired; few customers ever do. The concept is more to gauge how the customer was treated (with respect, ideally) and how satisfied he or she is with the completeness of the answers given.

With these criteria as keys to satisfying the customer, then the associated resource priorities will be around efforts to communicate, to ensure quality and thoroughness, to educate the service representatives and to monitor attitude and treatment.

A consistency of goals across all of the operational areas—from marketing to servicing to underwriting and claims—will ensure a consistent experience for customers. As understanding and focus develops, it translates into higher agent productivity, expanded cross-selling opportunities,

Key Drivers of Customer Service

A survey, *Strategies for a Changing Industry*, conducted in the life and annuity industry by the Robert E. Nolan Co., asked participants to rate by priority the key drivers of customer service.



What have today's companies identified as priorities in the service arena?

- Demographic changes impacting product design and service: **95%**
- Speed of service as a strategic imperative: **95%**
- Expanded accessibility and hours using the Internet and e-tools: **95%**
- Consolidation by channel or product for economies of scale: **95%**
- Consumer service standards tiered by profitability: **60%**
- Producer service standards tiered by contribution to profits: **55%**

What types of technology projects are being driven by these service priorities?

- E-signatures and online applications: **95%**
- Document management and workflow rollouts: **88%**
- Utilize self-service Web portals for distributors and/or customers: **85%**
- Common consolidated front-ends (graphic user interfaces) to multiple legacy systems: **83%**
- Consolidated commission reporting to provide accelerated electronic payments: **80%**
- Single-view customer relationship management across all platforms: **73%**
- Data warehousing and/or data mining for customer segmentation: **72%**
- E-delivery of customer materials: **71%**

*Based on the "very likely" and "likely" responses

improved retention of policyholders and even better risk selection.

By following this strategy for handling customers, and leveraging the expertise that has developed through the years, the delivery of service as a competitive advantage will begin to take shape.

Incentives: One-Way Streets

Another long-standing aphorism is "you get what you pay for." By accepting that agents are critical customers, and realizing that the top goal is the sale and retention of profitable risk-management products, an insurance company's next step is to provide incentives for all aspects of the organization to accomplish the same goal. The challenge: reviewing how each unit, process and tactic fits with the overarching strategy.

A perfect example of misalignment exists in the typical relationship between field agents and underwriters. Often, agents' incentives are based on a revenue model driven by total premiums sold and top-line growth. This model usually takes the form of front loaded, first-year commissions, with sales goals based on

total-premium-sold targets.

Underwriting, on the other hand, is typically based on a profitability model that takes into account not only new sales but retention, risk profiles, loss ratios and expense loads.

So, having a field focused on top-line growth and underwriters focused on profitability creates tension between the two that can be disruptive. Determining which model or mix of models to follow, and then establishing incentive systems that reinforce the desired goal, eliminates the friction and helps to ensure that everyone is after the same results.

Taking things one step further, it is important that each department have incentives that correspond to the company's desired goal. This means that systems, operations and even actuarial and accounting have sales and growth targets—weighted to reflect each area's ability to influence—as part of their incentive system.

This concept of aligning incentive with sales and profit goals should carry to the front line, with profit-sharing based on achievement of targets. When the organization puts its money where its mouth is, disparate goals

and approaches tend to streamline themselves into a common model, creating an effective operation.

Priorities: You First

Once the framework of roles, goals and incentives is set up, the insurer uses it to set its customer service priorities.

To accomplish this, service touch-points should be reviewed, with the areas carrying the most significant impacts addressed first. These touch-points can vary by line of business and even by demographics and distribution channels, depending upon the needs of the marketplace.

Each organization needs to review its field and policyholder service transactions, and then categorize these touch-points in a manner that lends itself to establishing priorities and aligning resources.

At the macro level, touch-points can be categorized as one of the following:

- **Critical:** These are the defining moments of truth where customers can be either alienated or made significantly more loyal. It's here that a mistake or poor problem handling can create a strongly negative impression that will be passed on via word of mouth in the community. Beyond the loss of a policyholder, these moments compound the damage by tarnishing the company's reputation. Examples of critical touch-points include claims in the property/casualty lines, interest rate changes in the variable lines, rate increases in the life and health lines, and payouts for the annuity lines.

- **Opportunities:** While all touch-points present opportunities to bolster loyalty through excellent service, certain transactions can be viewed as a springboard to other services or products. Identifying and communicating these well are key to capturing the full value of the opportunity. Examples, which again can vary by line and intent, include name changes that could drive additional coverage due to marriage; adding a dependent; address changes; occupation changes; vehicle or covered property change; loans; and partial surrenders.

- **Maintenance:** Transactions are

the more routine requests that occur regularly and have not been pinpointed as a worthy target. These are not the services that build loyalty or enhance the relationship—they carry admittedly limited upside potential—yet they do represent transactions that, if bungled, can erode a customer's impression of the company. Maintenance transactions are not critical touch-points, so there will be no mass exodus due to error. Over time, though, missteps can build up and amplify any problems that occur in the arena of critical touch-points. Typical examples are assignments; lien holder changes; beneficiary changes; collecting payments; and any item in the opportunities category that an organization is not targeting for additional marketing.

- **Recoveries:** Recoveries can cut across any of the aforementioned categories. These are transactions that have gone so wrong that they require immediate attention and analytical skills to untangle and resolve. They represent a transitional transaction that can morph into a failed critical touch-point on the one hand or a tre-

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mendous opportunity to impress the customer and enhance loyalty through a “heroic recovery” on the other.

Within this category, the real issue is “escalation,” which includes admitting an error and apologizing; taking ownership without hand-offs; and driving to a prompt and satisfactory resolution. Depending on how the customer is treated, a series of errors gives the company the chance to show how well it can act when challenged and what the overall service attitude is under these situations. The best and brightest should be employed in recoveries, as the positions represent the chance to solidify relation-

ships with customers while cleaning up problems.

An effective service model categorizes transactions based on roles and goals, and motivates employees to strive together to achieve these goals. It also provides a framework for assigning priorities based on the current situation and the perceived impact of the desired changes.

This approach facilitates optimal use of resources based on an outside-in, market-driven view of customer needs. Compared to the more conventional focus on operational efficiency, the market-driven approach has an edge that can lead to greater market share through growth and customer retention.

In developing a service strategy, look at things from a top-down and outside-in (voice of the customer) perspective, then channel the limited resources to the areas where they can make the most difference. Taking this approach will put a company within the window of opportunity as strategic priorities toward a more market driven perspective. **BR**