# Changing Insurance Distribution Models and Evolving Carrier Strategies


As consumer shopping habits continue to shift, organizations are increasingly taking a hard look at how their products are sold and, ideally, adapting accordingly. For insurance carriers it's no different. Whether it's by embracing digitalization or improving direct-to-consumer models, the most successful carriers are the ones making attempts to evolve with the market. While those are two pieces of the puzzle, it's hard to ignore the impact that consumers are having on captive and independent insurance agent models and how, in turn, that impacts carriers.

When buyers behave differently, looking for new ways to interact with insurance points of sale, it forces the role of agents to change. Insurance carriers can either support this change by tailoring strategies appropriately, or they can leave the agents who sell their products at a disadvantage, ultimately unable to deliver what customers want. Today, when policy holders and potential customers view captive and independent agents in a new light, what do these changing distribution models mean for carriers?

### What Consumers are Looking For

It all begins by understanding what people are looking for out of their insurance purchases and services. With the internet at their fingertips, today's consumers face fewer barriers to information access than ever before. People are researching their important decisions and conducting transactions online that they wouldn't have dreamed of just a few years ago. In 2003, less than 25% of auto insurance shoppers used the internet to gather information. Today, that number is over 80%. If consumers are able to access so much information on their own, why do they continue to talk to agents?

Consumers still want a *relationship*. Consider the shopper who begins by researching and comparing policies online. They get a rough idea of coverage and quotes and then are likely to call or walk into an agent's office. Insurance offerings are complex, and despite the fine print of every policy on their computer screen, consumers need someone they can trust to explain things and be their advocate. That is where captive and independent agents can be most effective, by building the relationships that facilitate sales. It's hard for a policy holder to build trust with a 2D computer screen but much easier for them to trust the insurance agent in their community with whom they can shake hands.

Of course, not all consumers are the same. While tech-savvy Millennials are now the largest consumer group in history and might reach out to an agent late in the decision-making process, others might walk into an agent's office much earlier. Because of this, carriers are wise to cover all their bases, investing in streamlining both digital *and* in-person customer experiences. This empowers agents to become consumer advocates, taking over the sale once an online interaction starts to feel too transactional or confusing. Regardless of when the in-person relationship begins, it takes center stage and is the chief reason a shopper chooses to engage with an agent.

### Adapting Captive and Independent Distribution Models

Even in the face of modern shopping habits, it's clear that captive and independent agents will remain vital to carriers. After all, to a customer, the agent they see in front of them is the face of the carrier. It doesn't necessarily matter to a customer if the agent is captive or independent; they are an extension of the insurance company. In other words, a relationship with that agent is viewed as a relationship with the carrier, and this is a big reason why that relationship should be facilitated through stronger communication and support.

Unfortunately, with studies showing that over 50% of agents feel direct-to-consumer channels pose a threat, there's a disconnect between insurers and the agents who sell their products. If agents are to grow relationships with consumers and become the advisers that consumers need, then the relationship between carriers and agents likewise needs nurturing. Only 22% of agents know how they fit in with a carrier's strategy, further illustrating the problem. Ideally, insurance companies will support the consumer relationship regardless of the distribution model. To that end, captive and independent models aren't competing approaches but two parts of a larger strategy with the same end goal. Supporting independent agents may be more difficult than captive agents, but consider the ramifications of neglecting to support both. If one carrier gives an independent agent all the backing they need, making it easy to grow relationships with consumers while another carrier does not, whose insurance is it easier for the agent to recommend to the customer sitting in their office?

There's no doubt that power in the insurance industry has shifted to sales and distribution. Compared to decades ago, profit margins have dropped 25% for carriers and underwriters while the distribution system gained just as much. Making it easier for an agent to connect with the customer, whether it means reducing paperwork or implementing a new agent portal, is the way to increase sales and revenue in today's market. It's no longer enough to simply have good products; a strong support system has to be in place as well. Take a page from Allstate, who has been transitioning its captive and independent agency distribution models from transaction-based approaches to relationship- and advisory-based ones. They recognize the changing habits, see that their agents are spending more time providing advice than on servicing, and are adapting accordingly.

**How Changing Distribution Models Affect Executive Hiring in Insurance**

The insurance industry is different than it was 20, 10, and even five years ago. In the midst of changing strategies, a new skill set is required to manage the evolving needs of insurance distribution. Executive hiring in the field cannot remain the same if a carrier truly wants to reach the consumers they rely on for success. In order to find executive talent removed from traditional insurance mentalities, it may be necessary to look outside the insurance industry.

A number of other industries have seen similar fundamental shifts toward the customer experience and relationship.

When most travelers want to buy a plane ticket to a single destination, they are often comfortable booking online, but when they want to visit several locations or are purchasing tickets for multiple people, they still rely on travel agents to advise them. Similarly, conducting minor banking balance transfers is easy to execute online, but when it comes time for a home equity loan or mortgage, people walk into a bank or pick up the phone for more personal help.

Relationships become more important as decisions become more complex, and insurance decisions are some of the most complex choices a consumer will encounter in life. Executives who understand this and have managed this shift in other sectors can be the ones to appropriately adapt insurance distribution models. An experienced executive can revitalize a carrier's strategy by aligning it with the modern state of the market, applying existing competitive advantages to changing models, and implementing necessary management processes. Today's most successful insurance carriers are embracing change and focusing on relationships. Are you one of them?

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