

2020

U.S. Independent Agent Performance & Satisfaction Study

Snapshot Report



Introduction

Welcome to the 2020 U.S. Independent Insurance Agent Performance and Satisfaction Study



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J.D. POWER

Agent-based carriers remain the preferred choice among a plurality of U.S. personal and commercial auto insurance consumers. However, that dominance faces strong headwinds due to increased competition from direct carriers and accelerated by evolving consumer expectations—highlighted most recently by the current COVID crisis.

These headwinds have shifted the P&C market share leaderboard. Modern consumers have taken control of their insurance relationships and, as a result, they seek insurance providers that are most able to meet their personalized insurance needs, which has increasingly prioritized convenience and value.

Direct carriers have been able to capitalize in the short-term on these consumers trends based on a low-cost structure paired with a strong consumer facing brand. At the same time, servicing through direct channels has improved as they seek to emulate the high-touch and high-quality Agent experience via other channels.

These market dynamics should serve as a wake-up call to agent-based carriers to ensure their value proposition continues to align with current demand. Agent-based carriers will need to adapt and execute with clear intent in order to maintain their competitive advantages.

This study examines these industry trends through the context of the Agent, so that carriers can make more informed choices about their distribution strategies.

The insights from the 2020 U.S. Independent Insurance Agent Performance and Satisfaction Study have led us to three critical areas that a modern agent-based carrier must understand and prioritize. These include:

- **Alignment:** How well is your agency model aligned to your business objectives?
- **Execution:** How well are you performing against alignment objectives?
- **Efficiency:** How cost competitive are your operations?

This is now the third annual study, which was developed in alliance with the Independent Insurance Agents & Brokers of America (IIABA). We hope that you find these insights valuable, and we thank you for your partnership with J.D. Power.

Sincerely,

Tom Super

2020 Top-Line Findings

The perennial dominance of the agent channel in the insurance industry continues to face strong headwinds due to increased competition and evolving consumer expectations that have been highlighted by the COVID-19 pandemic.

- **Effects of pandemic put spotlight on independent agent challenges:** More than one-third (36%) of agents say they were unaware of their carriers' efforts during the pandemic. Agents, too, have been falling short in leveraging their strategic advantage during the pandemic. Only 42% of independent agent customers say they were contacted to help manage their policy costs during the crisis vs. 52% of direct customers who say the same. The independent agent channel should use this as a learning experience and redouble efforts toward improved alignment, execution and efficiency to drive more beneficial customer outcomes.
- **Progressive wields influence on independent agent growth:** While independent agents write 58% of all P&C policies, their market share is falling, particularly in personal lines auto, in which independent agents write just 31% of all policies. Notably, Progressive's agency channel accounts for 52% of all personal lines' growth among independent agents, solidifying its growth across both direct and agent channels.
- **Digital support could improve agent satisfaction:** Digital channels are independent agents' preferred means of communication with insurers, with email and online dashboards leading the way. Specific digital tools that drive agent satisfaction focus on sales and product training and identification of cross-sell opportunities. Though these digital offerings are associated with high levels of agent satisfaction, they are used by fewer than 60% of agents.
- **"Help me help you":** Satisfaction among independent agents is highest among carriers with diversified product offerings, such as enabling agents to offer flexible design and onboarding or enabling them to offer product bundling. Fewer than half (43%) of independent agents indicate receiving this level of support from insurers.
- **Independent agents focused on alignment with carriers:** Among independent agents, overall satisfaction with carriers that demonstrate better market alignment, as evidenced by providing adequate support for targeted industries, is 126 points higher (on a 1,000-point scale) than with those carriers that do not provide adequate support to targeted industries.
- **Traditional agents face competition from virtual agents:** More than three-fourths (81%) of consumers say they would be open to working with virtual insurance agents to perform core insurance activities. This indicates that traditional agency distribution is increasingly threatened by technological innovation that is helping to close the gap on expertise by leveraging data and machine learning.
- **IA Evaluation of Carrier Performance:** Auto-Owners Insurance ranks highest among personal lines with an overall satisfaction score of 816. Safeco (761) ranks second and Chubb (755) ranks third.

Drivers of Agent Satisfaction

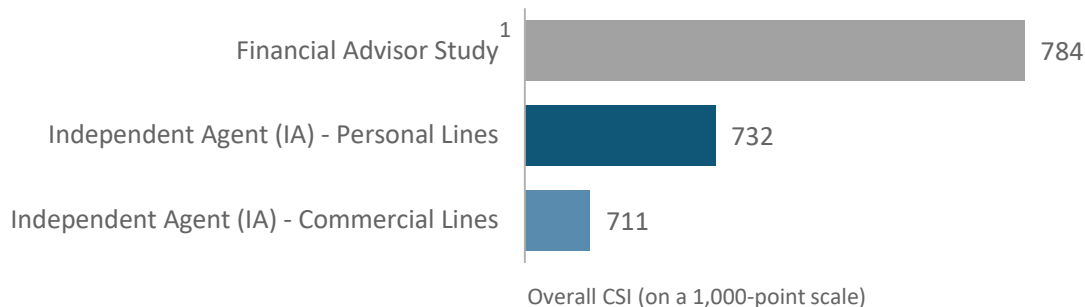
IAs are still highly critical of their experiences

Overall IA satisfaction with personal lines insurers is at 732 (on a 1,000-point scale) and satisfaction with commercial lines insurers is at 711, which are among the lowest scores achieved across business experiences.

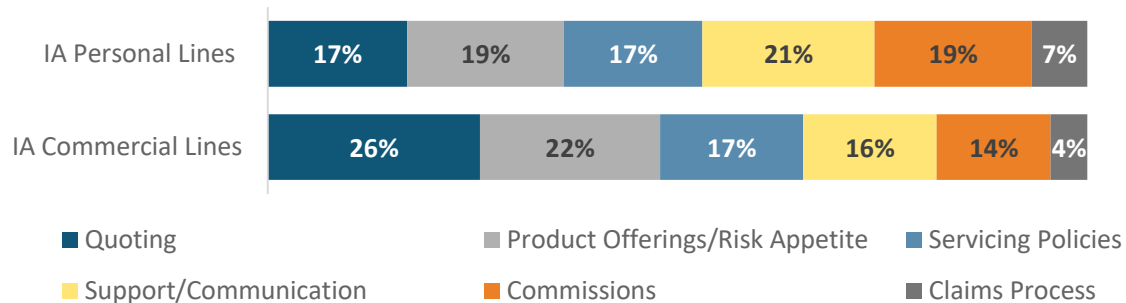
As industry intermediaries who are challenged with their own business pressures, agents and financial advisors alike are highly critical of their experiences compared to other industries. Satisfaction among independent financial advisors (784), however, is still notably higher than that of IAs.

The most important factors in determining IA satisfaction are Support/Communication in personal lines and Quoting in commercial lines. These factors are key areas for insurers to focus attention.

B2C Satisfaction Comparison



Drivers of IA Satisfaction: Personal and Commercial Lines[^]



2020 Insurer Performance

Auto-Owners earns top marks in personal and commercial lines in 2020

Auto-Owners Insurance achieves a score of 816 in the Personal Lines segment in 2020. The insurer ranks highest among personal lines insurers for the second consecutive year. Safeco (761) ranks second and trails Auto-Owners Insurance by a notable margin (55 points).

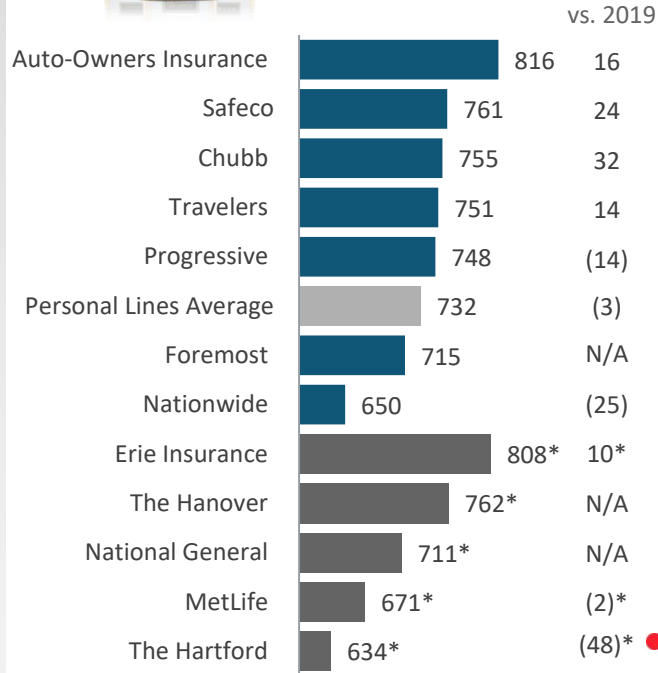
- Auto-Owners' performance is driven by achieving the highest score in every factor comprising the Index, except Claims. Support and Communication and Commissions are key areas of strength for Auto-Owners vs. the personal lines average.

Auto-Owners Insurance achieves a score of 821 in the Commercial Lines segment, which is fueled by outperforming the industry in every factor comprising the index, especially in Quoting and Claims. The insurer excels in delivering flexible design and onboarding of policies.

2020 Overall Independent Agent Satisfaction Index

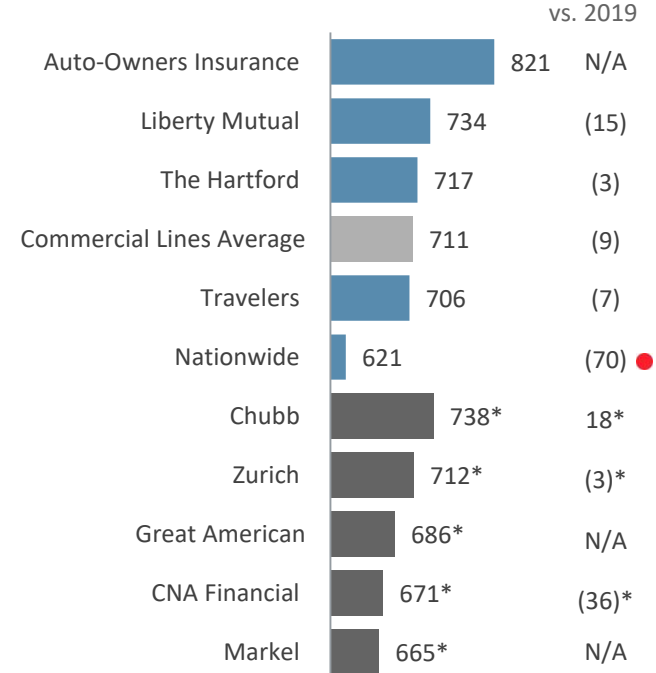


Personal Lines



Overall Index (on a 1,000-point scale)

Commercial Lines[^]



Overall Index (on a 1,000-point scale)

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Notes: ●● Denotes a significant difference; Change is better/(worse); *Small sample size (n=30-99); N/A – Not applicable; ^The Commercial Lines segment does not have an award in 2020.

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Evolution of Distribution: COVID Impact on Consumers

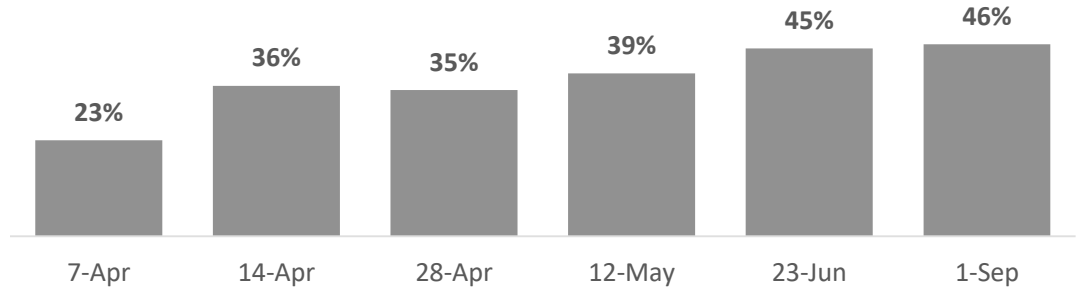
Amid the pandemic, IAs need to know their customers more than ever

Agents have been falling short in leveraging their strategic advantage during the pandemic. Since the onset of the pandemic in early April, a growing number of consumers have indicated that they have been contacted by their insurer to discuss changes to help them manage costs amid the pandemic.

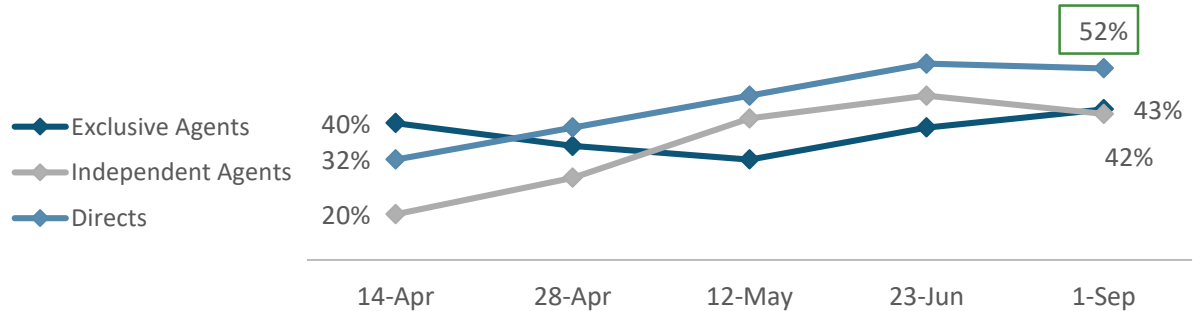
Directs are contacting customers at a notably higher rate—at least 20% more often—than either exclusive or Independent Agent carriers.

Considering nearly all consumers have been impacted by the COVID-19 pandemic in various ways, it is an important time for agents to leverage their strategic advantage of being in the community and knowing their customers in order to provide personalized service and coverages during such a precarious time.

Have you been contacted by your insurer about actions they are taking to help customers manage costs as a result of COVID-19?¹



Have you been contacted by your insurer about actions they are taking to help customers manage costs as a result of COVID-19?¹



Evolution of Distribution: COVID Impact on IAs

A sizeable number of IAs are not aware of insurers making any changes during the COVID-19 pandemic

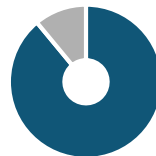
The COVID-19 pandemic has almost universally impacted agents' businesses, by changing working conditions, causing stress/anxiety, and canceling milestone events. Among agents:

- 93% have been impacted by COVID-19, yet 36% are not aware that insurers made positive changes as a result of the pandemic

When agents are not aware of any changes being made, satisfaction with the insurer's response to COVID-19 is significantly lower compared to those who are aware of changes (5.72 vs. 7.42 on a 10-point scale, respectively).

COVID-19 and Carrier Actions

93% of agents' businesses have been impacted by COVID-19



vs.



36% of agents are NOT aware that insurers have made positive changes as a result of the pandemic

Leading Changes Insurers Have Made As a Result of The Pandemic

	Personal Lines	Commercial Lines
I am not aware that any changes have been made	29%	47%
Late payment forgiveness	54%	40%
Waived charges/fees	42%	28%
Discounted products/services	21%	5%
Offered additional advice/guidance	18%	13%
Supported the community	16%	10%
Changed procedures to promote social distancing	15%	13%
Provided employee support	10%	11%

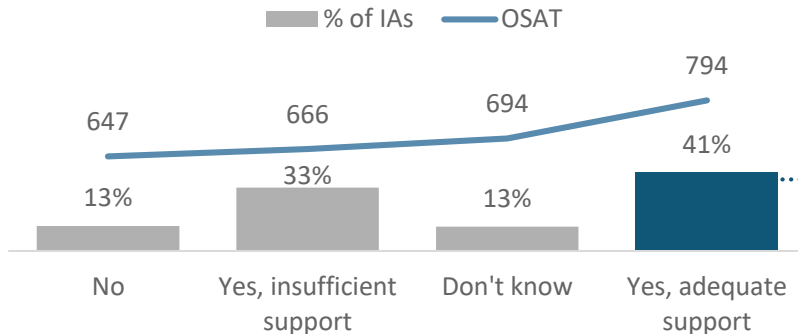
Alignment: Market & Industry Support

Carriers with market and industry alignment to IAs have higher satisfaction

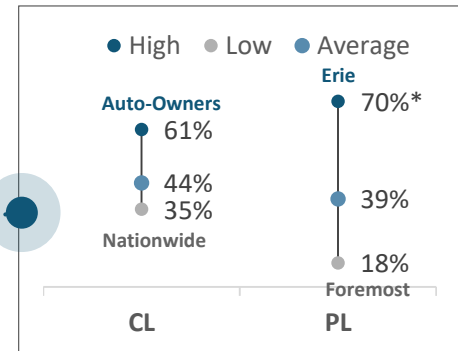
There is an opportunity for insurers to provide dedicated support and long-term commitments to IA's targeted markets.

- Insurer dedication to industries targeted by IAs has a notable impact on satisfaction, yet it is infrequent. Just 41% of IAs say they receive adequate support for their targeted industries. These IAs are the most satisfied (794).
- Providing support that is inadequate falls short of meeting IA expectations. IAs who say they receive support that is not sufficient (33%) are among the least satisfied agents (666).
- Long-term commitment to industries is also important to IAs, yet infrequently delivered—just 55% of IAs say carriers have dedicated 6 or more years to their targeted industries. These IAs are the most satisfied (806) and are most likely to say their carrier is fully committed.

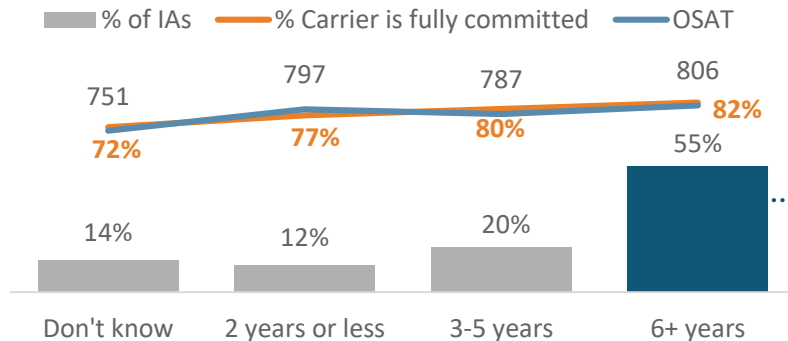
Provide Support for Targeted Industries



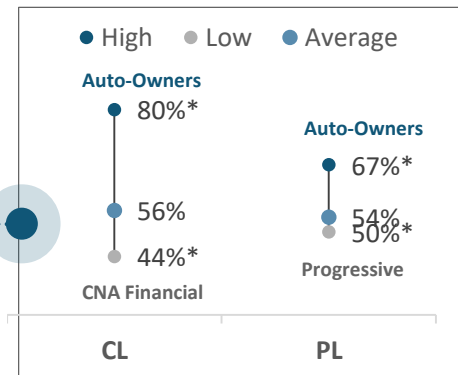
Carrier Range of Performance



Time Committed to Supporting Targeted Industries



Carrier Range of Performance



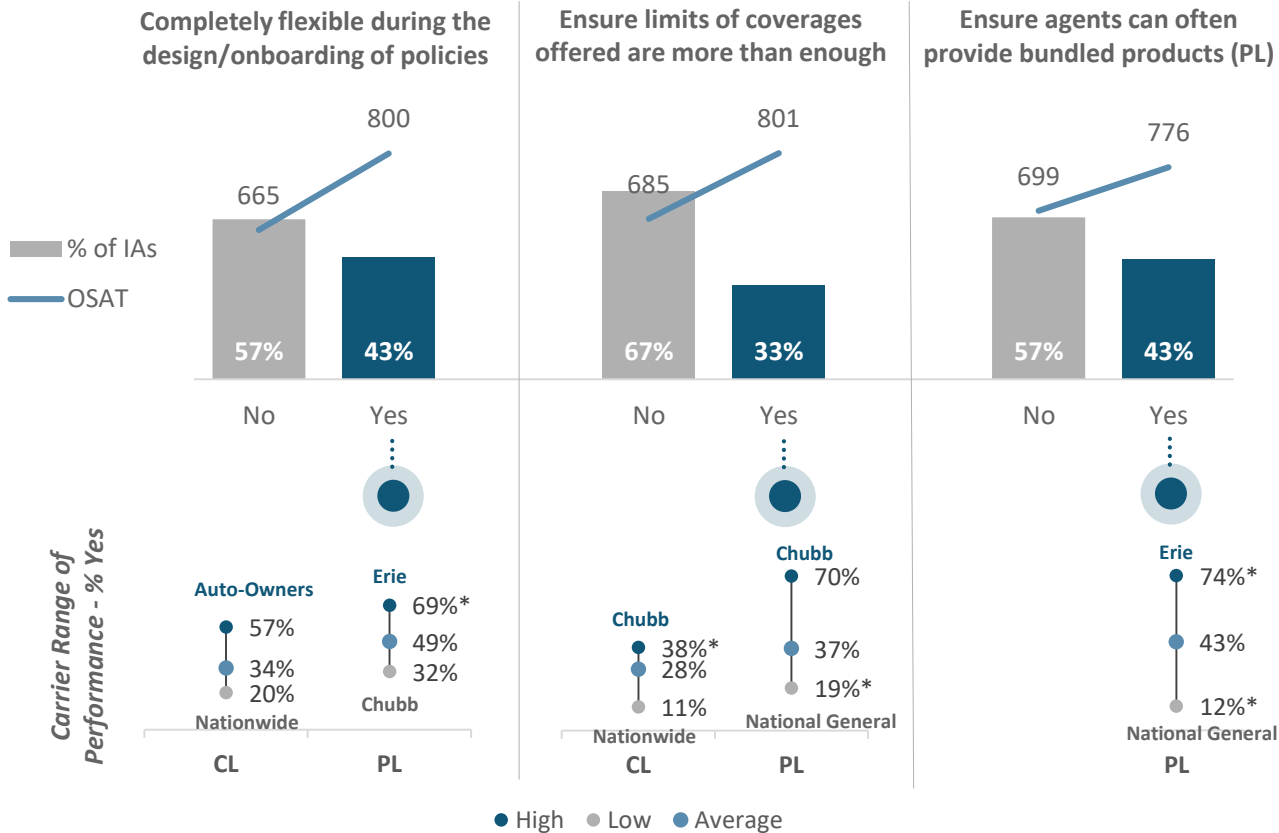
Alignment: Underwriting and Product Placement

Carrier underwriting and product placement are frequently misaligned with IA expectations

Alignment on underwriting and product placement is also falling short. IAs are most satisfied when carriers deliver on underwriting and product placement KPIs, yet fewer than 50% of IAs say they receive the following:

- **Flexible design and onboarding:** 57% of IAs do not feel insurers have flexible policy design/onboarding, and IA satisfaction is lower compared to those who had complete flexibility.
- **Coverage limits are more than enough:** the most infrequently delivered practice, just 33% of IAs indicate they receive coverage limits that are more than enough.
- **Enable product bundling (personal lines):** just 43% of IAs say they are able to often cross-sell products.

Alignment on Underwriting and Product Placement



Execution: Providing Support to IAs

Quality and breadth of support tied to satisfaction

Providing high-quality support that is broad enough to cover areas important to IAs is also critical to satisfaction.

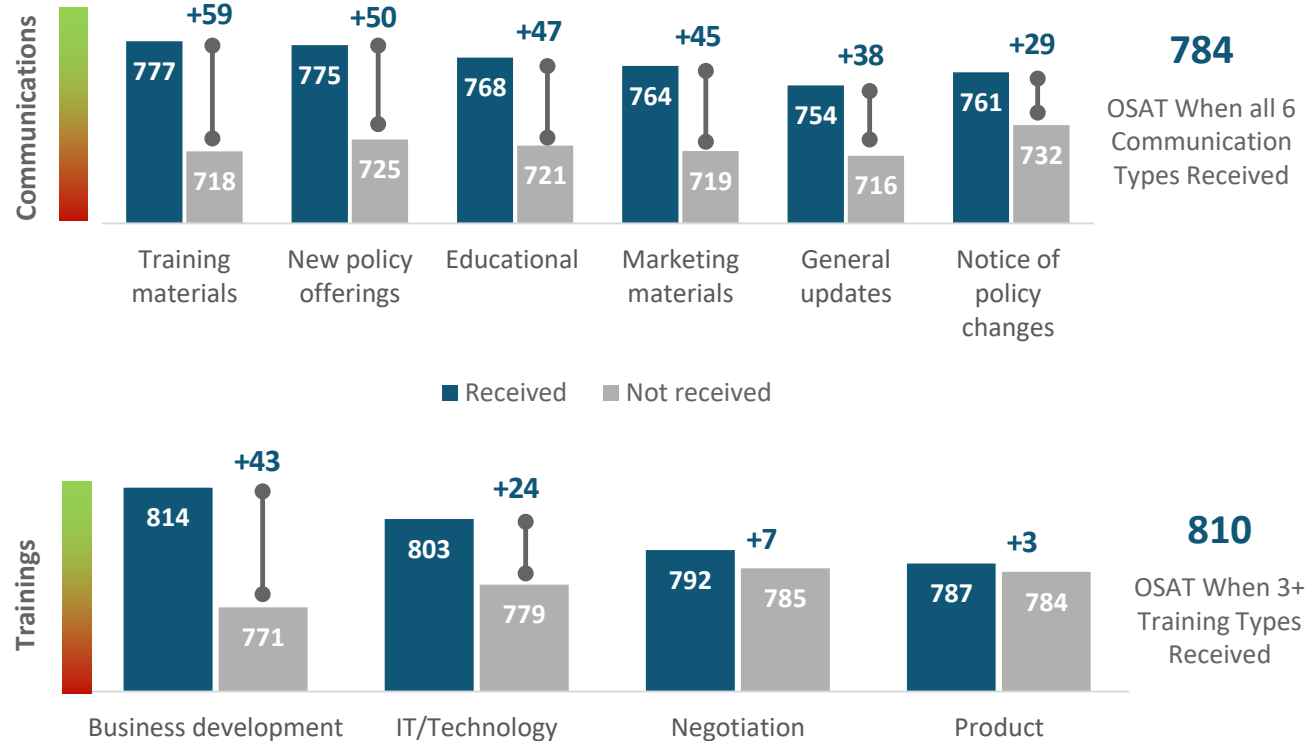
The **quality** of communication and training support matters:

- Communications that are focused on training and new policy offerings yield the highest satisfaction, in part because they increase the perception that IAs are receiving useful guidance and helpful marketing content that is important to them from insurers.
- Training activities that enable IA sales activities, such as Business development and IT/Technology, are leading differentiators of satisfaction.

The **breadth** of the support also matters:

- Satisfaction is by far the highest when IAs receive all 6 communication types (784) and 3+ trainings types (810).

Quality and Breadth of Support: Communications and Trainings



Execution: Providing Digital Integration

Digital access and system integration promotes IA efficiency and engagement

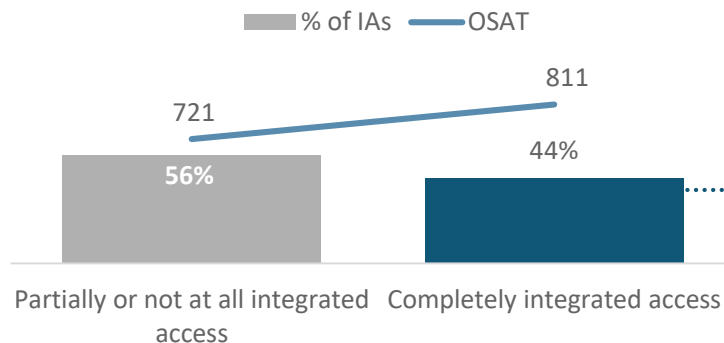
Integrating insurer technology platforms with agency management systems is a key digital strategy for satisfying IAs. When platforms are completely integrated, IA satisfaction is 811.

Integrated digital platforms promotes efficiency and engagement between IAs and insurers—most notably for front-end activities related to quoting and underwriting.

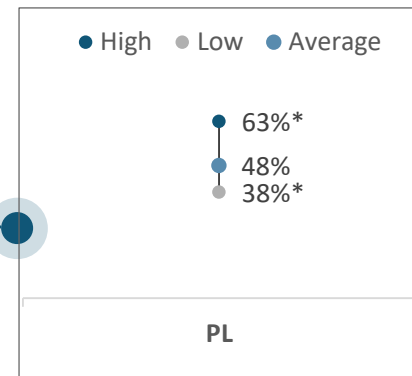
IAs that have digital access and integration can easily find support material online and are more satisfied with the timeliness of the quoting process. These IAs also report greater flexibility in the onboarding of policies.

Perceptions of quality are also impacted by integration—when platforms are integrated, IAs are more satisfied with the quality of the dashboard/portal.

Insurer Website/Online Dashboard Platforms: Integration with Agency Management Systems



Carrier Range of Performance



Leading Outcomes Related to Digital Integration

	<i>Outcome when integration is provided vs. not...</i>	Completely integrated	Partially or not at all integrated
Quoting	KPI: Support material on website/dashboard is easy to find	91%	73%
	Rating: Speed of quoting/underwriting process	8.55	7.40
Product/ Risk Appetite	KPI: Completely flexible during policy design/onboarding	71%	30%
	KPI: Support/write policies for industries targeted by IA (CL)	83%*	41%
Servicing	Rating: Quality of online dashboard/portal	8.40	7.17

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Beyond Measure