Insurance BUSINESS AMERICA

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ISSUE 2.5

PRODUCERS ON CARRIERS

THE COUNTRY'S TOP CARRIERS
revealed, ranked and rated

CYBER INSURANCE
CAPTURING THE OPPORTUNITY

PROFESSIONAL LIABILITY
KEY GROWTH AREAS REVEALED

INDUSTRY ICON
FIVE-FOLD GROWTH IN TEN YEARS

PRODUCERS ON CARRIERS

Producers know their top priorities when selecting a carrier, but how their partners actually measure up is a different story

The advent of technology, changing consumer preferences and a shift in the role of the independent insurance agent have made the relationship between producers and carriers more important than ever.

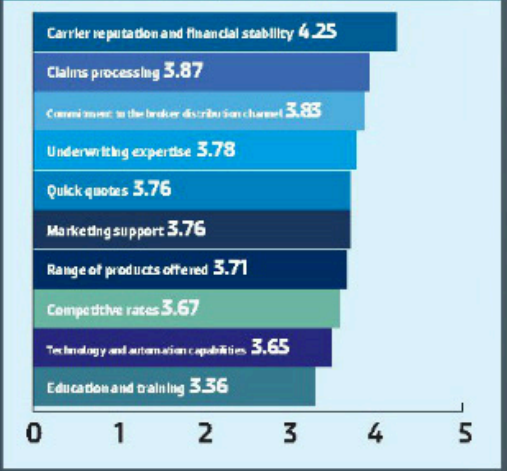
For their part, producers know what they want in a carrier partner. Hundreds of independent agents and brokers participated in *Insurance Business America*'s inaugural "Producers on Carriers" survey in September, labeling quick claims processing, competitive rates and financial stability the most important aspects of an insurer's offering.

Last month, those same producers returned to rate carrier performance in each of these key areas. Respondents submitted the names of more than 300 regional and national carriers, and assigned one- to five-star ratings to each based on performance in 10 categories.

By some measures, it appears carriers are living up to their responsibilities. In financial stability, claims processing and commitment to their producer partners, most carriers are performing well ahead of the curve – certainly a relief to respondents who labeled these attributes among their top priorities when it comes to choosing an insurer.

In other areas, however, respondents were less generous. Competitive rates, technological developments, and education and training opportunities offered by insurance carriers are evidently not meeting the mark set by producers.

What aspect of carrier performance matters most to producers?



CLAIMS PROCESSING

In no situation does a carrier prove its worth more thoroughly to both producer and policyholder than when a claim is filed. Identified by respondents as the single most important aspect of a carrier's offering, efficient claims processing demonstrates the value of the insurer and – vicariously – of the producer.

"Claims is not something an agent really wants to deal with because there is no good claim. A loss is a loss," says Bud Trice, vice president of Crawford & Company's catastrophe services group and a nearly 50-year claims handling veteran. "Bad service during a claim can only hurt the agent tremendously."

Fortunately, carriers seem to be following through on this promise. Claims processing garnered the second-highest rating of all areas of carrier performance, bringing in an average 3.87-star review, with 15 carriers receiving five stars. Fewer than 5% of carriers rated received two or fewer stars.

One standout among carriers that generated positive reviews is the availability of claims download services. Download and real time services allow producers to track the status of a client claim and communicate updates between both parties.

"Access to online forms and to knowledgeable claims specialists to educate the agent and create carrier value draws me to work with a carrier," says one respondent.

On the opposite end of the spectrum, carriers that haven't embraced automation in terms of claims handling were more likely to receive complaints about wait times, lack of communication and unknowledgeable claims representatives.

According to Trice, this last piece of information is the most poignant.

"By and large, it's the avoidance of bad claims services that I think is more important for the agent," he says. "You need to be able to depend on somebody."

At the same time, however, Trice feels it's necessary to foster greater understanding and empathy between all parties.

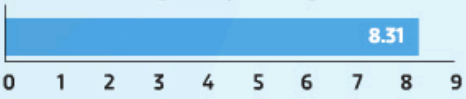
"Agents should realize that, especially in a catastrophic situation, we're all doing our jobs the best way we know how," he says. "Speaking for the industry, no one is out there intentionally making mistakes. Even a fool, in his own eyes, is right."

"Bad service during a claim can only hurt the agent tremendously"

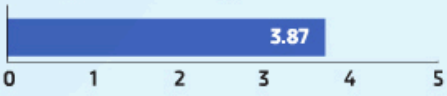
Five-star carriers

- ACE Group
- AIG
- AmTrust Financial
- Arch Insurance Group
- Berkshire Hathaway
- Chubb Group of Insurance Companies
- Cincinnati Insurance Companies
- Fireman's Fund Insurance Companies
- Great American Insurance Group
- The Hanover Insurance Group
- Markel Corp
- RLI Corp. and Subsidiaries
- Scottsdale Insurance Company
- Selective Insurance
- USLI
- Vermont Mutual Insurance Group

How much of a priority is it to producers?



Average carrier rating



Producers speak out: 3 ways carriers can improve

"Claims are extremely slow, and to find someone friendly and knowledgeable to talk to me is nearly impossible."

"They do not communicate with the agent or give them regular updates."

"I can't get claims documents online, which really slows down the entire process."

COMPETITIVE RATES

If there's one area where insurers need to step up, it's in their efforts to provide competitive rates to their producers and policyholders. Rated as the second most important aspect of a carrier's offering, actual performance by carriers scraped just 3.67 stars out of five—the largest disparity between what producers want and what they're being given.

"Rates are huge," opines one respondent. "While I don't personally sell on price, many consumers buy on price. I'd like to be able to offer clients a very solid insurance policy while at the same time being as competitive as possible. I don't care how many bells and whistles the policy has – if it's 15% to 20% higher than the client's current premium, it just won't sell."

Several producers agreed that "competitive" should not mean "lowest market price" – just within the realm of affordability for consumers who are increasingly viewing some forms of insurance as a commodity.

Respondents also expressed irritation with carriers who exercise an unsustainable "balancing act" when it comes to pricing – that is to say, charge inflated rates for one product in order to offer artificially low rates for other, more competitive ones.

A degree of underwriting expertise may help with attaining competitive pricing. Producers rated underwriting expertise as a relatively high priority when selecting a carrier, but mentioned that many underwriters are too constrained by new modeling practices to really analyze risk and offer appropriately priced options.

"Too often underwriters can't see past the four walls in their office to know how operations truly run," one respondent says. "Get out and look at a risk without your insurance hat on, and try to put yourself in the shoes of the business owner. Once you've done that, then take a look at the account from the insurance aspect and see how the two views can blend together."

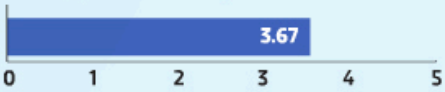
"I'd like to be able to offer clients a very solid insurance policy while at the same time being as competitive as possible"

Five-star carriers

- AmTrust Financial
- Arch Insurance
- Berkshire Hathaway
- Cincinnati Insurance Companies
- CNA
- Great American Insurance Group
- The Hanover Insurance Group
- Ironshore
- Philadelphia Insurance Company
- Selective Insurance
- SECURA Insurance
- USLI
- Vermont Mutual Insurance Group

How much of a priority is it to producers?

Average carrier rating



Producers speak out: 3 ways carriers can improve

"They need to work on better rating structures if they want to take more market share from State Farm and other captive insurers."

"I would like to see carriers defend against legislative burdens that cause our products to not only lose competitive value as opposed to other economic outlays, but also cause insurance to be destabilized by a smaller marketplace."

"Modeling is killing the old-school, out-of-the-box way they used to underwrite risks."

CARRIER REPUTATION & FINANCIAL STABILITY

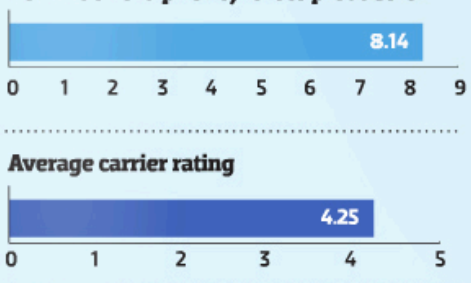
Reputation and financial stability was the most highly rated performance category among carriers, and the third most important quality for producers.

It's hardly surprising why. Though the insurance sector remained largely unaffected by the 2008 financial crisis, the troubles of a few major players like AIG shook many producers.

It appears carriers have taken this post-recession urgency just as seriously. Producers gave carriers 4.25 stars out of five for reputation and financial stability. This was the only category in which more than three-quarters of respondents gave their carriers a four-star rating or higher.

Several survey respondents noted they refuse to do business with carriers boasting anything less than an A+ rating. "My reputation is always on the line – especially now," says one producer. "Working with a reputable carrier is helpful."

Producers also noted that length of operating time is one way carriers demonstrate their reputation and stability. "Two hundred years in business speaks volumes," one producer noted.



Producers speak out: 3 ways carriers can improve

"Their reputation is awful, but they have the market cornered and they know it."

"New, fly-by-night companies are sprouting up in the field to take individuals through choosing an insurance plan with little background in the industry."

"Clients often research the company they are with. It is important to us to only represent A-rated or higher-rated companies."

Five-star carriers

- ACE Group
- AmTrust Financial
- Arch Insurance
- Berkshire Hathaway
- Catlin Group
- Chubb Group of Insurance Companies
- Cincinnati Insurance Companies
- CNA
- Fireman's Fund Insurance Companies
- Great American Insurance Group
- The Hanover Insurance Group
- The Hartford
- Ironshore
- Liberty Mutual
- Markel Corp
- Navigators Group
- Philadelphia Insurance Companies
- QBE
- Republic Group
- RLI
- Scottsdale Insurance
- Selective Insurance
- Travelers Insurance Companies
- USLI
- Vermont Mutual Insurance Group

"My reputation is always on the line – especially now. Working with a reputable carrier is helpful"

COMMITMENT TO THE BROKER DISTRIBUTION CHANNEL

Changing consumer preferences have given rise to widespread concern over the future of the independent agent role, and producers are looking to their carriers for greater evidence of commitment to the broker distribution channel.

As such, that commitment was rated the fourth most important feature of a carrier – and the second most important among smaller agencies reporting less than $1 million in annual policy volume.

Fortunately, many carriers seem to be meeting producer expectations on this front. With an average 3.83-star rating, commitment to the broker distribution channel was the third most highly rated quality among carriers.

When performing their assessments, producers noted things like instruction on new products, competitive commission schedules and exclusive broker distribution as evidence of the insurer's commitment to the continued success of the channel.

"[This insurer] really embraced brokers by keeping us informed and getting rate and benefit information out very quickly," one respondent says. "No one else is even close to them in supporting us."

That's not to say there isn't still work to be done.

Several respondents noted they distrust their carriers' intentions, given the expansion of insurers to direct selling or the use of captive agents in addition to independents. Different pricing between direct and independent agents also ruffled some feathers.

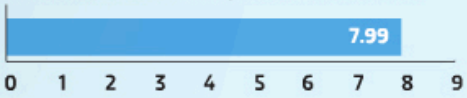
Alicia Igram, a local leader of the Insurance Office of America in Aliso Viejo, Calif., probably expressed it best: "It seems as if many of our standard markets are welcoming any distribution channel. [They're] even working with payroll companies that are notorious for telling employers that most of the employees should be classified as 8810 Clerical. This is a slap in the face to those of us who have spent our career support them."

Overall, however? Many producers described the current situation with their carrier partners as "wait and see."

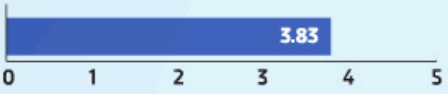
Five-star carriers

- ACE Group
- AIG
- AmTrust Financial
- Berkshire Hathaway
- Fireman's Fund Insurance Companies
- The Hanover Insurance Group
- Ironshore
- Markel Corp
- RLI Corp. and Subsidiaries
- Vermont Mutual Insurance Group

How much of a priority is it to producers?



Average carrier rating



Producers speak out: 3 ways carriers can improve

"It's a work in progress. They need to increase their commission schedule ... and stop making you jump through hoops to get an extra point."

"Too much direct and aggregator competition. Sad to see them in Wal-Mart."

"I'm OK with carriers offering multiple distribution channels as long as there isn't different pricing in each channel."

"It seems as if many of our standard markets are welcoming any distribution channel"

UNDERWRITING EXPERTISE

Producers deemed underwriting expertise the fifth most important quality in a carrier, with an overall rating of 7.95 out of nine. In terms of overall performance, producers gave carriers an average rating of 3.78, making it the fourth highest-performing category for insurers. Three out of every four producers gave their carriers' underwriters four or more stars.

However, some producers did have issues with the rigidity of some underwriting standards.

"I feel underwriting is more combative with this carrier than any other. They only think within their rules and guidelines, and rarely use their authority to make any accommodations for agents and their specific situations," says one respondent.

Another agrees, "It would be better if underwriters would let go of the book just a little. They are very strict and do not like to make decisions in a timely manner."

Turnover rates at some carrier offices was also a sore spot, with producers noting that a revolving door of underwriters isn't conducive to building trust or long-term relationships. Likewise, several respondents expressed frustrations with the time it takes to get service.

"[The carrier] has a general mailbox that they have 24 hours to respond to. Most e-mails are back-and-forth, question-and-answer conversations, so inquiries can literally take a week or more to get a final answer," explains one producer. "Expertise is good, although very slow."

Despite this critique, many producers were quite happy with the effort put forth by their carriers.

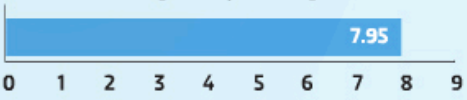
"While filling out the application, I was able to ask questions to the underwriters via live chat, or when I chose a class code from their drop-down menu, it would automatically give a brief description of the class."

"As with most carriers, perpetuation is an issue. They could focus more on tomorrow's underwriting talent"

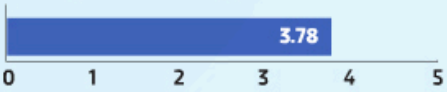
Five-star carriers

- ACE Group
- AIG
- Berkshire Hathaway
- Catlin Group
- Cincinnati Insurance Companies
- CNA
- The Hanover Insurance Group
- Ironshore
- Markel Corp
- Philadelphia Insurance Companies
- QBE
- RLI
- Selective Insurance
- USLI
- Vermont Mutual Insurance Group

How much of a priority is it to producers?



Average carrier rating



Producers speak out: 3 ways carriers can improve

"Getting to an underwriter is often a long wait time."

"This company is hurting to keep seasoned underwriters. Our agency is like a revolving door of new ones underwriting for us – leaves us to question what management is thinking."

"They do not comply with DOI's standard regulations."

TECHNOLOGY AND AUTOMATION

The technological offerings and automation capabilities of insurance carriers ranked near the middle of the pack when producers considered their priorities in choosing insurers, but the topic still drew the most discussion from respondents – and ranked near the bottom in grading.

Producers gave carriers just 3.65 stars, commenting that everything from billing processes to online raters needs improvement and to be streamlined with their own agency management systems.

The uneven availability of comparative rating tools was one major pain point. Thanks to the changing expectations of today's "instant gratification" consumer, producers need to be able to turn around quotes quickly and give a basic overview of a client's options. Without widespread comparative raters, this task becomes difficult.

Dealing with endorsements was another sore spot. Many carrier systems lack the capability to process endorsements, respondents said, leaving producers to spend time on the phone connecting with the appropriate underwriter to make changes and update policies accordingly.

Still, several producers noted improvement. "Five years ago, they would have gotten one star," one respondent said. "Today, things are getting better."

Popular features include online tools that allow producers to secure quotes in less than 20 minutes, as well as 'live chat' windows that connect producers directly to underwriters in order to get their questions on coverage and risk placement answered without the hassle of a phone call and potential rerouting in the insurer's system.

As vice president of product management at IVANS – a technology provider dedicated to improving efficiencies between carrier and agency management systems – Paul Warga is encouraged to see such improvements.

Although the insurance industry is rarely at the forefront of technological change, Warga believes carriers are invested in improving automation, such as download and real time capabilities for their agent partners.

"There's a myth that commercial lines doesn't work when it comes to download," Warga says. "But carriers recognize the value here, and 17,000 unique agents are now taking commercial lines download."

In fact, the biggest issue when it comes to connecting carriers and producers isn't the willingness of both sides to change – it's getting producers to recognize the potential that is already there. According to data from technology vendor Applied Systems, roughly 43% of commercial download connections are not 'turned on' within agency management systems. Once producers are aware of the capabilities, it's a quick fix to establish that connection.

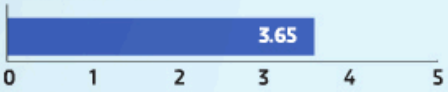
In future, Warga anticipates that claims downloads – another item high on producers' wish lists – and activity notes will become more widely available from the carrier community.

Five-star carriers

- Chubb Group of Insurance Companies
- The Hartford
- Liberty Mutual
- RLI Corp. and Subsidiaries
- Selective Insurance
- USLI
- Vermont Mutual Insurance Group

How much of a priority is it to producers?

Average carrier rating



Producers speak out: 3 ways carriers can improve

"Their online quoting systems are clunky. Choosing the program code can be a nightmare, and it has a significant impact on pricing, so I'm never confident I've quoted something properly."

"There are a lot of endorsements, like lender changes and flat cancels, that you can't do online. You have to call."

"Downloads, billing and online rating capabilities still have a long way to go."

QUICK QUOTES

Quick quote capabilities ranked toward the bottom of the pack in terms of what producers consider important when choosing carriers, but the topic still drew a lot of discussion from respondents, who graded carriers right in the middle.

Surprisingly, given the quantity of comments on the topic, quick quotes only ranked higher than three other areas: range of products offered, marketing support, and education and training.

In terms of performance, producers gave carriers an average rating of 3.76 out of five in quick quoting, which placed the category tied for fifth with marketing support.

Some respondents did express concerns with the turnover time for quotes. "Takes forever to get a quote or any kind of contact," one respondent complained. "Still waiting on one I put in last month."

Others reiterated sentiments about getting up to speed with modern connectivity: "Consumers in today's age of technology expect a certain speed in handling quotes."

Another respondent added, "The faster I can get the quote to the applicant, the more business I will sell – plain and simple."

Some respondents were quick to praise auto-quoting tools, while others valued the responsiveness of their underwriter.

"Quick if agent is doing the quote online. Slow if sent into UHC to produce the quote," said one respondent.

"I know I can count on my underwriter to respond within a few hours on the few submissions that aren't auto quoted," raved another.

Perhaps the reasoning behind quick quotes ranking toward the bottom of most important qualities for carriers is because of the overall level of satisfaction with them.

One respondent stated, "In a quick-paced environment working exclusively with contractors, the ease/speed of their process is fantastic. In some cases, if I had enough information, I was able to receive a policy/binder within 20 minutes."

"Turnaround time is consistently with 24 hours," said another agent. "I can set expectations with my clients based on FirstComp's consistency."

"And RLI actually quotes *everything* for us! Now that's what I call a true carrier partner!" added an enthusiastic respondent.

"I know I can count on my underwriter to respond within a few hours on the few submissions that aren't auto-quoted"

Five-star carriers

- ACE Group
- AIG
- CNA
- Great American Insurance Group
- The Hanover
- Nationwide
- Navigators
- RLI
- Selective
- Secura
- USLI
- Vermont Mutual

How much of a priority is it to producers?

Average carrier rating

Producers speak out: 3 ways carriers can improve

"Quick is only if the agent enters all the information – very slow to send into SHP to produce the quotes (group or individual)."

"Staying old school; this is a downside. Quotes must be approved by field reps, who are out in field and can take hours to days to approve pricing. More straight-through underwriting needed."

"The easier it is to quote a company, the more we want to quote them. Too many questions when quoting (i.e., how many baths, when the home was purchased, mortgage/loan, etc.) frustrates us every time when quoting that company, which does not promote 'feel good' feelings for the company."

RANGE OF PRODUCTS OFFERED

The range of products offered by carriers ranked near the bottom in terms of producer priorities, with a rating of 7.60. Ratings for actual performance were similarly low.

Producers gave carriers 3.71 stars for their performance in range of products offered, with some commenting that carriers need to extend beyond conservatism and expand their palate in relation to risk.

"Carriers better have a broad menu of options available to compete in this market," says one respondent. "Numerous products are a must."

On the other hand, more respondents seem to favor the niche market approach currently being embraced by more carriers.

"Range is less important than providing strong, quality products," explains one respondent.

Another adds, "Some companies are better because they do a few products really well. Just like we can't be all things to all consumers, we don't expect our carriers to be able to offer every product. The value of an independent agent is that we can seek out other partners if needed."

Producers speak out: 3 ways carriers can improve

"Too conservative of an appetite in commercial."

"It always helps when you can keep a client who may have business and personal insurance with the same carrier. There are times when the client wants it this way."

"Range of products and appetite are something that is very important. More often lately, business owners are diversifying their businesses to capture more customers. If a company doesn't have the ability to provide coverage for a new exposure that is rather minimal to the entire account, then there is an issue."

Five-star carriers

- ACE
- Arch Insurance
- Chubb Group of Insurance Companies
- Cincinnati Insurance Companies
- Great American
- The Hanover Insurance Group
- Ironshore
- Liberty Mutual
- Markel Corp
- Philadelphia Insurance Companies
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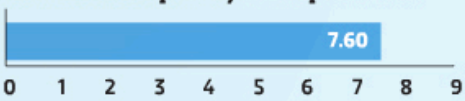
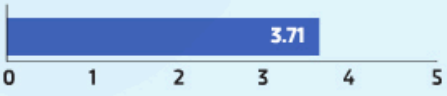
- Vermont Mutual

How much of a priority is it to producers?



Average carrier rating



"It's more important that a carrier recognizes and emphasizes its strengths"

MARKETING SUPPORT

It may be a relief to carriers that marketing support was such a low priority to producers – a rating of just 6.85 out of nine – because insurers scored an unremarkable 3.76 stars on average, with just two carriers earning five-star rankings.

While a vocal portion of respondents say they believe it's the carrier's duty to help market the products they expect producers to sell, a larger number say they increasingly rely on marketing materials and support from agency network systems, third-party vendors or trade associations like The Big "I."

State associations are also helpful for comparing marketing experiences – both successes and failures, respondents say.

These resources, often tailored by independent agents for independent agents, were typically rated as more helpful and widely available than those supplied by carriers.

Of those producers who do rely on carrier-provided marketing materials, many are disgruntled by the lack of online or mobile options. The ability to download brochures, white papers or other supporting materials still has not been embraced by many major carriers.

This is undoubtedly a vital component of a carrier's offering in a culture in which more than half of consumers (51%) used the internet before making an insurance decision and in which online searches for insurance information grew 15%, according to data from Verdict Research.

More positively, several producers expressed gratitude for webinars and continuing education classes explicitly designed to explain new carrier products and to help producers advertise and sell them. Pointing out cross-selling and co-op opportunities is also particularly helpful to independent agents, respondents said.

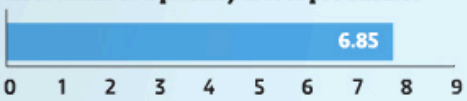
At the top of producers' wish list is more insight into local markets and opportunities – something carriers should be able to provide with their access and ability to manipulate big data.

"Any input from a marketing standpoint and what [the carrier] is seeing in my marketplace helps me close sales," a respondent says.

Five-star carriers

- The Hanover Group
- Vermont Mutual Insurance Group

How much of a priority is it to producers?



Average carrier rating:

Producers speak out: 3 ways carriers can improve

"They could focus more on local marketing and give agents more marketing money to help offset costs."

"Cannot find forms or basic brochures on the internet. Many of the items are not in PDF format to send electronically."

"Most carriers' marketing is very 'blah' and doesn't work well with an independent agent's message of choice. We do value generous and flexible co-ops from carriers that allow us to think outside the box."

"We value generous and flexible co-ops from carriers that allow us to think outside the box"

EDUCATION AND TRAINING

Education and training offered by carriers was not only the least important consideration for producers, but was also the second-weakest category in terms of carrier performance.

About 30% of respondents gave their carriers a four-star rating in education and training. An additional 32.18% rated carriers at a four-star level, meaning that roughly six out of 10 respondents felt their carriers were performing well – still a majority, but less impressive than other areas.

Several producers commented on the lack of access to training and the ambiguity of the topics covered. One participant explains, "[Their] 30-minute webinars are mediocre at best."

"Not enough relevant training," says another respondent. Similar sentiments were expressed with regard to the structure of training sessions and, in some instances, complete disregard for education and training all together.

"They offer no education and training opportunities, not even webinars," says one respondent.

Other producers were not as concerned with the availability of educational resources, but rather with the effort required to access these services. On top of having to go out of their way to get the training available, some producers were deterred by the fees charged by carriers.

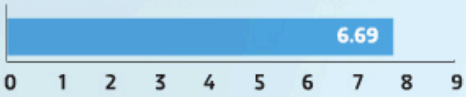
"They need to better support agents financially for education expenses," says one respondent.

Nevertheless, some producers were quite satisfied with the opportunities provided by carriers. Comments like "useful," "solid programs both online and through high-quality classes" and "always offering us educational and continuing education opportunities" also peppered the survey.

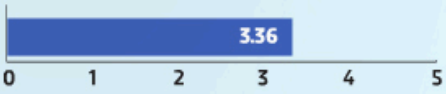
Five-star carriers

- AIG
- RLI
- USLI
- Vermont Mutual Insurance Group

How much of a priority is it to producers?



Average carrier rating:



Producers speak out: 3 ways carriers can improve

"Very slow in training – mostly done after the fact and when the group or individual has already called to find out more information."

"They do training on their products, but no education, and you have to keep up with the changes on the agent site. Not really into e-mails."

"Thirty-minute webinars are mediocre at best."

"Lots of training and education is available, but you kind of have to seek it out—or they charge for it"

IMPROVING THE PRODUCER/CARRIER RELATIONSHIP

Working relations between producers and carriers continue to improve in most areas, but several pain points still exist – particularly in regard to technology and ongoing carrier support of the independent agent distribution channel.

Communicating these frustrations continues to be a challenge for producers. As business issues director for the Professional Insurance Agents of Connecticut, New Hampshire, New Jersey and New York State, Jim Pittz has assessed agent-carrier relationships through a region-wide report for several years. One thing he's found is that meetings between producers and carriers are often a "one-sided conversation."

However, if producers can support their positions with data and similar experiences from other agencies, a conversation can be much more productive.

"When marketing representatives meet with agents, it often turns into a conversation about wanting more business," says Pittz. "What is better is if agents can come back and say, 'Yes, we will provide you with business, but you've got to enhance your service.'" IB