

Snapshot Report

2018 U.S. Independent Insurance Agent Satisfaction Study



J.D. POWER

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**In alliance with the
Independent
Insurance Agents &
Brokers of America,
the Big “I,” we are
excited to introduce
the inaugural *J.D.
Power U.S.
Independent
Insurance Agent
Satisfaction Study*.SM**



**Independent Insurance Agents
& Brokers of America, Inc.**

Independent agents (IAs) represent the largest and most preferred distribution channel serving insurance consumers in the increasingly competitive P&C market. In this groundbreaking study, the relationships between independent agents and insurance carriers are examined, as well as how carriers can better meet the needs of agents and, by extension, customers.

This national study of 1,380 independent insurance agents—involving 1,424 evaluations of personal lines, and 1,217 evaluations of commercial lines—measures their satisfaction with the insurance carriers with whom they work and identifies trends and improvement opportunities. J.D. Power examines a number of topics from the agents’ perspective, including the quoting/underwriting process, claims process, policy servicing, communications, commission management, product/service offerings, and insurer risk appetite.

This analyst briefing of the 2018 U.S. Independent Insurance Agent Satisfaction Study provides the following:

- Review of the state of the independent agent market
- Understanding of the independent agent’s relationship with P&C insurers and the agent’s role in overall profitability
- Identification of opportunities for P&C insurers to improve the experiences of agents and customers

State of the Independent Agent Market

Independent agents are a force that P&C carriers cannot ignore if they wish to succeed.

Key Findings Underlying Improvement Opportunities

- Independent agents are the **largest and most preferred channel** for customers, writing 83% of commercial and 35.5% of personal lines premiums.¹
- Independent agents' **market share lead is being attacked** as the industry becomes more concentrated in larger carriers and direct distribution grows.²
- To differentiate themselves, independent agents are trending toward **quality through specialization**³ and view P&C insurers as partners in that process; there is a need to provide a greater risk capacity and flexibility in policies.
- Among surveyed agents, **Auto-Owners Insurance (795 on a 1,000-point scale)** earns the highest score among personal lines companies, and **Liberty Mutual (714)** performs highest among commercial lines companies.
- Overall, P&C insurers are **not meeting agent expectations**, with low levels of satisfaction found across both personal (696) and commercial (686) lines—some of the lowest levels of B2B studies at J.D. Power.
 - Insurance companies with the highest satisfaction have the highest commissions ratio yet the most profitable operating ratios.

Most Important Opportunities in Order of Key Performance Indicator Improvement

- Improve the **ease of doing business** with agents to increase sales volumes, customer retention, and overall satisfaction.
- Develop **more flexible product options with a broader risk appetite** to increase market share as insurance sales increase and the economy continues to improve.
- Significant opportunity exists to increase **cross-sell penetration**—with upside to both insurer revenues and agent satisfaction and commissions.
- Carriers with the highest independent agent satisfaction are able to offer a **competitive agent commission while maintaining expense ratio discipline**.
- The independent agent is a vital component of a carrier's **omnichannel strategy** so customers can interact with a brand how they want, when they want.
- Agent satisfaction is linked to the number of **communications and training** received from insurers.

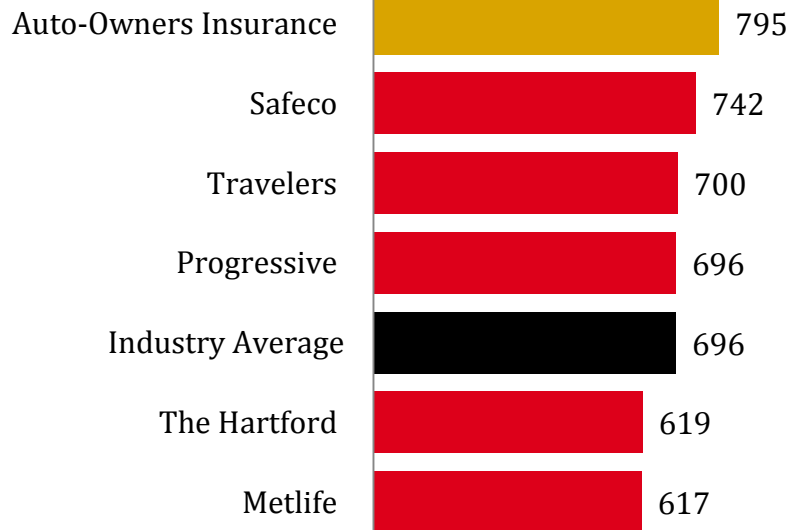
Sources: (1) Independent Insurance Agents and Brokers of America, Inc, 2017 Market Share Report; (2) S&P Global Market Intelligence, (3) Independent Insurance Agents and Brokers of America, Inc, 2016 Agent Universe Report
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Auto-Owners Insurance (795) and Liberty Mutual (714) Earn Top Honors

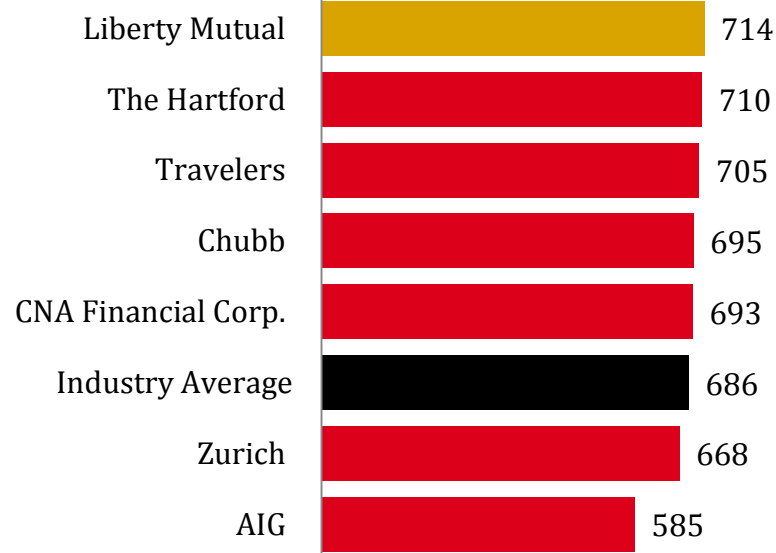
Commercial lines' scores indicate closer competition among top performers than personal lines.



2018 U.S. Independent Insurance Agent Satisfaction Study *Personal Lines*



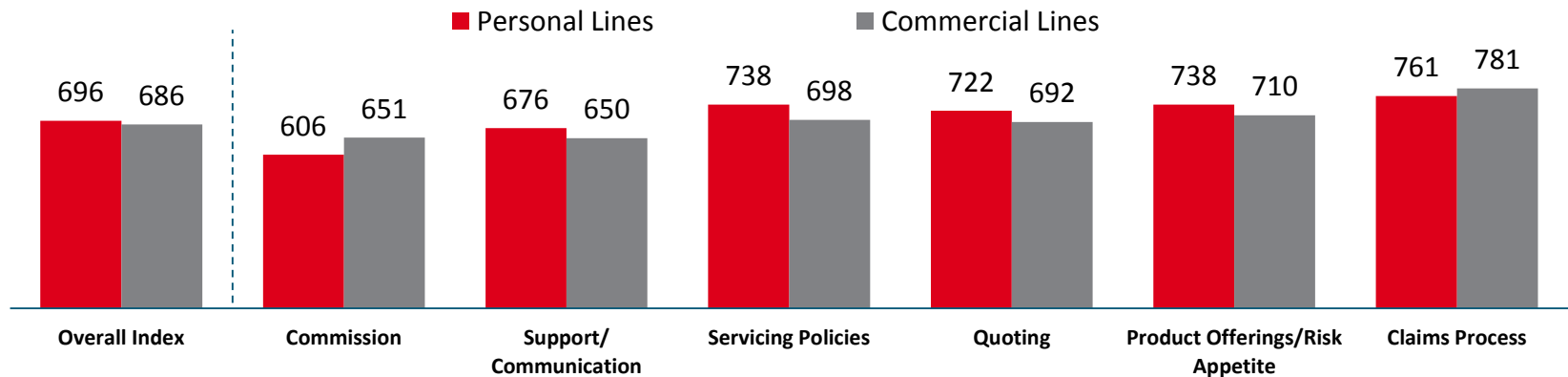
2018 U.S. Independent Insurance Agent Satisfaction Study *Commercial Lines*



Expectations—B2B vs. Consumers

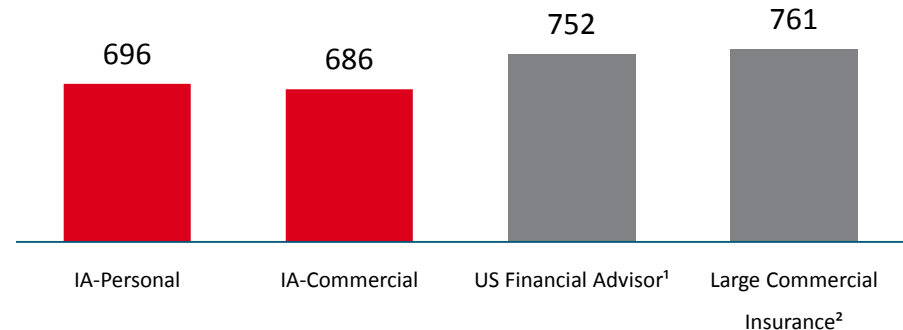
Agents, as industry professionals, set a higher mark for insurer performance than do consumers.

Overall Index and Factor Scores for 2018 Independent Agent Study—Industry Performance



- Relative to J.D. Power’s consumer-focused studies and B2B studies across industries, independent agents’ overall satisfaction with both personal and commercial lines carriers is much lower.
- Key Performance Indicators -- KPIs (best practices that have the greatest impact on overall satisfaction scores) have a relatively low “meet” rate – among the lowest of any study at J.D. Power

Overall Satisfaction Index Comparison—B2B Studies



¹J.D. Power 2017 Financial Advisor Satisfaction StudySM

²J.D. Power 2017 Large Commercial Insurance StudySM

Top-5 Impactful Key Performance Indicators (KPIs)

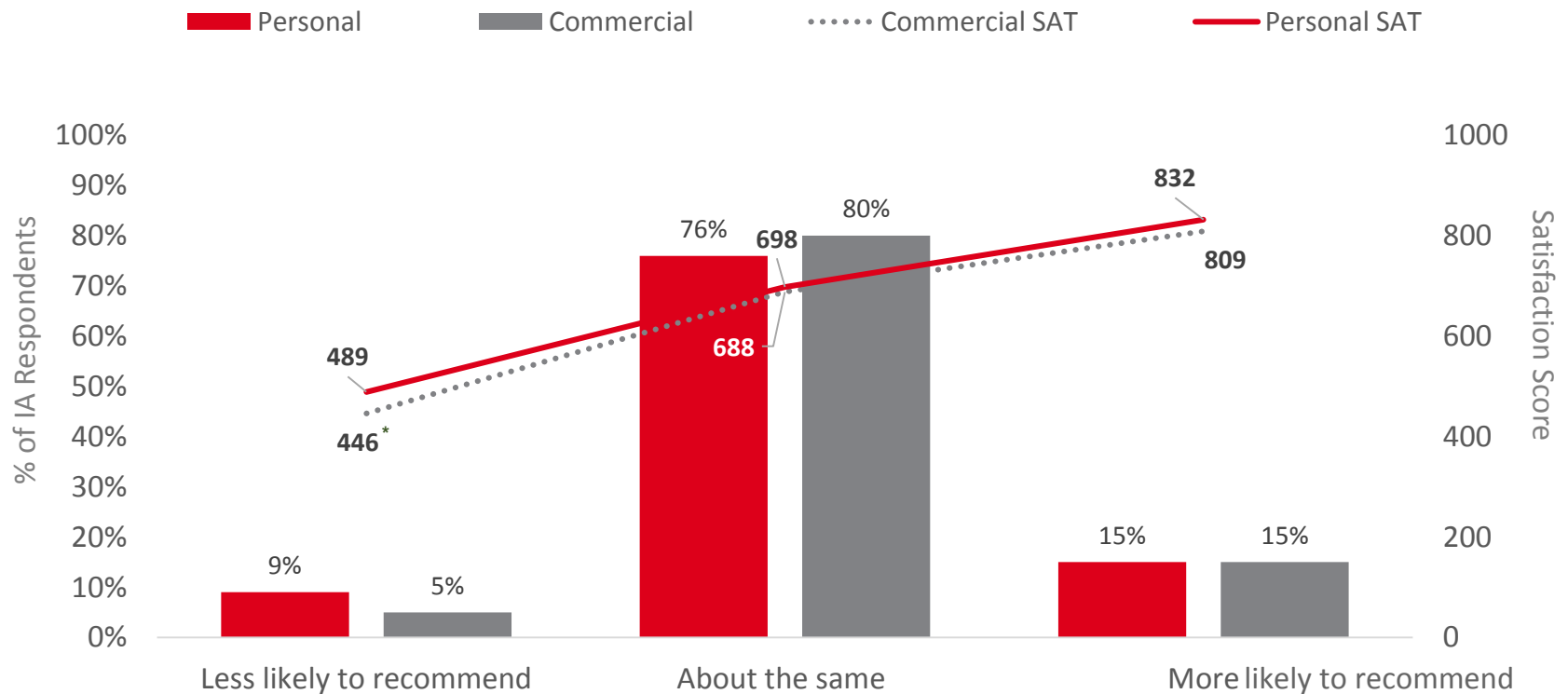
For both personal lines and commercial lines, many of the KPIs (best practices that have the greatest impact on overall satisfaction scores) are delivered at relatively low frequencies

No.	Factor	KPIs—Personal Lines
1	Product Offerings/Risk Appetite	Insurer is “completely” flexible during the design/onboarding of the IA’s clients’ policies
2	Quoting	IA can easily find support material on insurer’s online website/dashboard to help sell policy
3	Commission	Total compensation is sufficient to reinvest into the business and achieve a reasonable ROI
4	Product Offerings/Risk Appetite	Limits of coverages offered by insurer are “more than enough”
5	Product Offerings/Risk Appetite	Insurer “offers standard coverage but will accommodate specialty and unusual risks”
No.	Factor	KPIs—Commercial Lines
1	Product Offerings/Risk Appetite	Insurer is “completely” flexible during the design/onboarding of the IA’s clients’ policies
2	Product Offerings/Risk Appetite	IA’s clients “often” or “sometimes” qualify for a policy/program
3	Quoting	IA can easily find support material on insurer’s online website/dashboard to help sell policy
4	Product Offerings/Risk Appetite	Limits of coverages offered by insurer as “more than enough”
5	Commission	Total compensation is sufficient to reinvest into the business and achieve a reasonable ROI

Opportunity 1: Improve the Ease of Doing Business

Not surprisingly, satisfied agents are more likely to recommend an insurer to their clients in both personal and commercial lines.

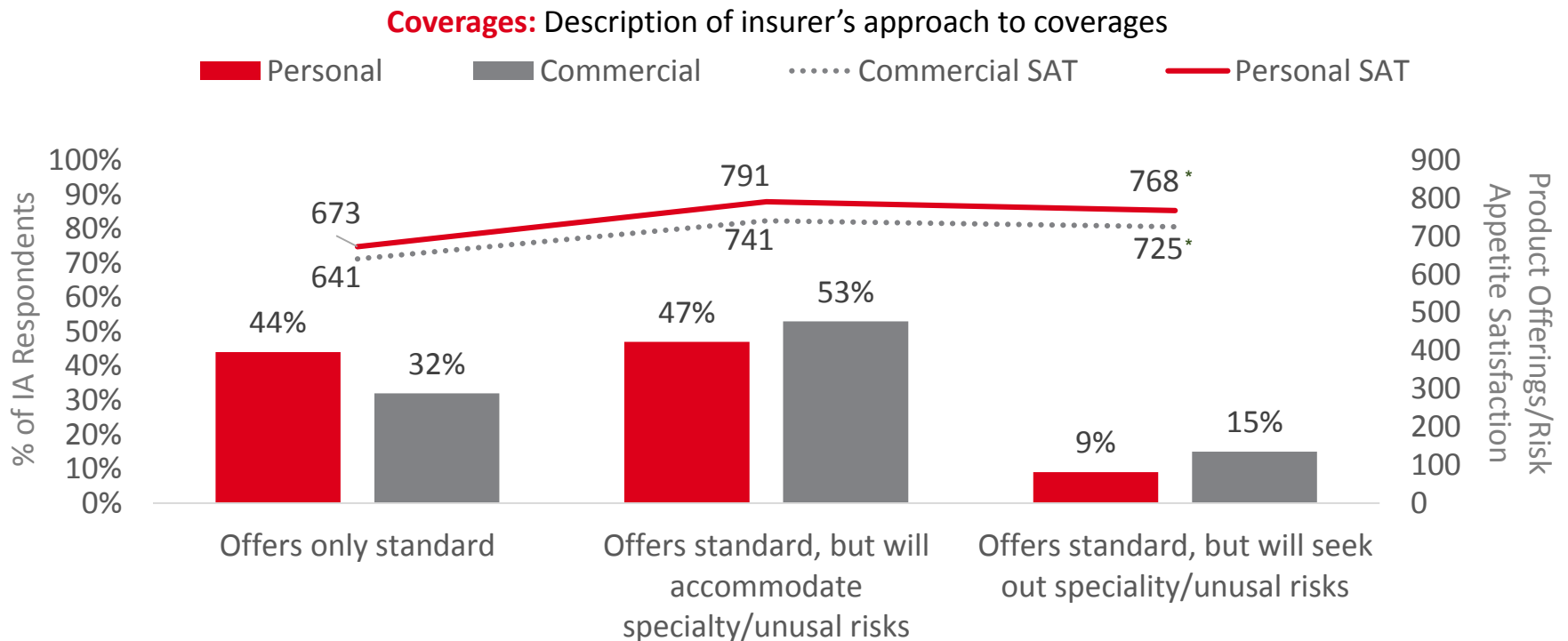
Recommendations: Likelihood for IA to recommend insurer in the next 6 months



*Caution: Small sample size ($30 < n < 100$)

Opportunity 2: Develop More Flexible Product Options

Independent agents are more satisfied with carriers showing greater flexibility and broader product risk appetite.

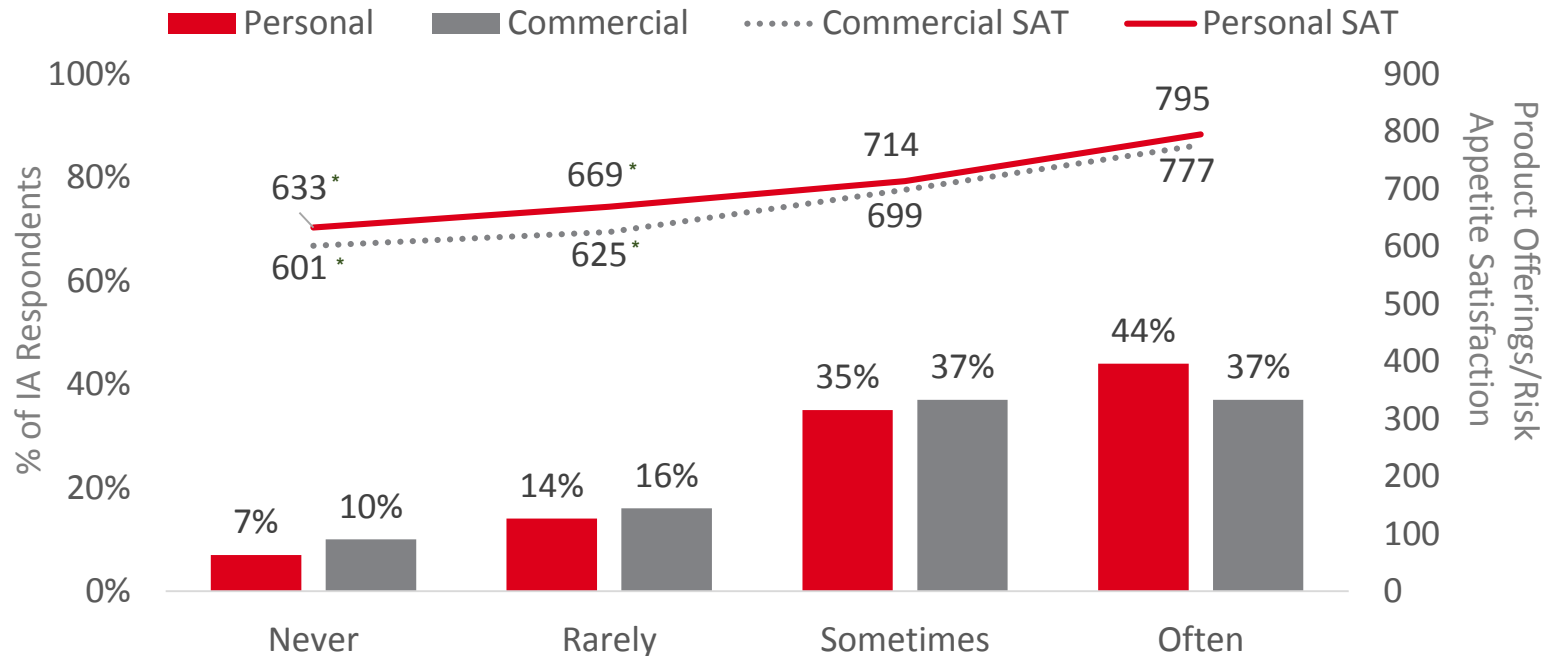


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Opportunity 3: Increase Cross-Sell Penetration

Independent agents are more satisfied with carriers that are able to meet their customer's multi-line needs.

Cross-Sell: How often are you able to provide bundled policies to customers interested in bundling?

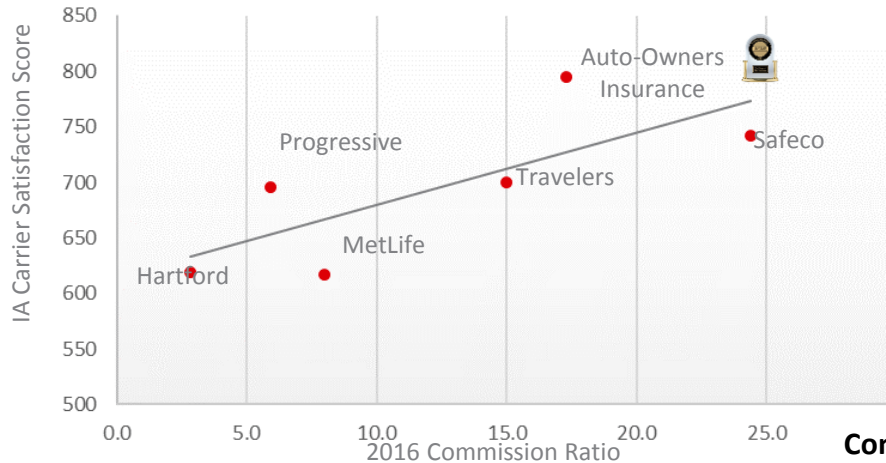


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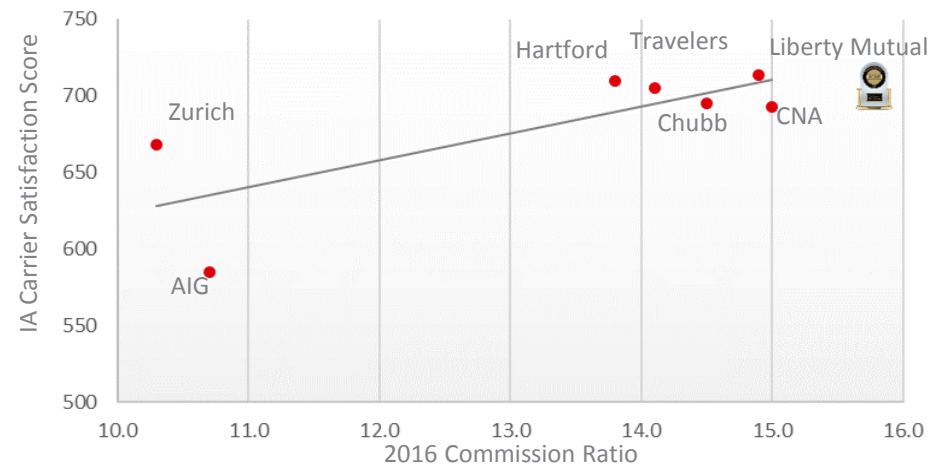
Opportunity 4: Balance Incentives and Costs

Top-performing insurance carriers in the study are more likely to have a higher commission ratio in 2016, investing more in their agent channel, with this seemingly paying off in their customer acquisition and retention strategies—with more profitable operating ratios as well.

Personal Lines: Insurer Overall Satisfaction vs. 2016 commission ratio¹



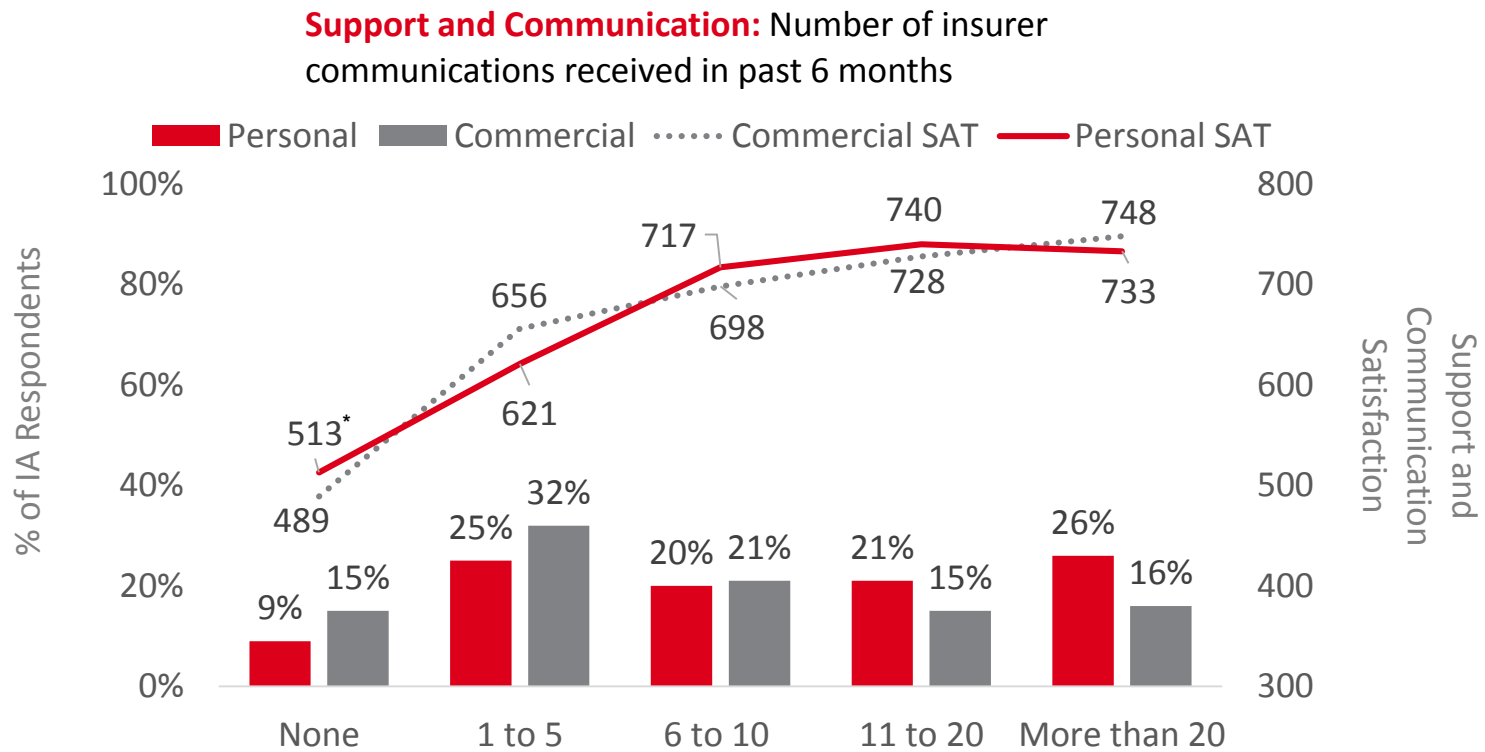
Commercial Lines: Insurer Overall Satisfaction vs. 2016 commission ratio¹



Sources: (1) J.D. Power Insurance Performance Portal

Opportunity 5: Communications and Training

Improved IA satisfaction is linked to the volume of communications and training received.



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