

IIABA Speakers Offer Agents Advice on Competing With Direct Writers

Seminar Emphasizes Value Over Price; Agents Must Take Action Against Commodity Myth

ALEXANDRIA, VA. — The Independent Insurance Agents & Brokers of America (IIABA) last week aimed to dispel the myth that insurance has become a commodity and offered ways insurance agents can address it.

William C. Wilson, Jr., CPCU, ARM, AIM, AAM, director of the IIABA's Virtual University, stated during an online seminar that insurance agents need to deal with the public perception of personal lines

insurance coverage.

"In many ways, we've convinced ourselves it's a commodity," he said. "It's not remotely a commodity. People seem to think the only difference between these products is price and nothing could be further from the truth."

Agents need to be able to compete with direct writers on the Internet, Wilson asserted. Not only that,

he added, insurance agents need to address the misunderstandings consumer frequently have about what their insurance covers and what it does not.

Paul Martin, CPCU, state liaison for Project CAP, the IIABA's consumer-facing online portal and educational resource, told listeners that independent insurance agents are in the "middle" in terms of accounts

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Conn. Panel Hears HO-Related Bills

HARTFORD — Connecticut lawmakers this week considered a bill (S-278) that would bar insurers from increasing homeowners insurance premiums due to a loss based on any adverse weather event.

State law already prohibits insurers from declining to issue, canceling or nonrenewing any policy due purely to losses stemming from catastrophic

events. The bill also indicates that insured property owners could be subject to declination, cancellation or nonrenewal if their negligence is the cause for the loss.

Industry speakers at a public hearing held by the General Assembly's Insurance and Real Estate Committee testified that the proposed language

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The vast majority of insurers did not or could not impose hurricane deductibles for those storms. Legislation promoting coastal leniency.. will likely result in increased rates and/or industry's departure from the Connecticut market."

The IAC also objected to the bill. "Such a change would also restrict an insurer's ability to control its risk exposure in high-risk areas, which could have a negative effect on the homeowners insurance market, to the detriment of consumers across the state," the association stated.

The IAC highlighted another section of the bill that would require premium discounts for any homeowner who installs any type of storm shutters. The existing premium discount requirements are for permanent shutters, the IAC said.

"Discounts are supposed to be based on 'sound actuarial principles,' yet the removal of 'permanent' would make such a determination highly questionable if not impossible," said the IAC. "How is the insurer to calculate a discount for non-permanent storm shutters that may or may not be used properly or in a timely manner? In contrast, permanent storm shutters establish a consistent and verifiable basis for any such discount."

The IAC also disagreed with HB-5502's proposal to allow public insurance adjusters to discuss property claims with insurers on behalf of the insured.

"Due to the vagueness of the term 'discuss,' [the section] will apparently require insurance agents to be licensed as public adjusters. Could a family member of the insured who discusses the claim with the insurer, in an attempt, to assist the insured, also be considered a public adjuster under the revised definition? It is not clear what the meaning of 'discuss' is in this context. Does a mere discussion entitle a public adjuster to compensation from the insured?"

However, the Connecticut Association of Public Insurance Adjusters,

represented by Richard Ouellette, supported the bill with some recommendations.

"Extending the duties of a public adjuster to be able to discuss coverage is great. However, the language needs to be better defined," Ouellette said, recommending that the Committee examine language drafted by the National Association of Insurance Commissioners (NAIC). The firm also supported the bill's extension of the statute of limitations to 24 months. ■

IIABA Speakers Offer Agents Advice on Competing

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that they will typically write. It is unlikely, he said, for agents to handle the largest commercial accounts and on the personal lines side, there are many drivers who simply need insurance to get an inspection sticker and get their car on the road.

In the middle, however, are those consumers with a house, cars, kids, boats and more. Those are the customers that independent insurance agents want to attract, said Martin.

"We as an industry can do battle here," he said. However, 70% of consumers are going to check online for information and solutions before they call a local agent. They do not all buy online, surveys show, but they want answers — and they might not even know independent agents are there.

Project CAP, which operates TrustedChoice.com, launched the site as a way for consumers to connect with agents in their area. Martin said that CAP is "making progress every week. Traffic is going up and up."

Consumers can get a comparative rating quote in 19 states, and 1,500 agencies across the nation have signed up in the last two months to participate. Martin said that 68,000 people came to Trusted Choice's website in

January. That number rose to 87,000 in February. And 55% of the people looking for quotes are choosing the maximum limits for coverage.

"That's what we're after," said Martin.

While it's still hard to come up on the first page in a Google search for "auto insurance," independent agents are making strides.

Argue That "Truth"

Wilson told listeners that agents need to fight against the supposedly "inarguable truth" that insurance is a commodity.

"Just because somebody tells you something is true and even if you believe it's true, that doesn't make it true," he said. "We want you to take action on this."

Tim O'Brien, an agent in New York, noted that his peers need to think of the "power of the independent agency value proposition."

"The question then becomes how do we agents and brokers demonstrate the advantage?" he asked. "Our actions are more important than our words."

O'Brien explained that agents must emphasize that they can function as an advocate for their customers. He cited an ad campaign from Chubb that reminds consumers, "Who insures you doesn't matter — until it does."

Insureds aren't calling 1-800 numbers for an advocate to help them with claims or to find unique coverage, nor are they checking a website, O'Brien added.

"Insurance companies do have a tendency to listen to their agents, particularly those agents that drive volume for them," he said.

O'Brien said it may help to look at other industries to see how the difference is clear between products and relate those differences to insurance policies that vary in their coverage.

"Imagine buying a car without seatbelts or anti-lock brakes," he suggested. O'Brien also cited Apple's "expert" salesmen who ask "open-ended questions to help those people understand how computers vary incredibly."

The real test for advocacy can also come at claims-handling time, O'Brien said. Some claims are cut-and-dried, but the "gray areas" test agents' value.

Not a Commodity

Wilson added that some purchases are indeed commodities. Books aren't commodities, because they differ from one to another. However, if a consumer has in mind one particular book, the only thing that matters when buying it is price. That's not the case for insurance, according to Wilson.

He added that several reports — from A.M. Best, McKinsey & Company

and Nomura Equity Research, for example — over the last year have been "predicting the doomsday for the independent agent." Some studies suggest that agencies have diminished in value because underwriting has become so automated. O'Brien called that comment "highly objectionable and easy to argue against."

Wilson noted, "Agents are always going to be doing their best to select good risks."

Agents are not like travel agents, he asserted, as some studies have suggested.

"Recommending a trip to Panama City, Florida, is not the same thing as dissecting a homeowners insurance policy, so I don't see the value of that comparison," said Wilson. The online seminar included a wide-ranging discussion of examples where the fine print of policies had been lost on insureds — and had either been purchased online or not explained thoroughly by an independent agent.

"Insurance industry has created a monster that price is all that matters," he said. In general, Wilson added, "an increasingly inferior product" can always be priced less.

Sell Them on You

Studies show that if consumers buy a higher-priced product, it's usually because someone has sold them on the value of that product. Wilson noted that a Channel Harvest report said that add-ons and explanations can make the difference. Even agents who are using comparative raters should be quoting the best product, rather than the lower price, the speakers explained.

Research that compares the cost of the agency distribution system to direct writers' advertising budgets misses the point, according to Wilson. Agents do much more than simply broadcast the product, he said. They are underwriting, rating, helping with claims, doing day-to-day service on policies.

"It's a bogus comparison," Wilson concluded. ■

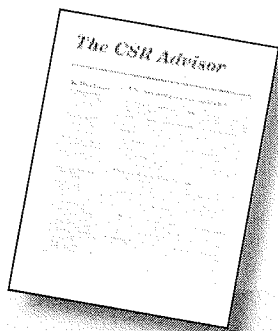
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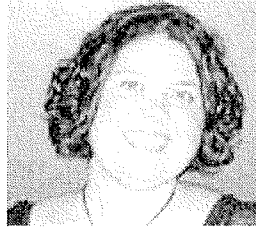
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When agents set out to disprove the myth that insurance is a commodity product, they would do well to stick with the message that local business is good business. When IIBA educator Bill Wilson last week offered an online seminar on competing with direct writers — aimed at both agents and journalists covering the business world — he noted that when buying one specific book, the only thing that matters is price, so the only decision to make is whether to shop on Amazon, Target, or a small, local bookstore.

While the message makes sense — shop on price when all other factors are equal — I think it's valid to point out that even with one specific book, price shouldn't be the only consideration. Agents — and any small business, really — should be making the clear distinction that consumer decisions to shop local make a huge difference in their communities. When buying most goods and services, consumers effect change the second they step into a small business instead of a major chain store or going on-line. They are supporting that local business, supporting their friends and neighbors, ensuring that their community stays healthy and economically sound.

Take books, as in the initial example. A book will almost always be cheaper when purchasing it online. But it doesn't make sense for that to be the message that insurance agents send their consumers. Instead, agents should — and this is the ultimate message of the seminar — focus on the value provided by agents.

Take books. The hardcover copy of Donna Tartt's "The Goldfinch" that I bought locally probably cost a lot less online. However, I picked it up at a nearby bookstore that I love, because every purchase I make there goes toward discounts off a future purchase and I like the bookmarks they include with the books. While I'm there, I can get recommendations for other great reads. There's also the instant gratification of immediately holding the book, going home and devouring it.

And I get to feel like I've been a responsible consumer by ensuring that I'm supporting a bookstore I enjoy, so it can continue to thrive.

And the best things agents can do is highlight the benefit of their advocacy and expertise. They're not only "there" for their clients in the helpfulness sense, they are literally right down the street much of the time. There's a real person sitting in that office in the same ZIP code to answer questions. Insurance continues to differ in many important ways from books or most other goods and services, but supporting one's community is never a wrong move.

— ELA

Sidelights

on the business and the people in it



Employees from Boston-based Safety Insurance Company recently participated in ICycle, a day-long, outdoor event to raise funds for HomeStart, a Massachusetts based non-profit organization that provides assistance to individuals and families facing homelessness in the greater Boston area.

Even the snowy day couldn't dim the spirits of the hardworking team from Safety, which spend an hour pedaling away for the good cause.

The company said that it remembered that "one hour in the harsh elements is nothing compared to living without the comfort of a home."

ICycle featured guest spinners Clay Buchholz, Red Sox pitcher; his wife Lindsay, and former Red Sox catcher Jarrod Saltalamacchia, who challenged Boston media personalities to participate.

"Every day more and more people in our community are affected by homelessness and while we want people to have fun at ICycle, we also hope they understand the important message behind it," said Linda Wood-Boyle, president and chief executive officer of HomeStart.

"Funds raised through this year's ICycle event benefit HomeStart, a non-profit dedicated to helping the homeless maintain permanent housing," said George Murphy, Vice President of Marketing for Safety Insurance. "Safety is very proud that we were able to contribute to the nearly \$150,000 raised through this year's event."

The fundraiser featured spin cycling instructors from Fitness International, an event sponsor. Each cyclist committed to raising \$250 per spin hour.

Central Honored

The Central Insurance Companies recently received the prestigious Quantum Award at the Network of Vertafore Users (NetVU) Conference in Nashville, Tenn.

The Quantum Award recognizes insurers that have made a commitment to NetVU member agencies to offer superior workflow productivity and profitability on both the regional and national level. Many companies were nominated, but only three were named finalists. From these finalists, Central was selected the regional winner for their commitment to continual automation improvements. The company has invested in and adopted a full range of Real Time technology and participates in NetVU, AUGIE (ACORD User Groups Information Exchange), and ACT (Agents Council for Technology). Central is also one of the founding partners for Project CAP, is a Salutatorian Partner for the IIABA's project InVEST, and has been a Trusted Choice company partner since 2003. ←

From online training to a team of qualified service personnel ready to help in any way, Central provides training and support so agents can utilize Workflow Solutions to their highest potential. The company puts a high value on agency feedback, and has several advisory councils in place to generate and encourage agency input including the Inner Circle, CSR Advisory Council, Blue Streak Program, and Premier Agency Program, as well as Online Agency Forums.

"Central sets the bar with which we compare all of our other carriers," said Matt Frierson of Central agency partner Pierson & Fendley Insurance in Paris, Texas. "I can't find anyone to compare with Central in terms of ease of doing business and the support they provide. And that doesn't even take into account the ease with which customers can communicate with Central. It is very obvious that technology is incredibly important to Central Mutual, and as an agency doing business with them each day it shows"

Central Insurance was founded in 1876, and provides insurance for more than 328,000 automobiles, homes, and businesses in 18 states. Central is based in Van Wert, Ohio and operates regional offices in Boston, Atlanta, Dallas, and Van Wert. The Central group of companies has combined assets of over \$1 billion. Central's A.M. Best rating is A (Excellent).

NetVU provides industry advocacy, education and networking to its 18,000 independent insurance agency members.