Strategic Future Issues Break Out Discussions
A consolidation of the responses
February 19, 2011 ACT Meeting

Overview

This report results from a series of break out sessions at the Tampa ACT meeting that followed a thought provoking panel sponsored by ACT's Strategic Future Issues Work Group. The role of the work group is to watch what is happening in our society and in other industries with regard to societal, business and technology trends, as well as changing consumer expectations in an effort to help our industry get out in front of these trends and be positioned to respond to them proactively.

The break outs were asked to address three major questions:

I. What are the top three consumer and technology trends that will impact us over the next three years?

(In categorizing answers from the breakouts we consolidated them into the following four trends.)

1. *Mobile and mobility*

Mobile technology and mobility were the most mentioned trend in the breakout sessions. As distinguished from "Desktop Internet," mobile includes much more than just phones. It also includes tablets (iPad), readers (Kindle), MP3 players (iPod), Car electronics (GPS), home entertainment (Wii) and wireless home appliances (Internet TV).

We have been talking about mobile for a couple of years. However, critical mass has now been reached. In 2011, it is estimated that sales of smartphones will surpass the combined sales of PC desktops and laptops. Also, almost 60% of time on mobile phones is now spent on activity other than call, texting and mail. Advancements in mobile become even more significant when you consider the growth and success of the iPad which is estimated to sell close to 50 million in 2011.

Mobile users will demand better browsing experiences from brand sites. Not only does our industry lack good mobile apps but at more basic level, very few websites are optimized for mobile access.

Some additional comments from the breakouts included:

- Mobile is not just about mobile devices; we are a mobile society that is location-neutral. We can work and play when and where we want. This has both positive and negative implications.
- Geo independent: Agents becoming more virtual in offices & without borders. Future office on the go = (iPad).
- Opportunities and concerns with combining 24/7 support with a mobile/virtual office force.

2. *Social Web*

All aspects of the social web were considered to be continuing and significant trends. For now, there is an expectation that sites such as Facebook, Linkedin, YouTube and Twitter will continue to grow and influence the way insurance firms interact and communicate with their customers. In addition, trends such as location-based marketing, text based marketing, greater bandwidth (4G), Wordpress, or similar based websites, customer review sites (Yelp), and advancements in measuring and monitoring will all need to be watched and considered.

The groups also identified several trends that were part of the social revolution and that were continuing to transform our business culture.
a. Inbound and permission-based marketing
b. Building community and trusted relationships
c. Curation – subject matter expertise/thought leadership
d. Multiple touch points and communication options
e. Opportunities to get customer input to solve problems & improve the business
f. Customer reviews of service providers, and responding to the both positive and negative postings.

3. *Generational and diversity shifts*

(This trend while frequently mentioned was not a fully developed as were the previous two trends)

There was acknowledgement that generational and diversity shifts have started to have a huge impact on our industry both from a customer and employee perspective.
a. Generational Change: 60% of our work force will turn over in next 10 years.
b. Generational and diversity shifts affect consumer needs and drive how we interact with consumers (and co-workers) as well as create the need for product innovation.

  c. Digital Natives – Growing up with technology – have different expectations with regard to work environment and communication methods.

4. *<u>Cloud Computing</u>*

This technology trend was seen as having a key role in our ability to create an infrastructure that will be able to address the challenges and demands of a mobile environment.

II. How will these trends change how we will do our work?

(It is hard to differentiate how each of these trends will change the way we work. All of these trends are connected and influence each other. Combined they are transforming our society and changing customer expectations and the way we work)

1. *<u>Mobile and mobility – under the discussion of this trend many ideas, concerns and issues were raised</u>*

  a. Customers (and employees) will expect immediate and platform independent access to information and services.
    i. Chat on line – VOIP contact.
    ii. Instant communication. (For example, someone downloaded to his Kindle the introductory pages of the book Rick Morgan recommended during the panel – customers will be able to do this with policies and insurance information).
    iii. Download apps to producer devices and they will be taken and used in the field
    iv. Does this type of access and "self-service" further commoditize our products?

  b. Data security and privacy will become an even greater issue
    i. E-signature will become standard usage
    ii. Validation capability from mobile devices, tokens.

  c. 24/7 access – access to information from anywhere and at anytime – from any device.
    i. Does it have to be human – or can it be a combination of access to information and self-service?
    ii. Extend service to policyholder—so they can get it without having to contact something else. Give policyholder conveniences to get what they want. (For example, certificate access and creation, auto Id cards, payments by taking pictures of checks, claims reporting including pictures and location.)
    iii. Could you imagine taking photo of VIN code and it accesses the agent and gets endorsed?

    iv. Next iteration, if consumers want anytime access, agent needs to be ready to comply. Instant communication - consumer goes in for quote and wants answer in real time. Other challenges - 1/3 of public works 2nd or 3rd shift. They want access outside of typical 9-5.

    v. Goes back to the question, are we a consumer or producer of information? When your phone vibrates, you can answer the question and go on. We've tried to make it 9-5 business, but it isn't.

    vi. Consumer self-service. Connectivity is changing; greater bandwidth and always on.

    vii. This has implications to both the speed with which carriers implement technology to address consumer/agent needs AND the quality of their implementations.

d. Change in work environment
    i. Will anyone walk into an insurance agency office again? Will I need a brick and mortar location?

    ii. How much do you cut the cost of agency, the more you extend out to your policyholders. You don't need as much brick and mortar, and you don't need staff for it. Mobile workers, work-sharing. That's the kind of stuff you will see more and more. You don't have to be in an office; you can be anywhere.

    iii. Some say brick and mortar will disappear. Six agencies in Ohio working on clustering; don't think they will have an office. How do we do that? Do we need an office? There's no inventory.

    iv. You don't need as much brick and mortar, and you don't need staff for it. Mobile workers, work-sharing - that's the kind of stuff you will see more and more. You don't have to be in an office; you can be anywhere.

    v. Will you need a big insurance company (brick and mortar) in the future – only need access to expertise, capital/reinsurance. The relationship is still key. People still want to buy from people.

    vi. How do carriers, vendors and agencies build in the flexibility and speed to be able to respond more quickly in terms of the technology they offer to communicate and service agents and customers on the new platforms they want to use? Consumers and users now driving technology needs rather than just IT.

    vii. We have seen Hotels.com and Kayak and Expedia largely take the place of traditional agents in the travel industry…What are the implications for our industry? Will we go beyond the current online agents to see one of these larger online marketplaces for insurance some day? We are down to 10 airline companies. What kind of further consolidations are in store for today's several thousand insurance companies?

        viii. Agents want to own the relationship in insurance. How will they articulate their value proposition in this new environment.

e. Other comments
    i. Consumer will become more of a data entry person and agent becomes source of information to the consumer. Agent is like the librarian, the traffic cop, problem solver, providing help and answering questions. May be a lot of info online, but they still will need to ask why do I need it? Or when do I stop buying physical damage? Give me some examples of why I need it.
    ii. Direct companies are the models for online services—you go to the website, and what can you do? Request changes, etc. at the website. A big chunk of the calls that go to an agency today that can be extended out to the web in some way or another. There are a finite number of things that happen a lot—like endorsements, making payments. We should be able to do what the direct writers do.
    iii. What does this mean for loyalty? Trust? (For Example, one agent said she had a 30 year client. When the agency was doing a book roll, one client went out and looked at the online ratings of carriers. Even though the agent had worked with the client on claims settlements over 30years, the online rating of the carrier carried more weight than how the agency had serviced the account for 30 years.)
    iv. Quote online, yes, but more important is how do you keep communicating with the client after the sale?
    v. If you over-automate this business, no matter how young people are, it's still a relationship thing. People buy because of relationship. We need to be just as available as the direct companies, but make them talk to me and relate to me, even on Facebook. I don't want someone calling me at 2 am saying I want an ID card. There are a lot of things they can do online. Don't automate to the point where we don't need to exist, and insurance becomes a commodity. Again, the agency needs to articulate its value and its communications choices for clients—including its online services and communications options.

2. **_Social Web_**

a. We need to re-think how we advertise and promote our firms and the services we offer.
b. "Social" sites will augment traditional marketing and communication methods.
c. If people are using centers of influence, Google, ratings, Facebook, etc. - we need to be there.

    d. Be prepared to communicate and do business in multiple environments and using varying types of technology

    e. Agent must be prepared to respond with tools and with methods that the consumer prefers.

    f. Having current websites that are dynamic and offering valuable content is going to be necessary.

    g. Agents need to be perceived as adding value to the online communities they are engaged in.

    h. Agent value will be as a trusted advisor and subject matter expert – value will not be in transaction processing.

    i. Agents need to learn how to become "social" organizations – Social touches more than just the marketing/sales department of an agency.

    j. Employees will become brand ambassadors.

3. ***Generational and diversity shifts***

    a. Ability to deliver communications in manner consumer wants because of generational and/or diversity differences. (i.e., multiple channels and multiple languages)

    b. Use of the current technologies will be necessary to attract the younger generation as customers and employees. We need to change our image.

4. ***Cloud Computing***

    a. Will make it possible to access information anytime/anywhere and be platform independent.

    b. This trend provides the environment that will support our industry's ability to meet the demands of a mobile environment.

    c. How will all of cloud computing and access to information from anywhere on any device change the industry's practice of storing data at both the agency and carrier levels and uploading and downloading it between the two parties?

III. What should our industry do to respond to the trends?

(Rather than group the responses by trend, we have identified several key areas that summarize the actionable efforts our industry should consider taking to address the expectations of a transformed society and secure our future.)

1. ***Security***

    a. Develop methodology for security validation via mobile devices

    b. Understand security/privacy issues and address them for distribution, and data access by all parties – customers, agents & brokers, carriers. (Also, third parties such as regulatory bodies).

c. Develop a "Trust Framework" within the industry where the authentication of individuals by "trusted" parties is accepted by other parties.

d. We need to work with the security officers to open up and deal with the challenges. Failure to resolve these issues will put survival of our industry at risk.

2. ***Response and adaptation***

a. Develop apps for mobile & web based service – websites and mobile devices on multiple platforms – we need transaction-based capability. (certificates, id cards, endorsement processing, payment options, claims reporting, policy view, etc.)

b. Overcome limitations and inflexibility of legacy systems, reluctance to change, slow bureaucratic process, and legal hurdles. independent.
    i. Given short shelf life of current hardware (iPhones, etc.) how do you (carriers, vendors, agents) decide what apps to build, wait on? How do you decide what apps to go after? Look outside the industry. Amazon is the experience everyone has. That's the experience we need to aim for, since that's what the public uses.

c. Speed to market – adaptability
    i. Carriers, agents and vendors will need to be more nimble and will gain a competitive advantage based on how fast they can adapt to changing customer preferences and expectations.
    ii. Improve speed and type of IT change at the carrier and vendor level. Slow agent adoption is also a problem and can discourage further carrier or vendor investment.
    iii. Re-think our internal structures and cultures to be able to stay up with the pace of changing consumer expectations and new technologies.

3. ***Research***

a. We should consider an industry symposium on these trends with some high level, forward-thinking people, including some from outside the industry.
b. We should do more focus groups and webinars with innovative players in the industry to keep a pulse on changing client expectations and new approaches that are getting results.
c. Continue work of ACT Strategic/Future Issues Group to create awareness of what is coming next.

4. <u>*Education*</u>

    a. Continue to offer education like webinars to agents on ways to use technology to enhance the core strengths of independent agents - trusted advisor, choice, relationships.
    b. Agents need to hear the "message," once we flesh the message out. We need to reach the upcoming agency leaders in addition to the long time agency principals, beyond the committed group who regularly attend ACT meetings.
    c. Learn how to more effectively use social media (ie: Facebook, LinkedIn, etc.) to communicate with consumer in the medium of their choosing.

5. <u>*Analyze and Measure*</u>

    a. Analytics of person habits – How can they be used?
    b. Build 'Business Intelligence' (BI) applications the enable a customization of the user experience.
    c. How will user ratings impact how agents are valued by consumers and are there concerns about this?

6. <u>*Cloud Computing*</u>

    a. Build models that allow for access to electronic data and documents in the cloud.
    b. Where is data stored in the future? Does it need to be moved between agents and carriers, as it is today? How is the agency protected with its client data if it severs its relationship with a particular carrier?