



We Share Our Knowledge

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**A New Environment For
Insurance Agents**

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1. Background

Thus far, the rules have been clear – insurance companies are the manufacturers, and insurance agents are the marketers. Insured customers had contact with only the agent. They trusted his recommendations, and oftentimes didn't even know who they were actually insured with. In the dynamics of insurance companies vs. agents, the customer was considered to "belong to the agent", whereas insurance companies regarded the agents/agencies as their main customers.

Now, the banks will be able to take part in the retirement consultation market, and offer their services directly to end customers. This new opportunity grants one major advantage to the banks over the insurance agents – the consultation given by the banks will be impartial, as the distribution commissions paid to banks by insurance agencies will be standardized, regardless of the recommendation given at the end of the process.

2. The Insurance Companies

Insurance companies are worried about the forthcoming transformation, as they predict it will lead to financial fluctuations between insurance companies, and to alterations in insurance portfolios' product offerings. In such cases, the more extensive the insurance portfolio is, the higher the probability of financial and market share loss.

Insurance companies can prepare for market changes in two ways:

1. Focus on restructuring their work processes with the banks.
2. Establish work processes with the banks while improving their relationships with end customers in favor of better resource allocation for customer retention and the prevention of early fund redemptions.

3. Insurance Agents

4.1 The Threat

The most significant impact of the impending market transformation will be experienced by insurance agents. The banks will now be able to take on the exact posts currently fulfilled by insurance agents. Moreover, the banks are cloaked with impartiality, are well acquainted with the customers, are more accessible and have more resources. Additionally, the banks are hungry for new sources of income. Under these conditions, the new rules of the game may prove lethal to insurance agencies.

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4.2 The Challenge

The induction of a new competitor as fierce and as powerful as the banks to the field of retirement consultation, increases the need for insurance agents to improve their relationships with their customers, and to extend excellent services in the long run.

Insurance agencies will have to make every effort to ensure that their customers refer to them for consultation, rather than to the banks. The agencies must be able to cater to the customer's every need, from selecting the right program to making a new acquisition. Otherwise, the bank's retirement consultant may take over the market.

Under these conditions, insurance agencies must ask themselves the following questions:

- What is the best way to allocate the agent's resources?
- What means of support does the agent need?
- Which added values can be generated for the customers?

4.3 Required Preparations

1. Determining customer value – as it is impossible to improve all relationships with all customers at once and definitely not for the duration, it is better to create a mechanism of customer prioritization. Defining the value of each customer for the insurance agency and rating them according to those values is one method of making an educated decision about which customer to target and how to allocate available resources. Without prioritizing and rating customers according to this scale, customer retention activities will be random at best, and cost/effectiveness ratios will drop.
2. Identifying customers' needs – identifying the true insurance needs of each customer, according to his conditions and stage of life. Catering to true needs is a boundless opportunity for insurance agents, and it significantly increases sales probability and efficiency.
3. Establishing a program of communications with the customers – after rating the customers and identifying their insurance needs, a communications policy should be established. This policy will stipulate the volume of referrals the agent should make to the customer in a given timeframe, as well as the frequency and type of referrals that should be made. A separate communications program should be established for customers with different values, and the majority of resources should be allocated to those customers with the highest value to the insurance agency.
4. Monitoring interactions with the customer – in order to manage and monitor interactions with the customers, both by the agent and by the agency, a support platform should be implemented, to enable documenting all interactions made, their results, alerts, reminders, etc. Such a platform is essential for the execution of the communications program and for monitoring and analyzing the agents' success rates.
5. Self-Service – one of the ways to improve the relationship with the customer is to create a Self-Service solution. Self-Service is an evolving new platform in the insurance industry, and as banks are already using it for financial applications, they should have no problem applying it to the retirement consultation field as well. Therefore, insurance agencies should make it a point to penetrate this market themselves, and the sooner the better.

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4. Conclusion

The banks' induction to the industry of retirement insurance consultation has significant consequences on insurance agencies and agents. Insurance agents are currently raging a battle for their livelihood in the Knesset, but alongside this battle, they should assess their situation and realign in order to improve their position in the current market conditions.

A new, powerful competitor such as the banks will not be beaten on every front. The insurance agents should use the time remaining until January 2008 to identify the market share they wish to focus their retention efforts on, to construct work processes that promote a stronger relationship with the customers, and to improve their abilities to manage accounts.

About Synergy

Synergy is an international consulting company, specializing in Analytical CRM solutions.

Synergy offers marketing oriented business ventures, formed by a team of leading local and international industry experts.

Synergy aims to provide its customers with the ability of acquiring commercial advantages by informative analysis of their customers' shopping data.

Synergy has vast experience in working with leading commercial organizations, both locally and internationally, and its clientele includes foremost industry leaders in the communications, financial and retail fields.

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