

# The Road Ahead for Property and Casualty Agencies

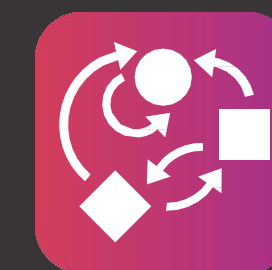
Banking, Financial Services and Insurance



PURPOSE-DRIVEN

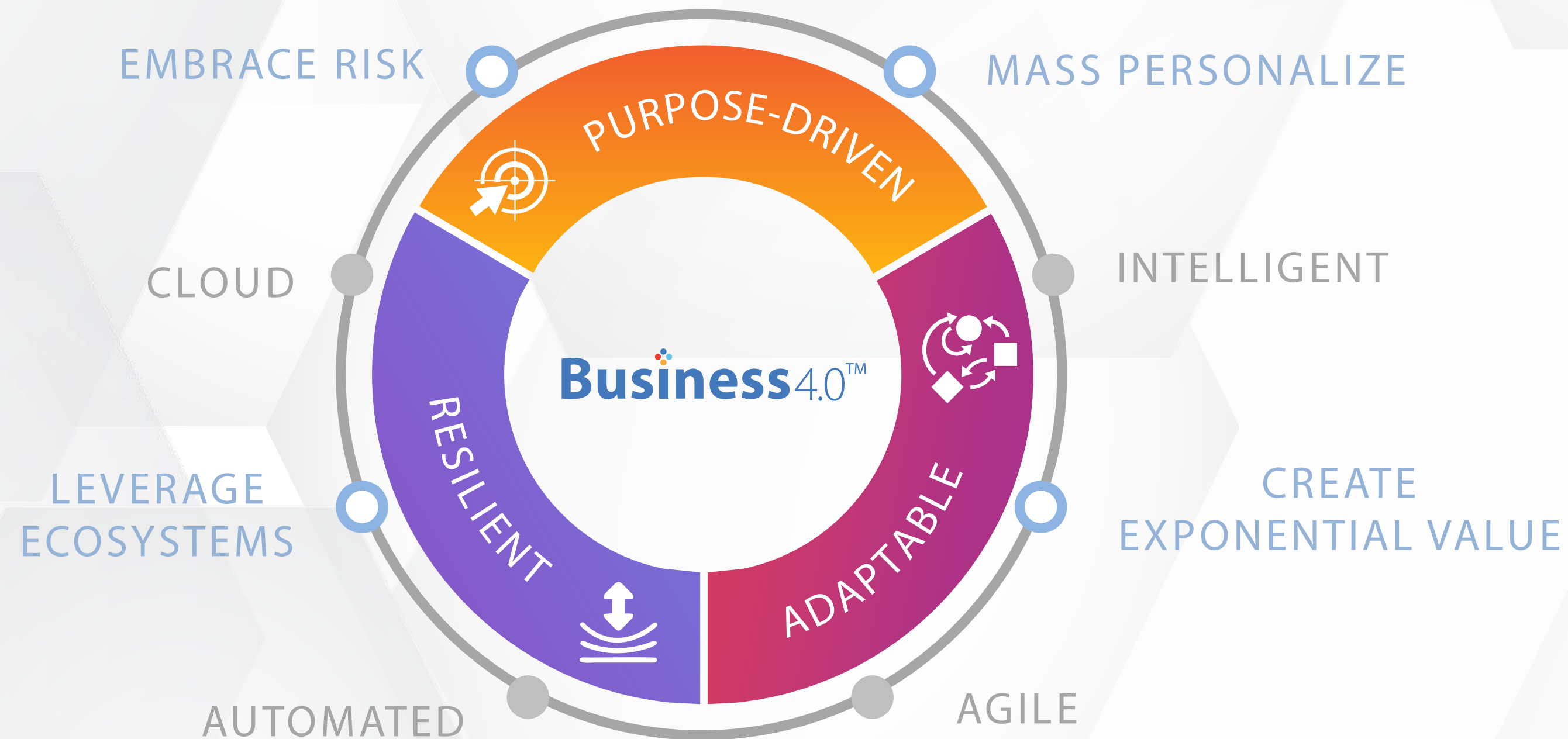


RESILIENT



ADAPTABLE

# PURPOSE-DRIVEN, RESILIENT, ADAPTABLE BUSINESS 4.0™



## About the Authors



### Suresh Srinivasan

**Suresh Srinivasan** is a domain consultant in the Guidewire Practice of TCS' Banking, Financial Services, and Insurance (BFSI) business unit. He has 28 years of experience across general insurance, IT consulting, advisory, large transformation projects, and solution initiatives encompassing personal and commercial lines business segments. He holds a Master's degree in Commerce from Madras University, India. He is a Project Management Professional (PMP), a Chartered Property Casualty Underwriter (CPCU) from The Institutes, USA, and holds the designation of Associateship of the Chartered Insurance Institute (ACII), UK.

### Ramesh Baburao

**Ramesh Baburao** is a consultant and quality assurance specialist in the Guidewire Practice of TCS' Banking, Financial Services, and Insurance (BFSI) business unit. He has 20 years of experience across consulting, advisory, quality engineering, and Guidewire transformation programs. Ramesh holds Master's degrees in Computer Applications and Business Administration from Madras University, India. He is a certified SAFe Agilist by Scaled Agile, Inc. USA.



## Abstract



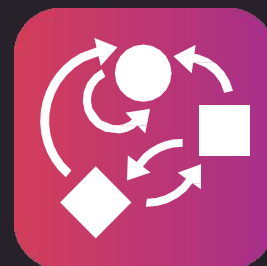
The evolving digital world and the adoption of advanced technologies necessitate changes in business models, operating models, processes, and the IT infrastructure of insurance companies, agencies, and other service providers. Adapting to these changes is key to staying relevant to customers and retaining a competitive edge. This white paper discusses why agencies, particularly those working in the property and casualty (P&C) segment, must switch from the traditional to digital ways of working to retain relevance in the insurance industry. The paper also recommends digital innovations in specific areas to facilitate cost and efficiency optimization and better customer experience.



PURPOSE-DRIVEN



RESILIENT



ADAPTABLE



The left side of the slide features a background image of hands reviewing documents on a desk, overlaid with a purple-to-blue gradient. The image shows a person's hands pointing at a document, with another hand holding a pen. A small potted plant and a sticky note are also visible on the desk.

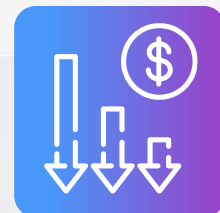
## Changing Role of Agencies and Brokers in the P&C Insurance Landscape

The insurance distribution system is traditionally dominated by agents and brokers in both personal as well as commercial lines of business. Over the last 10 to 15 years, insurance companies have changed their business-to-consumer (B2C) distribution models to enable customers to interact directly with insurers through online channels, resulting in a shift from agency driven marketing and sales and service. In the major personal segments such as auto and travel, insurers are directly interacting with customers to push sales and service offerings. This trend is questioning the relevance of agencies in the distribution chain. In addition, the ongoing COVID-19 pandemic is compelling insurers to connect directly with customers or prospects through digital channels. Given this scenario, it is time for agencies to rethink and redefine their business models to adapt to the everchanging insurance ecosystem and stay relevant.

# Challenges facing agencies



Agencies are grappling with several challenges resulting in their diminishing role in the industry. These include:



## Diminishing revenue

Commission payouts, a part of business acquisition expenses, traditionally fall between 10-20% of the premium for personal lines insurance. Over the last decade, as the trend of insurers directly connecting with customers through digital channels has gained prominence, there has been a notable reduction in the commission or revenue for agencies. This apart, product commoditization in auto, home, and travel insurance is severely restricting agencies' role in the insurance distribution chain.



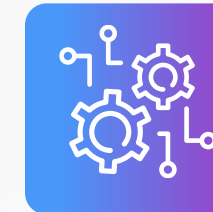
## Customer demographics and expectations

The advent of digital technologies coupled with the growth of Gen Y and millennial customers is radically changing customer expectations from insurers. A majority of personal lines customers from this cohort are tech-savvy, prefer to explore and interact online rather than in-person, and look for machine driven analysis and decisions for their insurance needs, in turn reducing the role of agencies.



## Limited digital adoption

Digital adoption across the insurance value chain is increasingly becoming mandatory rather than a choice, especially in customer experience and service delivery. In our experience, technology adoption by small-time independent agencies in the personal lines segment is limited compared with major agencies owing to cost, aging manpower, and limited support from insurers. In the commercial lines segment, large independent agencies are still operating with paper-based methods or leveraging primitive tools like text documents and spreadsheets to carry on day to day business activities. That said, there are a few exceptions – a Canadian agency has implemented a slew of digital enablers to make life easier for its customers, and invested in chatbot technology to take the self-service concept to a whole new level.<sup>1</sup>



## Business and operating models

The industry has seen the entry of non-insurance entities into personal lines insurance over the last couple of decades leading to drastic changes in business and operating models. B2C and business-to-business-to-consumer (B2B2C) models have taken over the auto, travel, and home insurance business in many countries and diminished the role of agencies in this segment. Tie-ups with business partners and insurers setting up customer self-service portals have further restricted the role of agencies.

<sup>1</sup> Liberty Mutual Insurance | Safeco Insurance, Meet the 2018 National Agent for the Future Award Winner: Excalibur Insurance, September 2018, Accessed October 2020, <https://www.agentforthefuture.com/2018-agent-for-the-future-award/>



# The Path to Future Growth and Transformation






How do insurance agencies overcome these challenges and retain relevance in the low touch, post-pandemic world where digital will be the default engagement model? We believe that adapting business models to the new realities is key. In line with this, agencies must forge partnerships with their peers and technology leaders, actively explore merger and acquisitions (M&A) opportunities, adopt agile methodologies to become operationally nimble, and embrace contactless and flexible working models (anytime, anywhere, part-time, work-from-home). To achieve this, both personal and commercial lines agencies must undertake targeted business initiatives across both personal and commercial lines insurance:

- **Optimize costs:** To provide reprieve to insurers, agencies should opt for lesser commission payouts to reduce the insurers' costs, especially in commoditized and small business segments.
- **Create informal partnerships and groups:** Small, independent agencies should foster partnerships and create group entities to increase their reach, bargain with insurers for better prospects, and implement cost-effective technology solutions and digital enablers.
- **Embrace digital sales and services:** Big agencies have already started this journey; mid-level agencies too should start embracing digital tools and enablers such as digital sales and services, agents portal, social media integration, and so on, to improve agility, stay resilient, and provide efficient, global level service with a local touch.
- **Adopt analytics to offer innovative and flexible products:** Agencies should invest in acquiring customer information from external entities, analyze the data to understand customers' contextual needs and craft personalized products, especially in the personal lines segment and offer customized insurance products in commercial lines segment. A few agencies have taken steps in this direction – an American agency offers customers a digital platform to compare auto insurance quotes to empower them to find the best deal that covers all their needs at the lowest price.<sup>2</sup>

<sup>2</sup> PR Newswire, DealerPolicy Earns the 2019 Agent for the Future™ Award, December 2019, Accessed October 2020, <https://www.prnewswire.com/news-releases/dealerpolicy-earns-the-2019-agent-for-the-future-award-300965378.html>



In addition, agencies must implement digital innovations such as paperless operations<sup>3</sup> and other technology enablers. To achieve this, agencies will need to undertake targeted initiatives across specific areas of personal and commercial lines segments (see Table 1).

 Target area	 Independent agencies in personal lines segment	 Small and mid-level agencies in commercial lines segment
Business models	Shift toward non-commodity segments and specialized products, where possible, and explore new revenue streams	Evaluate M&A opportunities across other agencies and entities in the ecosystem; invest in advanced technology tools to increase digital capacity
Service offerings	Expand into other areas like specialized and advisory services; offer administrative services across underwriting, policy, and claims to augment insurer services in these areas	Restructure service models to make them purpose-driven (aim to meet the purpose driving end customers); complement and supplement insurer functions such as performing pre-insurance inspections and facilitating processing of quotes, policies, endorsements, and claims
Operating model	Provide anytime, anywhere, 24*7 service in line with the purpose driven principle as against traditional, rigid working hours	Adopt emerging technologies such as artificial intelligence (AI), augmented reality, machine learning (ML), and automation to enable virtual inspections, straight-through processing, mass customization and usage-based insurance

**Table 1: Focus Areas for Personal and Commercial Lines Agencies**

<sup>3</sup> TCS, Going Paperless: A Strategy for Financial Institutions, February 2020, Accessed October 2020, <https://www.tcs.com/going-paperless-a-strategy-for-financial-institutions>

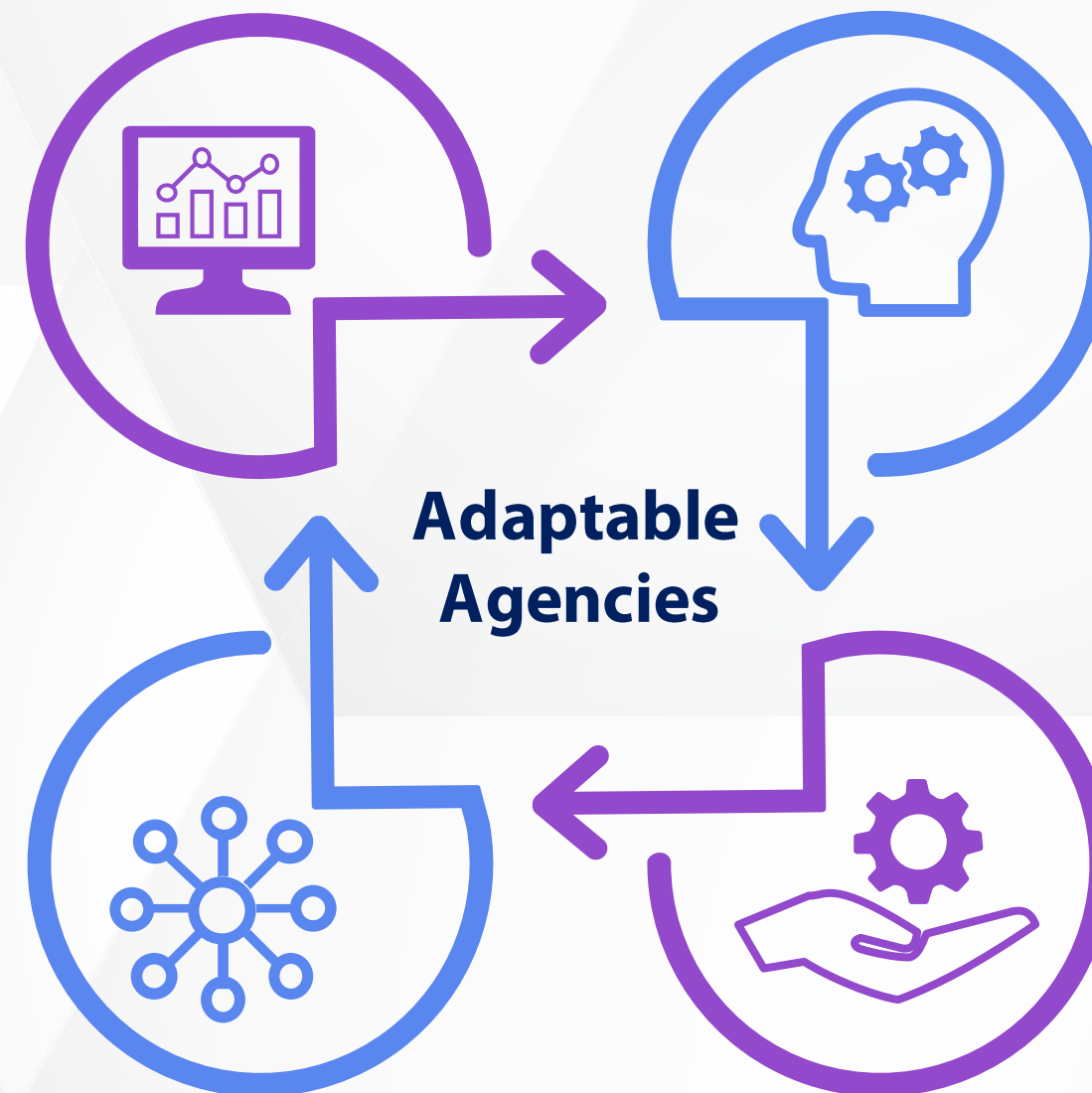
Big agencies have either adopted or are in the process of embracing technology and digital tools, enablers, and solutions (see Figure 1). We recommend this for small and mid-level agencies as well. Some small agencies are already on this path – a Florida based agency has completely eliminated paper, implemented technology levers to streamline and accelerate processes, and embraced social media to connect with their customers.<sup>4</sup>

### Big data and analytics

- Analysis and insights
- Unstructured data mining
- Predictive modelling

### Cloud, microservices and API-fication

- Touchpoint innovation
- Multimodal
- Omnichannel
- Privacy and consent management



### Cognitive automation

- AI and ML techniques
- Augmented and virtual reality tools

### Digital enablers

- Push messages
- NextGen IVRS
- Chatbots
- Personalized audio/video
- Video chats
- Collaboration tools and social media platforms
- Digital marketing

**Figure 1: Technology Enablers and Tools Seen in Big Agencies**

<sup>4</sup> NU Property Casualty 360°, Florida's Condon-Meek is working smarter, October 2018, Accessed October 2020, <https://www.propertycasualty360.com/2018/10/12/floridas-condon-meek-is-working-smarter/>



## Act Now or be Left Behind

Given that personalization is the name of the game, the role of agencies in providing personalized service to customers in personal and commercial lines insurance cannot be underestimated, especially as customers still prefer personal interactions while buying complex products. That said, the role of agencies in the distribution chain is changing. With the onset of new ways of working such as contactless operations in the post pandemic world, agencies will need to enhance their digital presence as well as leverage analytics to offer contextual, hyper-personalized service. The way forward lies in driving rapid digitalization, adopting agile methodologies, diversifying into new areas, and deepening customer relationships. Agencies that act swiftly to reinvent operating models, digitalize and automate processes, and enhance customer engagement will continue to stay relevant to their stakeholders and achieve transformational growth.

## Contact

For more information on TCS' Insurance Services,  
please visit <https://www.tcs.com/insurance>

Email: [bfsi.marketing@tcs.com](mailto:bfsi.marketing@tcs.com)

### About Tata Consultancy Services Ltd (TCS)

Tata Consultancy Services is an IT services, consulting and business solutions organization that delivers real results to global business, ensuring a level of certainty no other firm can match.

TCS offers a consulting-led, integrated portfolio of IT and IT-enabled infrastructure, engineering and assurance services. This is delivered through its unique Global Network Delivery Model™, recognized as the benchmark of excellence in software development. A part of the Tata Group, India's largest industrial conglomerate, TCS has a global footprint and is listed on the National Stock Exchange and Bombay Stock Exchange in India.

For more information, visit us at [www.tcs.com](http://www.tcs.com)

All content / information present here is the exclusive property of Tata Consultancy Services Limited (TCS). The content / information contained here is correct at the time of publishing. No material from here may be copied, modified, reproduced, republished, uploaded, transmitted, posted or distributed in any form without prior written permission from TCS. Unauthorized use of the content / information appearing here may violate copyright, trademark and other applicable laws, and could result in criminal or civil penalties.

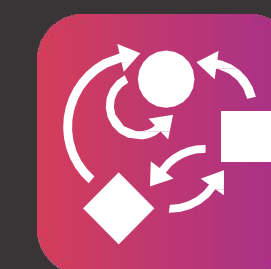
**Copyright © 2020 Tata Consultancy Services Limited**



PURPOSE-DRIVEN



RESILIENT



ADAPTABLE