6 POWERFUL WAYS TO THRIVE IN THE CHANGING INSURANCE MARKET

WHAT’S INSIDE?

✓ Top challenges facing insurance carriers today
✓ Steps to drive growth in a changing market
✓ An example of what’s working for a successful insurance carrier
From regulatory challenges to economic uncertainties to evolving customer demands and increased competition, the insurance industry is confronting dramatic change from all sides. For an industry that’s been around more than a century—and hasn’t changed a whole lot during that time—reinvention is now a necessity. To stay relevant, meet the promise to the customer, and continue to grow in the midst of unprecedented volatility, insurers will have to find ways to transform their businesses along with the marketplace. As Deloitte\(^1\) puts it, “nimble will be the new normal.”

Here are just a few of the seismic shifts the industry is facing:

**An Empowered Customer Base Makes its Voice Heard**

Like other customer-facing industries, insurance is feeling the effects of a more engaged and empowered customer voice. Increasingly well-informed consumers are demanding more transparency from the advisors and companies they work with, largely because they can now access most of that information themselves in just a few clicks.

They’ve also gotten accustomed to a new kind of service, thanks to the example set by online giants like Amazon. Personalized, simplified, high value and on-demand—these are the new fundamentals, and they’re becoming table stakes for the insurance business just like they are in retail. Attracting more mid-market buyers depends on being able to understand customers’ needs and then educating them on the value of what you offer in a clear and compelling way.

\begin{itemize}
  \item 54\% of US life customers don’t recall a meaningful contact in the past 18 months.\(^2\)
  \item 46\% of US life customers say they expect and desire more, and more relevant, communications.\(^2\)
\end{itemize}

But insurance isn’t retail. Because the “product” is more intangible, it requires a different level of interaction. The customer is looking for a trusted advisor who will bring insight, ideas and advice to the table, not just a portfolio of options. As a result, agents and brokers will have to rethink their sales approaches to bring more value to customers.
And agents and brokers aren’t the only ones who’ll need to adapt. People who aren’t technically in “sales” roles, like underwriters, will also have to contribute their expertise to help bring value and insight to differentiate. They have a wealth of knowledge about claims, risk and customer needs to support the sales process, but this isn’t a role they’ve traditionally played.

**Ask Yourself:** How are we leveraging different roles in the organization to bring more value and insight to customers?

### Competitors are Changing the Game

The rise of InsurTech has led to a flood of digital-first start-ups that are looking to exploit potential service gaps left by slower-to-evolve traditional insurance businesses. Insurers are now scrambling to build their own capabilities and adapt to a new competitive landscape.

“Insurers are faced with an inevitable ‘disrupt or be disrupted’ choice.”

– Ernst & Young

With competition and consolidation squeezing the playing field, there is an upside to changing customer expectations and the increased scrutiny insurers are receiving. Smart companies are using this as the catalyst to find ways to stand out in a crowded marketplace and drive growth. Catlin et al research suggests that insurers can “avoid competing on price until profits are shaved to zero” by looking at superior customer service as an opportunity to differentiate themselves rather than simply a way to reduce risk.

But this is easier said than done. In a commoditized market, differentiation comes from your people. This means managers, wholesalers, underwriters and others will have to focus on finding new ways to innovate the customer experience and add value during every touchpoint, with greater collaboration and cross-selling across areas to expand your market. They’ll also have to think about how they can make your company the carrier of choice when so many options are now available to customers and the brokers who work with them.
For most organizations, this will require a significant shift in the service and sales culture. It’s not just about implementing a new go-to-market strategy; it’s about changing mindsets, re-evaluating skills and equipping people with the skills they need to work together to anticipate and address customer needs at a service and sales level.

**Ask Yourself:** Do we have the mindset, capabilities, competence and confidence in place across all areas to differentiate ourselves in a crowded marketplace and stay top-of-mind with customers and the brokers who work with them?

Companies that offer consistently best-in-class customer experiences tend to grow faster and more profitably.

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<tr>
<th>Growth</th>
<th>Annual premium growth, 2010–2014, %</th>
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<tr>
<td>Customer experience leaders</td>
<td>6</td>
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<td>Customer experience laggards</td>
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<th>Costs</th>
<th>Average expense ratio, 2010–2014, %</th>
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<tbody>
<tr>
<td>Customer experience leaders</td>
<td>24</td>
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<td>Customer experience laggards</td>
<td>26</td>
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- Increase in customer loyalty (80% more likely to retain customers)
- Higher success rate for cross-selling activity
- Benefit from positive referrals
- Increase in once-and-done processes/solutions
- Reduction in call center volume through better customer guidance
- Less marketing spend necessary to drive growth

1“Leaders” have consistently been in top quartile for customer satisfaction with the shopping experience in the past five years.

Technology is Making Waves, but a Talent Crisis Still Looms

As tech innovation heats up, insurers are looking for new opportunities to meet customers’ expectations for digital solutions while also keeping pace with today’s technology-driven economy. Even so, automation, mobile apps and artificial intelligence won’t make up for a lack of people power. According to a Bradicich et al study, a quarter of insurance industry professionals will retire by 2018. Finding and developing talent remains an urgent priority as the industry grapples with the realities of an aging workforce and high churn.

It’s also worth noting that customers aren’t the only ones with changing expectations. A new generation of professionals entering the workforce brings with it different priorities, backgrounds and talent development needs. These employees are also looking for regular feedback and coaching from their managers and opportunities to collaborate with their peers.

Filling the talent gap is the first step, but hiring good people, on its own, won’t solve the problem. Managers will have to consistently engage, develop and coach that talent to build relationships and work together to drive growth in a tough environment. It’s a complex juggling act for managers, who are already under intense pressure to step it up and get results.

Ask Yourself: Do our managers consistently engage, coach and build accountability for specific behaviors, helping people forge stronger relationships, both internally and externally?

“Human capital can still make the biggest difference in securing a carrier’s future growth and profitability, as companies are going to need talent not just to replace the growing percentage of those close to retirement age in the industry, but those with new types of skills as well.”

– Deloitte
Differentiation is Increasingly Difficult

There was a time when insurance sales were primarily handled by agents of the carrier. Of course, that has changed with the rise of the broker and other external distribution channels. The challenge for carriers is how to get people who aren’t their employees to effectively articulate their value and satisfactorily answer questions and handle objections.

Wholesalers are employed to add value to the broker relationship, but ultimately have no control over what the broker sells. They need to engage brokers and motivate them to prioritize their company’s products over competitors’. In the past this might have meant highlighting things like the company’s underwriting service, claims service, commission structure and pricing, but in today’s market few of these factors truly differentiate. A new set of skills are needed by wholesalers and managers to ensure a carrier’s value is articulated well, it sticks, and is used by external parties effectively.

Ask yourself: When external channels are doing the selling, are we confident that our products are getting priority and their value is being presented in a differentiated way? How can we be a top choice carrier?

Regulatory Trends Add to the Complexity

All of these trends are happening within the broader context of regulatory uncertainty and change, which continues to create challenges for insurers and complicate aspects of their relationships with agents, brokers and underwriters. In its Top Insurance Industry Issues 2017, PwC emphasized:

“Agents will need to be advisors first and sellers second. Even though many insurers, especially ones with captive sales forces, have already tightened sales practices in recent years, this does represent a genuine cultural shift.”

— PwC
The Stakes Keep Going Up

Individually, each of these challenges represents huge change for the industry and for the sales leaders who are responsible for growing the business. But most leaders aren’t just dealing with one or two; they have to juggle all of them, along with the profitability peaks and valleys that come with the territory when you’re in the business of dealing with catastrophic events. Just in the past year, we’ve seen record-breaking storms and other natural disasters—damage estimates from Hurricane Harvey alone are at $180 billion\(^{11}\)—that only reinforce how vital and urgent it is to get this right.

So, in an increasingly commoditized business, how do you reinvent your service and sales strategy to stand out and expand your market? How do you make sure your sales channels—whether they’re internal or external—are prepared to drive profitable growth? And when the salesperson isn’t even employed by your company, how do you make sure your company gets top billing?

Let’s take a look at some practical steps you can take to adapt what you’re doing and prepare for the future, even when the ground keeps shifting beneath your feet.
Steps to Drive Growth in a Changing Insurance Market

1. SHIFT THE CULTURE
   Help people reframe how they think about their jobs and the skills they need to perform them.

2. CHANGE THE MINDSET
   Build a Trusted Advisor mindset across the company.

3. BRING MORE VALUE AND INSIGHT
   Evaluate your customer experience and broker relationships.

4. MAKE EVERY INTERACTION COUNT
   Get creative how others contribute to the sales process.

5. INVEST IN TALENT
   In a commoditized market, people are your only differentiator.

6. LEVERAGE MANAGERS
   Ensure leaders consistently coach, model and reinforce to hold people accountable to change.

Out-People the Competition

One of our clients, a life insurance company, has done an impressive job of bucking these trends and thriving in the midst of all these challenges. Their inside and outside sales teams work seamlessly with brokers, and their numbers stay far above target. When we asked them the secret of their success, they told us quite simply:

“We’re out-peoling the competition.”
As they’ve discovered, adapting to the new realities of the industry has meant establishing consistent expectations and standards and strengthening the sales culture. The emphasis is placed on becoming a trusted advisor by bringing more to the table than just a portfolio of products. It’s about understanding needs—whether you’re building a relationship with a customer or a broker—and delivering value and insights that can’t be found anywhere else.

There’s a reason why focusing on people development is such a powerful approach. Your commission structures, underwriting service, claim service and even your technology can all be copied by your competitors. But the competition doesn’t have your people. When your team is your biggest differentiator, that’s hard to compete with.

**Ask Yourself:** What capabilities do we need to develop and reinforce at each level to make sure our people represent our most powerful competitive advantage? How will we attract, support and retain great talent?

**Leverage Multiple Roles to Drive Growth and Differentiation**

Managers, wholesalers and underwriters can all contribute to helping your agents become trusted advisors who deliver more value, greater insights and better solutions to meet the needs of customers and brokers alike.

Underwriters, for example, know what affects premiums and how to assess risk. Elite underwriting organizations are recognized for delivering exceptional customer experiences, end to end. Consider how valuable it would be for a broker to be able to bring that perspective and insight into the discussion when advising a customer on potential solutions. By helping brokers think differently about their strategies, they can give them more ways to deliver value to their customers.

Managers, wholesalers and underwriters can also help brokers quantify your unique value proposition and anticipate customers’ unarticulated needs and risk appetite. This is a win-win approach, one that strengthens the company’s relationship with the broker and helps them build their credibility with their own customers. That kind of support can go a long way toward making your company the broker’s preferred carrier.
This will, however, require building new capabilities and mindsets. Underwriters, for example, aren’t traditionally thought of as part of the sales process, and most likely don’t have a business development mentality or the needs-based selling skills necessary to immediately take this on. In fact, many might be resistant to the idea that they’re “in sales.” The good news is, they don’t need to be salespeople; they just need to play their role in the process as a Trusted Advisor. And to do that, they need to be equipped with a certain level of sales skills and an understanding of the consultative selling process.

In Rethinking US Life Insurance Distribution, it is advised,

“As they develop new distribution models, carriers should focus on the five or 10 most critical customer journeys (e.g., research, planning, product purchase) and rethink those journeys from end to end. This means going beyond optimizing touchpoints to optimizing interactions across channels and across functional silos.”
– Javanmardian et al

The same applies to your sales strategy. Think in terms of that end-to-end customer experience. The key to strengthening and growing your business will be bridging those silos so that people work collaboratively to identify new opportunities, cross-sell and create more value to meet customer needs.

**Commit to a Cultural Shift**

Carriers used to talk about building a trusted advisor mindset as the agent’s responsibility. Today, it’s more than that. The whole company needs to be thinking this way.

This shift requires consistent expectations and behaviors that extend across the organization. It starts with a formal, published sales strategy. It gets embedded through management disciplines and the development of people’s capabilities, confidence and competence to take their game to the next level.
Once leaders set up a methodological sales process, the discipline then is in exercising it. That’s how you get consistent application and accountability. Sales management disciplines of feedback and coaching are also key to sustainable results and a healthy, growing sales culture. Managers must be able to coach teams to position value, listen actively, ask deeper questions and overcome objections.

Your leaders and managers have to lead the way to reinvention. Without their discipline and alignment, you risk a diluted sales strategy, deeper divisions and an inability to shift as the market changes. Pressure to perform increases—without a roadmap of what performance looks like or how to measure it. The talent gap will widen as experienced employees retire and you struggle to attract new people.

Externally, opportunities and profitability are at risk as customers and brokers fail to see any differentiated value in what you offer. And each new regulatory shift or technological advance will continue to disrupt the business as you struggle to keep up.

For an industry that’s been slow to change in the past, reinvention might seem like a daunting path forward, but it’s essential—to today’s success and to tomorrow’s.

Here’s the good news: That success is within your reach. With the right strategy and culture in place, you can build an organization that’s nimble, confident and ahead of the game.

Key Questions to Consider as you Strengthen your Sales Culture

✓ How can we have more engaging conversations with customers and brokers?
✓ How can we help people tap into their expertise and quantify that into more insight for brokers and agents?
✓ How can we equip our people with the confidence and competence to change what they do and take their game to the next level?
✓ How can we change mindsets about selling and the role everyone plays in the sales process?
HOW INSURANCE COMPANIES CAN ACHIEVE GROWTH IN A CHANGING MARKET

SOURCES

8 “2017 Insurance Industry Outlook.”
ABOUT US

DoubleDigit Sales is one a top 20 sales training firm with clients from Fortune 500 companies to local credit unions. We specialize in helping salespeople, sales managers and executives perform significantly better to achieve double digit growth. Drawing on our extensive library of proven content and tools, we leverage our streamlined design process to deliver customized and exceptional learning experiences that change behaviors and drive improved sales results.

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