The agent of the future

Korea

EY survey highlights need for customer-centric innovation and personalized sales support
The agent of the future is emerging as a proactive advisor in a digital world.
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The changing role of agents in a multichannel distribution environment is one of the insurance industry’s most urgent challenges and one that impacts all stakeholders.

At EY, our global teams of professionals is helping agents and insurers adapt to the changing distribution landscape and seize the strategic opportunities it represents.

As part of our ongoing process of asking better questions, EY surveyed 300 captive and general insurance agents in Korea to understand their perspectives of the challenges of digital disruption and changing consumer preferences. Their responses offer insights into the potential future of distribution.

We asked agents to share their views on:

- The dynamics of the current insurance market
- Their experience with the sales support provided by carriers
- Satisfaction with business support systems and the tools provided by insurers
- The future of the insurance market and technology-based innovation

Their responses helped us answer the question about the role of an agent and how that role will evolve in the next three to five years.

We hope the findings in this report make a meaningful contribution to the debate about the future direction of the industry and, specifically, how it will develop in Korea.

Kunyoung Lee
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Ernst & Young LLP
About the survey

EY conducted a face-to-face survey of 300 captive and general agents in the later part of 2016. On average, agents had 11.4 years of experience, with the vast majority older than 40 years of age. Topics included the future of agents, digital ambitions, satisfaction with the value of service and sales tools that carriers provide, and expectations about how traditional insurance models will change. The findings focus on the insurance market in Korea.

300 responses
Survey respondents included:

- **Life, property and casualty**: 54%
- **Property and casualty**: 22%
- **Life**: 23%

Note: Figures throughout this report have been rounded to the closest 100%.
Executive summary

Technological innovation has led to significant changes in the insurance industry, particularly in channel, sales, product and customer management. Insurance agents that have sold through personal, face-to-face relationships for many years are concerned that the change to a direct channel may weaken their position. However, as technologies emerge, agents also need to rely on information technology (IT) for company-wide support of sales activities, customer management, and product or service enhancement.

EY’s recent survey analyzes how sales agents view this change, based on their overall opinions and awareness. The findings provide important input for insurers to determine their strategy for face-to-face versus direct channels and highlight the sales support needed to increase future capabilities.

In this report, we identify five key themes that emerge from our survey.

**Digital concerns and expectations**
Until now, insurance sales depended heavily on the capabilities of agents and brokers throughout the process: products, customer needs, purchasing behavior and risk analysis. Due to the nature of the insurance-buying process, a significant number of agents believe that the development of the internet and digital technology are threats to the traditional distribution channel. They remain skeptical about replacing traditional methods with evolving new channels. A large number of agents agree about the need for insurers to digitize sales tools, and many already have implemented new technology for the sales process.

**Need for standardized and personalized sales support**
Agents are mostly satisfied with the sales support systems provided by insurance companies. However, three areas for improvement were proposed: standardize business practices among different insurance companies to improve the convenience of the sales process, provide agents with sufficient information to support cross-sell and upsell activities, and develop marketing tools that are tailored to agents’ specific needs.

**Customer-centric innovation will drive improvement**
Agents are proposing these improvements for themselves as well as for customer-centric innovation. They are seeking simpler and easier insurance product designs for customers and more efficient processes and solutions that reflect customer needs and expectations. Innovation tends to be greater for agents with higher profit margins, which supports the notion that customer-friendly products and processes are more effective in sales. Moreover, the trend toward innovation is expected to accelerate and intensify through digitization.

**Expectations of a technology-based innovation sales model**
The development of IT and the integration of emerging technologies into the insurance industry are expected to bring vast changes in the market. Agents agree on the growth potential and benefits of digital and insurance technology products, such as usage-based insurance (UBI), telematics and wearable devices. They foresee a shift from traditional insurance business models with the expansion of these new products and other distribution channels.

**Agents seek new ways to meet changing market needs**
The insurance industry in Korea has grown mainly through traditional agent channels. However, insurance companies now face challenges from a low birth rate, an aging population and insurance market saturation. As a result, the difficulty of customer targeting strategies and securing new customers will increase. In neglecting these changes, traditional insurers tend to focus on new customer acquisitions, which is an effective strategy only in growing markets. The greater need is to focus on new business and underwriting, and finding an optimal midpoint between acquiring new customers and increasing the value of the existing book of business. Our survey findings show that agents with stronger performance are more likely to achieve this balance by developing new business methods.
Many agents agree about the need to digitize sales tools, but others remain skeptical.

50% of agents are positive that online channels will replace traditional business models.

69% think it is important for insurers to improve digital channels to direct customers.

40% believe highly tailored underwriting and pricing need to change in the next three to five years.

33% intend to grow their business in the next five years through new insurer agreements.

65% feel strongly about the role of wearables in the future.
In the traditional insurance market, it is difficult for customers to understand one’s own needs and fully comprehend the products. Consequently, the insurance purchasing process is highly dependent on an agent’s sales capability. The insurance industry is moving toward digitization and agents view that as a threat. In fact, online (direct) channel expansion is the major constraint on the growth of their business and 27% of respondents rank this within their top-three concerns (see Figure 1).

However, considering that digital technology enables agents to understand the needs of the customers in a timely manner and interact with them in a better way, digitization can be an opportunity to advance from the traditional distribution channel.

Figure 1

Major constraints on the growth of insurance carriers’ books of business

- Online (direct) channel expansion: 29% (First choice), 28% (First + second + third choice)
- Inappropriate product: 26% (First choice), 24% (First + second + third choice)
- Excessive control: 17% (First choice), 29% (First + second + third choice)
- Lagging access to customer information and regulations: 11% (First choice), 23% (First + second + third choice)
- Restricted access to customer information: 9% (First choice), 40% (First + second + third choice)
- Regulations: 5% (First choice), 23% (First + second + third choice)
- Decreased investments in analyzing tool and automation tool: 2% (First choice), 15% (First + second + third choice)
- Restricted recruits and development: 1% (First choice), 13% (First + second + third choice)

More than 50% of agents are positive about the potential to replace traditional distribution models with online channels.
Mixed views about online channels

More than 50% of agents are positive about the potential to replace traditional distribution models with online channels. It is noteworthy that the percentage of affirmative responses from life insurance planners was significantly higher than that of non-life insurance planners. Moreover, the positive response rate is high among the more experienced agents — those with higher efficiency (monthly average income).

Survey findings show that the frequency of customer touch points throughout the claims process impacts an experienced agent’s reluctance toward the internet channel. It also influences the customer loyalty of more efficient agents. Among both property and casualty and life agents, 52% believe that a website can replace most face-to-face interactions (see Figure 2).

Agents need more support from carriers

Agents perceive digitization as a threat to the traditional channel; however, they expect insurance carriers to provide more digital tools and support. Almost 70% of agents believe that insurers need to improve digital channels and support implementation of digital and mobile devices (see Figure 3). The percentages are even higher for captive and life insurance agents.

Agents’ usage of social media to acquire new customers is high. More than 50% of agents, especially those with less than five years of experience, are using social media as a channel to attract new customers. This compares with only 28% of agents who have more than 20 years of work experience.

Implications

Agents perceive digitization as a major threat in acquiring new customers. Experienced agents are familiar with traditional face-to-face relationships and customer management tools, so they are more likely to be resistant to online channels. Those agents who utilize social media to acquire new customers are expected to continue to do so. Interestingly, agents who apply social media, those who are the highest users have the most positive year-over-year results. The more efficient contractors (monthly average contract amount) also show greater performance.
Key theme

Need for standardized and personalized sales support

Agents utilize infrastructures, such as processes, systems and data, provided by the insurer. From the user’s perspective, improvements are needed. Given that it is difficult to acquire new customers and that productivity is stagnating, there is a high demand for tailored infrastructure and standardized processes.

The online support that insurers provide is satisfactory (see Figure 4). However, the degree of satisfaction among general agents and non-life insurance agents is low. General agents have a tendency to select an insurance company based on the quality of online support, so it is necessary for insurers to improve and invest in digital channels.

In fact, general agents see an enhanced business support system as the main area needed for insurers’ support. This tendency is higher among comparatively less experienced agents. In Figure 5, captive and general agents cite the top preferred means for insurers to support their businesses: improving proprietary products, tools and platforms; and offering competitive commissions.
Simple tasks should be standardized

Since general agents deal with various companies, diverse products and processes, there is a significant need for standardization. Convenience can be improved by analyzing business process gaps for each company, standardizing the business using leading practices and improving systems. Agents surveyed agree that value would be added if the workflow for simple tasks was standardized across multiple insurers.

From a sales perspective, there is also a need for advanced systems and customized information. Agents said customer relationship is the area in most need of improvement for market expansion (see Figure 6). In general, agents overall and those with more experience say that system and data improvements are crucial for customer relationship management.

More customer data and better marketing support needed

Cross-sell and upsell activities are cited as the key ways to enhance agent productivity. However, agents feel the information provided based on customer requests is insufficient. In fact, only 11% of respondents say that insurers always offer the data about a particular customer that is required for cross-sell and upsell activities. In contrast, 40% of agents say the data is offered sometimes and 32% say often. Insurers need to consider how to provide their agents with enough information about cross-sell and upsell activities to meet customer needs at the right time.

Agents responded that insurer-driven campaigns with pre-built components that could be tailored for an agent’s need are the most important attribute in supporting an insurer’s sales and marketing activities (see Figure 7). This signifies that marketing campaigns driven by insurers need to be customized to agents’ specialties and needs.

Implications

Agents are demanding more personalized sales support and standardization in the processes, systems and data provided. They are selecting insurance carriers based on the online tools they provide and proprietary products and services that differentiate them from their competitors. While leads and new business are important, agents are most concerned about developing the customer relationship. This will enable them to grow within their existing markets and expand into new ones.
Customer-centric innovation will drive improvement

Agents of the future are looking to insurers to provide a customer-tailored product design system, as well as a wide range of products (see Figure 8). These areas of support were cited most by tied agents, property and casualty insurance agents, and high-performing agents. The response highlights the need for insurers to be more innovative in enhancing products and improving processes and systems that address specific customer segments.

Agents expect insurance products to be simple, with many available features to address a wide set of needs.

<table>
<thead>
<tr>
<th>Area</th>
<th>Captive</th>
<th>General</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product range</td>
<td>28.7%</td>
<td>29.3%</td>
</tr>
<tr>
<td>Product customization, price, commission</td>
<td>38.7%</td>
<td>28%</td>
</tr>
<tr>
<td>Distribution services</td>
<td>11.3%</td>
<td>14.7%</td>
</tr>
<tr>
<td>Websites</td>
<td>4.7%</td>
<td>5.3%</td>
</tr>
<tr>
<td>Call center</td>
<td>8.7%</td>
<td>5.3%</td>
</tr>
<tr>
<td>Documentation fulfillment</td>
<td>2.7%</td>
<td>6%</td>
</tr>
<tr>
<td>Sponsorship</td>
<td>5.3%</td>
<td>11.3%</td>
</tr>
</tbody>
</table>
The new products that agents desire most should be customized by price and commission, and offer a wide product range. Products that are tailored by price and commission have a simple design, require a minimum number of application questions and are customer friendly. Survey findings confirm that agents expect insurance products to be simple, easily understood by customers and offer many features to address a wide set of needs (see Figure 9).

**Key theme**

### Products or product changes required to address the market

<table>
<thead>
<tr>
<th>Feature</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Highly tailored underwriting and pricing</td>
<td>40.7%</td>
</tr>
<tr>
<td>Limited set of easy-to-understand features</td>
<td>40%</td>
</tr>
<tr>
<td>Limited application questions</td>
<td>37.7%</td>
</tr>
<tr>
<td>Many available features to address a wide set of needs</td>
<td>33%</td>
</tr>
<tr>
<td>Suite of complementary products</td>
<td>26.7%</td>
</tr>
</tbody>
</table>

**Implications**

Agents want enhanced support for themselves and their customers. In particular, highly efficient agents have a greater need to support customers with tailored processes and systems that include underwriting and pricing. In the future, agents want to offer products that are simple, easy to understand and convenient to purchase.
Agents expect new insurance products that use digital devices to significantly impact their business (see Figure 10). Tied agents and life insurance agents, in particular, highly value the impact of new products for digital and mobile devices.

Figure 10

The impact of emerging technologies on business

65% of agents feel strongly about the value of wearable devices.
In fact, 65% of agents feel strongly about the value of wearable devices (see Figure 11) and 66% of agents are positive about the role of UBI (see Figure 12). They cite motor vehicle coverage, health and life insurance as opportunities to use UBI in the future. Interestingly, those same agents who are also positive about wearable devices and UBI, generally have the longest working experience.

**Figure 11**

Perceived role of wearables in the future of insurance

<table>
<thead>
<tr>
<th>Agent type</th>
<th>All</th>
<th>Captive agent</th>
<th>General agent</th>
<th>Life</th>
<th>Property and casualty</th>
<th>Life, property and casualty</th>
</tr>
</thead>
<tbody>
<tr>
<td>High possibility</td>
<td>65%</td>
<td>64%</td>
<td>66%</td>
<td>68%</td>
<td>67%</td>
<td>42%</td>
</tr>
<tr>
<td>Neutral</td>
<td>30%</td>
<td>33%</td>
<td>27%</td>
<td>29%</td>
<td>30%</td>
<td>58%</td>
</tr>
<tr>
<td>Low possibility</td>
<td>5%</td>
<td>3%</td>
<td>7%</td>
<td>3%</td>
<td>3%</td>
<td>3%</td>
</tr>
</tbody>
</table>

**Figure 12**

Perceived role of UBI in life, health and other insurance lines

<table>
<thead>
<tr>
<th>Agent type</th>
<th>All</th>
<th>Captive agent</th>
<th>General agent</th>
<th>Life</th>
<th>Property and casualty</th>
<th>property and casualty</th>
</tr>
</thead>
<tbody>
<tr>
<td>Important</td>
<td>66%</td>
<td>67%</td>
<td>65%</td>
<td>69%</td>
<td>63%</td>
<td>68%</td>
</tr>
<tr>
<td>Neutral</td>
<td>28%</td>
<td>29%</td>
<td>27%</td>
<td>28%</td>
<td>33%</td>
<td>16%</td>
</tr>
<tr>
<td>Not important</td>
<td>6%</td>
<td>5%</td>
<td>8%</td>
<td>3%</td>
<td>3%</td>
<td>16%</td>
</tr>
</tbody>
</table>

Most of the respondents are positive about paying a servicing fee to specific customers – and highly efficient agents responded positively. The role of agents will shift from managing existing customers and contracts to collaborating with IT to better meet customer needs and focus on sales and growth.

**Figure 13**

Give up part of agent's role in servicing to free up more time for sales and growth

<table>
<thead>
<tr>
<th>Agent type</th>
<th>All</th>
<th>Captive agent</th>
<th>General agent</th>
<th>Life</th>
<th>Property and casualty</th>
<th>property and casualty</th>
</tr>
</thead>
<tbody>
<tr>
<td>Important</td>
<td>19%</td>
<td>3%</td>
<td>41%</td>
<td>5%</td>
<td>4%</td>
<td>33%</td>
</tr>
<tr>
<td>Neutral</td>
<td>41%</td>
<td>33%</td>
<td>16%</td>
<td>6%</td>
<td>33%</td>
<td>16%</td>
</tr>
<tr>
<td>Not important</td>
<td>33%</td>
<td>No way</td>
<td>No way</td>
<td>No way</td>
<td>Yes, would prefer</td>
<td>Yes, would prefer</td>
</tr>
</tbody>
</table>

**Implications**

Along with banks and other financial services companies, the insurance industry is accelerating its collaboration with IT. Agents are positive about the impact of technology in servicing customers. They have high expectations for a new sales model that extends from the traditional approach that centers on product sales to one that will focus on customer relationship management and service. Emerging technologies, such as wearables and UBI, will play an important role in this new model.
Korea is experiencing the same demographic issues that Japan faced 20 years ago. Changes in the demographic structure will significantly impact the insurance customer profile. Faced with this demographic change, agents need products that reflect specific generations.

Agents express the most concern about about developing products that target specific age groups and reflect Korean demographics. In fact, 26% of agents want insurers to create products that ultimately attract baby boomers, Generation X and millennials (see Figure 14). More than 21% see a need to increase marketability as a distributor of innovative products.

Figure 14

<table>
<thead>
<tr>
<th>How product innovation could help grow the business</th>
</tr>
</thead>
<tbody>
<tr>
<td>Create products that better address the needs of Gen-X and baby boomers</td>
</tr>
<tr>
<td>Increase marketability as a distributor of innovative products</td>
</tr>
<tr>
<td>Enable entry or further penetration into market segments</td>
</tr>
<tr>
<td>Create products that better address the needs of millennials</td>
</tr>
<tr>
<td>Reduce effort to underwrite</td>
</tr>
<tr>
<td>Reduce effort to sell</td>
</tr>
<tr>
<td>Connect with and support innovation efforts within my organization</td>
</tr>
<tr>
<td>Reduce effort to service</td>
</tr>
</tbody>
</table>
Our survey reveals that agents prefer increasing existing customer insurance premiums and new customer insurance contracts as methods of sales. However, with stagnating insurance penetration and the low birth rate, it is not efficient to focus on new customers, particularly for those agents with less experience. Agents with more experience tend to keep an optimal balance of new customers and existing customers. Those with high profiles tend to develop new sales methods and acquire new knowledge to attract new customers.

Agents agree that new insurer agreements, acquiring new knowledge, and developing more structures and new products are the key areas of focus in the years ahead (see Figure 15).

**Implications**

In a mature market, it is expected that the difficulty in securing new customers will gradually increase. However, agents in general are still focusing on acquiring new customers and contracts. In contrast, highly efficient agents are developing new methods of sales in response to changing market conditions and customers. The fact that 10% of agents cite they have no specific plans for growing their business in the next five years highlights opportunities in the insurance industry to better engage with customers and become more innovative.
Conclusion

Technological innovation will help the insurance industry develop strategies and operational processes by lines of business. However, it is more desirable first to define and prioritize a long-term, enterprise-wide strategy and then determine the direction and implementation to maintain a consistent innovative platform. From this perspective, EY has a track record with significant experience helping clients develop strategies for management, functions and operations, as well as providing operational support.

EY has worked with insurance carriers to execute potential strategies that help them support/help their agents, electronically simplify distribution operations, enhance customer and policy management through data and customer analysis, and help automate core processes such as underwriting and claims (see Figure 16). Our survey findings support the concept that insurers and the agent of the future will be stronger by working together.

Our survey supports a number of carrier strategies that help improve distribution results.
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