When transformation comes calling, will agency forces converge with digital forces?
When global insurers started the digital journey, it seemed only a matter of time before agents were replaced by digital apps. Yet, even with the rise of digital offerings, and the launch of digital insurers like Blue and Bowtie, the role of the agent still remains highly relevant in most Asian markets.
However, while insurers can no longer solely rely on traditional customer engagement models, they also cannot forget their roots. Asia’s millennial insurance customers like the convenience of digital applications and online self-service when it comes to choosing the right product. However, many of them, like previous generations, still enjoy the intimacy of face-to-face interactions with an agent, often someone their family has known for decades.

Keep the best of both worlds by giving agents digital tools

Rather than completely replacing agents with direct digital channels, incumbents need to digitally enable or digitize agency channels and integrate them efficiently with the rest of the business. This can be done by overlaying legacy systems with customer-facing and agent-facing portals and apps, and by equipping the agency force with digital tools, such as iPads. This will allow electronic submission and straight-through-processing in the field, particularly for personal line products.

If agents can use digital tools to make onboarding far more convenient for customers, it will be wholly beneficial. Customers will get the convenience of being able to complete and submit simpler forms online whilst agents will be able to focus their time understanding customer needs and cross-selling other, more profitable products.

Leverage artificial intelligence (AI) to enable new agent capabilities

As agents become more adept at using digital tools, AI will enable them to recommend high-value products tailored to meet individual needs based on analyzing the profiles of similar past customers. Agents are welcoming digitization. EY’s research “The agent of the future” found that more than 77% of insurance agents would significantly value technology that automatically identifies potential opportunities within their existing book. Similarly, in “The broker of the future: Australia EY survey highlights the impact of digital and the need for insurers and brokers to work together”, 78% of intermediaries consider that an insurer’s ability to provide better online access and tools is more important than competitive commissions and other areas of support.1

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Improve decision-making with agency analytics

Digital enablement will also allow insurers to profile agents to:

- **Make recruitment more effective:** With 3% of top agents contributing more than 20% of total first year commissions as indicated in "Undiscovered Opportunities: Advanced Analytics for Insurance Distribution\(^2\), insurers will be able to isolate winning characteristics and identify applicants who are statistically more likely to succeed. Insurers can also use AI to address attrition rates. Currently, 20% of agents leave in their first year and more than 89% of those under the age of 30 only stay in the role for a few years, increasing recruitment and training costs. At the same time, female insurance agents are more likely to remain in the role for longer in comparison to their male counterparts (59% vs. 41%), as per "Undiscovered Opportunities: Advanced Analytics for Insurance Distribution".\(^3\)

- **Match agents with customers:** Insurers will also be able to leverage agent information and map the right agents to the right customer segments for selling the right products.

- **Create a full-time sales force:** Insurers in countries, such as Vietnam, Malaysia and Indonesia, with thousands of part-time agents, are seeking to consolidate their agency channels by converting their most successful sellers into full-time roles. Analytics will help insurers to identify those most likely to make the transition effectively, with digital tools supporting it.

- **Optimize performance and drive retention with more appropriate compensation:** Current incentives don’t always align with agents’ priorities or performance. For example, in “The insurance agent of the future: Digital-only players disrupting traditional channels? Agency model still the dominant channel in many markets and growing digitally\(^5\), only 19% of agents selling life insurance believe insurers understand them well. Meanwhile, in EY’s research, “The agent of the future: EY survey reveals the need for digital sales tools and closer collaboration with insurance carriers\(^6\), it was found that more than 55% of insurance agents would consider a lower commission to shift some of the servicing burden to the carriers. Analytics can also help insurers to understand their top agents, determine and correct any mismatches between compensation and performance, and create new compensation models to increase retention.

- **Determine behavioral gaps:** Monitoring agents’ behavior will yield important insights, such as ensuring whether agents are taking on the right customers or selling them the right products.

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2. “Advanced analytics for insurance,” Undiscovered Opportunities, ©2013 Ernst & Young, Australia.
3. Ibid.
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**Understand the challenges**

This is not to suggest that the path to digital is easy for incumbent insurers, who will still need to deal with a raft of issues including:

- **Invest in digital tools to support hybrid models:** Digitally enabling agents and customers implies investing in end-to-end digital tools. Customers should be able to find the right products, access easy-to-digest policy information, manage their policy, lodge claims and receive settlements online.

- **Advanced data management capabilities:** Digital sales will allow agents to develop and store customer data from daily interactions, leading to cross-selling opportunities. At the same time, insurers can leverage customer data to offer bespoke products for individual clients. But these benefits will only be possible if both agents and insurers have access to reliable, standardized customer data, and analytical tools and capabilities — not to mention the ability to protect sensitive data, and comply with privacy and cyber security regulations.

- **Multi-channel conflict:** Insurers must invest in digital without alienating existing agency channels, where agents fear being replaced by technology. For example, in “*The agent of the future Korea: EY survey highlights need for customer-centric innovation and personalized sales support*”, while two-thirds of Korean insurance agents think it’s important for insurers to improve digital channels to direct customers, only half are positive about the move to online channels.⁵

- **Role of the agent:** As the rise of insurtech (e.g., Blue and Bowtie) introduces new models, where agents are removed from the insurance life cycle, agents will need to add more value to warrant their continued involvement. Their role will need to transition from one purely relationship based to that of a proactive advisor, spending less time on servicing and more time leveraging insurers’ digital and analytical tools to provide sales and advice.

- **One size doesn’t fit across Asia:** With different agency-force sizes and activity ratios across Asia, an insurer’s agency strategy needs to be tailored to the market. For example, in markets with a high percentage of part-time agents, such as Indonesia, the focus is on shifting a part-time, “on-the-side” workforce into an efficient, full-time sales operation. Some countries may even require different agency strategies depending on the local market. For example, a global insurer recently found digital uptake in Thailand to be very high for up-country agents, where it solved a pressing need. However, across its Bangkok agent base, digital uptake was much lower.

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Will technology hamper or accelerate agency and digital convergence?

As technology rewrites the rules of business, digital transformation is fundamentally changing the insurance industry. However, with 40% of top Chinese insurance agents questioning their readiness to meet the needs of the next generation (see “The agent of the future: EY survey reveals the need for digital sales tools and closer collaboration with insurance carriers”), insurers may have an uphill task preparing their agents for a digital future.

The other big factor is generational. The digital journey will certainly be slower if the field force predominantly consists of agents of an older generation and whilst millennial agents are more inclined to use digital and analytical tools, they still only make up a minority of the agent base.

Incumbents will therefore need to engage their traditional channels more effectively, taking agents with them on the journey toward digitalization. Digital can offer agents significant benefits, including greater visibility into current and prospective customer data that will help to drive growth, improve service and increase loyalty. However, it will be up to insurers to showcase these opportunities and ensure they complement their agency force across the distribution lifecycle.

Discover how to implement potential strategies to digitally support agents, simplify distribution operations, deploy analytics and help implement new distribution technology.

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