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A Technology Platform for Agent Loyalty in Worksite Insurance

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Loyal agents are among a carrier's most valuable assets. Your technology platform should offer them differentiating products and take the hassle out of selling and servicing worksite policies.

Insurance carriers understand full well the benefits of agent loyalty in the highly-competitive, highly-complex, and highly-commoditized worksite Insurance business. Loyal agents tend to be more:

- Likely to favor the company's products over competitors when talking to customers
- Knowledgeable about the company's offerings and so can better represent them
- Willing to negotiate commission schedules for the opportunity to work with the company
- Prone to stay with a carrier longer — reducing recruiting and training costs

A well-worn marketing maxim is that the cost of selling to an established customer is far less than the cost of acquiring a new customer — and the same holds true for agents. An experienced, enthusiastic, stable, and informed agent network is among a carrier's most valuable assets for increasing sales while simultaneously reducing cost per sale.

So how do you build agent loyalty into your operation as a sustainable competitive advantage — especially when products, policies, pricing and commissions are highly commoditized? In a commodity market, purchase decisions often turn on small economic differences — as in rate structures and rider variability. That's because economic differences are harder to create with commodities — which is one reason carriers turn to information technology for help. It's also why "soft" differences like loyalty gain traction. Once you've maximized economic differences, you need something else. But creating loyalty has its own set of challenges:

- Agencies are consolidating — so the survivors have more clout and higher expectations
- High product, market, and customer complexity requires lots of customer service
- Commoditization at each point in the value chain puts intense pressure on prices
- New opportunities continually drive new relationships with other carriers and agencies

Actually, these challenges make knowing how to build agent loyalty even more important — and also knowing how to build that capability into a carrier's technology platform. By "platform" we mean the total range of technology assets deployed throughout the worksite insurer's value chain. Today's technology is pervasive. So the question naturally arises: **How can something that potentially touches all aspects of every agent-client relationship help build loyalty?**

In general, agents seek carriers that are responsive and flexible, minimize paperwork, make fewer errors, and offer online processing and support. Agents' worksite customers, of course, seek these same qualities in their agents, who in turn favor carriers that make them "look good" to customers. Opportunities include:

- Online claim status review by care providers and patients so they feel acknowledged
- E-billing that increases accuracy, speeds payments, and reduces customer push-back
- Online enrollment that allows agents to earn more of the customer's benefits dollar
- Automated decision-making that eliminates manual underwriter reviews
- Self-help portals that reduce manual labor so agents can focus on high value targets
- Analytics that optimize workflows and track customer preferences to better tailor offers
- Automated policy package generation that reduces business risk and speeds quotes

Key to making this platform work is how it is built. Deployments must marry the carrier's unique needs, the technologies available to fill those needs, and the best plan to tie those needs and technologies together. No one size fits all. The best technology providers are those with a holistic view of the agency-carrier relationship and the technologies ready to support it.

Complexity Versus Efficiency

An Insurance carrier's technology platform can help in all aspects of the business — from signing up new worksites and enrolling new customers, to maintaining and updating records, to billing companies and paying claims, to creating new products and tailoring them to an agent's specific employer group. But behind all these activities it fills a more basic role: to resolve the fundamental contradiction plaguing today's worksite insurance market. That's the contradiction between the greater *complexity* of today's environment — in both product and process — and the much higher *efficiency* expected. And since this contradiction is pervasive it is also an opportunity to build agent loyalty. The more that agents rely on a particular carrier's platform to make complexity work in their favor, the more loyal the agents will be to the carrier.

Even if agency loyalty weren't a huge success factor, carriers would still want technology that provided strategic advantages like:

- Lower cost per worksite signup
- Lower cost per enrollment
- Lower cost per policy generation
- More accurate and faster billing
- Better customer service from online tools
- Cost reductions from employee and agency self-service
- Easier product tailoring to address rising costs, new medical procedures and other events
- Faster, more efficient, and more financially sound underwriting
- Greater ability to rapidly integrate with third-parties to cover product gaps
- More targeted marketing and higher revenues via Web Analytics

But in pursuing these benefits for itself, the carrier also becomes an ally to the agent who, like the carrier, feels complexity's impact (for good or bad) in three areas: products, relationships, and technology.

Products. What once were fairly standard are now highly tailored — starting with what has conventionally been defined as "the product." Ask a worksite insurer what they sell and they'll probably say Insurance policies. Some may also say the employer contract giving them the right to do business at a particular worksite. Increasingly, a few might also include as products more recent digital offerings such as self-service Web portals (for both employee and employer) and online financial planning tools. That's a fair answer given that these also represent values delivered in exchange for premiums. Further differentiation exists in the form of new billing and payment options, innovative rate structures, and new product bundles. But as products become much more differentiated they also become more complex and more burdensome to design, market, underwrite and support without adequate technology. For companies that do have the technology, however, complexity is just another word for creativity. It's a competitive advantage against companies that don't have the technology and therefore can't match these offerings or, even if they could, do so in a timely way.

Relationships. Carriers have had to effectively extend their organizational boundaries to encompass client worksites, agencies, and trading partners — notably specialty Insurance wholesalers (e.g., Delta Dental) and other insurance companies that "white label" their products to downstream carriers. By "extending the organizational boundaries" we mean making the client, agency, or partner-carrier essentially a "subsystem" of the carrier. It performs externally a function that in an earlier day would have been performed internally by the carrier's own human or technology-based systems — if performed at all.

Why Do This? Because no one is equally good at everything. Carriers typically integrate with trading partners to cover product gaps or achieve operational economies of scale. They integrate with agencies because agencies can often sell and service clients better, whether because of client proximity or for other reasons. Carriers will also, where they can, integrate directly with a client's internal Human Resource (HR) systems — making it far easier and less costly to sell and service insurance to employees. It also makes the carrier's position much more defensible from a marketing standpoint — since after employees and HR professionals have learned to use the carrier's enrollment or bill presentment screens they will come to identify these assets as "theirs."

The result is a complex and growing web of one-to-one relationships and interdependencies among multiple carriers, specialty insurance providers, HR departments, and agents. Furthermore, none of these relationships are static, but are continually created, abandoned, and redefined as needs change and particularly as the carrier's business grows. And, as with products, the relationships must each be opportunistically initiated and successfully managed, with all of them becoming geometrically more difficult to juggle with every new one added.

So again, what might otherwise be seen as an obstacle to growth can in fact be viewed as an opportunity, *if* the enabling technology is present. In that case, not only does the carrier itself have access (or richer access) to the *benefits* of relationships — i.e., as products, services, economies, and customers. The carrier is also an *aggregator* of these benefits on behalf of those with whom it has relationships. That by itself is a powerful incentive to do business with the carrier. By acting as "relationship hubs" carriers perform a kind of Insurance industry public service. They obviate all the wasteful duplicated effort that would be needed if everyone (including agents) tried to create one-on-one relationships with every other industry player with whom it wants to do business.

Technologies. As in most industries, technology is emerging in the Insurance business as a key driver in its own right — and technology is often complex. But in Insurance it's particularly so given the need to respond to the two other complexities identified — products and relationships. There is no off-the-shelf platform that carriers can simply buy to create and manage a highly-diverse portfolio of products or relationships. Even point solutions are hard to come by. Those that are available usually target the general insurance market. Adapting them to the worksite market often means modifying their code or wrapping it inside other software. Each customization impacts others — which in turn can degrade performance and make the overall system less reliable and harder to scale. Furthermore, it is often up to the carrier or its technology integrator to meld these one-off modifications into a working unit.

Making matters even more complex is that it's not just one carrier's particular solution set that must be melded. Client worksites and third-party business partners — all those other players with whom the carrier has relationships — also have their own solution sets. As just discussed, those may have to function as subsystems to the carrier's — which calls for two layers of integration: 1) The carrier's combined point solutions (underwriting, billing, enrollment, etc.) and 2) The combined solution sets of those in its relationship network.

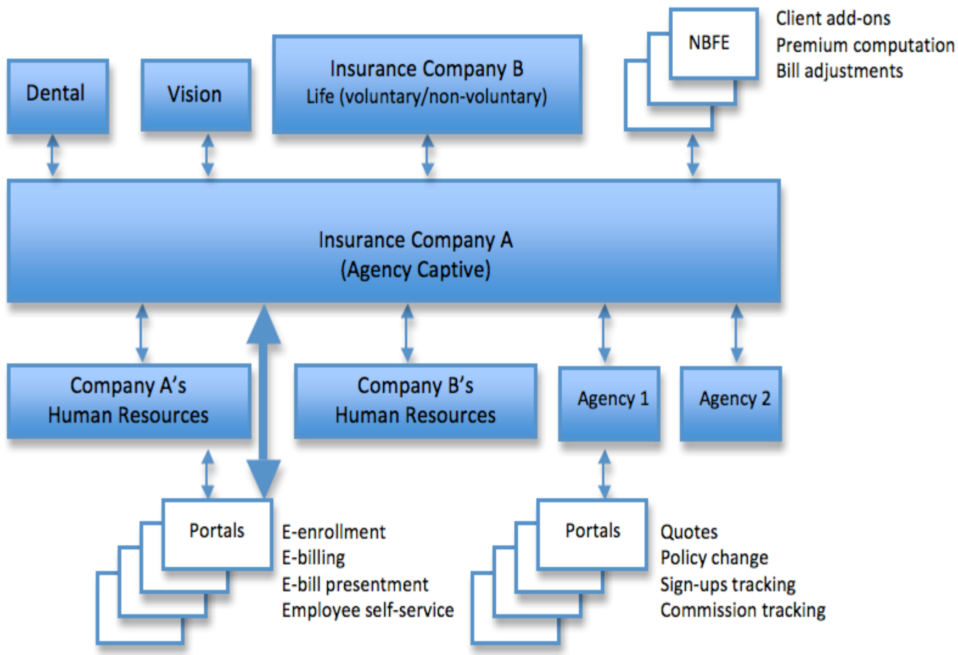
Suppose, for example, a carrier resells dental and vision insurance plans from third-party specialty providers. Ideally, all employees would be screened just once for their eligibility for all plans. What's not ideal — from the viewpoint of the employee, the employer, the carrier, *or the agent* — is the complexity of having employees screened multiple times through multiple systems. This potentially leads to all kinds of data hand-offs and synchronization questions — as in: *Whose systems have the most up-to-date record?* Touching the same record (or, worse, multiple versions of that record) multiple times leads to confusions and wastes resources.

In other industries, integrated technology suites, such as SAP in manufacturing, exist to bridge the islands of automation within and among company solution sets. (In insurance, the closest approximations are the interoperability standards from ACORD, the Insurance industry association created for that purpose.) So carriers create these integrations themselves. That lets them turn complex products, relationships, and technologies into higher levels of product differentiation, customer service, and operational efficiency for themselves and for their allies, the agents.

The test is whether they in fact succeed in making agents' lives easier. Consider Progressive — a property and casualty insurer that pays relatively low commissions — and its ForAgentsOnly.com website, introduced in the U.S. in 2003. Agents can do almost everything on the site they once did manually either on paper, over the phone, by retyping data into several different systems — or (most likely) by some combination of the three. Here in one place they can track commissions get quotes, submit applications, change existing policies, and process payments. As noted in *Business Week*:

When it comes to technology, Progressive Corp. (**PGR**) lives up to its name. The insurer has applied rush-to-the-barricades fervor to a Web site it created for agents in 1996, enabling them to work faster and process more claims. This year, Progressive updated the site so its 30,000 agents can obtain a quote or process an application for a new policy entirely online. The Web also helps Progressive hammer down costs. Expenses run to about 20% of revenue, compared with an industry average of 23% to 25%. Revenues have increased 20% annually since the company launched the Website, well ahead of the industry-average 5%. That's proof enough that it pays to stay ahead of the tech curve.[1]

Figure 1. The Worksite Insurance Technology Platform integrates disparate providers and services with customer's HR departments and employees in a plug-and-play environment that achieves sustainable competitive advantage through cost-efficiencies and tunable best practices.



It's also proof that agents will stay plugged into an insurance carrier's technology — and loyal to the carrier — if the technology makes their businesses easier to manage and more productive.

A Loyalty Platform

In many respects the architecture of a modern-day Worksite Insurance Enterprise, as in Figure 1, looks like a computer with peripherals attached. That's no accident. The enterprise is no longer a closed box — i.e., just the carrier — but rather it is the carrier with its organizational boundaries extended to include its relationship network of clients, agents, and trading partners. These are the nodes for which the carrier serves as their relationship hub. The carrier provides not only connectivity between itself and each node but also connectivity among the nodes — reducing the need for those organizations to invest in their own independent, direct, and expensive one-to-one connections.

But the carrier does much more in this enterprise than simply connect the nodes. It provides common services that make the transactions between them more efficient and more productive. Again, duplication of investment is reduced — since each service is only implemented once — and standardization is increased — since there are no competing implementations with which to conflict. Best practices and best-of-breed functionality are promoted — since results can be consistently correlated against a standard set of practices and functions. Examples of some common services are data warehouses, decision rule engines, meta data mapping, billing reconciliation, and Website services such as insurance FAQs and benefits e-newsletters — all of which are incentives to stay loyal to the carrier. The more that agents rely on these services to conduct business, the harder it is to break away and the greater the loyalty.

The primary worksite insurer in this example is Insurance Company A, a carrier that resells dental and vision policies lines from two wholesale specialty firms focused respectively on those two kinds of products. It also resells voluntary and non-voluntary life insurance under contract with a second carrier. Its customers are the HR departments of large and mid-market employers with whom it conducts business through human agents as well as through several Web portals. The portals enable HR professionals to carry out a number of activities online they would previously have done via paper, fax, phone calls, and the U.S. Mail — such as enrolling employees and reviewing bills. Employees also have a self-service portal they use to check benefits, review claim status, file claims, read FAQs, and so forth. That keeps them better informed and more self-reliant, which lowers cost of service for HR, the carrier, and the agents.

Agents also have portals designed for their needs, which they use to generate quotes, change policies, and track sign-ups during an employee enrollment period. Tracking sign-ups is especially valuable to agents because it lets them follow-up with HR staff or with employees directly in cases where employees may not be taking full advantage of offered coverages. And agents can do so in a timely way, well before the enrollment period ends. This maximizes client spend, carrier revenues, and agency commissions.

One particular point of leverage for clients, agents, and the carrier is the new business front end (NBFE). It is a desktop client application with access to backend systems such as the underwriting rules engine and admin system premium calculation. The carrier's own internal staff uses the NBFE to initiate a carrier-client relationship with a new worksite customer. Activities include:

- Entering data from the initial round of employee applications
- Rating the client based on SIC and job codes plus other factors
- Computing the monthly premium based on the rate and number of employees enrolled
- Adjusting bills based on actual premiums due versus payments received
- Creating the look and feel of the bill with attention to sorting, grouping, etc.

This activity can cause significant delay and frustration for agents, clients and third-party providers. Months can elapse before the actual price of Insurance is known. Initial bills may not reflect the real number of employees enrolled on the start date or the particular Insurance options actually selected. The NBFE in combination with electronic enrollment virtually eliminates these initial accounting delays — and the real cost of uncertain cash flow. For a change, agents can actually look forward to the process of signing up a new employer.

They can also look forward to servicing that customer over time. That's because enrollment, bill presentment, policy change, and all other aspects of worksite sales and service are now seamless regardless of whether third-party insurers are involved or how many. Their involvement may not even be visible to clients. (Delta Dental, for one, does mandate that its brand be visible to the end-customer.) But whether relationships are visible or transparent, there's a single consistent process throughout that can be fine-tuned for best practices, maximum efficiency, lowest cost, fewest mistakes, and the fastest service possible. The appeal to agent loyalty is obvious.

Another important parallel between the two architectures — a computer and a Worksite Insurance Platform — is that the nodes and services must be plug and play. Just as a PC owner may decide to switch brands of printers, cameras, disk drives or other peripherals, the Worksite Insurance Carrier may wish to "swap out" a different dental or vision specialty insurer or to carry a different (or an additional) whole life plan from a new third-party carrier. Prices may be lower, rate structures may be more innovative, or the people may be easier to work with — whatever the reason. By the same token, a carrier may also wish over time to swap out one or more internal systems in favor of those that offer more features, higher performance, or lower price without fear the changes will disrupt its own internal systems (the ones that are not changing) or the systems at companies to which the carrier is connected. Rather than disruptions, partners should in fact view such swap-outs as potentially improving their own operations, service levels and profitability.

The platform's ability for continuous self-improvement turns the issues of worksite complexity into an asset — since it capitalizes on all the opportunities complexity potentially offers — including innovation, growth, and agility in product offerings, partner relationships and technologies — all of which lead to greater loyalty from those who plug into the platform. That of course includes agents.

The key question is how best to create the platform.

The Right Integration Partner

As previously noted, these types of platforms are not yet available as commercial off the shelf products in worksite Insurance the way they are in some other industries — which means they have to be built from existing components or from scratch. Those components include the point solutions for various Insurance functions — e.g., bill presentment, underwriting rules, and claims and commissions. They also include the additional components (where those exist) for creating the point-to-point interfaces (i.e., the arrows in Figure 1). Some in particular may need to be built from scratch to meet the special needs of the Worksite Insurance Environment. For both types of components, functional and interface, the component must be tailored to work in a shared environment. Data warehouses, for example, would be tailored to integrate data from multiple systems both internal and external to the carrier. In particular, all design and tailoring work should support both the dynamic nature of the business and the carrier's unique brand promise. That promise includes the flexibility to mix and match Insurance features, rate structures, preferred business partners and whatever other elements might be required to sustain competitive advantage — and with it agent loyalty.

Given these broad requirements, an integrator's preferred qualifications are easily stated:

Worksite Insurance Experience. The worksite Insurance sector is emerging and the universe of integrators with relevant in-depth experience is small. Working with one of these integrators makes obvious sense because they should already understand the business requirements they are being hired to address.

Experience Building Complex Multi-Organizational Platforms. Making a group of autonomous companies operate as a single enterprise, selling and servicing products as if from one company is much easier if you've done it before. It's also done faster, with greater efficiency, and with less disruption to the ongoing business. The experienced integrator will know what technologies to look for and which ones to avoid. They'll be on a first name basis with vendors yet will have the expertise and maturity to be entirely technology agnostic when deciding how best to fill a particular functional gap.

A Holistic View of the Carrier-Agency Relationship. The right integrator will understand the agent's role in the success of the Insurance Carrier's business — and can be a useful advocate for the agent who may not be sitting at the table when key technology decisions are made. Relatively simple things — like one-time data entry or timely employee enrollment updates — go far toward making agents loyal. (Though "simple," however, they are not always easy to implement.) The integrator will be able to identify those opportunities and act on them appropriately.

For years, Insurance carriers of all stripes have talked about how they and their agent networks all play on the same team. Yet when it came time to play that way day-to-day a lot of obstacles have gotten in the way — like geographic distance, the piles of paper that go back and forth, and the inevitable errors and figure pointing that result from a manual fragmented process. Now add to those obstacles the extra complexities of the worksite market — its multiple third-party providers, highly tailored benefit packages, and multiple client HR departments. It's easy to see how agent loyalty could be at risk — or else a competitive advantage — depending on how much agents truly are integrated with the rest of the carrier's "team." Until recently there was no effective way to do that. Now there is — the Worksite Insurance Technology Platform.

Footnotes

Roger O. Crockett, "The Web Smart 50 — Progressive Insurance," 24 November 2003,

Business Week 17 February 2008 <http://www.businessweek.com/magazine/content/03_47/b3859636.htm>.