



Casualty Actuarial Society Annual Meeting

Brace Yourselves For Direct Sales To Small-Business Insurance Consumers!

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Agenda

Survey Takeaways

Operational Considerations

Case Study: Lessons Learned

Questions and Answers

Introduction:

Are small-businesses
interested in buying direct?

What challenges do small-business insurers face today?

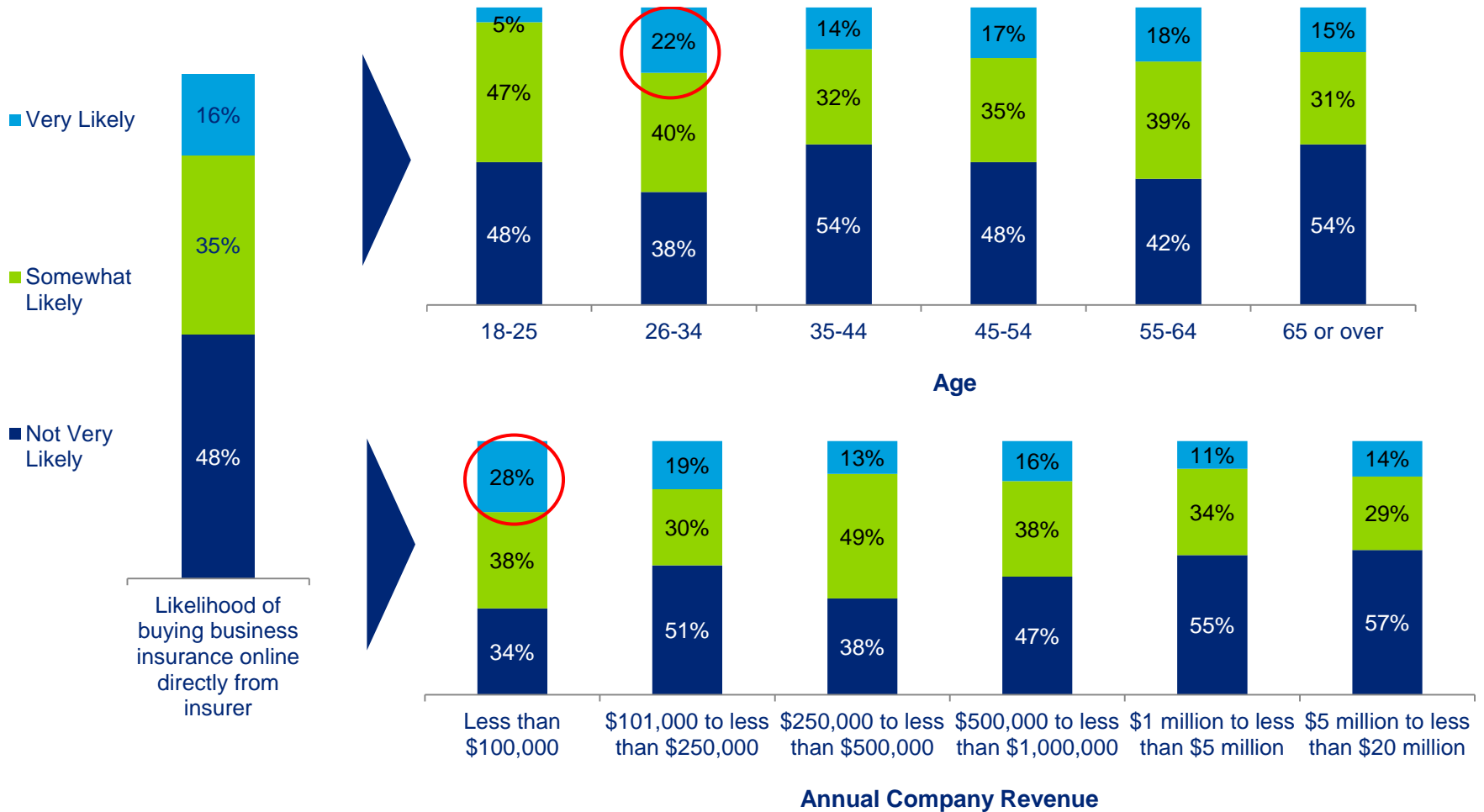
- Carriers are eager to find growth opportunities in a very competitive market and a slowly recovering economy
- Insurers are trying to effectively reach a new generation of consumers who seek multi-channel and multi-platform sales and service options
- Facing relatively low margins, insurers are looking to improve their underwriting, pricing, and claims capabilities, as well as optimize their distribution alternatives

What are small-business consumers telling us?

- **Hypothesis:** Given the growth in personal and commercial online transactions, many small-businesses would be willing to buy insurance direct from carriers over the Web, under the proper circumstances, if given the chance.
- **Validation:** A survey of 751 small-business buyers from a variety of industries (all under 25 employees) was launched in March 2013, following two focus groups in Summer 2012, to test our hypothesis.
- **Key Questions: Research** goal was not just to scope out the potential market, but to test a number of variables.
 - What factors might convince buyers to take the leap and buy direct?
 - How might carriers create a comfort zone for online transactions?
 - What operating and marketing challenges might carriers have to overcome?
 - What lessons might be learned even by those not looking to sell direct?

Survey Takeaways:
How many are open to buying
direct online, and under what
conditions?

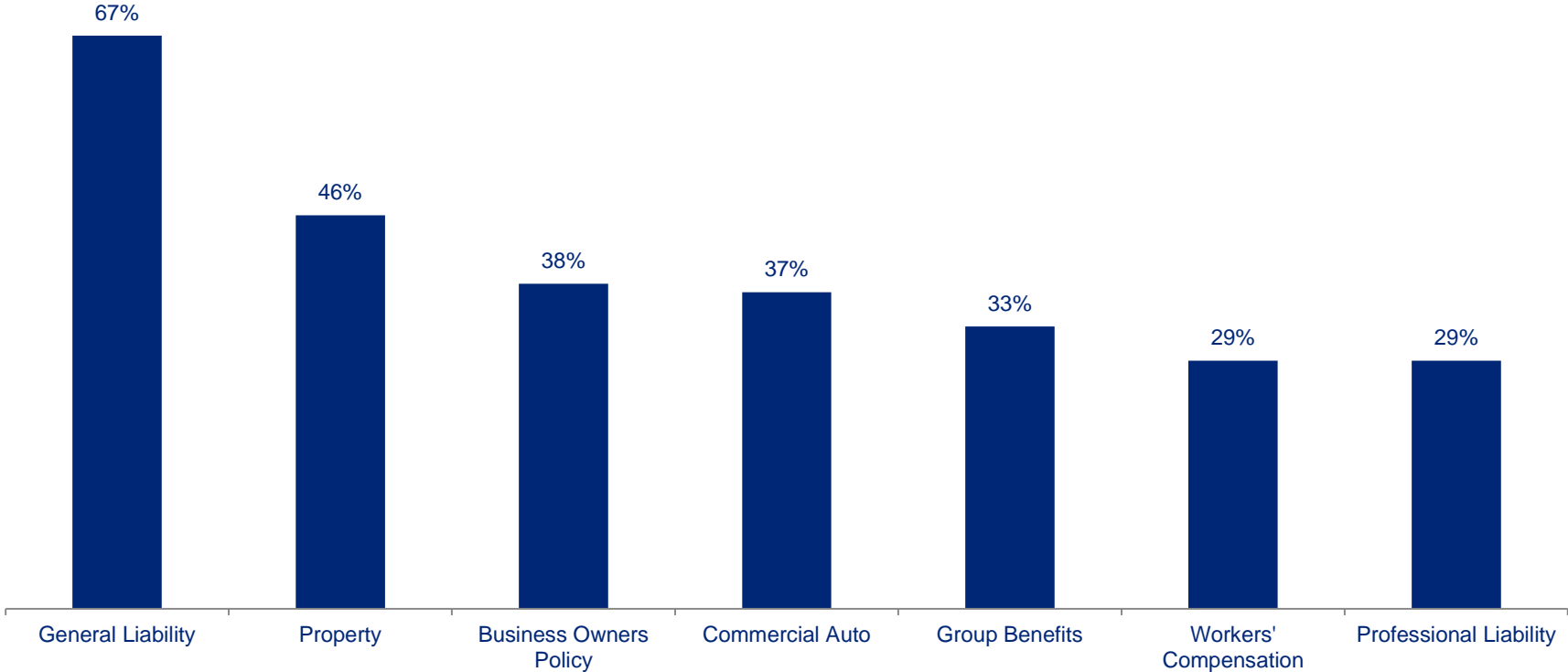
Likelihood of buying one or more business policies direct from a carrier, online



Source: Voice of the Small Commercial Insurance Consumer Survey, Deloitte Center for Financial Services, March 2013

What's my line? Likeliest direct buyers indicate their preferences

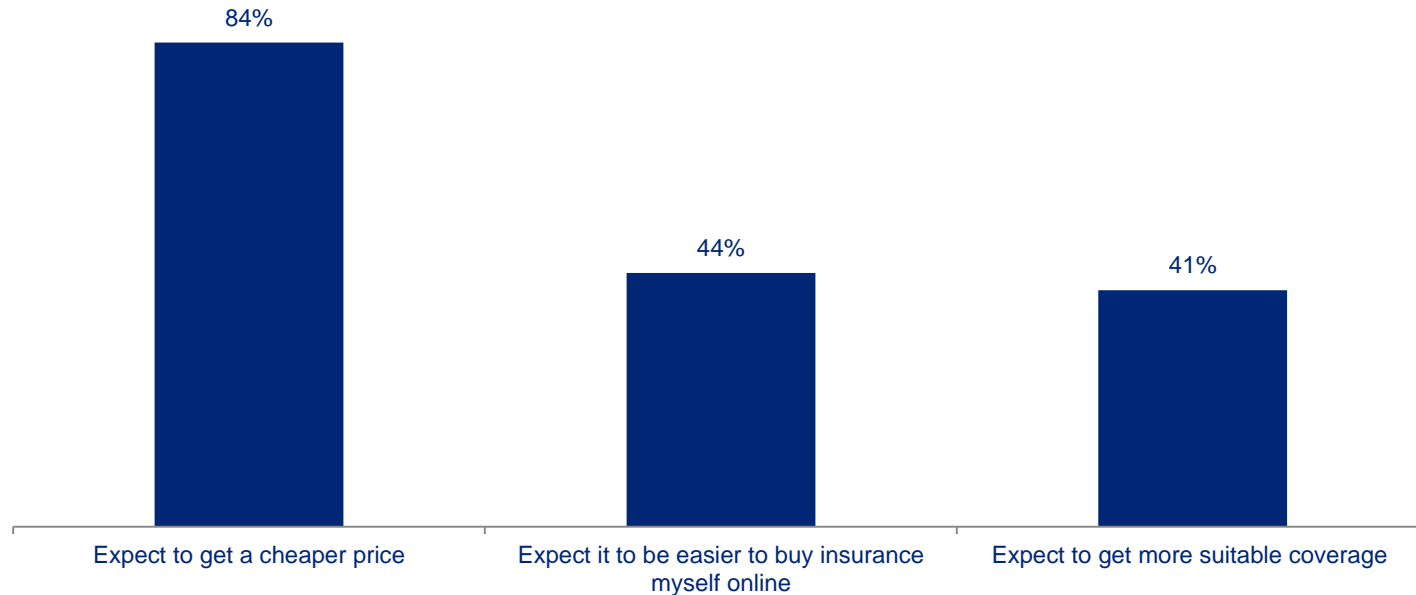
Percentage of respondents very likely to buy online, directly from an insurer (by type of coverage)



Source: Voice of the Small Commercial Insurance Consumer Survey, Deloitte Center for Financial Services, March 2013

Buyers interested if the price is right...

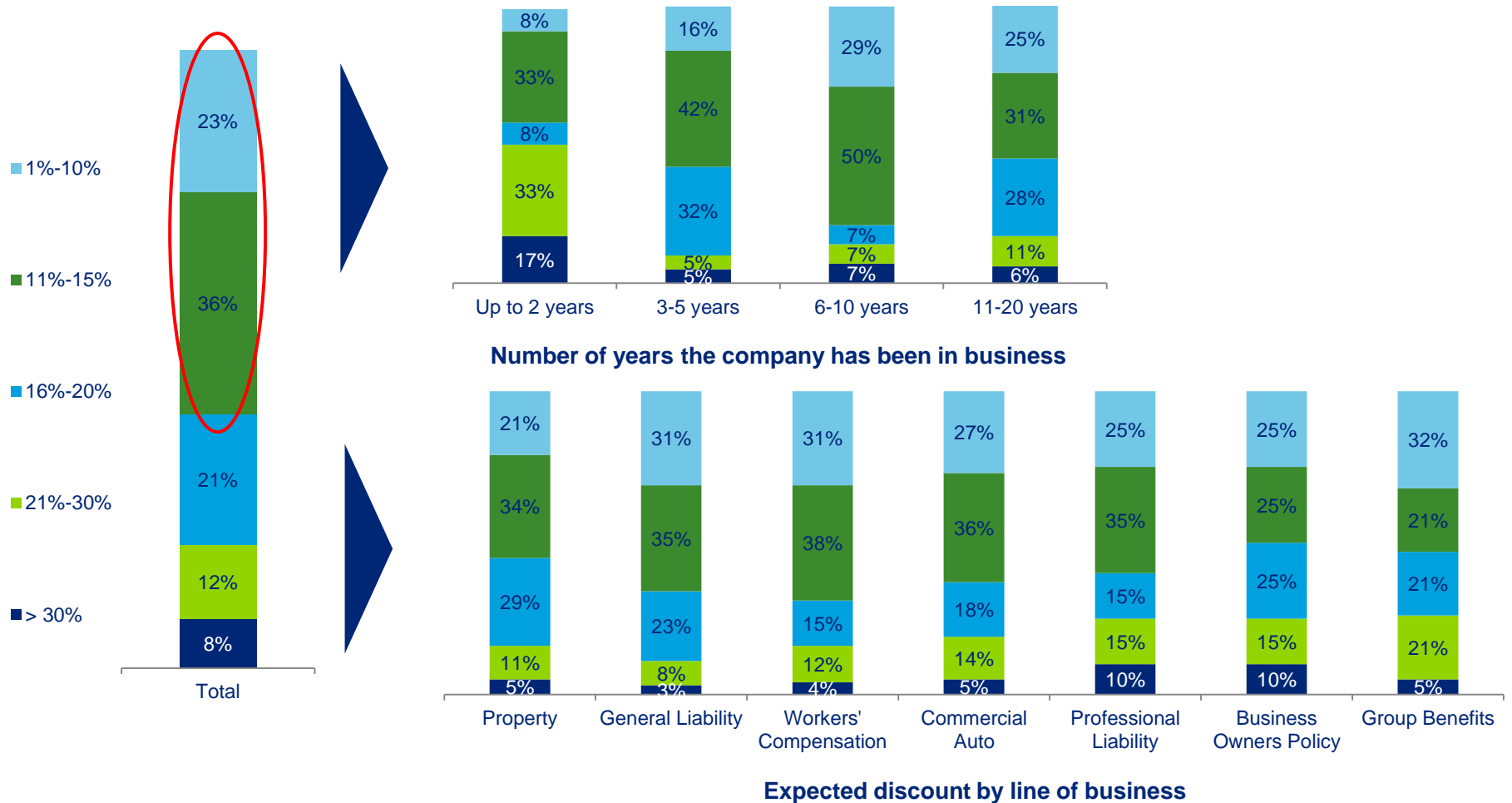
Reasons for openness to buying online



Source: Voice of the Small Commercial Insurance Consumer Survey, Deloitte Center for Financial Services, March 2013

...But expectations fairly modest on discounts

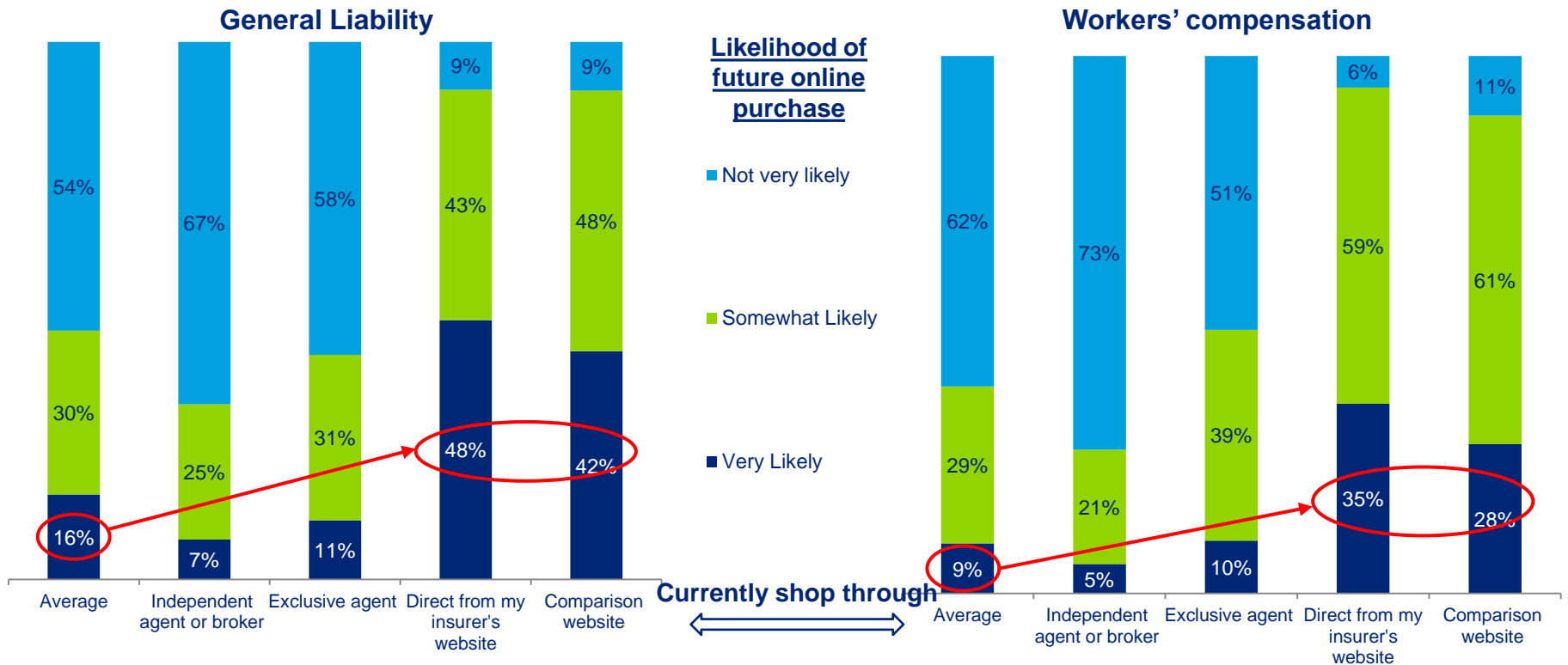
Percentage of premium reduction expected from direct online purchase



Source: Voice of the Small Commercial Insurance Consumer Survey, Deloitte Center for Financial Services, March 2013

Current Web shoppers more likely to buy direct

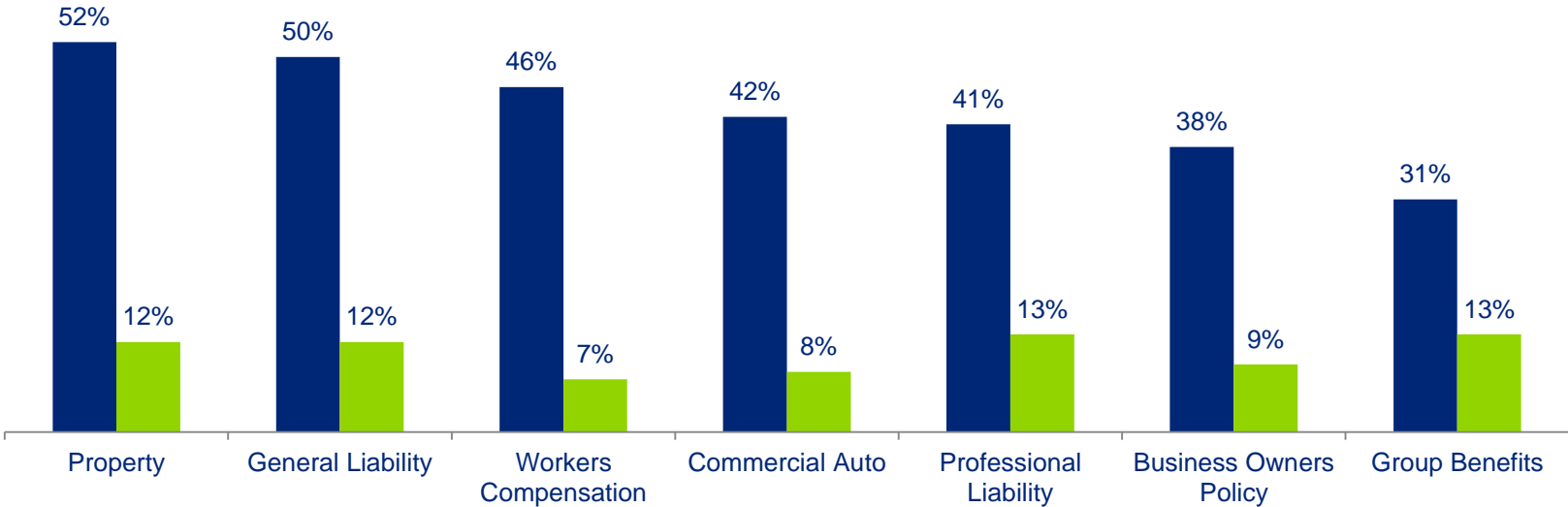
Likelihood of buying one or more business insurance policies online, directly from an insurer



Source: Voice of the Small Commercial Insurance Consumer Survey, Deloitte Center for Financial Services, March 2013

Personal lines experience might be a gateway for commercial sales

Likelihood for buying commercial lines insurance online

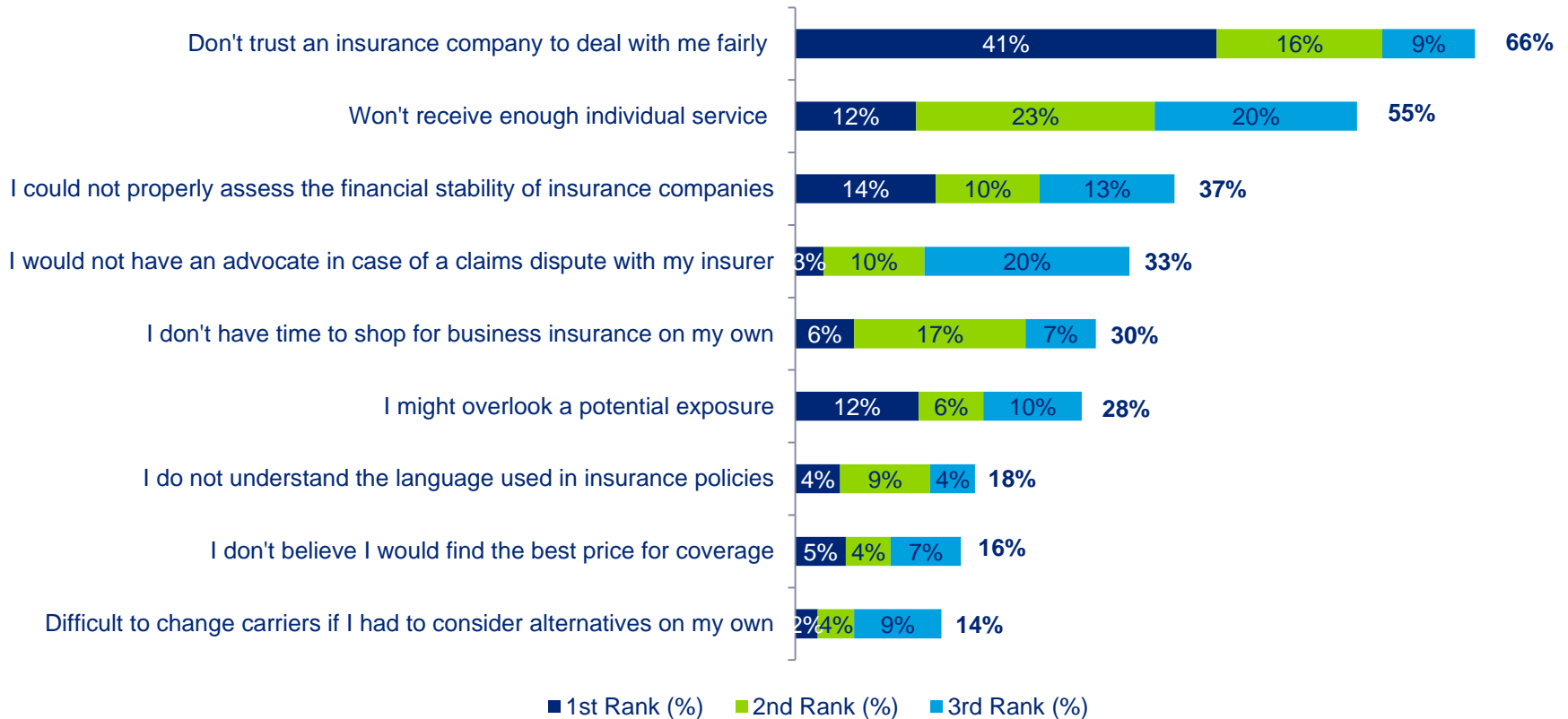


- Likelihood of buying commercial lines online among those who have bought personal lines online
- Likelihood of buying commercial lines online among those who have not bought personal lines online

Source: Voice of the Small Commercial Insurance Consumer Survey, Deloitte Center for Financial Services, March 2013

Trust issues discourage direct sales

Ranking of reasons for those not very likely to buy online, directly from an insurer



Source: Voice of the Small Commercial Insurance Consumer Survey, Deloitte Center for Financial Services, March 2013

Operational Considerations:
What might insurers need to
do if they want to sell direct?

Operational factors to consider include...

Managing channel conflict

What if friction/defections arise among agency force?

How might the new direct enterprise be branded?

Meeting Regulatory, liability challenges

Licensed carriers required in all target states, and client-facing CSRs in call centers should be licensed agents

Errors & omissions insurance should be acquired

Addressing marketing concerns

Creating awareness of the direct channel option

Finding appropriate prospects and convincing them to take the plunge

Creating a flexible tech infrastructure

Ease of doing business

Ability to close the deal in real time

How can insurers cope with channel conflict?



Potential Solutions

Go direct under a different brand

Stick with same brand, but target different market

Ease transition with run-off agent commissions for channel-changers

Which regulatory and liability concerns should be addressed?

- Would-be direct writers should be licensed in every state where they intend to accept prospects online
- Client-facing customer service reps either online or over the phone should be licensed agents
- Without an agent to hold accountable if a coverage gap is discovered during the claim process, clients may look to sue the carrier.
 - Errors and omissions insurance should provide a backstop
 - Offering a list of potential coverages and giving applicants the opportunity to opt-out might also mitigate this exposure
 - Example: Flood insurance for commercial property policies. Many small-businesses were uninsured for Superstorm Sandy losses.

How might direct carriers create awareness?

Direct carriers need to get the attention of potential direct buyers, spur action, and build momentum in a relatively new channel, with no agents to make their case. Options include:

- Launch a mass advertising, multi-media campaign
- Go viral by creating a social media and customer-driven campaign
- Create go-to-market relationships with regional groups, associations and common vendors
- Bundle insurance sale with delivery of other goods and services targeting the small-business market
- Cross-sell to those who have already bought personal lines direct over the Web

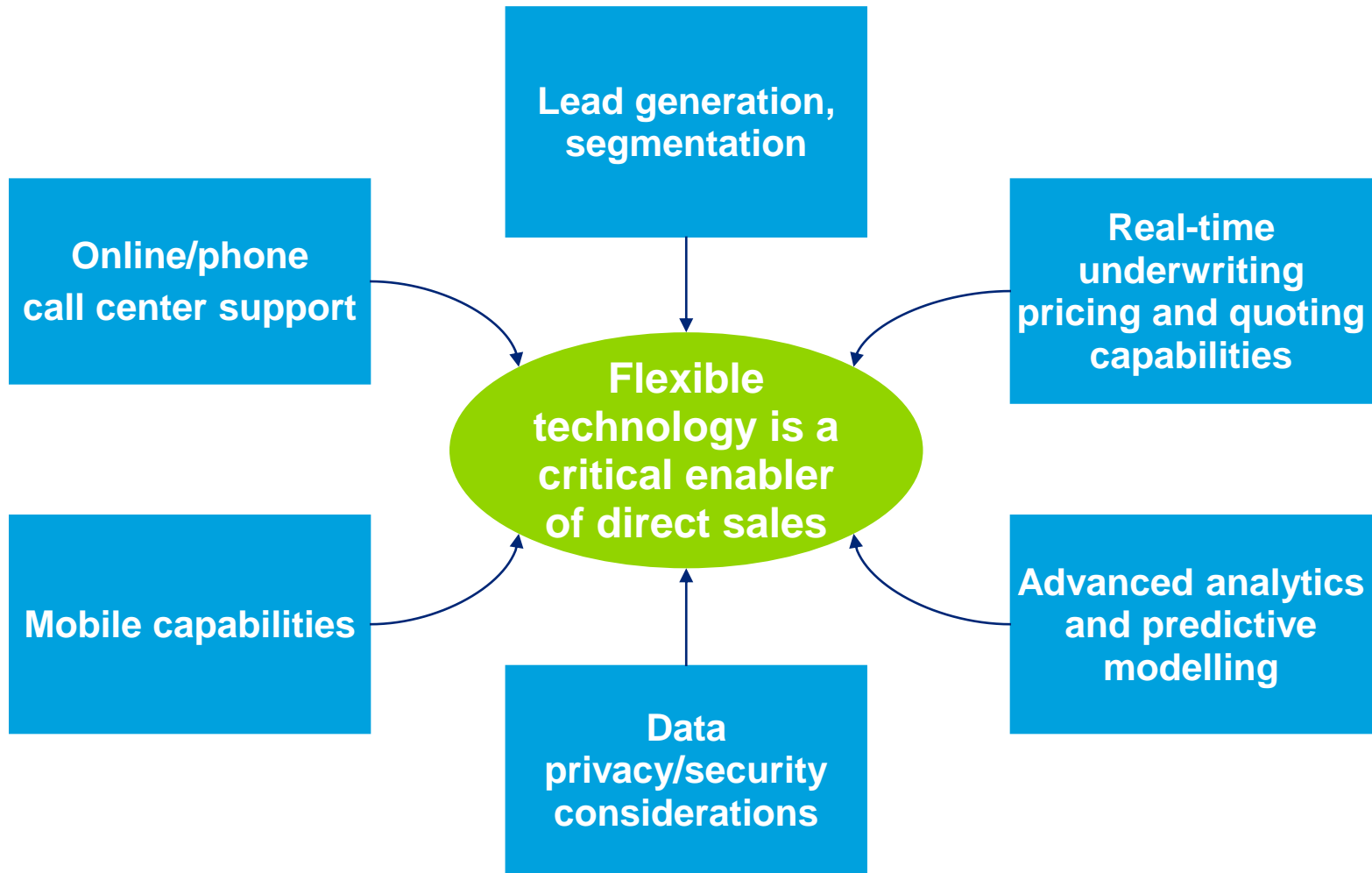
Insurers need to convince prospects to give the direct channel a shot

Without an agent or broker to hold their hand throughout the sales process, insurers must motivate buyers to go solo. Price is important, but other selling points may be required, such as:

- Accessibility and convenience
 - Shopping/buying at your leisure, 24/7
- Self-service options
 - Retrieving policy documents online
 - Downloading certificates of insurance
 - Processing endorsements over the Web
- Mobile capabilities
 - We have an app for that!
- Value-added 'concierge' service
 - Specialists offering loss control advice tailored to client's industry

Technology/Service Challenges:
What infrastructure issues might
carriers face in writing direct?

Infrastructure factors to consider...



Broader Lessons Learned:
What about those who
don't want to sell small-
commercial direct?

Direct-business model provides lessons even for those sticking with agents



- If direct sellers offer premium discounts, agents better provide some tangible added value
- Time to reassess/bolster most promising agents
- Provide easy, intuitive online application via website, even if only referring business to agents
- Craft policy language a layperson can understand
- Create a more transparent claims process
- Buyers may appreciate “concierge” service to respond to queries and process claims 24/7
- Consider offering customized loss control advice in a cost-effective virtual forum
- Even if a carrier is sticking with agents, many insurers could use an upgrade in their underwriting, pricing, and mobile capabilities
- Consider working with aggregator sites to enjoy the best of both worlds—online shopping/agent referrals

How should carriers decide what to do about direct sales?

- Direct sales of small-business insurance might not be for all consumers – or all insurers.
- Agents and brokers are likely to remain the dominant distribution method, but a significant segment is open to direct sales.
- Agency carriers could lose market share to direct writers, particularly if the price differential is significant.
- Whether taking a defensive posture to protect market share or to better compete against other agency carriers, it's time for small-business insurers to up their game.



Where do small-business insurers go from here?



A Case Study: 4 Lessons Learned

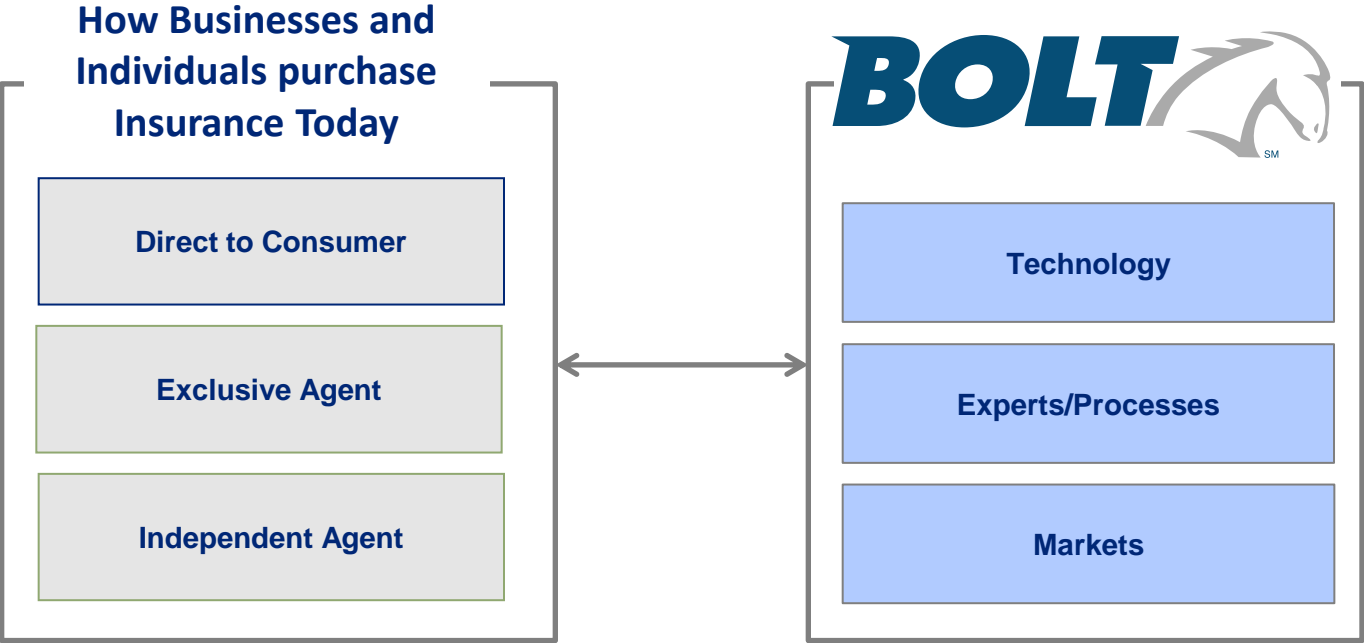
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A Better Way to Choose and Buy Insurance

SM

Our Vision



National Direct Platform

Proactive expertise – We've got your back.

2010
Start-up Launch

People/Process/Tech
InsuranceEdge with Amex



2011 - 2012
Organic Growth

Carrier Partners
Personal lines



2013
Bolt Platform



Side by Side Quotes

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INSURANCE AGENCY

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Application Number 6027-3589-1426

[schedule a call](#) | 1-800-216-4171

STEP 1: PROVIDE INFORMATION | **STEP 2: SELECT A QUOTE** | STEP 3: REVIEW & PURCHASE

[print](#) [email](#) [download](#)

Step 2: Select a Quote

The following quotes are only estimates and are not a contract, binder or agreement to extend insurance coverage. Your actual rates may be different depending on the underwriting criteria of each insurer and the specific characteristics of your business. These preliminary quotes are available for your review for 30 days.

Refresh Results

Businesses like yours sometimes need additional coverage such as Errors and Omissions (E&O) or Directors and Officers (D&O). Ask one of our agents about additional available coverage.

General Liability and Business Property

NEED HELP DECIDING ON A QUOTE? Call 1-800-216-4171 or [schedule a call](#) with one of our agents.

	Details hide Bridge	Details hide Bridge	Details hide Bridge	Details hide Bridge
	SELECT	SELECT	SELECT	SELECT
	POLICY PREMIUM \$500	POLICY PREMIUM \$683	POLICY PREMIUM \$857	POLICY PREMIUM \$876
Property Deductible	\$500	\$500	\$5,000	\$1,000
Employee Dishonesty	\$25,000	\$25,000	\$5,000	\$10,000
Accounts Receivable	\$125,000	\$25,000	\$5,000	\$50,000
Valuable Papers	\$25,000	\$25,000	\$5,000	\$50,000
Computers and Electronic Media	\$50,000	\$50,000	-	\$10,000
Contents/Equipment Used Off Site	\$25,000	\$25,000	-	\$15,000
Business Income	Actual Loss Sustained for 12 Months	Actual Loss Sustained for 12 Months	-	Actual Loss Sustained for 12 Months
Temperature Change	-	-	-	\$10,000
Business Liability	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
Medical Expenses	\$10,000	\$10,000	\$5,000	\$10,000
Employment Practices	-	\$10,000	-	-
Non-owned Auto Liability	\$1,000,000	\$1,000,000	-	\$1,000,000
Hired Auto Liability	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000

Phone, Web, and Appointment Support

Multiple Carrier Quoting within minutes with single input on a simple form

Coverage Types and Differences by Market - Explained

4 Lessons Learned

Lesson 1: Sell them something

- The product has to be built for small businesses who are buying direct
- Know what products people are looking for online
 - Years in business
 - Home based businesses
 - Years of expertise
 - Just need a cert
- What if you don't have product or appetite for the flow?
 - Capitalize on the lead
 - Keep the customer

Lesson 2: It doesn't end at new business

- Take the data out of the way – automate everything
- Who is still a customer after 120 days?
- Small businesses want to pay the way they run their businesses - Fix billing
- Renewal is a key touch point
 - Businesses change, appetites changes, rates change.

Lesson 3: You have to know the customer



Lesson 4: Measure the right things

- Measure everything – just not the way you are use to
 - Ratios, conversion rates, etc.
 - Measure lead to issue by lead source
 - Google analytics and others.
- A new set of SLAs
 - More like online world
- Don't forget to measure customer satisfaction

Question and Answer

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