A Vision of the Future for Agency Technology

including the

Essential Next Steps

for

Independent Agents

THE AGENTS COUNCIL FOR TECHNOLOGY

ACT Agents Council for TECHNOLOGY

Independent Insurance Agent

INDEPENDENT INSURANCE AGENTS OF AMERICA, INC.

This report has been created by the Agents Council for Technology (ACT). It has no single author, but rather is the result of a collaborative effort involving agent, insurance company, technology provider, and industry association participants. These are the groups that constitute the members of ACT. ACT is affiliated with the Independent Insurance Agents of America, Inc. (IIAA), and its mission is to promote and facilitate the effective use of technology to advance the competitive position of the Independent Agency System. More information about ACT, as well as an electronic version of this report and other useful technology information and tools, can be found at its web site. Go to www.independentagent.com and click on Agents Council for Technology.

The first draft of this report was developed under the direction of two ACT work groups—one focused on the essential next steps for agents; the second tackling the vision of the future for agency technology. The vision work group engaged the consultant John Ashenhurst to develop the first draft of the agency vision piece. This work group provided input to John in the development of a draft and modified the second draft received from John to create Section Two of this report. John's complete paper is found at the ACT web site.

Once the ACT work groups completed their consolidated draft, ACT sought comment from several opinion leaders in the technology area including independent agents and brokers, agent user groups, young agents, the IIAA Executive Committee, the Commission to Enhance Agency Value (which produces the Best Practices studies), IIAA and state association staff, other producer trade associations, ACORD, agency automation vendors and consultants, insurance company executives, and of course, all of the ACT members. We deeply appreciate the invaluable assistance we received from these individuals to improve this report.

The revised draft including the proposed changes was then reviewed at length by the ACT membership at its meeting on September 7, 2001. These discussions produced yet another draft containing the proposed improvements which was reviewed one last time by the ACT members. This report is the product of that extensive review process, and we believe it will provide a very useful framework for agencies, companies, and technology providers as they address technology issues.

Finally, ACT wishes to thank its members without whose participation and financial support, this report would not have been possible:

Independent Insurance Agents of America
Insurance Brokers Association of Canada
ACORD
Agency Revenue Tools
Allstate/Encompass
AON Services Group
Centre for Study of Insurance Operations (Canada)
ChoicePoint
Chubb
CNA
First Notice Systems
Grange Insurance
idNet/CSR 24
IVANS
Insurance Technology Coalition
MetLife Auto & Home
National Grange Mutual
Ohio Casualty
Progressive
Prudential Property-Casualty
Royal & SunAlliance
SAFECO
Safety Insurance
St. Paul
The Hartford
TowerStreet
Travelers
Westfield
Zurich North America Surety and Financial Services
Zurich Small Business

Ed Higgins, CPCU
ACT Chairman
Principal, Thousand Islands Agency
Clayton, New York

Jeff Yates
ACT Executive Director
jyates@iiaa.net

A Vision of the Future for Agency Technology

including the

Essential Next Steps

for

Independent Agents

THE AGENTS COUNCIL FOR TECHNOLOGY

ACT
Agents Council for TECHNOLOGY

Independent Insurance Agent

INDEPENDENT INSURANCE AGENTS OF AMERICA, INC.

TABLE OF CONTENTS

Executive Summary

Effective use of technology is critical to the future success of the Independent Agency System.

This ACT report provides agents with a vision of the future for technology and provides essential next steps to help agents to fully take advantage of these opportunities. We believe this paper will provide agents and the industry with a very helpful framework in which to evaluate potential technology decisions.

The Internet has fundamentally changed our business, and agents and companies need to adapt their technology capabilities accordingly. Consumers want to interact with our industry electronically and expect immediate service. At the same time, companies and others want to do business with agents in real-time over the Internet.

There are no perfect solutions, but investing in technology provides a definite bottom-line payback to the agency. It positions the agency for increased profitability, growth, efficiency, and heightened standing with clients, companies, employees, and potential purchasers.

The vision lays out eight major technology trends that will significantly affect how agents do business in the future. Agents will have increasing opportunities to outsource a significant part of their in-house technology to *Internet hosting services* and other parties. More and more e-business will be done on a *real-time interactive basis* over the Internet allowing quicker response times but also creating new challenges.

Integration platforms, whether provided in the agency management system, the comparative rating system, or in some other way will help agents do business with multiple companies and other parties in a real-time manner, with data entered only once. Agents increasingly will have the capability to let *prospects and customers do business electronically* on the agency's web site.

Technology will permit companies to implement *single-step processes* that significantly improve industry workflows. In larger commercial lines, *collaborative computing* will improve efficiency because the multiple parties working on a risk will all be able to communicate interactively and work from a single electronic file. Agency employees will be able to conveniently *use their computers from any location* increasing their responsiveness to customers. Finally, technology will enable agents to expand their *s* activities with prospects and clients.

The vision lays out several recommended actions for agents, companies, technology providers, associations and user groups to maximize the benefits that can flow from these trends to the Independent Agency System.

ACT also recommends several essential steps for independent agents to take to position themselves to profit from these emerging technology trends. The critical first step is for agency owners to establish a culture that views technology as a strategic opportunity and an integral part of the process of running an agency. The agency should organize itself so that there is a chief information person or its equivalent focused on maximizing the benefits of technology in the agency. Technology should be implemented to respond to a defined need in the agency, such as to improve a particular business process or workflow.

It is extremely important for agencies to stay current with the latest releases for their agency management systems as well as have at least Windows 98 or Windows NT on their systems, along with hardware that can run these applications efficiently. Agents should avail themselves of new company interfaces promptly and use electronic download from the company wherever possible to eliminate paper and improve efficiency. Agents also should install Internet access on each agency employee's desktop with an always on, high-speed connection. These steps taken together will position the agency to use many emerging real-time technology applications profitably.

Agents also should strongly encourage the implementation of the ACORD XML industry standards by companies and technology providers because these standards are essential to achieving efficient single entry, multiple company interfaces (SEMCI) in an Internet environment. ACT believes that the future of insurance computing lies in real-time transactions and that agents should use this new functionality to improve their efficiency. At the same time, agents need to work with the ACT participants to address problems with the current versions of real-time computing so that it works more efficiently for independent agents operating in a multiple-company environment. The ACT vision is for agents to be able to initiate transactions in their agency management system, comparative rater, or other application and access multiple-company Internet sites to complete processing in real-time.

ACT also recommends that agents use their current agency management systems and other technology more fully and that they adopt digital imaging technology, by exploring the benefits of electronic filing, adopting scanning, eliminating paper, and using digital cameras. Agents are urged to adopt 24/7 customer service to increase efficiency and to respond to new customer expectations. In addition, the agency web site offers a potent way to brand the agency and attract new prospects. Finally, agents need to focus on the security of their systems because the new functionality creates new risks that must be managed.

The independent agent's business model is compelling to insurance consumers because of the agency's expertise, independence, and multiple company representation. For this business model to excel in the future, however, the independent agency must couple these strengths with budgeted, ongoing investments in effective technology. ACT's role is to help make sure effective technology options are available to independent agencies and then to assist agents in their technology decisions with practical information. Agents are urged to use the ACT web site located at www.independentagent.com as an expanding source of this information.

Section One Setting the Stage

Effective use of technology will be critical to the future of our distribution system.

The landscape has fundamentally changed.... Consumers want to be able to access our industry electronically and they expect answers immediately.

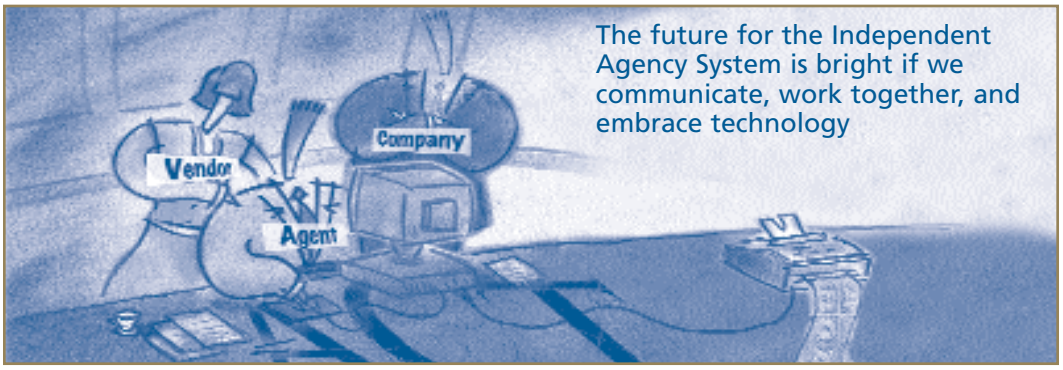
The independent agents, companies, technology providers and industry organizations, which have come together in the Agents Council for Technology (ACT) share the strong conviction that the effective use of technology will be critical to the future of our distribution system and that all of us need to ratchet up the importance we give to technology planning and implementation.

ACT believes the landscape has fundamentally changed. Primarily because of the Internet, consumers have gotten involved with technology and their expectations have changed. Consumers want to be able to access our industry electronically and they expect answers immediately. Fortunately, the Internet also permits our industry to do business in real-time, setting up the opportunity for us to meet these changed consumer expectations. At the same time, we are seeing a convergence of financial services businesses creating the expectation that the insurance business start to offer the same electronic capabilities that other sectors of the financial services business are capable of delivering.

ACT believes agency owners and company executives who learn to use technology strategically will win in the marketplace. This paper is designed to assist agent, company, and technology provider executives in viewing technology in this new light.

The participants in ACT are also of the mind that our industry will accomplish more in the implementation of effective technologies if we all work together—agents, companies, and technology providers—endeavor to understand the needs and interests of each other, and are willing to address new approaches objectively without a lot of rhetorical flourish. ACT is committed to function in this manner.

Recently completed Future One research indicates that the three top obstacles independent agents face with regard to the effective use of technology are: the cost of new technology, the lack of time for the planning and implementation of new technology, and the lack of in-house expertise. These problems are followed by two other significant ones: the need for additional technology training and software limitations.[1] This report and its recommendations provide a good beginning to addressing these obstacles. ACT's focus in the future will be to work with the industry and undertake additional initiatives that attack these problems.



The future for the Independent Agency System is bright if we communicate, work together, and embrace technology

[1] 2001 Future One Technology Study. 666 agents completed the online survey after being invited to do so by fax. Future One is a partnership initiative sponsored by the Independent Insurance Agents of America and most leading United States property-casualty companies.

Purpose of This Report

ACT has designed this report to help agents and companies understand how technology will shape the future of our business; the business advantages that can be derived from the effective use of technology; the importance of agents, companies and technology providers all working together to achieve a shared vision; and the critical next steps independent agents should take to be positioned to benefit from this emerging technology. Our objective is to create a framework that will assist agents, companies, and technology providers with their technology decision-making—to provide a picture of the whole, so that there is a better understanding as to how each of the individual pieces will fit together.

This report is divided into three major sections. The first sets the stage for what follows. The second is a vision of the future for agency technology. The future is very exciting and goes way beyond deciding which agency management system to buy. The options available to independent agents have multiplied as the result of the availability of the Internet, the advent of real-time processing and communications, and the emergence of XML standards to serve not only the insurance industry, but all industries. These options include not only electronic interfaces with insurance companies but real-time communications with insurance customers and all of the other firms with which independent agents do business.

This agency technology vision of the future gives the big picture and looks several years out. Its value is that it gives the agent a context to set strategic direction for his or her agency to pursue with technology, along with a framework to evaluate current technology decisions.

But, in addition to taking that look into the future to ascertain the technology opportunities that are likely to emerge, the agency must also take care of what needs to be done today. The agency should make sure that its organization and culture facilitates the effective use of the technology that is available today, giving the agency a competitive edge in the marketplace. The third major section of this paper—"The Essential Next Steps for Independent Agents"—provides the agent with practical recommendations that should be considered today.

Investing in Technology Makes Business Sense

If the participants in ACT are unanimous on one thing, it is that staying current with technology makes great business sense for the agent. Agents need to budget for technology as a fundamental and ongoing expense in their agency, not as a sporadic systems purchase.

We understand and appreciate the frustration that many agents feel because their past technology expenditures have been expensive and have not fully lived up to their expectations. It also is difficult to offset technology expenditures with immediate expense savings. However, it is important to keep this frustration in perspective. It would be a nightmare for most agencies to try to operate today without the benefit of their automation systems.

Investing in technology, in coordination with establishing the correct business processes and workflows in the agency, should be viewed as a long term commitment which will result in a more efficient agency. The highly automated agency is positioned to increase its sales orientation and to grow without adding staff.

Agents need to budget for technology as a fundamental and ongoing expense in their agency.

The highly automated agency is positioned to increase its sales orientation and to grow without adding staff.

An agency that uses technology effectively is much more attractive to insurance companies.

Each year the IIAA conducts an agency "best practices" study. The purpose of this study is to evaluate agencies on the basis of over 20 agency measurement factors, including revenue growth, revenue per agency, etc. 30 Best Practices agencies are selected for the study in each of several revenue categories, and the key drivers of their success are identified. Agencies that qualify for the Best Practices study provide great examples of the payback that results from a long-term commitment to technology. Investing in technology is consistently mentioned by this group of top performing agencies as a critical factor in their success. The following chart indicates the percentage of revenue spent on technology by revenue size of Best Practices agency:

Total IT Expenses as a % of Net Revenues[2]

Revenue Category of Agency	Average Best Practices Agency
Under $500 K	2.9%
Between $500 K & $1.25 M	2.4%
Between $1.25 M & $2.5 M	2.1%
Between $2.5 M & $5 M	2.3%
Between $5 M & $10 M	1.8%
Over $10 M	1.9%

We have observed common characteristics among highly automated agencies that make the business case for investing in technology:

- These agencies are positioned for increased profitability and growth. Agencies committed to technology typically increase their efficiency, implement improved business procedures and workflows, transition staff from a service orientation to a greater sales orientation, and are able to grow without adding staff.
- New technologies permit agencies to increase marketing efforts with clients, to increase responsiveness to clients and provide them with more value added information, and to use the Internet to attract new clients, especially with products customized for a particular market segment.
- An agency that uses technology effectively is much more attractive to insurance companies. These agencies are typically in the driver's seat as far as company appointments are concerned. Companies are becoming increasingly frustrated with agents that do not keep up with technology because they keep companies from broadly implementing applications that have substantial expense savings potential. Similarly, highly automated agencies will increasingly look to do business with companies and other trading partners which have made a similar commitment to technology so that the agency can realize the benefits of the technology it has implemented.
- The automated, efficient agency commands a higher value upon sale, due to higher staff productivity and streamlined workflow—all other valuation factors being equal.
- Effective technology frequently permits an agency to acquire another agency's book of business more efficiently without having to increase its staff. (Assuming a compatible system to combine the data in both books of business.)
- The technologically modern agency provides a positive work environment, which will attract the best and brightest employees. We expect this advantage to increase as new generations familiar with computers enter the workplace.

[2] "Total IT Expenses" include hardware/software leasing, supplies, maintenance & maintenance contracts, training, data lines, web site development/maintenance, computer depreciation, and software amortization. "Net Revenues" include total revenues less brokerage commission expenses. This data is taken from the 2001 Best Practices Study and is comprised of the agencies' most recently completed fiscal year. (For 90% that is 12/31/00.)

- Customers are impressed with agencies that use the latest technologies. Not only is the agency's image enhanced, the agency is positioned to meet the consumer's increased expectations. Consumers expect their needs to be handled on a real-time basis. More and more, the agency's technological savvy will be a deciding factor for many consumers in choosing an agent. Consumers will want to deal with agents that have the same technological capabilities that they have in their own homes and businesses.

- Technology allows an agency to broaden its geographic reach, as a means of growing its business.

- Technology permits agencies to streamline workflows, get work done more quickly, get answers from companies more quickly, and free up agency employees to engage in productive work. Less human intervention because of automated processes means fewer errors and less unproductive rework to correct errors. The agent does not get a payback from the client for processing routine transactions. Rather, technology enables agencies to position themselves as successful businesses of the future providing knowledgeable and independent advice, strong client relationships, a choice of insurance markets, and modern business processes enabled by technology.

These comments demonstrate that investing in technology will bring a definite payback to the agency in terms of efficiency, profitability, growth, improved business processes and workflows; image with customers; customer responsiveness and satisfaction; attractiveness to companies; attractiveness to current and future employees; increased agency value; and increased focus on activities that strengthen client relationships.

Viewed in its simplest terms, consumers, companies, and other business entities with which agents deal have increasing expectations regarding the technology capabilities of their trading partners. Agents, who provide the essential link between these parties, must respond to this new reality to continue to succeed in the future. The same reality holds true for carriers and the agents' other trading partners.

Current Industry Thinking on Technology

Agents will find it useful in their own technology planning to consider some of the recurrent themes that have permeated recent industry technology conferences. The burst of the Internet bubble and the decline of technology stocks have led to a much more rational approach to technology spending. Those who want to spend on technology must clearly demonstrate the business relevancy of the expenditure. A successful approach has been to pursue "an incremental delivery of excellence" in the business's technology implementations. These firms are able to demonstrate small wins with proven results which generate enthusiasm among managers and employees for future investments.

Another theme is that there are no perfect technology solutions or "silver bullets." There never have been. One needs to look at technology as achieving incremental improvements that position the business for the next step forward. These incremental improvements can and do result in important efficiencies and improvements in workflow for the business and its trading partners.

All are agreed that technology needs to be looked at as a long term investment and that it is important for an agency or company to stay current with technology and budget for it annually. The business should have a plan

Consumers will want to deal with agents that have the same technological capabilities that they have in their own homes and businesses.

One needs to look at technology as achieving incremental improvements that position the business for the next step forward.

of sustained technology improvements that have demonstrated payback to the business.

The hype that the Internet would instantly and radically change the business in the short term was way overblown. There is considerable uncertainty even among the technology experts in the industry as to what the full eventual impact of the Internet and its related technologies will be on our business. At the same time, there is general agreement that the Internet will profoundly change the competitive landscape over the longer term and that it is vital that current players keep up-to-date on emerging technologies so that they can be the ones leveraging them, not their competitors. A frequently used expression is: don't be on the bleeding edge, but be on the leading edge.

One helpful way to look at the current environment is to realize that virtually every employee of a business will have access to e-mail and the Internet on his or her desktop. What will the expectations of these employees—your clients—be of your agency when *their* methods of communicating and doing business have fundamentally changed?

A further theme is that as an agency or company considers a new technology it ought to adopt an approach that can accommodate a wider array of financial services—not just property-casualty insurance—given the trend toward "convergence." More and more financial services firms are broadening the services that they provide to their customers in order to deepen the relationships that they have with them. Independent agents need to respond in like kind.

Finally, security concerns will continue to grow as a result of all these new methods of communicating and conducting transactions. All businesses are affected by this. Recommendations for agents in the security area are included in the "Essential Next Steps" portion of the paper (Section Three).

Section Two A Vision of the Future for Agency Technology[3]

Overview

The wild ride of agency automation that characterized the early years became significantly more sedate—to almost everyone's satisfaction—in the last half of the 90s. The reprieve from disruptive change was, it turns out, temporary. For even while agency automation was reaching a level of maturity, the worlds of technology and business were creating the basis for a new generation of agency automation and reasons to adopt it.

Heretofore, agency automation has been about creating agency data centers (a bit of an exaggeration, but not much) that can provide everything agents need to operate and then interface to company systems. But the old world is giving way to the new—and a new paradigm of computing.

In-house agency technology is on the verge of becoming too expensive to deploy and manage and is taking up too much of the time of agency managers and employees. Batch interface hasn't worked as hoped. Industry processing is still inefficient. Agents want and need opportunities to provide products outside of the historic agency set. More consumers want Web-based self-service. The Internet offers unrealized potential. New, promising technologies and tools to implement and manage them are appearing at a frantic pace.

The paradigm of self-sufficient islands of computing—whether in agencies, companies, or other places, is giving way to the paradigm of a networked world. In that world it's less important to have everything you need operating on your computer than it is to have access to what you need through the Internet. This networked world appears to have the potential to solve both perennial and recent industry and agency problems.

But it won't happen without effort and planning.

In order to move from islands of computing to a hosted and networked environment that can offer the flexibility agencies need to change and grow, allow the re-engineering companies need to reduce expenses, and provide the self-service functionality consumers want, agency automation needs to move in the following directions:

- **Hosted services:** Agencies need the opportunity to outsource some of their technical infrastructure to Internet hosting services (ASPs)
- **Real-time interaction:** All industry information, rates, business rules, and functionality need to be made accessible as remote services available through the Internet
- **Integration platforms:** Agencies will require integration services that knit together the remote services into what appear to be single systems

It's less important to have everything you need operating on your computer than it is to have access to what you need through the Internet.

[3] Section Two establishes a vision of the future for agency technology which has been adapted by ACT from a paper developed by John Ashenhurst, principal of Sound Internet Strategy, a technology consulting and publishing firm. The Ashenhurst paper, "Emerging Technology and a new Vision for Agency Automation" was commissioned by ACT, and a group of ACT members worked with John as he developed the draft. The full ACT Board then reviewed and modified the portions of the draft that are included as Section Two of this paper to make it an ACT product. The complete Ashenhurst paper can be found at the ACT web site (which can be found by going to www.independentagent.com and clicking on Agents Council for Technology). The paper in its entirety adds an excellent discussion of the evolution of agency technology as well as a description of the emerging technologies that set the stage for this new technology vision. These portions were not included here because of space considerations.

The agency system of the future is linked real-time to the agency's carriers, a number of exchanges for sources of specialty coverage, and a dozen different information sources.

- **Out-facing services:** Agencies will need to be able to offer comprehensive marketing, sales, and services through their web sites to prospects and customers

- **Single-step workflow:** Companies, vendors, and agents will have to cooperate to thoroughly reform existing industry workflow—from clumsy, multi-step to sleek single step processes

- **Collaborative computing:** Agencies will need a flexible computing environment to efficiently handle projects and sales processes that can't be forced into regimented streams

- **Ubiquitous computing:** Agencies will need to have access to computing—data and functionality—wherever and whenever needed

- **Personalized marketing and service:** Agencies need automated, but personalized, marketing and service that support retention and expand sales opportunities

To the extent that these requirements can be met over time, creative vendors and carriers will provide hundreds of automation solutions of value to agencies.

The list above is a candidate for your consideration. Other lists are possible and welcome. Ultimately, the marketplace will determine what items are really important.

A Picture of the Future Agency

Before we get into the details of this technology vision, consider a picture of life in an independent agency in 2010 as it could be impacted by this new technology—from a principal, producer, CSR, and bookkeeper's point of view. In some respects, the implied predictions are conservative. They do not assume revolutionary change within agencies or their marketplace, but project a number of current needs and trends into the future.

The Principal's World

Bill Johnson has grown his agency over the last 20 years from a one-man operation to a substantial and fairly conventional personal lines/commercial agency. He's an avid scuba diver and has developed a program for scuba shops. He's also extended his services into the benefits and financial services area. Automation used by the agency is also available in a modified form to his customers through his web sites. His system is linked real-time to his carriers, a number of exchanges for sources of specialty coverage, and a dozen different information sources. The agency has a score of special online projects involving prospects as well a claims resolution problem he's been working on with a client, the adjuster, and carrier. Bill's agency is partly virtual. It's got office space, but the staff frequently works from home or wherever they happen to be—although that's transparent to customers, companies, or other business partners.

It's Monday morning. Bill is having breakfast and viewing his online manager's dashboard. His web site's activity was up over the weekend, the result of a targeted e-mailing to scuba shops in southern California—three completed sales and five inquiries. Not too bad. He can see that more than 80% of his personal lines service requests came through the web site last week and that he's providing instant turnaround/solutions in more than half the cases and all are completed within twenty-four hours. His new producer, Jennifer, must be struggling a bit since that new biotech firm didn't close Friday as predicted. He dictates an e-mail to Jennifer and goes on to review a report that predicts cash flow for the rest of the month. His "exception monitor" reports that all's well. The agency is on track relative to its performance goals. He takes a few minutes

to review industry and financial news and then checks his schedule. He's got an 8:30 appointment with his accountant, who's got some ideas for joint marketing. Bill then plans to focus on new initiatives to build a database to give his clients more personalized attention using the principles of customer relationship management.

The Producer's World

Jennifer Franklin likes selling, but knows she still has a lot to learn about insurance. She's got an appointment this morning with a large restaurant—the first time she's approached that industry. She spends 20 minutes reviewing restaurant business risks online and then the current market for ill-fame and disrepute coverage. She then consults a business information service and claims history database for more background on the prospect. She pulls her wireless clipboard out of its charger and heads for the door. All her research will be immediately available through the clipboard and she'll be able to do her interview, some risk management, collect application information—including digital photos of the restaurant kitchen—and upload current financials and so on, right from the restaurant.

The CSR's World

Terri Smith and her colleague Bob Jones handle the agency's personal lines customers without much trouble. Most of the customers prefer handling their own service requests through the agency web site—now that it can be done by voice activation. Terri reviews the requests as they show up in her queue. In almost all cases, she can OK the change with one mouse click. The transaction is handled automatically, including a confirming e-mail, any billing/bank transfers, carrier interaction, and new e-document creation, notifications and so on. Terri's job is to handle exceptions, to provide personal attention, and solve recalcitrant problems not anticipated by the agency's technology. Because of new efficiencies, she is now in a position to provide an annual coverage review to her clients demonstrating the added value delivered by her agency, while enabling the opportunity to cross-sell new coverages. And though incoming e-mail is handled by the system automatically for the most part, its parsing engine can't always understand what's intended so Terri reviews e-mail on an exception basis as well. Terri's working on her CPCU and will attend a virtual classroom session this afternoon.

The Bookkeeper's World

Robert Cratchet has been handling the agency's books for the last five years though he doesn't touch much paper. Almost all outgoing and incoming invoices and statements are electronic and he can pay invoices electronically as well. Every Friday, he reviews his receipts and the actions his system proposes to take for late pays. He also reviews what his system proposes for disbursements, taking into account cash on hand and a 60-day cash forecast. Direct bill reconciliation still causes occasional problems that Robert has to review. He's got to close the month tomorrow, but with luck, that shouldn't take more than 15 minutes. Robert is content spending a day a week in the office and an hour or two a day from home. He enjoys the work, and its gives his semi-retirement a focus.

The Technology Vision in Detail

This vision of agency life isn't inevitable. The vision and its variants depend on the development of eight preconditions: hosted services; real-time interaction; integration platforms; out-facing services; single-step workflow; collaborative computing; ubiquitous computing; and personalized marketing and service. This vision does not imply major, revolutionary change in the

In the future, most customers will prefer handling their own service requests through the agency web site—now that it can be done by voice activation.

There is great potential for the future if all the parties involved work together and clearly communicate their needs and direction.

insurance business, but rather projects existing trends to a possible future. In that sense, it's a conservative, evolutionary vision.

This paper is not intended to provide a utopian vision of agency automation, but one that is *possible* given today's visible technology. It takes into account industry history and inertia, recognizes the interests of companies, and acknowledges the capabilities of vendors. A more speculative picture could be created, but would likely be less useful as a map of the possible future.

The insurance industry and the independent agency distribution system are a remarkably diverse lot. No generalized perspective, including this one, is appropriate for all agencies, companies, and vendors. On the other hand, the reporting and analysis in this vision can be a useful starting point for all players as they conceptually follow the described trends into their own areas of need.

ASPs will become commonplace and may become the venue of choice for agents in the next few years.

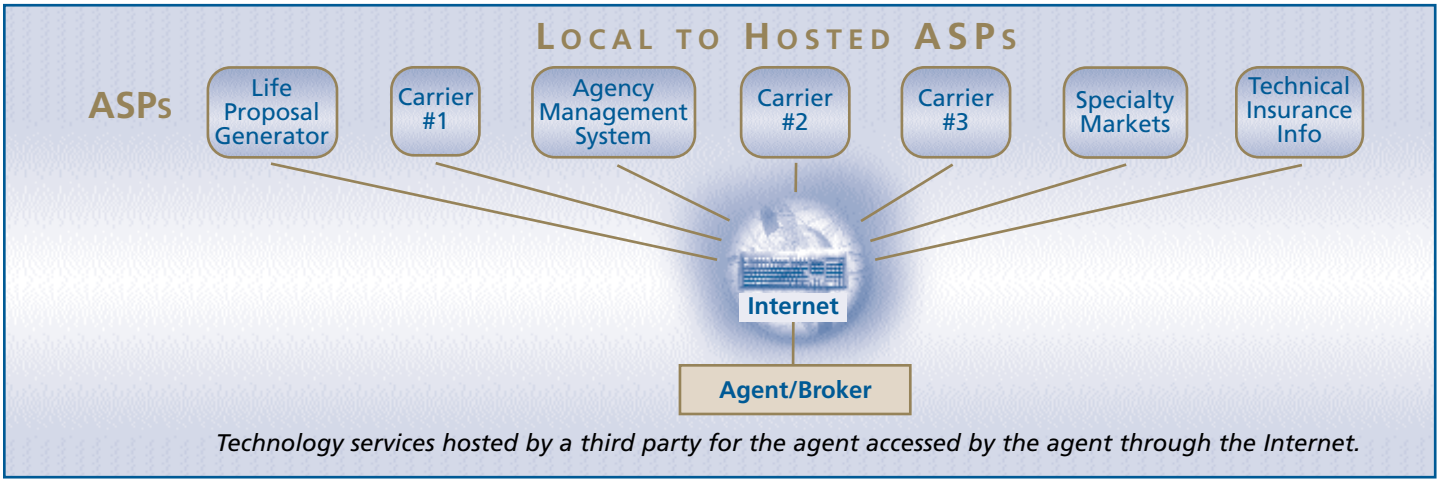
Clearly, there is great potential for the future if all the parties involved work together and clearly communicate their needs and direction. The objective of this paper as well as the entire ACT initiative itself is to foster increased cooperation and communication among the parties. But as stated above, this vision of the future is not inevitable.

We'll now look at each of these eight components of the vision in turn and then suggest what's required to make them real.

Hosted Services

Years ago, agents used interactive timesharing and batch service bureaus and then switched to in-agency automation as it became available. Now, there are the makings of a trend to go back to a hosted services model, except this time through the Internet and with functionality eventually exceeding what is possible with local computing.

The ASP services take several different forms. The first, most obvious, and initially most productive form is to take what already works locally and then make it available through the Internet. Local-to-hosted ASPs will become commonplace and may become the venue of choice for agents in the next few years. Agents may like their management systems, but dislike taking care of the infrastructure they require. So vendors are now giving them a choice. You do it or we'll do it; take your pick. Hosted comparative rating and reference libraries can provide more timeliness and reduced maintenance effort. Underwriting information services once available via dial-up private networks can be more convenient if offered via hosting.



Technology services hosted by a third party for the agent accessed by the agent through the Internet.

A second form of ASP, which we will call an inter-entity ASP, provides services not just to the agent (as with a management system) but to other parties in the insurance process as well. Online certificate services are an example of an inter-entity or transaction-based ASP. The attractiveness of at least some of these ASPs is that they allow the agent to offer online self-service to their customers for certain activities. The insured then has more control and the agency reduces its clerical workload, a win for both.

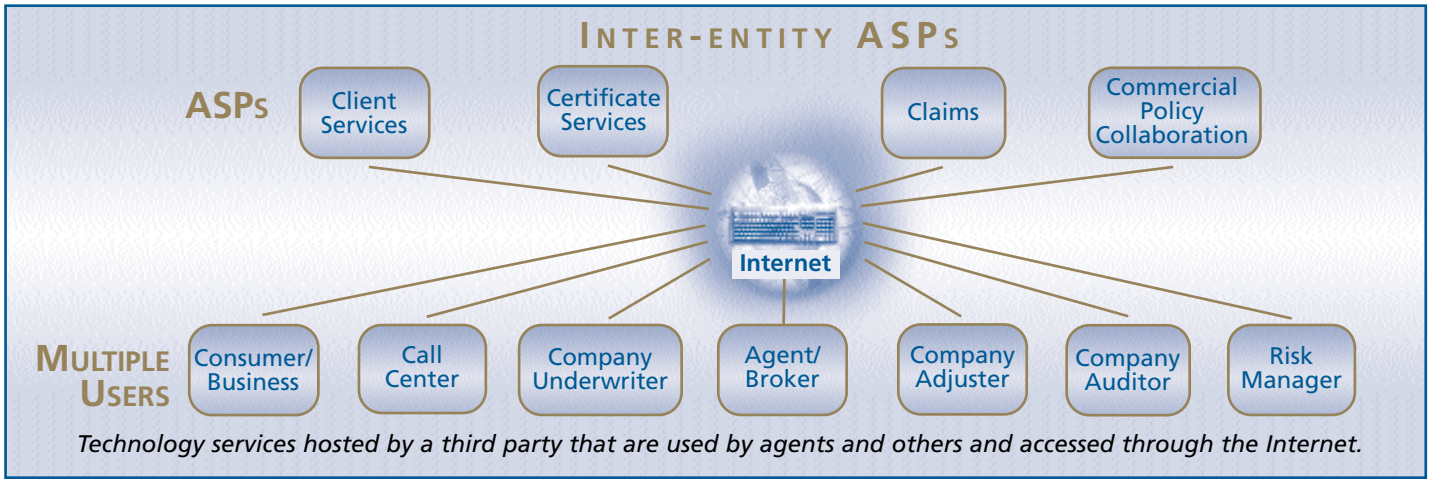
Companies providing functionality and information out through their web sites to agents represents a third type of ASP. Unlike the proprietary terminals of the past, these systems all use the Internet and browsers and some of these company ASPs have significantly re-engineered workflow to make transactions single-step or nearly so. For companies, the point is to reduce communication expenses, offer self-service to agencies, and finally significantly reform insurance processes. For agents, the advantage lies in more control, faster response time, and completing a process in one sitting.

Local-to-hosted services are already a reality and appear to enjoy a reasonable measure of agent acceptance. But not all agents are sanguine about them. There's a great deal we don't know yet.

Will ASPs be as reliable as local systems? Will inconsistent Internet performance be a problem? Will agents be able to withdraw from or change services without major trauma? How will the true net operating costs compare to locally installed software? What happens if the ASP's data center fails or the vendor goes belly-up? Many agents will need to be convinced that there are adequate safeguards to protect the agency's data from breaches. What about security, Code Red, and a myriad of other potential problems? What happens if the agency's communications lines to the Internet and the ASP go down in the aftermath of a catastrophic storm or earthquake? How does the agent respond to the legions of customers expecting service?

On the other hand, a hosted version may provide better performance and a real answer to agency disaster recovery, remote access, scalability, security, and hardware upgrade issues. Hosted services also are much easier for the agency to budget for because there is less chance of an unanticipated expense. It's possible the local-to-hosted ASP solution will exceed expectations and provide benefits not now readily apparent thus encouraging rapid migration. Ultimately vendors will find ways to address agency concerns. It's not as if hosted solutions are a radically new concept. Service bureaus, in one form or another, have been around since the invention of computers.

An ASP may provide better performance and a real answer to agency disaster recovery, remote access, scalability, security, and hardware upgrade issues.



Technology services hosted by a third party that are used by agents and others and accessed through the Internet.

One might argue that it's really not technology that's the issue; it's business justification. Some agents might question whether it makes sense to go to the trouble to migrate to an ASP solution at all if it really offers nothing new. In other words, if one is to go to some trouble to make a big change, shouldn't the change provide significant new benefits—in terms of new functionality, improved workflow and the like?

As we've seen, a number of startup inter-entity ASP services really do offer something new, for instance by including all the participants in an insurance transaction (e.g. certificates) with the possibility of finally bringing major efficiencies to the larger insurance system as a whole.

On the other hand, though inter-entity ASPs have great promise for making life easier for agents, they won't be easy to understand or sell. Over the last 20 years agents have been told they should become self-sufficient with their automation—an island with all the information and functionality they need. The inter-entity model takes primacy away from the management system model (in part). The more inter-entity, shared database services an agency uses, the more difficult it might be to have a comprehensive view of customers and the agency operation.

ASPs have the potential to provide agents with what they want and need, but with less of the burden.

New player ASPs, at least in some cases, depend on integration with other agency automation in order to be attractive. Both sides must be willing, have the resources to do the work, and the eventual integration must be practical if the ASP is to be accepted. If one party is concerned about losing strategic advantage or planning to get into the other party's business, the integration may be resisted. Though agency management systems and rating vendors have had at least 15 years to establish integration, for various reasons actual integration has been spotty and often clumsy. The same issues apply in the new world of ASPs integrating with one another or with entrenched software.

The issue of possible versus actual integration arises with carrier web sites/ASPs as well. More than one carrier believes that its single-carrier agent ASP is a key strategic advantage. Companies are justifiably reluctant (absent some other business motivation) to help level the playing field when they've made a concerted effort to use technology to tilt it in their direction.

A proliferation of ASP services, each appearing worthwhile and valuable when viewed in isolation from the larger picture of agency automation, can make agency life worse rather than better. At some point, the addition of yet one more "wonderful" single-purpose solution to agency workflow becomes practically unworkable. This poverty of riches stands in the way of real, significant change and its concomitant benefits.

Agents have been good sports about burying themselves in automation. A few would rather do that than sell insurance. But for the most part, agents are very aware that their business is insurance, not technology, and many wish they could pay more attention to insurance and be less distracted by technology. They're aware of the expense spikes software and hardware upgrades or conversions can cost. They'd like to be able to take advantage of useful technology without being absorbed in or responsible for the details.

Hosted solutions, i.e., ASPs, have the potential to provide agents with what they want and need, but with less of the burden. This kind of outsourcing really has not been practical since the low-expectations of the mainframe era. Now agents can actually have all the benefits of a mainframe in their offices while having all the benefits of a service bureau. While the change may be an expense wash, it should smooth out expenses and leave more energy for doing insurance.

ASPs can support true inter-entity transactions, reducing agency workload and providing customer self-service. Company sponsored agency portals can reduce company expenses and offer agents single-step processing. Rather than reject any ASP solution out of hand because it does not conform to some elusive ideal, agents should consider each and adopt or reject a candidate based on its immediate and longer-term benefit to the agency. ASPs will evolve, to be sure, but ultimately they are less likely to disappear as a category than local hosting of complex systems.

Real-time Interaction

If carriers have their own systems and databases, and agencies have their own—with both containing more or less the same information (at least relative to policies)—the inefficiencies of double-entry and lack of synchronization manifest themselves. Agency/carrier batch interface was intended to solve the problem, but it has turned out to be difficult to implement—in part because it isn't just data that needs to be synchronized, but editing and business rules as well. And batch interface, whether ACORD AL3 or some other variety, is rigid and does not accommodate company-to-company differences easily.

Real-time interaction means that computer systems can have continuing conversations with each other. Let's look first at processing. An agency system could prompt for a data field and then ask the company system to apply its editing rules and send back an OK or an error message. Agency software could collect the information required to rate a policy and then transmit it to the company system, have it rated and then get back the answer. Data and functionality redundant processing can also be removed from the distribution system as a whole by using real-time interaction.

Real-time interaction, that is conversations, need not follow the rigid pattern of batch interface. The inquiring system can ask the host what it's looking for and what it has to offer and then—on-the-fly—present the right information in the right format to the user. Since companies value their differences, conversational and presentational flexibility is crucial—and missing from the historic agency/company interface environment.

Agency/carrier batch interface was intended to solve the problem, but it has turned out to be difficult to implement.

Real-time interaction means that computer systems can have continuing conversations with each other.

Real-time Interaction vs. Batch Interface

Multiple conversations back and forth so that data requirements can be addressed instantly and applications shared between systems. Similar to phone conversations.

Whole packets of data sent in one direction, then a packet of data sent in response. Much like mailing letters back and forth.

One important step in the process is the development and general adoption of ACORD's XML standards.

With the right kind of conversations, it could become unnecessary for systems—whether hosted at the agency, the company, or in an ASP—to store complete policy detail. Systems could ask for, receive, and then display policy detail from other trading partners' systems. That could make conventional batch interface unnecessary.

Real-time interaction need not be limited to agency/company conversations. It can also apply between agency and third party systems, for instance from agency to the online certificate services mentioned above.

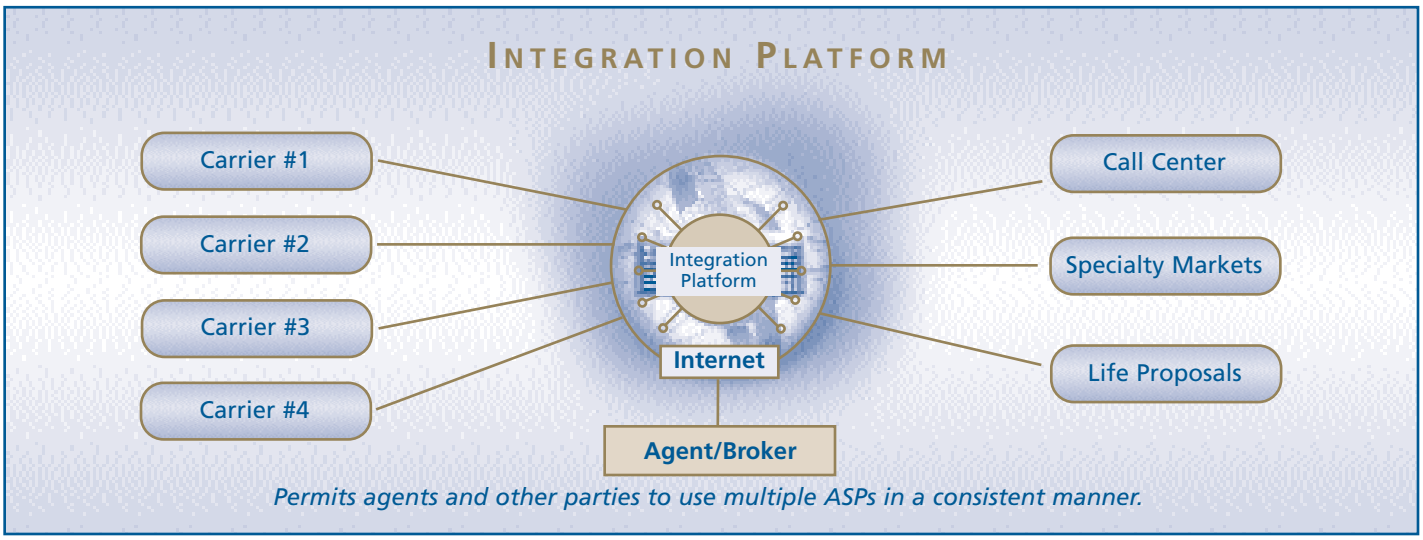
Though real-time interaction appears on the surface to have great promise, it would be a mistake to believe that implementation will be simple, universal, cheap, or solve all outstanding problems. No one has enough experience in the implementation, maintenance, and usage areas to really understand the problems and payoffs. Security issues aren't fully understood. It is too early, as an example, to assume that widespread comparative rating via real-time connections to company systems will be broadly available soon—or ever. And though real-time interaction could theoretically eliminate the need for redundant data storage, agents may not be comfortable depending on company systems for access to what they consider their data.

On the other hand, real-time interaction actually does have the promise to significantly eliminate the need for redundant storage thus making batch interface irrelevant. The problem, not just the symptom, can finally be attacked. Today's environment is incredibly clumsy and largely ineffective. It's expensive without an adequate payoff. Real-time interaction can be the foundation for substantive processing, workflow, and revenue generating changes.

Integration Platforms

Hosted ASP services each with their own web sites and user interfaces may be a good first step, but over time most need to dissolve into the background. Real-time interaction is a way to knit together systems that are remote from one another. But what will do the knitting together? How do we move from a proliferation of independent ASPs that permit real-time conversations to the kind of integrated environment agents have become used to with their agency management systems?

One important step in the process is the development and general adoption of ACORD's XML standards. With all parties speaking the same language and dialect,



Permits agents and other parties to use multiple ASPs in a consistent manner.

integration problems become tractable. In addition, the ACORD XML environment accounts for and supports company and other service provider extensions. That means company-by-company differences can be accommodated with no or very little additional programming on the part of vendors.

Though some might claim that implementation of standard XML on its own will obviate the need for an integration layer (and service), that isn't likely. Integration is too complex and technical for agents to waste their time trying to do it. It makes more sense to delegate the task to a technology supplier that can provide and support an integration platform.

The industry has some experience with the idea of integration platforms. Some rating, management, and other software provide some level of file interchange—as does agency/company batch interface. But integrating ASPs employing real-time conversations over the Internet is something new, though Microsoft and others are working on the tools and software to make it possible.

Agency management systems may turn out to be the foundation for the integration platform, but their software architecture may not be up to the job. What may be required instead is an integration layer that interacts with and coordinates all agency software services—including management systems.

Are integration platforms necessary? With the help of integration platforms, agents can grow revenue and expand into areas they find promising by subscribing to and using technology solutions that go beyond the bounds of conventional agency automation. Without integration platforms, agents will be faced with a proliferation of services, each with a different workflow and user interface. Agents may be able to cope in the short run, but in the longer run, technology induced chaos may be deadly.

Out-facing services

Out-facing services consist of electronic transactional capabilities that are made available to consumers from the agency or company's computers.

In many areas of financial services, consumers are coming to expect 24/7 service via web sites and call centers. With the convergence of financial services, including the acquisition of agencies by banks, we can anticipate that consumers will increasingly expect insurance agencies to provide these types of services. How much this consumer expectation will grow, however, is not entirely clear at this point.

Done right, with 24/7 service, the agency can reduce its workload while giving the customer more control. Self-service is a dominant social and business trend of the last 50 years, and it's not going to go away. As agencies move in this direction, however, they will need to evaluate how they can use this new capability to add to the personal service that has made their agency distinctive in the past.

Some companies now offer the insured self-service through the carrier web site. These company sites should co-brand with the agency's web site wherever the agency maintains its own web site. That way, whether the consumer initiates the web contact through the company site or the agent's site, the consumer sees the agent-company partnership and can benefit from the information and functionality contained on both sites.

The most convenient way to offer out-facing services to most consumers is via the agent's web site. A click-through direct to

Without integration platforms, agents will be faced with a proliferation of ASP services, each with a different workflow and user interface.

the company site can be a first step, but has some shortcomings. The insured would still have to know which company and policy number to access and then would have to deal with that company's log-on and user interface. It makes more sense for the agent's web site to provide a single log-on and workflow while communicating with the company system in the background.

The same thinking applies to call centers. Agency customers should have one number to call—the agency's—with an after hours link to a call center that can handle their needs—no matter which company is involved. By using call-center outsource services that have access to customer and policy information through the Internet, agents can offer 24/7 telephone service. Where the company maintains a consumer call center, it should co-brand with the agency, so once again the customer understands the agent-company partnership in providing services.

The most convenient way to offer out-facing services to most consumers is via the agent's web site.

Agents have available an increasing variety of services they can make out-facing. Some agents are populating their web sites with service request forms and some management system vendors and third parties provide limited extensions of the agency systems out to the agent's web site. Online certificate services and auto ID cards, insurance definitions and articles, and comparative quoting are examples of additional out-facing candidates. To the extent those services can be integrated into the agency web site, they can build the agent's brand and provide easy access for the insured.

Though out-facing services sound like a good idea on the surface, are consumers sufficiently interested to do self-service through the Web? Changing technology is much easier than changing people's habits. Reaching for the phone may continue to be perceived as more convenient than logging on—for some kinds of inquiries. But with higher bandwidth, always-on connections, accessibility via wireless devices, and even some financial incentive, some consumers will migrate in the direction of insurance self-service as they have with travel, banking, and securities.

The delivery of out-facing services depends on agents being willing to provide them. Though a great many agents have web sites today, most of those sites are little more than online brochures. They do not contain valuable marketing, sales, or service functionality—even though many elements of out-facing service are readily available.

Part of the reason, certainly, is the immaturity of the ideas and practices surrounding agency web sites. While management systems have had 25 years to be thoroughly understood and integrated into agency practices, web sites are still viewed as something apart and separate from day to day agency processes. Neither the opportunity nor the how-to is sufficiently understood and mastered.

In some respects the status of web sites and out-facing services today is a bit like the world of agency automation in the years after the appearance and acceptance of the IBM PC. Web building tends to be a local business and generally has little to do with insurance agents per se. This fragmented world is never likely to be able to move agents to the next level—from generic brochures to out-facing services. And even well-intentioned agency business partners (e.g. companies) who offer web building services don't have the understanding, resources, or business focus to properly serve agents in this area.

A handful of new vendors is now focusing on helping agents get more benefit from their web sites—both in design and content—with some emphasis on out-facing services. But, apparently, many agents don't yet see the point. They should. Out-

facing services through agents' web sites represents a powerful opportunity that agents have to reintermediate themselves to their customers and to increase their value and breadth of offerings.

Single-step Workflow

Billions of dollars have been spent on company and agency technology—and much has been gained—but the insurance distribution process is still too expensive. In this process, agents feel they have been given a larger share of the data entry work via proprietary terminals and company web sites. But as long as the same amount of work has to be done (now more by agents), the problem hasn't been solved; it's only been transferred.

Rather than simply changing the division of labor, the process itself needs to be changed. Rather than having multiple steps—each of which can introduce errors and delays—companies and agents need to reform the process, heading in the direction of single-step workflow—what's often been called once-and-done.

In a world of independent, self-sufficient systems (company and agency), and prior to the Internet, once-and-done was tough to accomplish in a way satisfactory to all parties. Companies could send freestanding software to their agents or require them to use proprietary terminals, but neither played well with other agency automation.

With the Internet and the concept of real-time interaction, it's practical to consider the possibility of extending company data collection, rating, underwriting, and other company processes right into agency workflow. Companies that are experimenting with direct Internet sales are already creating once-and-done sales environments for the consumer. What's needed is the same thinking to deliver the same kind of solutions for agents—and within a single agency workflow and user interface.

Rather than single-step workflow, attention is being directed toward what is sometimes called straight-through processing. Straight-through processing is a kind of cumulative process in which each step builds on the last.

Straight-through processing, while significantly reducing costly redundancy, does not go far enough. Single-step workflow solutions can offer more. Straight-through processing doesn't eliminate steps, it doesn't re-engineer, it doesn't necessarily eliminate calendar time—and it certainly doesn't anticipate that current insurance workflow isn't a single continuous thread, but may branch at many points, run in parallel, and return on itself.

Some companies see the advantage and have or will implement company-specific single-step solutions. More will see the light. The question is: how can agents experience multi-company, single-step workflow? Will companies cooperate? Will vendors provide a way to tie together and then rationalize the various company systems agents will be expected to use? Who will pay for the effort? If a company already has a workable, single-step solution, how motivated will the company be to pay a transaction fee to a vendor to integrate the company service into the agency environment? What benefit accrues to the company? How important is a multi-company workflow to the agent as long as the company downloads entered data into the agency management system?

Study after study has shown that existing insurance sales and service workflow has more potential for improvement and cost savings than any other area, but until recently most companies were content to

Rather than having multiple steps—agent-company workflows need to head in the direction of single-step workflow—what's often been called once-and-done.

The commercial sales and placement process is a good candidate for collaborative computing.

persist with the status quo. Business necessity and technological possibility are converging to dislodge the status quo, and carriers are finally waking up to the fact that they must significantly redesign workflow, ideally to one step.

Single-step workflow can reduce expenses for the distribution system and make more money for companies without requiring a cut in agency commissions. At the same time, consumers will experience more responsive service, with fewer mistakes and quicker resolution. Other industries have made these kinds of changes. It's now possible for insurance as well.

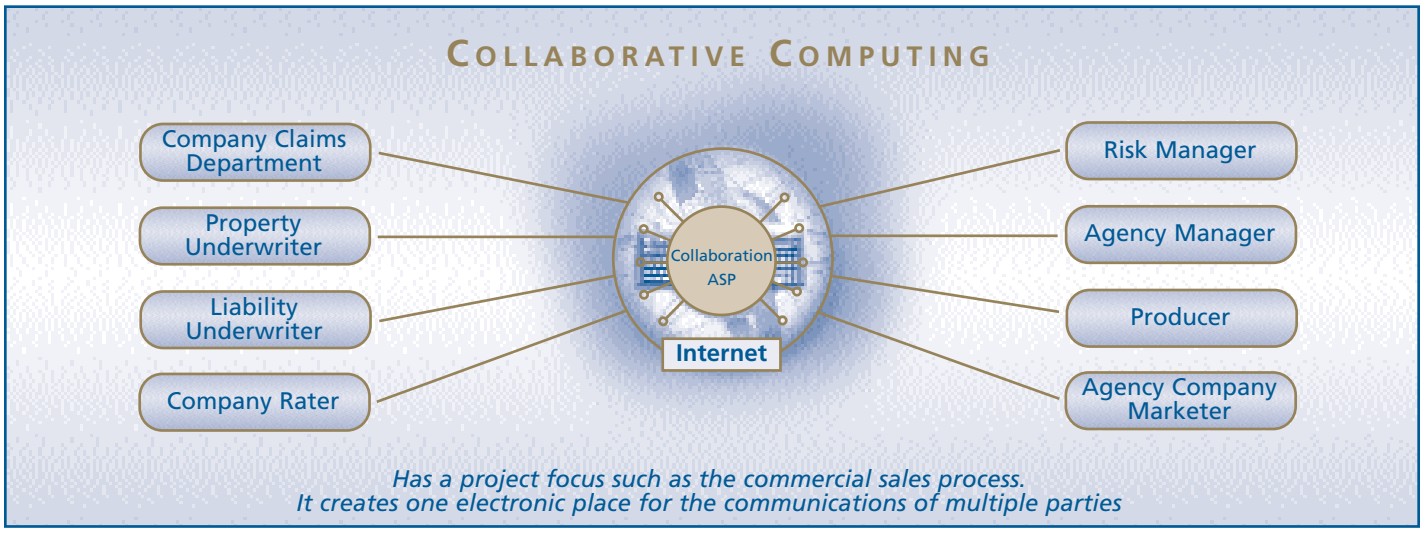
Without single-step processing, the distribution system will never achieve the efficiencies it needs. Agents and companies will continue to argue about who should do which part of the work and get paid what. It isn't possible to untie this Gordian knot. Like Alexander, we need to cut it and achieve single-step processing.

Collaborative Computing

Some insurance activity will never be fully amenable to automation, single-step workflow, or predefined processing steps. Mid to large commercial risks can require an extended data collection, analysis, and negotiation process—between prospect and producer and then between producer and underwriters at multiple carriers. Rather than the fixed process of personal and small commercial lines, larger commercial processes are open ended, vary by carrier and underwriter and involve the collection and distribution of all kinds of information (e.g. 10Ks, loss runs, risk management reports, photographs). Commercial insurance processing is more like a project than a pre-defined process.

Collaborative computing in the insurance world refers to a particular kind of project management directed by the agent, but involving a variety of participants from a variety of entities. The commercial sales and placement process is a good candidate for collaborative computing, but so are certain claims, auditing, and reinsurance projects.

The essence of collaborative computing is to allow multiple people to work together productively even though they are in different physical locations, don't share the same primary systems, and can't always predict exactly what they need to do. Technology today offers two approaches. The first is via collaboration ASPs designed especially for insurance projects.



Geographically and institutionally dispersed insurance professionals work together by sharing a common system and database hosted by a third party. The second is through peer-to-peer collaboration networks that don't require a central host, but can be arranged on an ad hoc basis via participants' PCs (with the right software) talking to one another through the Internet.

The potential advantages of collaborative computing for project-like insurance processes are readily apparent. But how much trouble and how much money can be justified in the name of better management of complex insurance transactions through the application of technology designed especially for the purpose? What's wrong with FAX, e-mail, spreadsheets, paper folders, and the telephone? Plenty—because of the gaps in communication that occur and the needless duplication created by having to separately communicate with different parties. Collaborative computing also provides for one electronic place where all of the communications among multiple parties are kept together. Larger brokers are paying a great deal of attention to collaboration/transaction management and see value in it.

If collaborative computing is a good idea, is a hosted ASP or peer-to-peer networking the best foundation? The former seems to provide better security and the potential for oversight and management, the latter more flexibility.

How will collaborative computing interact with other agency computing? Will there be a transfer of files of information? Is double-entry implicit? Would collaboration be more practical as an extension of an agency management system or even a contact/marketing/sales system? It's too early to say definitively, but answers will come through early experiments.

Large commissions, premiums, or fees encourage inefficient procedures. But pressure is on to improve efficiency in larger accounts, if only to deliver a more professional level of service. Casualness must give way to organization through a tool that recognizes the sometimes amorphous and unpredictable needs of the larger account. Insurance-specific project management is needed.

Collaborative computing, when tuned to the insurance space, can provide the right environment and tools to manage complex insurance processes to the satisfaction of all participants. The value to the customer is considerable in terms of better service. The underwriter benefits through more systematic and complete presentation of and access to information required to analyze and price the risk. And the value the producer receives is faster turnaround and the true management of high-ticket deals.

Ubiquitous Computing

Ubiquitous computing frees the user from the agency office and permits the user to compute from any location, whether it be in the client's office, at home, or in a public park.

It's been common for producers to use notebook computers and PDAs. Not infrequently they also use cell phones and sometimes wireless e-mail. Emerging technology will make it possible to have PDA/cell-phone/e-mail appliances that are in turn connected with central computing resources in agencies (or at ASPs) that keep data synchronized. That should make producers and other peripatetic insurance professionals more effective.

Light-weight, wireless notepads or clipboards accessible via a pen/stylus may be more comfortable for some people to use than traditional keyboards—and they will

Ubiquitous computing frees the user from the agency office.

have large screens to display plenty of information.

Today, almost all insurance computer interaction is via keyboard. Voice response, dictation, and text-to-voice continue to inch toward practicality and may appear in the insurance arena in the next few years.

New devices and new forms of input/output will be facilitated by greater availability and speed of wireless connections—the Internet everywhere—and software that can detect and respond appropriately to the type of device encountered. That means that application software need not be rewritten for every new device or input/output method.

Many hardware, software, and communication vendors believe that ubiquitous computing has potential value to the insurance industry, but caveat emptor certainly applies. For at least the last 10 years agents have been subject to a steady stream of gee-whiz technology of dubious real value.

Though ubiquitous computing can be oversold, that doesn't mean it's not important. Computing is valuable to the extent that it is available when and where it's needed. In the past, most insurance computing was needed in offices and that's where it's been available. But the world is changing quickly. Telecommuters, producers, adjusters, auditors—and consumers—need access to insurance computing and data wherever, whenever. Ubiquitous computing isn't an option. It's only a question of choosing those applications that make business sense.

One-to-one, permission-based, and personalized marketing and service is likely to grow in the future and can be used to deepen client relationships.

Personalized Marketing and Service

Agents have been cajoled for years to mine their agency databases, to cross-sell, to do direct mail, and so on. Some do. Many don't, in part because the process requires a sophisticated understanding of marketing and agency databases; agency software and data is mostly inadequate; good marketing software isn't integrated with management systems; and the results can be hard to measure. And besides, if an agency is doing well through referrals, what's the big deal?

One-to-one, permission-based, and personalized marketing and service is likely to grow in the future and can be used to deepen client relationships. And though a challenge to manage in a conventional technology environment, it can be much easier and more successful in an Internet environment.

E-commerce experts are experimenting successfully with software that can personalize a web page based on knowing who is viewing it, his or her past use of the site, and other sales and service history. E-mail campaigns and electronic newsletters can be automatically and individually customized and processed in large quantities with minimum manual intervention.

This whole trend will be influenced by emerging consumer expectations of privacy. These expectations are likely to result in new state and federal laws and regulations protecting privacy. The new federal privacy requirements for financial services companies contained in the Gramm-Leach-Bliley Act are an early example.

While an impractical ideal in the past for most agencies, customized marketing and sales can be both practical and affordable with new technology. And though referrals will always be the best introduction to a prospect, it's likely that won't be enough to

retain customers in a world of rising expectations.

While Internet-based marketing has great potential benefit to agencies, it is a step away from what agents understand and are comfortable with. To be accessible and therefore used, Web-based personalized marketing and service must be simple, integrated extensions of what agents already do. While new vendors are establishing a beachhead in this area—calling it CRM or direct one-to-one marketing or whatever—most agents are far from understanding what it means and what it offers. And once understanding it, they come up against significant barriers to integration and use.

Insurance marketing has been a bust. Though an exaggeration, there's truth in the claim that the P&C industry does more order taking than selling, more visiting than marketing. Companies are spending a great deal of money trying to understand how to create customers for life. Agents could profitably pay much more attention to retention and cross-selling than the casual efforts sometimes common in the past.

Personalized marketing and service can improve retention and keep customers coming back for more—as agents have a wider and deeper offering of insurance and financially-related products and services. It's a natural evolution for agents, and with emerging technology, the level of personalization required to implement the process can be done automatically and on a massive scale.

Implementing this New Vision

The vision above suggests some key areas in which emerging technology and especially the Internet appear to offer solutions to some perennial and well-recognized industry problems—as well as opportunities to improve insurance processing and generate new agency revenue.

What follows is an outline of steps that agents, companies, vendors, and associations might take to hasten the development of this vision and an environment that would represent a significant improvement over the status quo. The lists contain suggestions, not prescriptions. It will take many minds, much communication, and a great deal of experimentation to sort through the possible into the practical. This vision, and the "Next Steps" section that follows, are intended to be a focus for industry dialogue.

The ACT participants realize that each one of these bulleted actions only scratch the surface and could be the subject of an entire paper in and of themselves. ACT looks forward to working in several of these areas in greater depth with interested parties to articulate "why" the particular action is important and "how" it can be effectively undertaken.

Agents

- Look into available hosted services, and evaluate their promise to provide solutions to existing problems or opportunities for new revenue, without creating new problems
- Encourage your companies and vendors to make their services available through real-time interaction channels—and to use the ACORD XML standards to do so
- Stay current with the latest agency management system releases and Windows 98, NT, or newer so that you are able to implement the latest company interfaces
- Implement a broadband, always on connection to the Internet on every employee's desktop so that you are able to perform real-time transactions and inquiries efficiently
- Where companies provide technology enhancements, implement them promptly to enhance the efficiency of your transactions
- Explain to your companies and vendors why a proliferation of independent services is counterproductive and thus why they need to cooperate to create integrated environments for agency use
- Develop and implement an agency business strategy that uses the Internet as an integrated element—especially relative to providing out-facing services
- Encourage your companies to develop single-step, Web-based services—that also will be available as remote, real-time services
- Look into opportunities for collaborative computing, especially relative to making better use of producers' time and providing a higher level of service to larger commercial accounts
- Become aware of and begin to experiment with alternatives to standard PCs, like wireless PDAs and encourage vendors and companies to support them
- Understand how technology can provide low-effort personalized marketing and service and begin to implement elements
- Participate in industry efforts to achieve mutual understanding and shared goals with companies and vendors
- Support the development and implementation of ACORD XML standards
- Clearly articulate and communicate areas of company and vendor ineffectiveness and inefficiency

Companies

- Provide agency services that are hosted and available through real-time interaction using the ACORD XML standards
- Assist agencies with the implementation and effective utilization of all company applications
- Cooperate with vendors creating integrated environments for agents
- Provide consumer services agents can integrate into their out-facing services
- Develop single-step workflow and make it available to agency multi-company environments (as at least one channel of deployment)
- Work with agents and vendors to better manage mid to large commercial insurance processes through collaborative computing
- Provide information and computing through a variety of channels and devices
- Work with agents and vendors to implement computer-based personalized marketing and sales
- Develop a business strategy that strengthens your agency business partners and their brands through company and agency use of the Internet
- Participate in industry dialogue and the search for common ground
- Keep abreast of legislative issues that may affect the use and implementation of technology by agents, companies, and/or vendors

Vendors

- Implement the ACORD XML standards
- Host your software as at least one alternative for agency customers
- Assist agencies with the implementation and full utilization of all vendor applications
- Support real-time interaction into your systems as both a client and a host
- Provide integration platform services and/or cooperate with others that do
- If you provide out-facing services, investigate making them available into the agency and if you provide in-facing services, consider how they might be valuable as out-facing services
- Provide or cooperate with efforts to reform insurance processing into single-step workflow
- Look at relevant opportunities for providing or cooperating with collaborative computing efforts in commercial and other lines
- Use development platforms that support ubiquitous computing
- Look for opportunities to help agents provide automated, but personalized marketing and service
- Create or integrate with business services agents can use that go beyond conventional P&C agency business
- Participate actively in industry dialogue and emerging technology experiments
- Keep abreast of legislative issues that may affect the use and implementation of technology by agents, companies, and/or vendors

Associations, User Groups, ACORD

- Work together to facilitate on-going rigorous, published dialogue on industry business/technology issues, including a yearly meeting, an issues web site, and regularly published papers
- Develop or encourage educational curricula that are targeted to agents, but assist carriers and vendors as well in developing a firm, practical understanding of the Internet and its application to insurance and agency business possibilities
- Develop or encourage a variety of other educational opportunities that deal with details of web site building and management
- Sponsor a national agency web site locator
- Encourage the development and use of the ACORD standards with particular attention to the business advantages entailed—so that companies, vendors, agents and others can see how and why standards use has a solid business payoff
- Help carriers understand the benefit to agents and to themselves of multi-company workflow within agencies
- Bring attention to key business process changes, like single-step workflow, with a focus especially on the business goals
- Foster a climate of flexibility, win-win solutions, and mutual understanding in search of common ground
- Keep abreast of legislative issues that may affect the use and implementation of technology by agents and companies
- If an agency group, advocate for agents' interests

Section Three The Essential Next Steps for Independent Agents

In addition to addressing the action plan just covered to implement the agency technology vision,

the participants in ACT have identified several actions that agents should consider implementing now to position themselves to benefit fully from current and emerging technology.

Implicit in all of these recommendations is for companies and technology providers to design and implement compatible technologies that interface effectively with the agents' systems so that agents can realize a return on their investment. Agents or companies which make the commitment to technology will increasingly gravitate to business partners which make a similar commitment.

The critical first step is for agency principals to set the right culture in the agency.

Setting the Right Culture

The agency owner is the driver of agency culture and philosophy on the use of technology.

This is a key role of the agency's management. All employees need to know that the agency will be looking at technology strategically in the future—to see how it can be used to enhance the agency's image and competitive position. Oversight of technology direction, planning, and implementation is a critical agency management function. An agency owner need not be conversant with all the intricacies of a particular software application to know how the technology fits into the agency's overall plan and how the agency will specifically benefit from it.

A major change has occurred. Technology considerations have become an integral part of the process of running an agency. It is not separate anymore. Technology considerations need to be an integral part of the agency's strategic planning process.

Agency principals should consider the appointment of a chief information person (CIP) for the agency, who sees the whole picture of the agency operation, understands technology and the importance of standardized business processes and workflows, and has some decision-making authority. An alternative would be to appoint an "operations enhancement team." The critical point is that the functions of the CIP or equivalent be undertaken. The CIP, in many cases, would need to retain the services of a technology consultant to assist in heavily technical implementations and problems, in cases where the technical help from the vendor, carrier, or hardware supplier was insufficient.

The responsibilities of the CIP function should be to look at the workflow processes across all departments of the agency and design strategies to make those workflows more efficient and effective for the agency. The CIP should keep abreast of what the most successful agencies are doing to improve their business processes—

Agents or companies which make the commitment to technology will increasingly gravitate to business partners which make a similar commitment.

Technology considerations have become an integral part of the process of running an agency. It is not separate anymore.

whether it be through the application of new technologies or through some other means. In other words, the agency should embrace new technology solutions to solve specifically identified business problems or opportunities to move to the next level of operating effectiveness. Agency consultant Laura Nettles has provided ACT with a very helpful checklist of frequently missed opportunities to improve agency workflows which can be found at the ACT web site.[4]

Agency employees should be rewarded for using technology innovatively and they should be encouraged to share these insights. This is a great way to give employees with good computer skills an immediate opportunity for incentives. The agency in turn gets a number of good ideas as to how it can use its technology more creatively and effectively.

How will the new technology improve agency workflow or business processes?

Implementation of new technology is hard, and agency principals need to make sure their employees apply the requisite effort to implement it. It is common for agencies to make the investment in a major automation system, but then to under-utilize it because of a lack of commitment and training on the part of agency employees. Agency principals or CIPs should specifically focus on employee technology training both on basic computer applications as well as on the specifics of the agency management system. They should also make the use of newly acquired technology mandatory for all agency employees.

The agency should establish a process to standardize practices and procedures so that all members of the staff document client files accurately and completely. Technology drives the need for standardization.

Agency principals have a great opportunity to use the agency's new technology to market a very positive modern image to its customers and its community.

Agency principals or CIPs should also make sure that the agency adopts technology standards within the agency, so that the agency does not have a proliferation of different types of equipment and configurations that are expensive and complex to maintain. This can easily occur if different generations of PCs and operating systems are used simultaneously each having different levels of functionality.

It is also important for the agency principals and CIPs to define what will constitute success for their agency in terms of their technology implementation. For example, several insurance companies have begun to measure their own performance based upon the percentage of endorsements and new business they receive electronically from their independent agents. For several companies, that percentage is approaching 80% for some lines of business. Interestingly, CISCO currently receives 90% of its orders electronically.

Agency principals or CIPs should clearly define the parameters of each technology project:

- What is the specific business objective to be achieved;
- How will the new technology improve agency workflow or business processes and how will processes/workflows be impacted in the future as a result;
- What is the budget for the project;
- Who is to be responsible for the implementation;
- Who are the appropriate individuals in the agency to participate in the project

[4] www.independentagent.com, click on Agents Council for Technology and look for Agency Technology Checklists. Laura Nettles is President of Nettles Consulting Network, Inc., which specializes in helping agencies improve performance and production through workflow consulting, automation implementation, and change management. Laura's e-mail is: lnettles@nettlesconsulting.com.

(individuals representing each of the agency departments affected and who actually perform the work should be included);
- Is the technology being acquired a proven solution based on references received from similarly situated agencies;
- What will be the initial and ongoing training needs to get effective use from the technology;
- When will the project be completed;
- What are the ongoing costs and requirements to maintain the technology?

It is then critical for the agency principal or CIP to monitor the progress on the project and to hold those responsible for it accountable for results.

Agencies have also been successful in retaining the services of a technology consultant on an ongoing basis to provide the technology oversight and project management otherwise performed by the agency principal or CIP.

Finally, just as the agency adopts a culture of embracing technology, it should reward those of its companies that do likewise and provide good technology support to the agency. In addition, it is important for agency principals and their employees to give companies their very candid feedback on proposed and existing company technologies so that solutions are not pursued that are inefficient for the agent. Companies frequently state that their agents have not given them clear direction on which technology solutions to pursue, resulting in costly missteps for the company and poor utilization by the agents.

Staying Current with Technology

As discussed throughout this paper, it is extremely important for agents to stay current with the latest releases for their agency management systems as well as to have at least Windows 98 or Windows NT or later on their systems. In addition, agents need to keep up-to-date with their hardware so that these applications can run effectively. Agents should have this software in order to take advantage of new company and other trading partner interfaces which are geared to improving the electronic functionality and efficiency available to the agency.

Agents should also move to implement new company interfaces promptly once they become available. This will enhance the position of the agency with the company and will encourage the company to invest in additional technology to make agent-company transactions and inquiry functions more efficient.

It is also important for agents to avail themselves of electronic download capabilities that become available from the company into the agency system. This will enable the agency to reduce paper and enhance efficiency. To the extent there are limitations in the download capabilities of the agency management system or the company's system, the agent should try to work these problems out with the relevant parties in order to get the benefit of this significant step toward single-entry interface.

Broadband Internet Access

An extremely important step for agents to take is to install Internet access on each agency employee's desktop with an always on, high speed connection. This will position the agency to operate in a world increasingly demanding real-time responsiveness. Without this capability, a number of the Internet applications becoming available to the agents today will be just too slow and inefficient.

Agents need to stay current with hardware and the latest releases of software.

Agents should install Internet access on each agency employee's desktop with an always on, high speed connection.

2001 research conducted by Future One indicates that independent agents are moving very rapidly in the direction of acquiring broadband connections. That study indicates that 76% of agencies with access to the Internet now have T1 or DSL/cable connections and that virtually all of these agents intend to move in that direction in the next two years.[5]

With broadband, e-mail becomes an incredibly effective communications medium with insurance companies, customers, and the other businesses with which the agency interacts because responses are received immediately on the desktop. For example, agents using e-mail report getting underwriting questions answered much more quickly by companies.

The broadband, "full-time" connection also permits agency employees to access insurance company on-line systems instantly, saving agency employees great amounts of time when looking up company information, or accessing real-time rates, or making a change to a current policy, or checking the billing or claims status of a particular customer.

The broadband, "full-time" connection can also be a simpler technology solution for the agency to manage compared to having to manage a whole series of modems and dial-up analog lines. We recommend, however, that the agency retain at least one dial-up line and modem, should the broadband connection "go down."

The needed broadband connection can be achieved by using a DSL line, cable, a fractional T-1 or full T-1 line, or satellite. It has been frustrating for many businesses because broadband has been slow to come in some communities and several smaller providers have closed down leaving businesses in the lurch. Insurance companies and agent associations have investigated putting together more reliable broadband service for agents at the national level, but have found that this business is still primarily locally based, and local businesses are in the best position to ascertain who the most reliable providers are in their communities.

Some companies are currently offering their agents assistance with their broadband connections. This support provides good economic payback to the company in terms of more efficient transactions and communications with the agency.

In addition to checking with other businesses in their communities, agents can access the following web sites for more information on broadband opportunities in their communities:

www.dslreports.com
www.dslmarketplace.com
www.broadband.com

XML industry standards are essential to achieving efficient single entry multiple company interfaces (SEMCI) via Internet technologies.

Promotion of XML Industry Standards

We urge agents to push for e-business applications from companies and technology providers that incorporate the ACORD extensible markup language (XML) industry standards. XML is a new Internet-structured data description that allows data to flow between computer applications and databases with a new level of flexibility and extensibility, without being forced into a predetermined structure. As we discussed in the "Real-time Interaction" section of the vision of the future (Section Two), this increased flexibility is essential to achieving

[5] 2001 Future One Technology Study. 666 agents completed the online survey after being invited by fax to do so. Future One is a partnership initiative sponsored by the Independent Insurance Agents of America and most leading United States property-casualty companies.

efficient single entry multiple company interfaces (SEMCI) via Internet technologies. This is particularly so in an industry such as ours where there is the need to accommodate a whole host of company-unique requirements. XML significantly advances the opportunity to achieve meaningful SEMCI and to do so in a real-time environment.

In addition, because XML is a unifying Internet language across industries, it will have lasting power and will facilitate the sharing of data beyond the insurance industry to consumers and businesses with whom the industry interacts. One of the great advantages of the XML standards is that they permit the sharing of business processes as well as data between business partners opening up a whole new world of opportunities to take advantage of the applications available in the systems of these partners.

These standards are critical to agents in order to move data across systems and among companies without having to re-key data into each system, as well as to process transactions in real-time. Incorporation of XML, as well as innovative front end systems, are essential if independent agents are to operate efficiently with multiple companies, customers and third party business partners. The ACT participants are firm supporters of both the ACORD XML industry standards and the use of open architecture so that real-time transactions are performed efficiently and take into account the realities of agency-multiple company workflow.

Real-time Transactions

There is a major change taking place in how agents, companies, and other business partners do business electronically. It is now possible to use the Internet to perform transactions or make information inquiries on a real-time basis allowing for almost instantaneous responses. This trend permits the insurance business to respond to the desire of consumers to get immediate responses however they might contact us.

We are in the early stages of the evolution of real-time processing. Agents today typically have links to multiple company Internet sites to perform these transactions. While the functionality can be rich, agents are frustrated because they typically have to enter data multiple times into each company site—each with a different workflow— and have to remember a myriad of passwords that always seem to be changing. The ACT vision is for agents to initiate transactions in their agency management system or integration platform and access multiple company Internet sites to complete processing in real-time.

The ACT participants believe that the future of insurance computing lies in real-time transactions, and are dedicated to finding solutions to the current problems. For example, today there are technology vendors testing ways for agents to seek a real-time quote from multiple carriers without having to re-key in the data. Agents should closely watch and encourage these developments because they offer exciting potential to achieve meaningful SEMCI for our industry if a critical mass of companies and vendors join in these efforts. Comparative rating vendors also are addressing ways to pull in credit-scoring information on a real-time basis so that these services remain relevant to agents.

ACT urges independent agents to endorse each of the "essential next steps" mentioned above to position themselves to take advantage of real-time transactions. At the same time, agents should work with ACT and the rest of the industry to further

The ACT vision is for agents to initiate transactions in their agency management system or integration platform and access multiple company Internet sites to complete processing in real time.

Many agents are not currently utilizing their agency management systems fully, and thus are not realizing available efficiencies and work-saving tools.

improve the delivery of this new functionality. While the solutions today are not perfect, many of them are a major step forward and should be used today by agents to enhance their efficiency. Benefits include the ability to: secure an accurate quote from the company on a real-time basis; get a policy written faster; make a change to the customer's policy on the company system, "once and done"; view a customer's billing or claim information on-line to give an immediate answer; provide the client with the ability to print out its own Certificates of Insurance "24/7"; and access all of the company's forms and underwriting rules on-line.

There are several developments that need to occur if real-time transactions are to achieve their maximum potential to enhance efficiency for the Independent Agency System. These developments are:

- Incorporation of ACORD XML industry standards in the systems provided by companies and agency automation vendors.
- Incorporation of new technologies in agency automation systems so that agents can pull real-time rates from several companies without having to re-key data and perform other real-time transactions through the agency management system and other "integration platforms."
- Adoption of broadband Internet access by agents with a "full time" connection on every employee's desktop.
- Agent investment in the current versions of the software for the agency management system, the Internet browser, Windows applications, and hardware so that the agency can get the full benefit from these real-time applications.
- Agent use of download of data from the company wherever available to minimize re-entry of data.
- Continued evolution of these company systems so that they are intuitive, streamlined, and extremely easy to log onto, avoiding the need to use any company codes and special keys. The company's objective should be to design the system so that it can be used by individuals without any training on the system.
- Strong, ongoing agency encouragement that companies as well as agency technology vendors put emphasis on implementing compatible vendor company interfaces that minimize the number of different implementations that companies must undertake.
- Adoption of electronic solutions to the multiple "ID" and password headache.
- Company and vendor technology support for the agent with regard to all of the particular entity's applications.

Full Utilization of Current Agency Management Systems and other Agency Technology

Many agents are not currently utilizing their agency management systems fully. As a result, they are not realizing the efficiencies and work-saving tools they have already purchased. Agents should specifically focus on the following questions:

1. How well is our agency currently using the functionality available to us in our current agency management system?
2. What is our game plan to implement specific new functions that are available to us in our system?
3. How are we going to standardize practices and procedures to maximize the system use for all of our staff?

The agency automation user groups are a great resource to agents in this area. Agents should make sure that their staffs are fully aware of the training opportunities available from these groups.

Agency management consultant Sharon Cunningham has developed a very helpful checklist for ACT outlining a number of common areas where agents are under-utilizing their agency automation functions. Find it at the ACT web site.[6]

There are also a whole host of key questions to ask, and hidden costs to be aware of, when considering an agency management system, company interfaces, and other technology. Mele Fuller of SAFECO Insurance Company has written for ACT an excellent checklist of key questions and potential hidden costs to keep in mind as you make your technology decisions. It also is located on the ACT web site.[7]

Adopt Digital Imaging Technology

Agents should think through an overall document management process for the agency with the objective that all documents and photos, however received (e-mail, fax, or paper), are stored and accessible electronically, all linked to the client file in the agency's management system. Agency management systems need to be built with an open architecture so that they can integrate with off the shelf software offering this functionality. The agency should set standards for those documents to scan to avoid the need for excess electronic storage space.

When an agency moves to an electronic document management process and stops receiving paper from the company, it is critical that the agency employ an electronic follow up system, so that the agency continues to check appropriate items downloaded from the company for accuracy, just as it had done when it received paper from the company.

Scanning technology applications are a part of this document management strategy and offer significant opportunities for efficiency in both storage and workflow processing. They also eliminate the need for physical storage space. Scanning solutions are available for as little as $500 in hardware and software. Scanned materials can be instantly retrieved, printed, faxed, e-mailed, converted to other formats, and exported to other programs such as Excel—all without ever reverting to a paper format.

Digital cameras also provide agents with a great opportunity. With these cameras, agents can instantly confirm an adequate image, attach them to the client file in many agency management systems, and e-mail them to companies and other appropriate parties for underwriting and claims purposes. Not only are digital photographs more useful, they save agents costs. Agents can also use these photographs to enhance client service by providing clients digital photo inventories to facilitate claims discussions over the phone and to assist clients in completing a written loss inventory.

24/7 Customer Service

As discussed at length in Section Two under "Out-facing Services," applications are now being made available to agents that allow customers to access their information on the agent's web site on a self-service basis, as well as to initiate a change, send the agent a message, or order a certificate of insurance or auto ID card. Complementary services are available to agents that allow the customer to choose to access these same functions by telephone when the agency is closed. (The firm providing this data has access to the agency's database.)

The objective is that all documents and photos are stored and accessible electronically.

[6] www.independentagent.com, click on Agents Council for Technology and look for Technology Checklists. Sharon Cunningham is President of Business Management Group, a management consulting firm specializing in the insurance industry. Her e-mail is: scunningham@BMGConsulting.com.

[7] www.independentagent.com, click on Agents Council for Technology and look for Technology Checklists. In developing this checklist, Mele Fuller has drawn on her experiences working with agents and software developers while at Agena and SAFECO. Mele's e-mail is: melful@safeco.com.

87% of personal lines consumers and 70% of businesses felt that 24/7 access was "extremely important" or "very important."

59% of personal lines customers and 49% of businesses felt that online access to their account information was "extremely important" or "very important."

These technologies, coupled with agency telephone forwarding and company 800 number services, will position agents to meet the growing customer expectation that they be able to transact business according to their own schedule. These technologies will enable the independent agent to neutralize the major selling point that the direct writing companies are currently claiming over the local agent.

According to consumer research conducted by IIAA in early 2000, 87% of personal lines consumers and 70% of businesses felt that 24/7 access was "extremely important" or "very important" to them. At that time, only 34% of the independent agents surveyed felt that 24/7 access was "extremely important" or "very important" to their customers, revealing a significant disconnect.

In that same research, 59% of personal lines customers and 49% of businesses felt that online access to their account information was "extremely important" or "very important" to them. This number jumped to 75% for those respondents who were under 35. Only 6% of the independent agents surveyed felt that their customers would put this type of priority on online access, once again revealing an important disconnect.

This survey was conducted in early 2000. We estimate that 24/7 access and online access have become important to even greater percentages of consumers and businesses today as they commonly obtain this level of service from other segments of the economy.

IdNet/CSR 24 has reviewed initial consumer use of 24/7 agency Internet and telephony services for January through June, 2001 for its installed user base. This research revealed that two-thirds of the consumer inquiries for data were made by telephone and one-third were made through the Internet. Those using the Internet were much more "self-service" focused. Breaking down the types of inquiries made over the Internet: 53% want to issue their certificates; 25% want to provide the agency with the necessary data to effect a change, make an addition or deletion, or make a correction; 4.5% want auto ID cards; 1% want Evidence of Property Insurance forms; 3% want to report a loss; 3% have questions, while the rest click other links (DMVs, bonds, bank letters, "I want a quote," etc.).

The IdNet/CSR 24 research found that when you total the consumer after-hours agency contacts by phone and the Internet:

- 52% have general questions
- 14% want to change, add or delete something on their policies
- 13% want certificates
- 11% want to report a claim
- 8% want to review their policies or personal information
- 2% want auto IDs or evidence of property insurance

Using the Internet to brand the agency

Agencies have a great opportunity to brand themselves using the Internet. By creating functional web sites, an agent can better service and control all of the touchpoints to their customer. Agents should work with their companies to offer relevant content such as rating, billing balances, claim status, and policy change capability. Using the ACORD XML standards, companies should be able to offer this content at a low cost.

The key to this branding is to offer real content. Giving policyholders the ability to self-service their own policy via the Internet will allow an agency to increase its business and to also save money servicing the policy. In addition, the agency should create a learning experience for the customer on its

web site that reinforces the expertise and value-added provided by the agency. Consider articles on how the customer can save money when purchasing insurance and point out exposures that are frequently overlooked and should be insured. Most important, the web site should be developed from the consumer's perspective and should not be merely an advertisement for the agency.

Additionally, agents should ask their companies to advertise their agency web sites on all of the correspondence sent to a policyholder such as bills, claim letters, and e-mails. This will increase web site hits and further build the agency brand.

IIAA's new "Trusted Choice" brand program encourages independent agents to use the Internet to further their brand and provides tools to assist agents in accomplishing this objective.

Protect the Security of the Agency's Systems

Like any other business using today's technology, independent agents face the risk of being attacked by hackers—whether it be a "virus" received in an e-mail, or a "worm" implanted on the computer's operating system. It is impossible to foresee all of the methods by which hackers may try to disrupt a business' computer systems. However, agents should take these precautions to protect their systems:

- Inquire of all business partners who provide the agency with computer applications—whether housed in the agency, on the Internet, or in the company—what securities the business partner has implemented to prevent hacking from external sources and to protect the agency's data;
- Implement the appropriate firewalls in the agency's systems and subscribe to a security service that helps detect and protect against these risks and provides advice and counsel to the agency;
- Adopt internal security procedures, including the management of company "IDs" and passwords, so that "IDs" are deleted when employees leave. (The federal Gramm-Leach-Bliley Act requires all financial institutions—including independent agencies—that come within the Act to establish data security and integrity safeguards, but does not specify a specific set of such safeguards).

Conclusion

The ACT participants are excited about the opportunities available to independent agencies for the future. Recent experiences with Internet companies confirm the value of businesses—such as independent agencies—which have strong customer relationships. IIAA branding research found that consumers really like the independent agent business model when it is explained to them—the expertise, the independence, and the multiple company representation.

Direct companies and Internet companies are trying very hard to convince consumers to come over to them to get the benefits of the state of the art technology they are using. Independent agents, however, can compete very successfully in this emerging marketplace if they couple their current strengths with regular, ongoing investments in effective technology.

ACT's role is to encourage that effective technology options be made available to independent agencies and that independent agents then implement this technology. To help agents further, ACT provides practical technology information. Agents are urged to use the ACT web site located at www.independentagent.com as an expanding source of this type of information.

Agencies have a great opportunity to brand themselves using the Internet.

Visit the ACT web site:
www.independentagent.com
for practical technology information.

The Next Steps are Up to You!

Take a moment and list the action steps you plan to take in your agency.

The ACT participants have done their best to outline for you how they believe agency technology will evolve and what the opportunities are for independent agents.

Please take a moment now and list the action steps you plan to take in your agency.

Here are a few suggestions:

- Share this report with the others in your agency. It can be downloaded from the ACT web site.
- Jot down the key things you want to implement now. Don't try to do everything at once. Pick a few things that will bring real payback to the agency, and get them done. This will build the momentum for future technology improvements.
- Be patient. Implementations take hard work and usually come with "bugs" that must be worked out. Always include appropriate training for your staff.
- This is not a document to be read once and then be put on the shelf. Refer to it often and use it in your agency's planning process.
- Please give ACT your feedback. How did this paper help you in your agency? What issues do you have with the report or the current state of technology that you would like to see ACT address? What types of information and services would you like to see ACT provide in the future? Please e-mail this information to Jeff Yates, Executive Director of ACT at jyates@iiaa.net. Thank you! ■

Independent Insurance Agents of America, Inc.
127 South Peyton Street
Alexandria, VA 22314

www.independentagent.com

ACT
Agents Council for TECHNOLOGY

Independent Insurance Agent