



Written by JOHN SARICH // January 29, 2016

## Big Changes Afoot For Small Agencies In 2016

Big changes are in store this year for small local agencies that specialize in a single line of insurance or in basic personal lines, whether it's life, health or property/casualty.

Many Main Street agencies are finding themselves scrambling to stay relevant in a changing environment. Several factors are leading these changes. One such factor is the rapidly-changing regulatory landscape. An example of this is the annual testing of agents and brokers on Medicare Advantage rules. Another factor is a major shifts in the way insurance is sold - whether through the Internet or in a high-touch, education-intensive, consumer-facing manner.



As a result, we are seeing a trend where agencies will merge and grow, offering the gamut of insurance products under one roof.

## Featured Article

In order to do so, they will either have to look for partners with complementary capabilities with which to merge, or consider the possibility of being acquired by a larger competitor who can afford to keep up with these changing rules, roles and the technology needed to run them.

The Main Street agency is thus at a crossroads with three directional choices: to grow organically, to acquire complementary capabilities or to be acquired. Whatever the direction taken, we see the agency evolving into a one-stop financial services store. Let me lay out our rationale for why this is happening.

### **Structural changes in insurance sales**

There are big structural changes in how insurance is being offered to consumers. Some insurance products inherently need a lot of customer explanation and education, and a high degree of agent expertise to clarify what they do. A defined benefit plan and commercial insurance are examples of this. Meanwhile, other insurance products are becoming more simplified and standardized, and these are being sold online at the lowest possible price point. This is what I like to call "the race to the bottom."

The industry is calling for highly trained, specialized agents who understand these highly specialized products, are able to explain them to customers and can actually close the sale. Yet more and more products are being commoditized, and can be purchased online without the need for heavy agent interaction. These products compete purely on price and features, and need little human intervention to lead to the sale or renewal.

We're also forecasting that the industry will make an expedited move toward consolidation. What this means to Main Street is that, on the whole, small agencies will be folded into larger agencies. For Main Street agencies to survive and thrive, they will need to augment the skill level of their salespeople, as well as broaden their areas of expertise into other lines. We foresee an agency that resembles a professional services firm. A new breed of bigger, full-service firms will come into prominence, and selling only life insurance or only health insurance won't be enough to sustain an agency any longer.

How can the Main Street insurance broker survive? By combining forces, they will have the backing to invest in the technology necessary to keep up with regulatory changes. These changes show that agents need to be adept at many facets of the insurance industry. In many cases — especially regarding life insurance — agents will need to have strong training in financial services as well. The more savvy and well-rounded agency is the



agency that will succeed in this new ecosystem. The already complex ins and outs of the industry are becoming ever more complicated, whether on the product or regulatory side. All of this requires a higher level of professionalism and industry education than ever before.

### **Technology is key**

Technology will be the big enabler of this new breed of agency. An integrated capability that encompasses marketing, compliance, continuing education, certification and cross-selling will be especially valuable. And the new breed of more professionalized, multiline agencies will have more leverage over carriers to catalyze their own modernization.

So 2016 may be the year for the Main Street agent to do some serious self-analysis and figure out whether it's time to go head to head with the big fish, go bobbing for similarly sized fish in order to grow, or become acquired by a larger fish. Either route will require a commitment of resources, study and counsel. For those small agencies deciding it's time to cash in on decades of building the business, there are definitely ways to prepare for sale and become an attractive candidate for a larger agency that wants to acquire their book of business. For those agency owners who want to remain independent, start by looking at what new skill sets need to be brought into your practice.

Finally, remember that agencies are critical to the success of carriers —carriers need agencies. And in the insurance industry, it's *still* all about customer relations. That's not changing. Despite all the technology, regulations and all of the other disruptive realities, the core of the insurance business relies on agents who have a personal relationship with their clients. With all these changes coming for insurance, the customer still need to know they are working with a reliable individual who understands the products that are being sold.

## End of Article ##

Original Link: <http://insurancenewsnet.com/innarticle/2016/01/29/big-changes-afoot-for-small-agencies-in-2016.html>



### John Sarich

*As Vice President of Strategy at VUE Software, John Sarich serves a senior solutions architect, strategic consultant and business advisor with over 25 years of insurance industry experience. He uses his extensive knowledge of insurance operations, information technology (IT) systems, sales and marketing to develop and define operational strategies for the company's sales and marketing initiatives.*

### About VUE Software

VUE Software is an innovative provider of performance-driven solutions built exclusively for the insurance industry. With over twenty-three years of experience in Life & Annuities, Health and P&C Insurance, VUE Software is one of the most experienced and established Insurance Distribution Technology providers in the business today. VUE Software is leading the Distribution Modernization movement, bringing clients a solid path to revenue growth and competitive advantage.



VUE Software is the product division of Computer Solutions and Software International, LLC. (CSSI). This Featured Article is for informational purposes only. CSSI MAKES NO WARRANTIES, EXPRESS OR IMPLIED, IN THIS SUMMARY. VUE Software and the VUE Software logo are either registered trademarks or trademarks of CSSI in the United States and/or other countries. All other trademarks are property of their respective owners. © 2014 Computer Solutions and Software International, LLC (CSSI).