

The Devaluation of the Independent Agency

It enters so innocuously—much less vociferously than the cry of “agency disintermediation.” All parties involved have willingly cooperated. They have helped each other under the guise of achieving the Holy Grail of ease of doing business (EDB), while unknowingly seeding this operational viral strain. This lethal virus is the devaluation of your agency.

The devaluation of the agency virus has been around for years. It may have been initiated when the first agency pundits advised agency clients to “do what they do best” and let the company “do what it does best.” Or perhaps it started when the high-tech tools of agency efficiency naturally ignored the need for customer care. The beginning is not important, but the current progress of agency devaluation is devastating.

Insurance companies stand witness today to its lethal impact as they present their direct sales and service capabilities side by side with their agency force’s service capabilities—without any qualifier, as if there is no difference between the two. The agency-customer relationship has been devalued in personal lines to the point that insurance companies recognize no advantage to having agencies perform customer service. They believe the customer sees limited advantages and simply must choose their preference—agency or direct.

Devaluation enters as your phone rings on a Monday morning. A customer service representative answers the phone. It seems like years since an actual qualified sales person responded to a personal lines phone call. Most agency principals have long since turned their focus to commercial lines. The CSR takes the information, electronically compares a few different companies’ quotes and gives the least expensive quote to the prospect with little other differentiating comment. There is little chance that the CSR will follow-up with the customer. If, by chance, the quote given is highly competitive and the customer calls back, the agency has actually made a sale.

Once the prospect becomes a customer, viral symptoms begin to show as the customer is notified of the “1-800-handoff” customer service number. Upon renewal, the infection surges, as devaluation thrives on the lack of agency communication and lack of customer care. Although there is a dormancy period between renewals and customer initiated contact, ultimately the virus whipsaws and overwhelms the host agency, while rejecting the customer. The agency at this point is of little value to the customer.

How has this devaluation virus thrived? Have agents forgotten why a customer comes to their agency or why they choose to renew? No! They have not forgotten why the customer calls; rather they have forgotten all that is involved when providing superior customer service.

Service is composed of providing customer-required functions, while also satisfying customer needs. To build a relationship with a customer you must do something for that customer. A physical function must be attached to a customer need and performed in a superior fashion. Quotes, coverage advice, policy issuance, billing, answering questions, endorsement issuance, renewals and claims advocacy, are all opportunities to perform a function, and in a manner that satisfies the customer’s need.


But who performs the functions and provides primarily for the customer’s needs? It is the insurance company that performs most personal line customer functions. This is why the agency’s local service has been devalued and the company’s central service center is seen as preferred by most companies. Today’s agencies simply perform minimal function, and provide for minimal customer needs. The greatest example of agency devaluation is shown at the time of a claim.

At this critical time, the customer’s need for accountability, understanding, knowledge, trust, compassion and advice is at its greatest. Ironically, it is at the time of injury or damage to their house or car that the agent is often least present. It is this lack of engagement by the agency at the time of personal trauma that has fostered the spread of the devaluation virus.

Can agency devaluation be reversed? Absolutely! The first step is for agencies to rediscover and then believe in the value they provide to customers. The second step is to perform functions that customers require in a way that provides superior satisfaction.

For agents who believe their capability as a customer advocate can make a difference, the second step must be to truly perform customer functions so they emanate from the agency and culminate at the agency. The agency’s images needs to be consistently in front of the customer when performing functions for them.

Performing all customer functions at the site of the agency requires work, talented employees, empowering technology and management skills. Many agencies lost these capabilities in personal lines as the devaluation virus thrived. However, agents are one of the greatest bastions of entrepreneurship, and recovery will swiftly follow once the commitment is made.

Local agents have the antidote to cure the devaluation virus because they alone have the abilities to build customer relationships. Its time agents moved the personal lines system into the 21st century. 

Stephen Doucette is president and CEO of Great Northwest Insurance Company in St. Paul, Minn.

Reprinted with permission from Independent Agent, May 2009. On the Web at www.independentagent.com.
© Independent Agent. All Rights Reserved. Foster Printing Service: 866-879-9144, www.marketingreprints.com.