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EMPLOYEE TERMINATION

Carrier Layoffs, Technology Changes Affect Distribution by Independent Agents, Industry Watchers Say

By Renee Kiriluk-Hill

Layoffs, changing technology and risk management and expense reductions at the carrier level are affecting how coverage is distributed by independent agents, sometimes in surprising ways.

"I think our whole industry's just going through a metamorphosis. I'm just not sure we're all looking at the same finish line," said Lou Moran III, an executive committee member of the Independent Insurance Agents and Brokers of America, or Big I, and longtime president of Inter-Agency Insurance Service Inc. in Knoxville, Tennessee.

CoverLink Insurance President Matt Simon said layoffs and increased use of technology are impacting binding of coverage, and Moran agreed.

A wave of industry layoffs during the past year has been precipitated by lackluster underwriting results as claims costs shot up, hitting personal lines writers hardest. Other factors have contributed to the actions: advancing technology, consolidations, realignments, investor unease, and distribution changes (BestWire, Nov. 17, 2023).

It's a balancing act for the carriers, said Simon. National carriers investing heavily in technology — including artificial intelligence — can't offset costs too quickly by eliminating "the human element prior to technology working the way it should."

On the other hand, he cautioned regional carriers can't avoid tech investments because they have solidly invested in people.

Some carriers requiring distributors to file business applications through portals have cut staff so lean that agents can't reach a human when there's a glitch in the technology, Simon said.

That happens consistently when his agents are trying to secure coverage with insurers rushing technology out to distributors, said Simon. "If the technology isn't there yet you need a human component to step in when it fails."

This problem developed in 2023, years after carriers started encouraging agents to use more technology and fewer humans in the application process, Simon said.

The inability to reach a person able to troubleshoot occurs most often with large carriers, he added. Employees "we had access to before have gone away."

Its absence creates friction for distributors in time-sensitive situations, putting clients "in a really tough spot. If we can't get a bindable quote" the business goes to a competitor whose product, terms or pricing may not have been the best fit, said Simon.

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"The client, I feel, is the one that suffers the most. But there's nobody to have a conversation with about the issue" at some carriers, he said.

Smaller regional carriers currently hold an edge, said Simon. "They're more cautious about mass layoffs. And the national carriers have deeper pockets for tech investments so they're moving at a faster pace to make our lives easier, but they're quicker to pull back on the human element."

In Knoxville, Tennessee, Moran said, "We're seeing a real slow down, a lack of efficiency, processing claims and in the audit process on commercial accounts. Clients think they're not being represented."

Moran also chairs the Big I insurtech task force. Carriers are spending millions on portals that are "fabulous for marketing and production reports," said Moran.

"I don't want us to be the Amazon of the world, but we need to transact business and take care of our customers" in a way that's not only timely, but doesn't generate additional or duplicative work for agents and brokers, said Moran.

Moran and Simon each pointed out major investments their agencies, and others, have made in technology. "We use our agency management system to the fullest," said Simon. "We partnered with insurtech to test our technology. We're in a good position to leverage technology. But if the technology doesn't work, you need the human component to trouble-shoot."

Moran's agency works with thousands of policyholders in more than 35 states, distributing "the whole gauntlet" of commercials lines accounting for 70% of the business. Before joining the family business in 1987, Moran worked as commercial lines underwriter.

With more insurers outsourcing claims to reduce expenses, Moran said distributors are discovering and correcting mistakes made more frequently by the third-party companies. He also advocates for better communication.

For instance, Moran said carriers should require contractors to tell policyholders up front that they're a representative of the carrier holding the policy, rather than citing the name of a business unfamiliar to policyholders.

"This is still a people business," a series of transactions built on trust, said Moran. Yet it feels like some carriers are relying more on technology than people to get the job done, he said. That has pushed more work down to the agent level, with distributors repeating requests a second or third time to get an answer for a client.

"I think we have reached the threshold at the agency level where we can not maintain any more expense cuts" by writers, including ongoing reductions of compensation, he said.

"We can't continue to grow and invest in technology and software" and provide expected levels of service if the trends continue, said Moran."We persist for our clients, going up the chain. That takes more effort and work than it did two, three or four years ago. It is a pain point for us," persistently so in claims.

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His message to carriers? "Stop trying to balance your income statement on my back."

CoverLink hasn't laid off any employees on expanded adoption of technology at its four locations, but it has lessened hiring as business has grown, said Simon.

"Once the technology works, agents won't know how to run a business without it," he said.

Not surprisingly, a distressed property market is causing the most trouble for agents in his home state, Florida Association of Insurance Agents President and Chief Executive Officer Kyle Ulrich said. "Our members are most impacted by the hard market," working overtime to find homeowners or commercial residential coverage at a price palatable to the policyholder.

Agents are shopping about 80% of their books this year, compared to 20% prior to hardening, said Ulrich. Anecdotally agents know the carrier that is very difficult to reach, but technology at the distribution end will soon make it easier to better analyze their partners.

"Independent agents get to choose who they do business with. What's coming is analyzing the kind of technology that allows them to write business more efficiently at a time when they have to work harder to write business than they have in the past," said Ulrich. "Every carrier has their own unique system that agents have to work within. Some are better than others."

Independent agents distribute the majority of property/casualty coverage in the United States. According to the Big "I" 2023 Market Share Report, they placed 63% in 2022, a number that increased during each of the past five years.

In commercial lines, the penetration rate has held steady at 87%.

Experts at the distribution end view most technology challenges coming from carriers as growing pains. Yet there are concerns going forward, because they say it's a nuanced business.

Simon calls technology an enabler throughout the insurance production and distribution chain. "It's not, 'How does this eliminate people? It's how does this help our people be more efficient at what they're doing, or provide a better experience to our clients,'" said Simon.

"What makes someone stay awake at night? Everybody's different.," said Moran. "I'm not sure a computer program or algorithm can get that like talking to a client, looking them in they eye."

Insurance companies are becoming more proficient at understanding risk, he said. "But these are real lives and assets."

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