THE STATE OF TECHSURANCE
2015

The Use and Impact of Technology in the Insurance Industry
EXECUTIVE SUMMARY

There is no question that technology has drastically impacted the insurance business, particularly over the past decade. According to a 2014 comScore report, 71 percent of consumers shopping for insurance used the Internet to obtain a quote. As a result of this growing trend, it has become critical for agencies to understand how to better serve today’s connected consumer.

However, the types of technologies used by the insurance industry vary widely. ITC and Velocify collaborated to understand what types of technology insurance agencies are implementing and the effectiveness of these tools.

SOME OF OUR KEY FINDINGS INCLUDE:

- Technology adoption correlates to increased revenue and productivity, regardless of agency type or size.
- The insurance industry’s technology gap is growing wider because agencies with the highest adoption rates plan to reinvest in technology the most.
- Directs and large agencies lead the industry in technology use and planned investments and will most likely continue to dominate the future landscape.
- Excellent opportunities still exist for captive and independent agencies, if they invest in technology wisely and proactively monitor the effectiveness of these tools.

1 2014 Online Auto Insurance Shopping Report
ABOUT THE SURVEY

More than 1,000 insurance agencies completed a comprehensive, 20-question survey to better understand the state of technology and its effectiveness in the insurance market. The agencies in our study included direct-to-consumer carriers, insurance carriers that use captive agents for selling, and independent agencies who generally sell products from many carriers.

OUR STUDY FOCUSED ON THE USE OF SIX IMPORTANT TECHNOLOGIES THAT INSURANCE AGENCIES USE TODAY:

- **Marketing Automation Software** enables agencies to market and nurture prospects via outbound and drip email campaigns. More sophisticated solutions can track a prospect’s digital buying behavior and signal when they may be ready for a sales call.

- **Lead Management Software** helps sales agents more effectively manage active prospects, dramatically increasing their effectiveness in contacting, quoting, and converting prospects.

- **Automated Dialers** drive greater speed-to-call and speed-to-contact, helping sales agents call through lead lists more efficiently.

- **Comparative Raters (Rating Engines)** give independent agents the ability to compare the rates of multiple carriers without having to log in to several different carrier interfaces. Rating engines are used by captives and directs that sell a single line of insurance to provide quotes based on current rates and the buyer’s unique profile. For the purpose of this study, we combined the two types of raters into one category.

- **Agency Management Systems** manage the lifecycle of a customer’s policy, keeping track of policy history for both existing and expired clients.

- **Customer Relationship Management (CRM) Software** manages the entire lifecycle of a customer. Most CRM solutions are broad platforms that can be customized for industry specific solutions.

It’s also important to note that while there may be some overlap in functionality in these six solutions, each technology solves a unique problem in the customer acquisition funnel. Seventy-one percent of survey respondents used a combination of at least two of the above solutions, and almost a third used four or more of these tools together.
THE TECHNOLOGY LANDSCAPE

Among insurance agency types, directs tend to use technology the most, followed by captives and independents. Directs, for example, lead in adoption of four out of the six technologies studied: lead management software, automated dialers, customer relationship management (CRM) software, and agency management systems.

Directs are 144% more likely than independents to use lead management software.
THE TECHNOLOGY LANDSCAPE

Use of Customer Relationship Management (CRM)

- Direct
- Captive
- Independent

Use of Agency Management Systems

- Direct
- Captive
- Independent

Percentage of Respondents

Don't Use | Light Use | Moderate Use | Heavy Use
Captives were the heaviest users of marketing automation, while independent agencies used comparative raters more frequently than the other two agency types.

Captives are 56% more likely than independents to use marketing automation software.

Independents are 73% more likely than captives to use comparative raters.
THE WIDENING TECHNOLOGY GAP

Directs are clearly the leaders when it comes to adopting technology in the insurance industry today. Additionally, we found that compared to captive and independent agencies, a larger percentage of direct agencies plan to increase their technology investment this year, indicating that this channel could increase its technological lead even more.

26% more directs than independents report plans to increase their technology investments

Among agencies planning to increase their technology investments in 2015, almost half plan to invest in marketing automation software. (Investment doesn’t only mean the addition of these technologies, it can also mean enhancement through additional development, features, tools, training, use, etc.) As you can see in the chart on the right, however, different agency types have slightly different investment plans in each of the technology areas.
The widening technology gap

The insurance agency type was not the only factor that influenced technology use. Agency size was also a factor, uncovering a second dimension to the widening technology gap. Of the six technologies we evaluated, five seemed to be more prevalent in larger agencies. Only the use of comparative raters didn’t seem to be as closely associated with agency size.
According to respondents, larger agencies plan to increase their investment in technology at higher rates than smaller agencies, indicating that the technology gap between large and small agencies will continue to grow.

Additionally, the heaviest users of four out of the six technologies - marketing automation, lead management, CRM, and agency management systems - came from agencies with a sizable number of producers, where more than 10% of all employees are producers, whose primary job is to generate revenue.
As might be expected, an agency’s use of technology also varies depending on the type and the number of different lines of insurance sold. For example, the more life insurance agencies sold (as a percentage of revenue), the more likely they were to use CRM software. Meanwhile, agencies that sold more non-standard auto policies were less likely to use this technology.

However, almost the exact opposite was true for the use of comparative raters. Agencies that sold more non-standard auto policies (as a percentage of revenue) were more likely to use this technology, while agencies that sold more life insurance policies were less likely to use it.
The heaviest users of agency management systems sold more home insurance policies. Agencies that sold more life and health policies were less likely to use an agency management system.
Furthermore, agencies that offer more diverse product offerings were more likely to be heavy users of comparative raters and agency management systems.

Agencies that sell six or more different lines of insurance are almost 3x more likely to be heavy users of agency management systems than agencies that sell only one or two different lines of insurance.
The method by which agencies generate leads also impacts the types of technologies they use. For example, the more agencies relied on lead providers as prospect sources, the more they used automated dialers, lead management software, CRM tools, and marketing automation.
TECHNOLOGY VARIES BY MARKETING MIX

Meanwhile, agencies with a higher percentage of prospects coming from traditional media, such as offline advertising, were more likely to use comparative raters and less likely to use lead management software.
The use of marketing automation is most dependent on the types of lead sources used by an agency. Agencies with a greater percentage of self-generated lead prospects and referrals (as a percentage of total lead volume) were less likely to use marketing automation. Meanwhile, the more leads an agency generated from direct mail campaigns, online advertising, and SEM, the more likely they were to use marketing automation.

**Technology Varies by Marketing Mix**

![Use of Marketing Automation and Lead Sources](chart)

- **Average percentage of prospects coming from listed sources**
  - Self-Generated
  - Online Advertising and SEM
  - Direct Mail Programs
  - Referrals

**Use of Marketing Automation**

- **Don't Use**
- **Light Use**
- **Moderate Use**
- **Heavy Use**
Higher marketing spend (as a percentage of revenue) also increased the likelihood that an agency would be a heavier user of four out of the six technologies evaluated — specifically, marketing automation, lead management software, automated dialers, and CRM software. It can be inferred that agencies that invest more in marketing understand and are more willing to leverage technology to convert new leads and maximize the value of their marketing spend.
TECHNOLOGY VARIES BY MARKETING MIX

Use of Automated Dialer

Use of CRM Software

The State of Techsurance 2015
According to our survey, adoption of technology in the insurance industry has proven to yield measurable results, both in terms of higher revenues and productivity. Specifically, agencies with increasing revenues are more likely to be heavy users of automated dialers, marketing automation, lead management, and CRM software.

Adoption of comparative raters and agency management systems may not be as correlated to revenue growth, since the heaviest users of these technologies did not experience the highest revenue growth. One possible explanation is that these two technologies may only provide a limited competitive advantage because they already have the highest percentage of heavy users.

On the other hand, relatively few agencies are taking full advantage of CRM software, lead management software, marketing automation, and automated dialers. Yet, the more agencies used these technologies, the greater revenue gains they realized. The fact that these tools are both effective and underutilized suggests they offer agencies the greatest competitive advantage.
The findings on the right include results from large and small agencies of all types (direct, captive and independent). This suggests that neither an agency’s business model nor its size has a bearing on its ability to use technology to increase revenues.

Once again, we see that the agencies with the greatest revenue increases are also the ones planning to increase their technology investment this year the most.
In addition to revenue growth, productivity gains from the use of technology are perhaps even more remarkable, both in terms of policies sold per producer and policies sold per household. Agencies that used any one of the six technologies evaluated sold between 15% to 43% more policies per producer. Once again, the results were consistent regardless of an agency’s characteristics, including type or size.

While lead management software and automated dialers are not used by the vast majority of agencies that responded to our survey, these solutions have the biggest impact on sales per producer. This indicates that these technologies may offer the greatest competitive advantage, particularly for captive and independent agencies.

Technology also had a significant impact on the average number of policies sold per household, with lead management software and CRM software having the greatest impact on sales in this area.
BENEFITS OF USING TECHNOLOGY

One of the main reasons these technologies enable agencies to achieve such growth in revenue and productivity is that they accelerate and formalize the sales process and ensure more disciplined lead follow-up. These two elements have proven to be important predictors of success, according to previous studies.²

Heavy users of technology are **2x** more likely than non-users to have better sales processes

Our research found that the more an agency used four out of the six technologies evaluated — marketing automation, lead management, automated dialers, and CRM software — the more likely they were to describe their sales and lead follow-up processes as closely monitored, strictly enforced, or automated (as opposed to non-existent, informal, or simply documented, without much monitoring or enforcement), and were therefore more likely to increase sales.

² The Sales Organization Performance Gap, 2015
SUMMARY

While this study confirmed technology is commonly used by the majority of insurance agencies today, its usage depends on a wide variety of factors, including the type of agency, agency size, product mix, lead sources, and marketing strategies. However, it is clear that agencies that underutilize or fail to adopt technology are at a great disadvantage and risk being put out of business by their competition—especially as more consumers shop for insurance online.

It's no surprise that direct agencies, the most technology savvy, have experienced the highest growth in the insurance market recently. However, it bears repeating that the increases in revenue and sales per producer documented earlier in this paper were achieved by agencies of all types and sizes. While directs may continue to dominate, captives and independents can still grow if they invest in technology wisely and implement solutions that best match their business needs and goals.

RECOMMENDATIONS

1. The four primary software categories agencies should consider investment in are CRM software, lead management software, marketing automation, and automated dialers because they are effective and underutilized, suggesting they offer agencies the greatest competitive advantage.

2. Agencies that invest in SEM, purchased leads, and direct mail leads should consider a broader technology mix to maximize their marketing dollars. Lead management technology and automated dialers provide the greatest competitive advantage for these agencies, according to our research.

3. The adoption and implementation of software is critical to formalizing the sales process and ensuring more disciplined lead follow-up by sales agents.

4. Smaller agencies are typically more dependent on referral and self-generated business. To continue to thrive in an increasingly digital insurance market, it will be critical for these agencies to widen their net with marketing programs that generate more leads. Implementing diverse marketing programs, processes, and technology is critical to their survival.
Get Started Today!

Do you have the tools to meet the expectations of today’s insurance buyers? Learn how smart sales technology can help you sell more policies and rise above the competition.

Like this study? Share it.

Get Demo

Insurance Technologies Corporation (ITC), founded in 1983, is a leading provider of marketing, rating and management software and services to the insurance industry, including independent agents and insurance carriers. Headquartered in Carrollton, Texas, ITC helps its customers across the United States grow their businesses and become more efficient through the philosophy of providing quality software and services. Currently, ITC serves more than 200 insurance companies and more than 6,000 agencies. For more information, visit GetITC.com or follow ITC on Twitter @InsTechCorp.

Velocify is a market-leading provider of cloud-based intelligent sales software, designed for high-velocity sales environments. Velocify helps sales teams keep pace with the speed of opportunity and increase revenue by driving rapid lead response, increased selling discipline, improved productivity, and actionable selling insights. The company has helped more than 1,500 companies across a variety of industries improve customer acquisition practices and sales performance. Velocify was recently recognized as one of the fastest growing companies in North America by Deloitte and a Best Place to Work by the Los Angeles Business Journal. For more information, please visit velocify.com or follow the company on Twitter @Velocify.

Contact Sales: 888-843-1777 | sales@velocify.com
Subscribe to our blog: velocify.com/blog

VELOCIFY.COM