



2020

AGENCY UNIVERSE STUDY COVID-19 IMPACT SUMMARY

BIG iSM
FUTURE ONE.

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INDEPENDENT INSURANCE AGENTS



ACKNOWLEDGEMENTS

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MEMBERS OF FUTURE ONE

The 2020 Agency Universe Study was made possible by Future One and the participation of the coalition's member companies and organizations. Future One is comprised of the Big "I" and the following carriers.

Allstate/Encompass	Liberty Mutual Insurance/Safeco
Amerisure	Nationwide
Central Insurance Companies	Progressive
Chubb	Selective
CNA	The Hanover Insurance Group
Foremost	The Hartford
Grange Insurance	Travelers
Hartford Steam Boiler (HSB)	Westfield Group



ABOUT THE AGENCY UNIVERSE STUDY

On behalf of Future One, a cooperative effort of the Independent Insurance Agents & Brokers of America, Inc. (IIABA) and more than 15 leading independent insurance agency companies, we are pleased to present the 2020 Agency Universe Study Management Summary, highlighting some of the key findings of the Study.

The primary focus of the Agency Universe Study is to provide information on the size and characteristics of the independent agency system which is beneficial to developing more effective marketing and business practices. Over the years, information from the study has been useful to independent agency principals, independent agency carriers, and the IIABA in its public information and education efforts.

Specifically, since first being conducted in 1983, the study has had two primary goals: (a) to track changes in the independent agency system over time, and (b) to gauge agents' attitudes and opinions on issues pertinent to the independent agency community.

For 2020, the study continued to examine agency revenue trends, as well as agency technology use, marketing strategies, and carrier relationships. There was also a focus on areas of marketing emphasis, agency perpetuation challenges, and the impact of emerging purchase channels and trends.

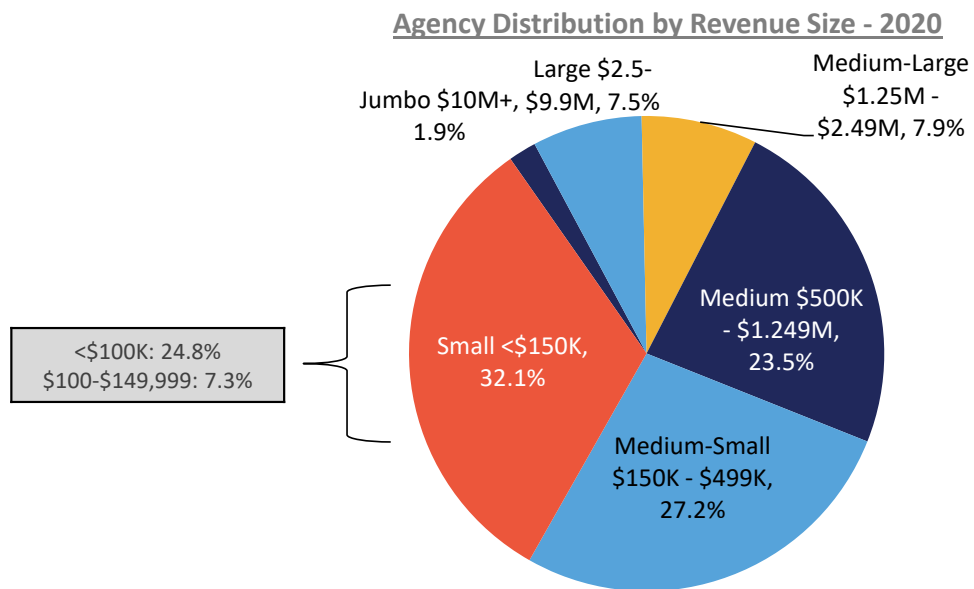
As the study evolved, one of the findings of broad interest was the number of independent insurance agencies in the United States. During the past 20 years, these numbers have been estimated in a number of ways, including using a variety of insurance carrier listings, IIABA member listings, and publicly available information from a number of business data repositories. The current method is based on information obtained from a leading insurance industry-focused database provided by MarketStance. In 2017 MarketStance merged with the Insurance Service Office, a long-time supplier of underwriting guidance to property/casualty carriers. MarketStance maintains and continually updates a database of independent agencies and is regarded by the industry as the highest-quality source for this data.



THE AGENCY SYSTEM

In 2020, 32% of all independent agencies and brokerages are Small, and 27% are Medium-Small.

- Note that in 2018, a new resource was used to estimate the universe size (the MarketStance database, widely considered more insurance industry-focused and reliable than the data available from D&B).



TOP 10 FINDINGS

1

About one in four agencies report COVID-19 had a significant impact on their operations, revenue, and commercial lines customer base.

The pandemic was more likely to impact the revenue of Small agencies (34%) and newer agencies (32%).

2

Nearly half believe their agency was well-prepared to deal with COVID-19's impact on their business despite only one in twenty having a disaster recovery plan that included pandemics.

Smaller agencies were least prepared to deal with the pandemic (33%). Nearly half of those with a plan will modify it, but only one in five without a plan expect to create one. Newer agencies are less likely to have had a disaster recovery plan (22%).

3

About one in three agencies had employees working remotely before COVID-19, with this increasing to three in four during the height of the pandemic; the percentage of agencies with remote employees has settled to about half, currently.

Among agencies with remote employees, about one in five employees worked remotely, increasing to about half during the height of the pandemic. About one in three employees work remotely currently. Jumbo agencies are more likely to allow employees to work remotely as well as having a higher proportion of employees working remotely.

4

Maintaining employee engagement and having the IT infrastructure to support work-from-home capabilities are the top challenges during the pandemic.

Small agencies are more likely to cite adjusting their service model to provide more digital services to clients as a challenge (23%).

5

Going forward, building an online presence for marketing and implementing/improving online business tools are the most important factors in succeeding in 2021.

Building an online presence is more important for small (65%) and medium-small (61%) while Jumbo agencies cite implementing/improving home-based tech for remote workers (46%) and developing strategies for opening the office safely (29%) as important. Newer agencies are more likely to cite building an online marketing presence as important (80%).



TOP 10 FINDINGS *(Cont'd)*

6

Top areas needing support as a result of the pandemic are finding new business opportunities and offering digital tools and support with digital servicing.

Small agencies are more likely to need support with handling personal lines clients calls/service requests (23%) while Jumbo agencies are more likely to need support leveraging risk control services to identify new areas of exposure due to the pandemic (23%) and providing guidance about the crisis and coverage (28%). Newer agencies are more likely to need support with finding new business opportunities (56%).

7

Four in ten agencies believe carriers are meeting the challenges of the pandemic extremely well.

Only one in twenty feel carriers are doing a poor job.

8

Three in four agencies report no impact to staff or pay due to the pandemic. However, when there was an impact, it was support staff who were most likely to be impacted.

Small agencies are more likely to report reduced staff hours (16%) while Jumbo agencies are more likely to report reduced/cancelled bonus payouts (20%).

9

Nearly two in three agencies applied for a business loan in 2020.

Small and Jumbo agencies are least likely to have applied for a loan (40%, 51%, respectively). Newer agencies are also less likely to have applied for a loan (48%).

10

About two in three agencies are already comfortable with in-person carrier visits; however, about one in four want to wait until at least April 2021.

When replacing in-person carrier contact, more than one in three agencies prefer contact via phone, and one in three prefer video calls.

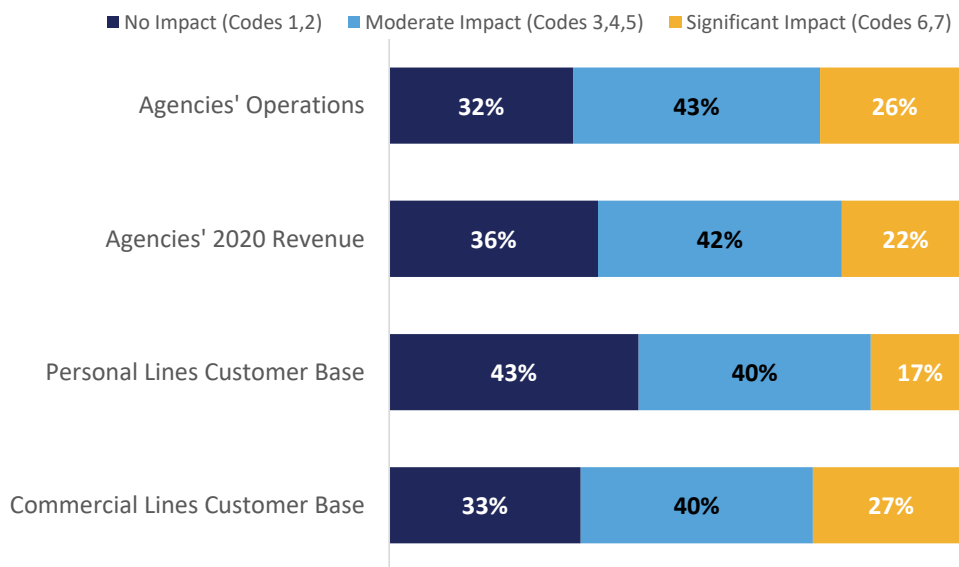


COVID-19 Impact

About one in four agencies report COVID-19 had an impact on their operations, revenue, and commercial lines customer base.

- Small agencies are more likely to report a significant impact on their revenue (34%) and personal lines customer base (26%).
- Newer agencies are more likely to cite an impact on revenue (32%).

COVID-19 Impact*



• QV1, Weighted n=1642-1793.

• *New question in 2020



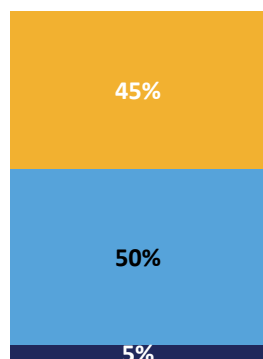
COVID-19 Impact (CONT'D)

Four in ten believe their agency was well-prepared to deal with COVID-19's impact on their business despite only one in twenty having a disaster recovery plan that included pandemics.

- Small agencies were least prepared to deal with COVID-19 (33%) and least likely to have a disaster recovery plan in place (23% net yes).
- Nearly half of those with a plan will modify it, but only one in five without a plan expect to create one.
- Newer agencies are less likely to have had a disaster recovery plan (22% net yes)

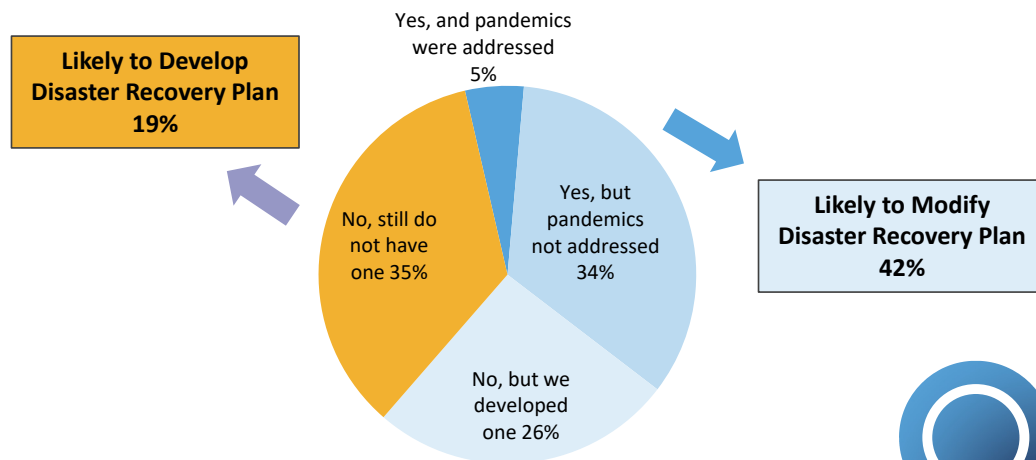
Agency Preparedness

Agency Preparedness to Respond to Business Changes *



■ Extremely Prepared (Codes 6,7)
■ Moderately Prepared (Codes 3,4,5)
■ Not Prepared At All (Codes 1,2)

Have Disaster Recovery Plan*



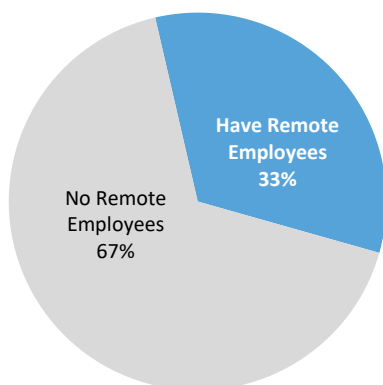
COVID-19 Impact (CONT'D)

About one in three agencies had employees working remotely before COVID-19, with this increasing to three in four during the height of the pandemic; the percentage of agencies with remote employees has settled to about half currently.

- Among agencies with remote employees, about one in five employees worked remotely, increasing to about half during the height of the pandemic. About one in three employees work remotely currently.
- Jumbo agencies are more likely to allow employees to work remotely as well as having a higher proportion of employees working remotely.

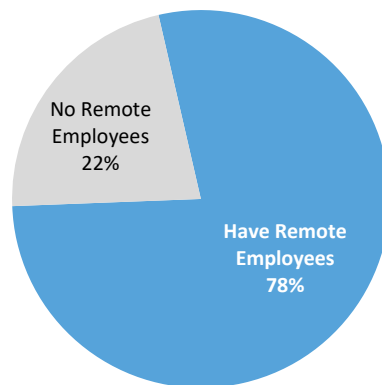
Working Remotely*

Prior to COVID-19



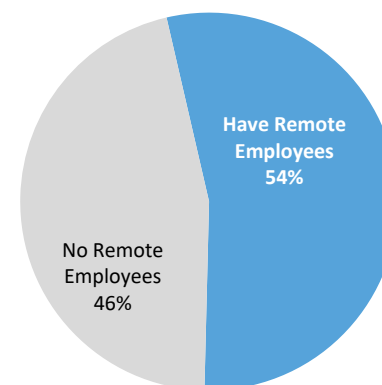
21%
of employees
worked from home,
on average

At Height of COVID-19



49%
of employees
worked from home,
on average

Currently



34%
of employees
worked from home,
on average

• QV5, Weighted
n=1707, 1730.

*New question in
2020



COVID-19 IMPACT (CONT'D)

Maintaining employee engagement and having the IT infrastructure to support work-from-home capabilities are the top challenges.

- Small agencies are more likely to cite adjusting their service model to provide more digital services to clients as a challenge (23%).

Challenges Amid COVID-19*
% Extremely Challenging (6,7 Ratings)



- QV6, Weighted n=894-972 (COVID-19 had impact on operations).

*New question in 2020



COVID-19 IMPACT (CONT'D)

Building an online presence for marketing and implementing/improving online business tools are the most important factors in succeeding in 2021.

- Building an online presence is more important for small (65%) and medium-small (61%) while Jumbo agencies cite implementing/ improving home-based tech for remote workers (46%) and developing strategies for opening the office safely (29%) as important.
- Newer agencies are more likely to cite building a online marketing presence as important (80%).

Most Important Activities for Success in 2021*

% Selected as Top 3



• QV6A, Weighted n=1764.

• *New question in 2020



COVID-19 IMPACT (CONT'D)

Top areas needing support as a result of the pandemic are finding new business opportunities and offering digital tools and support with digital servicing.

- Small agencies are more likely to need support with handling personal lines clients calls/service requests (23%) while Jumbo agencies are more likely to need support leveraging risk control services to identify new areas of exposure due to the pandemic (23%) and providing guidance about the crisis and coverage (28%).
- Newer agencies are more likely to need support with finding new business opportunities (56%).

Areas Needing Support Due to Pandemic*

% Selected as Top 3



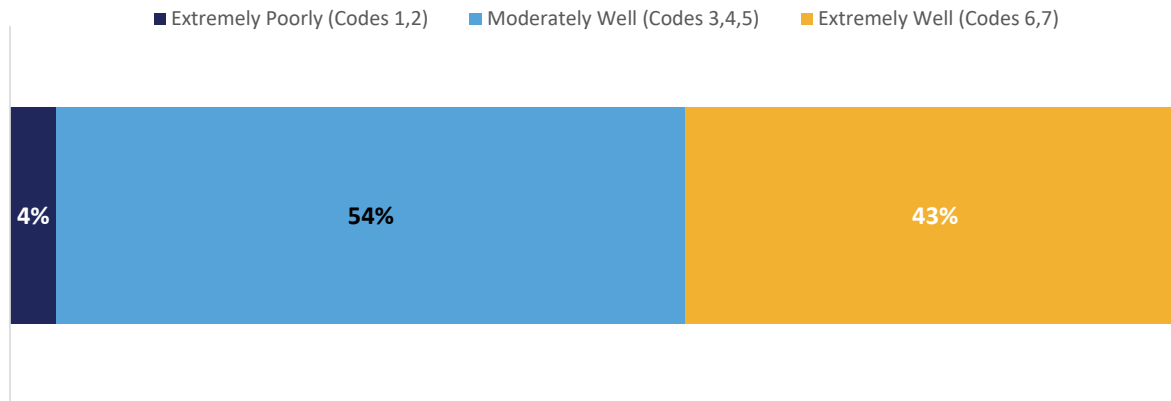
• QV7, Weighted n=1759.

*New question in 2020

COVID-19 IMPACT (CONT'D)

Four in ten agencies believe carriers are meeting the challenges of the pandemic extremely well; only one in twenty feel carriers are doing a poor job.

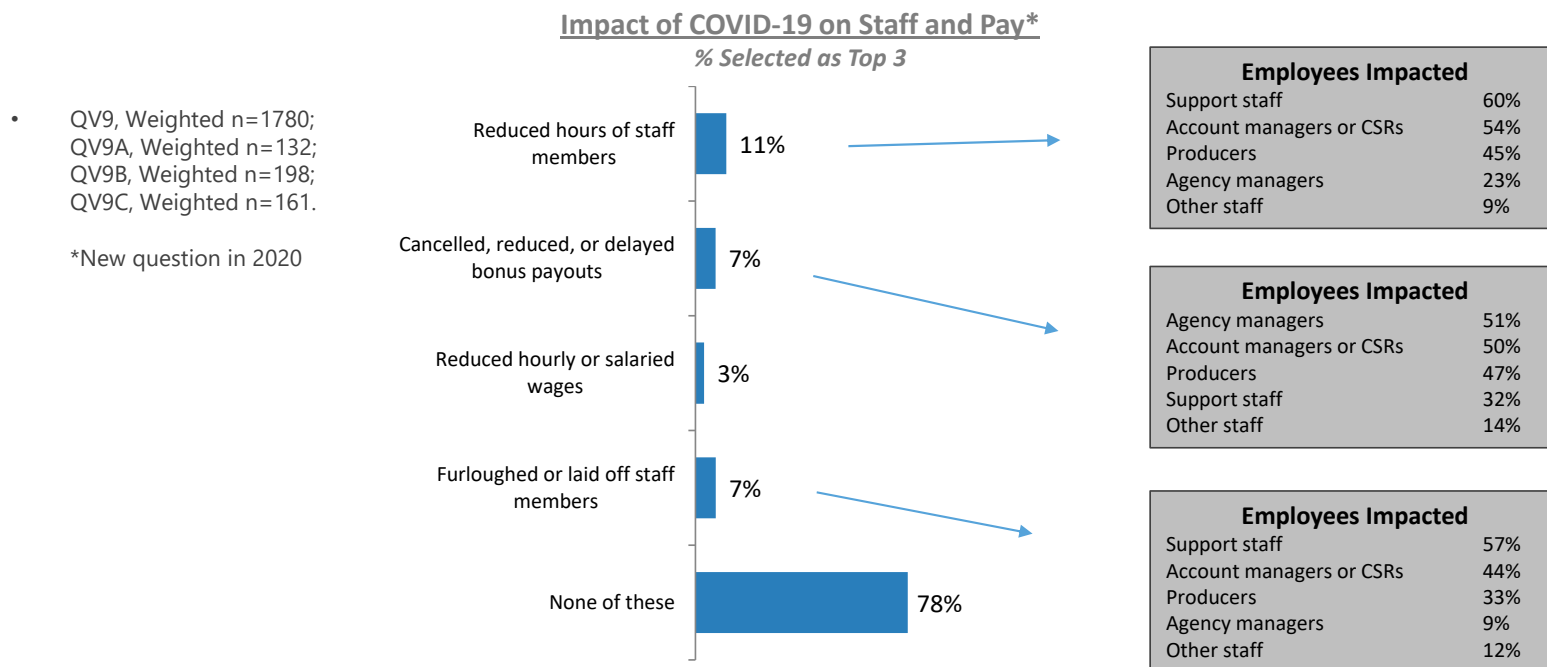
Carriers Meeting Challenges of COVID-19*



COVID-19 IMPACT (CONT'D)

Three in four agencies report no impact to staff or pay due to the pandemic. Support staff are most likely to be impacted by a hours reduction or furlough/lay-off.

- Small agencies are more likely to report reduced staff hours (16%) while Jumbo agencies are more likely to report reduced/cancelled bonus payouts (20%).

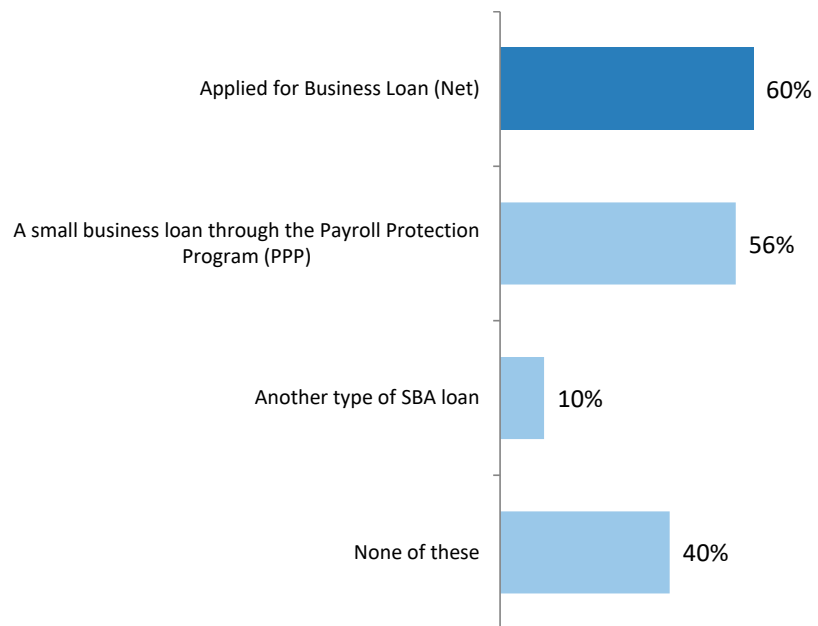


COVID-19 IMPACT (CONT'D)

Nearly two in three agencies applied for a business loan in 2020.

- Small and Jumbo agencies are least likely to have applied for a loan (40%, 51%, respectively).
- Newer agencies are less likely to have applied for a loan (48%).

Applications for Business Loans Due to COVID-19*

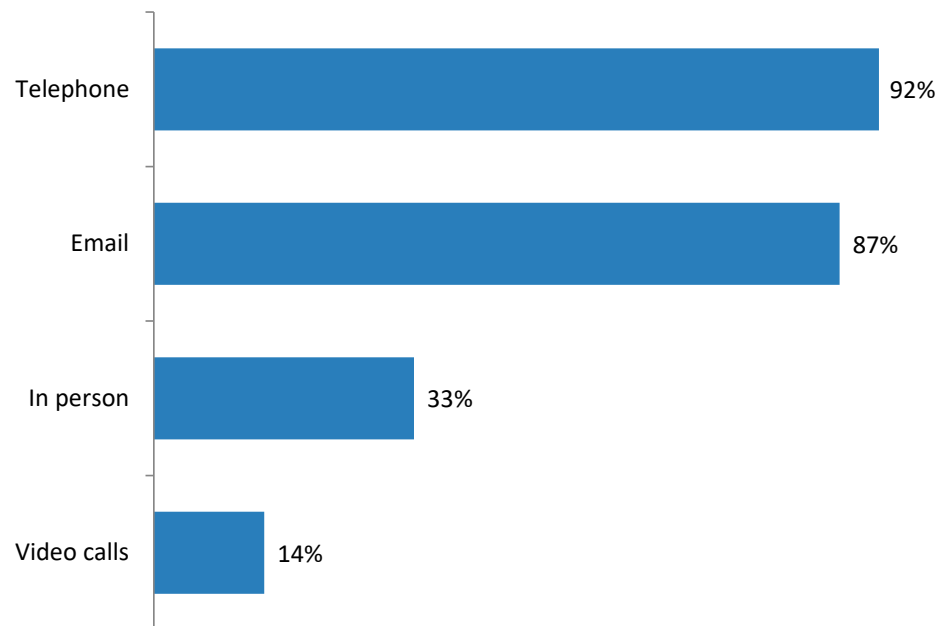


COVID-19 IMPACT (CONT'D)

Most agencies are communicating with their customers via phone and email. About one in ten communicate with their customers via video calls.

- Jumbo agencies are more likely to use video calls (47%).

Current Communication Channels with Customers*

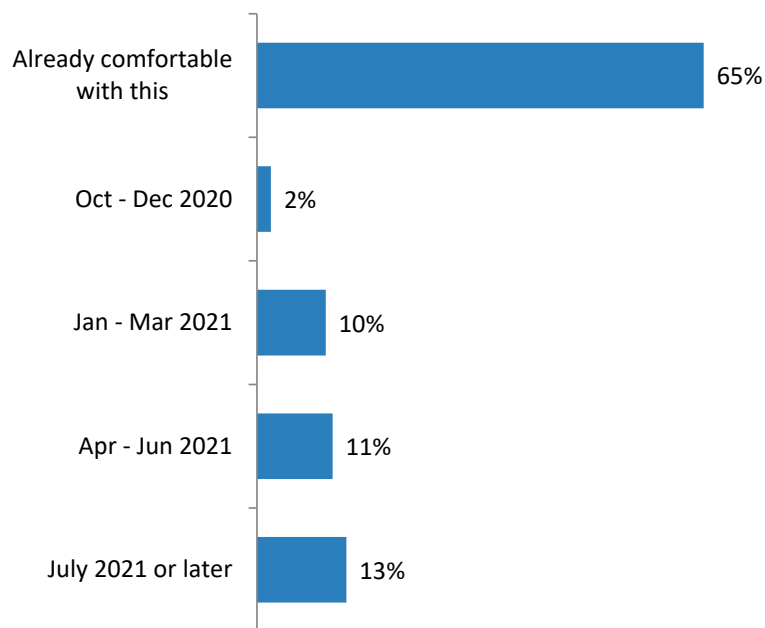


COVID-19 IMPACT (CONT'D)

About two in three agencies are already comfortable with in-person carrier visits; about one in four want to wait until at least April 2021.

- Jumbo agencies are less likely to currently be comfortable with carrier in-person visits (39%).

When Agencies Will Be Comfortable with Carrier In-Person Visits*



COVID-19 IMPACT (CONT'D)

More than one in three agencies prefer carrier contact via phone, and one in three prefer video calls.

- Small and Medium-Small agencies prefer phone (50% for each) while Large and Jumbo agencies prefer video calls (51%, 66%, respectively).

Preferred Method of Carrier Contact to Replace In-Person *

