

Lower Cost, Not Service, Drives Sales, Survey Finds

BY DAN LONKEVICH

SAN FRANCISCO—A recent survey of members of the National Association of Independent Insurers revealed their view that the key factors driving insurance sales today are low cost and speed and efficiency.

The results of the confidential survey conducted by Frederick E. Dopfel, director of the western region of New York-based Centre Reinsurance Co. were released at the NAI's annual meeting here.

To be sure, the findings, which placed claims service in third place, came as a surprise to many of the executives in the room, including two executives from leading companies who spoke later, Jerry Choate, chairman and chief executive officer of Allstate Insurance Co., Northbrook, Ill., and Thomas W. Crawford, president and CEO of Prudential Property and Casualty Co. in Holmdel, N.J.

Both executives said they were troubled by the results, which they suggested should have ranked claims service as the leading factor.

Prupac's Mr. Crawford stressed that claims service is typically the leading indicator behind consumer rankings of companies. He added that claims service is the bottom line for consumers.

Companies have done a poor job of assessing what their customers really want from their insurance products and an even poorer job explaining how companies actually meet those needs, he said.

Allstate's Mr. Choate echoed his colleague's concern about the executives' survey, adding, however, that today, customers aren't satisfied just with a choice of a low-cost product or quality service. Instead, he said, they want both.

Both men also embraced the other
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major finding of the NAI survey: Executives are beginning to view their employees as an important component of their companies' success.

Mr. Choate said insurers need to find ways to encourage employees to innovate in order to do their jobs better and more efficiently. He said profit-sharing plans and leadership training are important areas to provide such incentives.

Mr. Crawford, who credits his career success to training he received in Allstate's management training program in 1964, said such programs have all but vanished. Indeed, he said, he had to create one from scratch at Prupac when he took over in January 1996.

He added that employees have to come first, before even customers or shareholders. "Before you can deliver world-class service, you have to deliver world-class training," he said, noting that well-trained employees are essential to provide service to customers and value to shareholders.

Mr. Dopfel, who authored the study, said that although employees have often come last in the midst of the recent trend toward consolidation, that may be changing, as more and more insurers look for the best and brightest people.

Increasingly, he said, having the highest-quality employees will be the

way companies differentiate themselves.

Mr. Dopfel said insurers increasingly are starting to look like investment banks in terms of their hiring the smartest people. However, he said, the real model for the future will be that of Microsoft Corp., which has a horizontal structure of highly talented problem solvers.

Other findings of the survey suggest that the current consolidation trend is likely to continue at its heady pace. Mr. Dopfel said 49 percent of the 140 respondents said their companies were likely to make an insurance acquisition in the next 10 years.

Another 25 percent of respondents indicated they were likely to sell during the same period, while 10 percent expressed interest in acquiring a financial services company.

The survey also noted that 95 percent of the respondents expect risk-financing through the capital markets to become well established if not predominant in some niche areas in the next 10 years.

Another 83 percent said risk financing will become more important in insuring for natural disasters.

Finally, the survey found that respondents were split 50-50 on the chances of federal incursion into state insurance regulation, while 75 percent expressed continued support for state regulation. ◇