

Ease of Doing Business

2005 Deep Customer Connections, Inc. Survey Results

Is Ease of Doing Business (EDB) important to independent agents? What aspects of EDB matter most to agents? How are property and casualty carriers performing in terms of EDB? Do agent demographics make a difference in the ratings?

To answer these questions, Deep Customer Connections conducted its third annual Ease of Doing Business (EDB) survey of independent agents and brokers. The survey gathered more than 10,000 ratings of property and casualty carriers from more than 2,500 agents across the country. Overall the EDB-Index, a consolidated measure, rose slightly from 2004 to 2005, moving from 83.3 to 83.8; still hovering in that “B-minus” range. That very small increase in EDB-Index comes from the combination of relative stability in importance ratings and marginal improvement in some performance ratings.

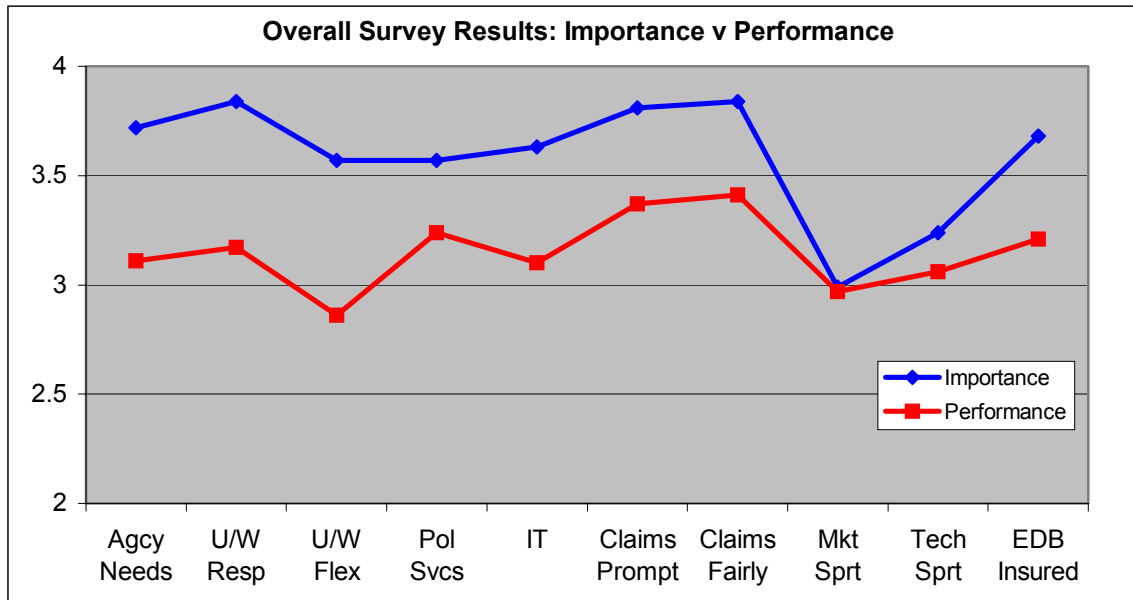
More than 99% of respondents either agreed or strongly agreed that *“overall ease of doing business is a critically important factor in choosing a carrier with which to place business.”* To help identify specific areas within EDB that are most meaningful to agents, the survey broke EDB down into the following ten factors:

Ten Ease of Doing Business Factors

1. *Understands and acts on the needs of agency personnel*
2. *Is responsive in underwriting*
3. *Is flexible in underwriting*
4. *Provides accurate, timely policy services*
5. *Has effective, user-friendly technology*
6. *Handles claims promptly*
7. *Handles claims fairly*
8. *Provides marketing support*
9. *Provides insurance technical support (e.g., specialty coverage expertise, loss control programs, etc.)*
10. *Makes it easy for my customers—the insureds—to do business with me*

Respondents rated the importance of each of the ten EDB Factors, and then rated up to five carriers with whom they frequently do business against the EDB Factors. This enables us to measure what agents see as important in addition to describing how well carriers perform against those areas of importance. Consistently the factors rated most important are *Underwriting Responsiveness, Handling Claims Fairly, and Handling Claims Promptly.*

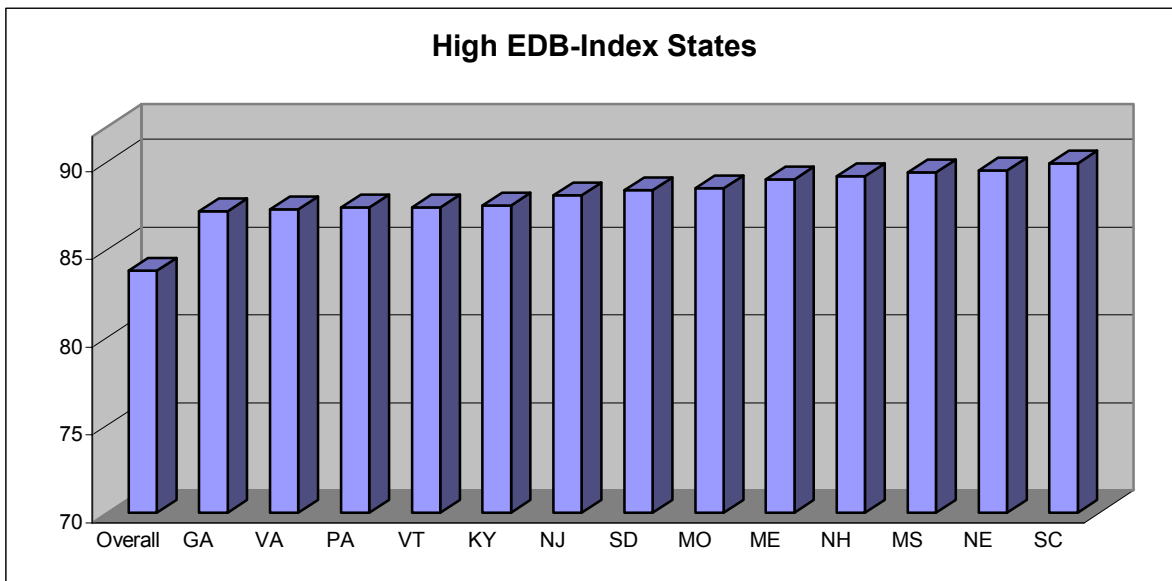
There are significant gaps between importance ratings—a proxy for Independent Agents’ expectations—and Carriers’ performance in most of the areas that comprise EDB. (See the chart below “Overall Survey Results: Importance v Performance”.)



One of the survey's outcomes again this year is that there is surprisingly little difference in ratings across various demographic groups. That is, Principals, Producers, Customer Service Reps, and Others' ratings are fairly consistent with one another. Similarly, there is little difference in the data by Agency size, or by whether

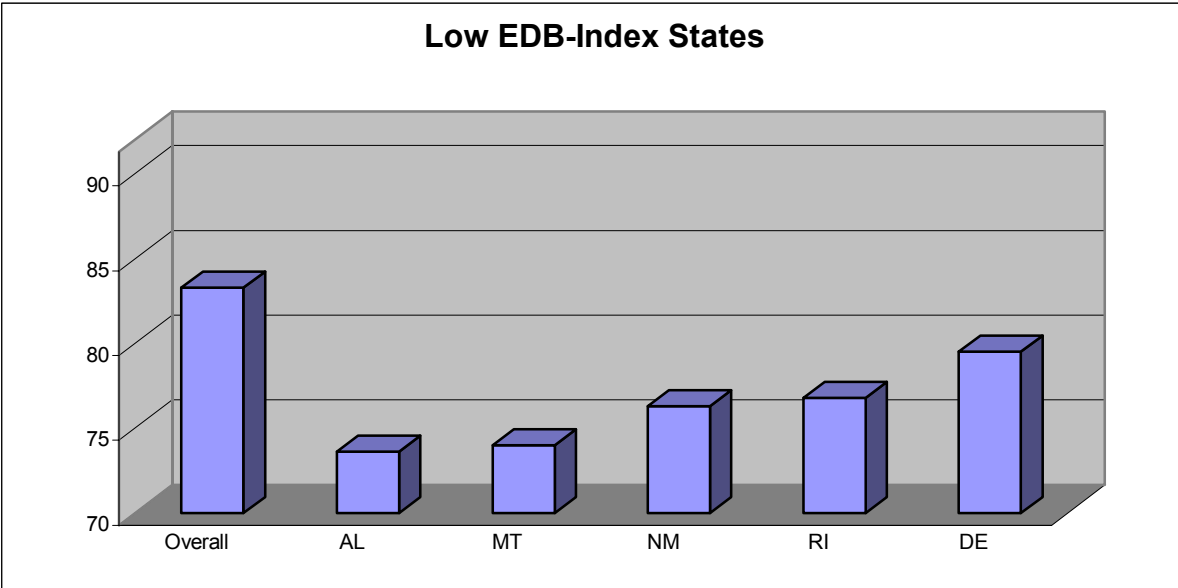
the respondent's focus was all personal lines, or all commercial lines, or any of three gradations in between.

There are, however, substantial differences by geography, with carriers in South Carolina in the lead with a strong 89.9 EDB-Index. Other states with relatively high carrier ratings are shown below.



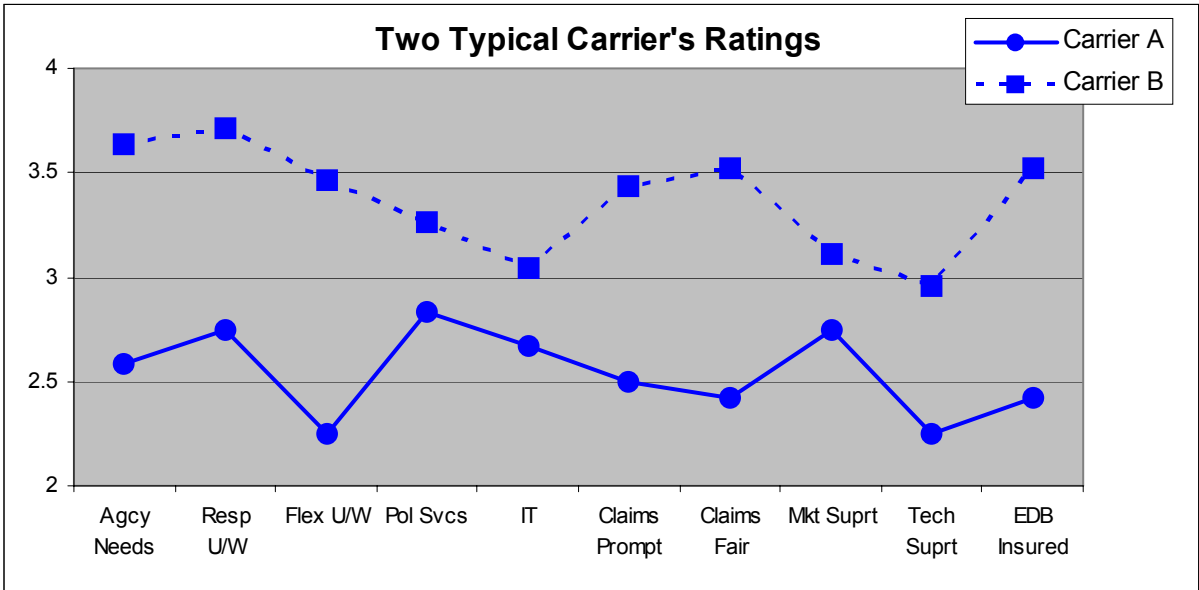
Alabama, had the lowest carrier average rating by state with an EDB-Index of 73.6. Other relatively low overall carrier ratings are shown below. The variation from high EDB-Index to low EDB-Index states has to

do with performance; there is very little difference in importance ratings from one state to another. What drives those differences is unclear.



But the most significant variation is the substantial difference in ratings from one carrier to another. To illustrate the variation among carriers, the following chart shows EDB performance for two different but typical carriers. (The carriers, cleverly disguised as “Carrier A” and “Carrier B” are typical in that they do not have extreme ratings in either direction.) Some carriers

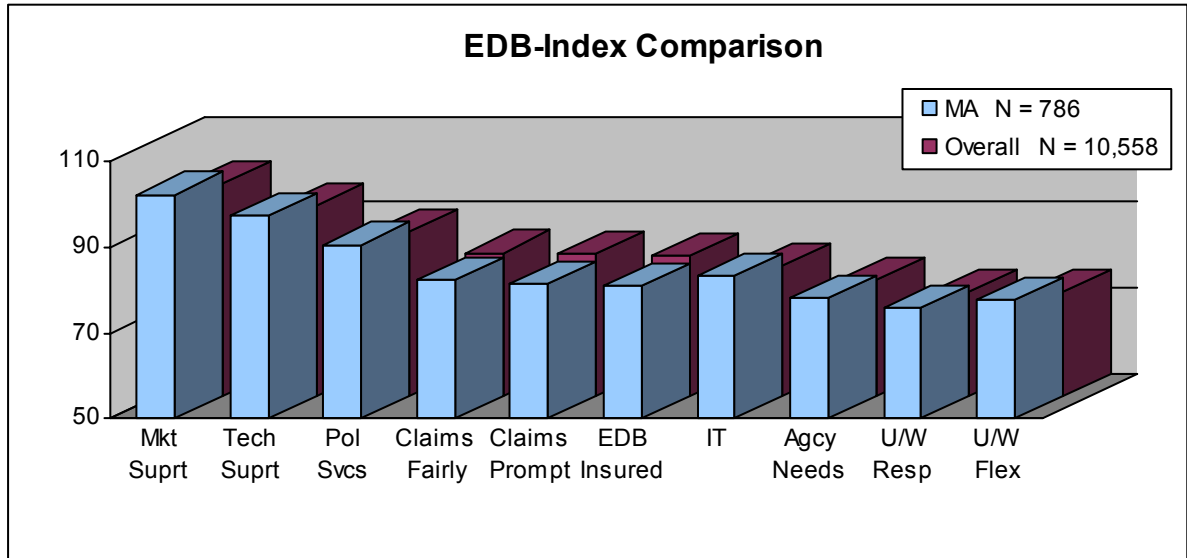
rated lower than Carrier A and some rated higher than Carrier B.) The point is, simply, that carriers’ EDB performance varies considerably. In our experience, what characterizes those carriers who perform better is that they think of the agents who represent them as their customers and they commit to serving those customers.



These kinds of variations are found throughout the performance data. Our experience is that carriers whose strategy includes being easier to do business with as a way to gain and retain business, and who focus their entire organizations on making that strategy operational, fare better in EDB ratings. More specifically, they recognize—and act on—the fact that it is primarily the

agent, not the insured, who makes the buying decision. Stated simply, the competition is within the agencies. Which is fundamentally why EDB really matters.

Since there is variation from state to state, we thought it would be useful for each state to compare EDB performance ratings of carriers in that state with the benchmark of overall EDB performance.



Massachusetts agents' ratings of the carriers they represent very closely mirror the national benchmark. At 102.3, carrier performance actually exceeds expectations in *Provides marketing support*. (That factor is also rated least important, somewhat negating the impact of that strong performance.) The largest difference—positive but small—is *Is flexible in underwriting* (77.6 versus 74.3), still offering room for improvement.

Broadly, the greatest opportunity for carriers in Massachusetts to differentiate themselves lies in the areas of handling claims more fairly and promptly, and helping the agents work more easily with their customers, the policyholders.