

Insurance Practice

# The multi-access (r)evolution in insurance sales

Consumers expect a seamless, digitally enhanced experience across multiple access points and channels. Three different approaches can enable insurers to respond effectively.

*by Simon Kaesler, Michael Krause, and Johannes-Tobias Lorenz*



**Changes in customer behavior** are causing a fundamental shift in the insurance distribution model. Consumers are embracing digital channels, and their experiences with leading tech companies have also raised their expectations when buying insurance both online and offline. This trend will become more important as people shift to performing tasks of everyday life more remotely. A seamless, consistent “multi-access” experience across all touchpoints is now the standard that all companies must strive to meet (see sidebar “Definition of ‘multi-access’”). The bar is also being raised by insurtechs. Investments in insurtechs worldwide grew from \$0.3 billion in 2003 to \$5.8 billion in 2019,<sup>1</sup> and the unique selling proposition of many emerging players is based on a digitally enhanced customer experience.

Major European carriers have been slow to move in this direction, similar to those in the United States; players in Asia, however, have established seamless linkages between digital platforms and tied agent channels. Even though the number of tied agents is declining<sup>2</sup>—in Germany by 33 percent over the past ten years, for example—many insurers still rely on an exclusive network of intermediaries to handle frontline interactions. In addition, legacy IT systems hinder the implementation of digital technologies

required for a seamless customer experience across channels.

Still, customers expect an upgrade. Every insurer addressing private customers will need to adopt a multi-access approach. How to achieve this transformation—and which aspects to focus on—will depend on the state of their current distribution models. To determine the best path forward, insurers should ensure they have a clear understanding of their organization’s multi-access capabilities, target customers, and the competitive landscape.

### Customers demand multi-access

Traditionally, insurance companies had agents and brokers designated as the primary interaction channel with their customers. This “100 percent” approach has all but disappeared. Now, customers demand multiple access points for engaging with their insurer along the customer journey (Exhibit 1). This mix of touchpoints makes consumer engagement much more complex. One survey found that 84 percent of German respondents use digital steps along the customer journey. At the same time, 55 percent cannot imagine actually buying an insurance product online. A majority of German customers prefers to switch channels within the customer journey.<sup>3</sup>

<sup>1</sup> *Quarterly InsurTech Briefing Q2 2019*, joint report from Willis Towers Watson, Willis Re, and CB Insights, July 2019, willistowerswatson.com; 2019 value extrapolated from first half of 2019 data.

<sup>2</sup> Tied agents sell a particular insurance company’s products.

<sup>3</sup> “Digital insurance customer – inform online, complete offline [Digitaler Versicherungskunde - online informieren, offline abschließen],” German Insurance Association (GDV), October 28, 2016, gdv.de.

## Definition of ‘multi-access’

### As companies across industries

gained many more ways to engage with customers—from traditional, in-person, and “offline” contact to phone, online, mobile, and social media channels—they created omnichannel customer experiences with seamless transitions between channels.

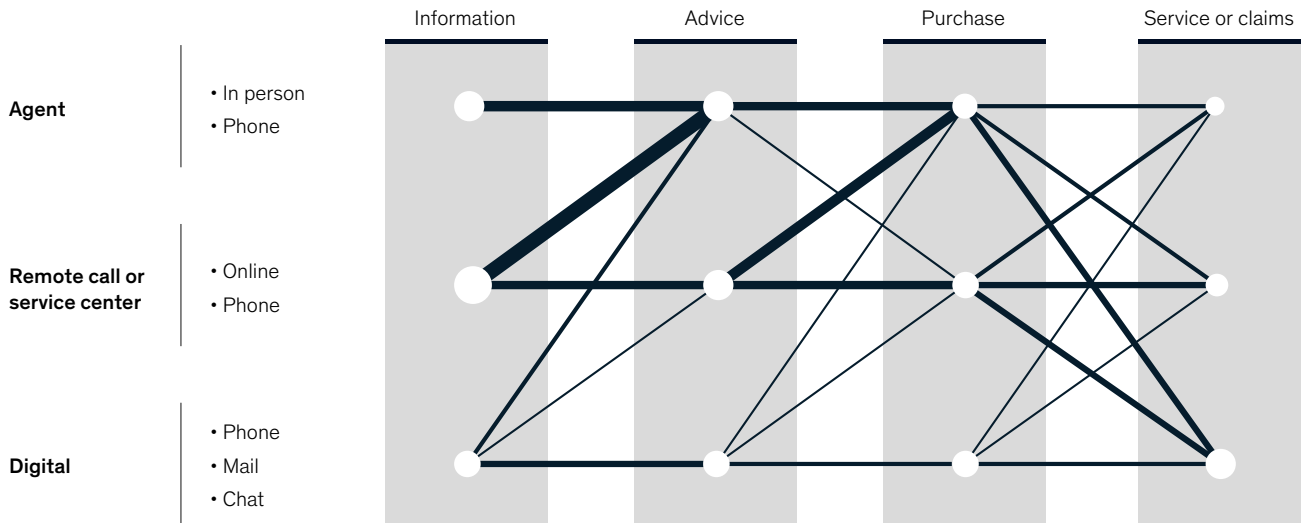
The concept of “multi-access” represents a more granular look at the customer journey. This lens recognizes that customers engage with their insurer at multiple access points within different channels before, during, and after purchasing a product. By focusing on supporting these individual interactions across channels, insurers

can be better positioned to provide an excellent experience and strengthen ties to the customer.

Exhibit 1

## Multi-access customers typically interact with insurers across multiple access points.

### Illustrative example



Note: The thickness of the line represents the volume of customers moving between channels and stages of the journey.

However, insurance customers consider service quality and trusted advice from an agent to be an important part of their decision to purchase. In Germany, for example, nearly half of customers cite this preference as a reason to purchase from an agent (Exhibit 2).<sup>4</sup> Nevertheless, customers are sensitive to pricing because of increased transparency online, which has also lowered switching costs to unprecedented levels. As a result, loyalty has significantly decreased, especially for customers mainly purchasing online. For example, the willingness of German auto insurance customers to change their insurer increased by 98 percent from 2009 to 2019.<sup>5</sup>

### The business case for multi-access makes sense

Multi-access customers are the fastest-growing insurance segment in recent years—in 2019, every second customer was multi-access. At the same time, the share of purely offline customers

is expected to decrease from six out of ten in 2012 to just over two out of ten in 2024 (Exhibit 3). Recent shifts to using technology for remote interactions more frequently will further support these developments. Taking the German P&C market as an example, this trend implies a multi-access share of €3.5 billion to €4.0 billion in new business volume annually, or 18 million to 22 million new contracts each year.<sup>6</sup> This trend also presents a huge opportunity to the agency channel, which will do most of the actual contract closure.

Also, due to the convenience of online channels, customers engage more frequently with their insurers, with remote interactions outnumbering in-person contacts. Therefore, supporting multi-access customer journeys will be critical for insurance companies in the future (see sidebar “Seven key insights on multi-access customer behavior”).

The increasing relevance of multi-access customer journeys will also change the economics

<sup>4</sup> *Digital insurance – what customers want [Die digitale Versicherung – was Kunden wollen]*, joint report from GfK and GDV, October 2016, gdv.de.

<sup>5</sup> Study: Vigorous change in willingness to change cars [Studie: Kräftige Veränderung der Kfz-Wechselbereitschaft], *Versicherungen Journal*, December 19, 2019, versicherungenjournal.de.

<sup>6</sup> *Statistical yearbook of German insurance 2019*, GDV, 2019, en.gdv.de; Finanzmarktpanel, Ipsos, January 2020, ipsos.com; Global Insurance Pools, McKinsey, January 2020, McKinsey.com; expert estimates.

<sup>7</sup> Sum of acquisition, renewal, and portfolio commissions for life and P&C products for 2017 based on information provided by BaFin and GDV.

Exhibit 2

**Using digital channels along the customer journey is the new standard, but more than half of customers still do not imagine buying insurance online.**



Source: GfK, GDV

of insurance sales. In 2018, €15.5 billion in commissions was paid out to agents in the German life and P&C markets.<sup>7</sup> As the share of customer journeys exclusively relying on contacts to agents diminishes, insurers will have to redefine their agent collaboration and remuneration scheme. However, agents will benefit from potential digital leads and using digital tools to address the needs of multi-access customers.<sup>8</sup>

**Three approaches to achieving multi-access**

To address the needs of multi-access customers, insurers can follow different approaches based on their existing strengths and organizational capabilities (Exhibit 4). Many insurers with a traditional focus on agents start by digitizing their existing agent channel. Carriers with both a well-developed agent network and established direct channels might naturally opt to pursue a “true multi-access model”—the full integration of agent

and direct channels. Alternatively, insurers with a strong direct focus can address multi-access customer needs by augmenting their direct channels with human components through agents, brokers, and outlets.

**Digitization of the existing agent channel**

The insurance industry has long relied on tied agents for sales, and these networks remain the most important sales channel for a considerable number of insurers. Research shows that two-thirds of European insurance distribution is focused on physical intermediaries.<sup>9</sup> To address the needs of multi-access customers, the strategy of choice for many of these companies is to start with the digitization of the existing agent channel.

The main goal of this approach is to support the sales activities of the existing agent network by using digital tools to enhance the customer experience. The role of the direct channel is often to provide information and a first point of advice for customers.

<sup>8</sup> Digital leads are prospects with the intention of buying an insurance product.

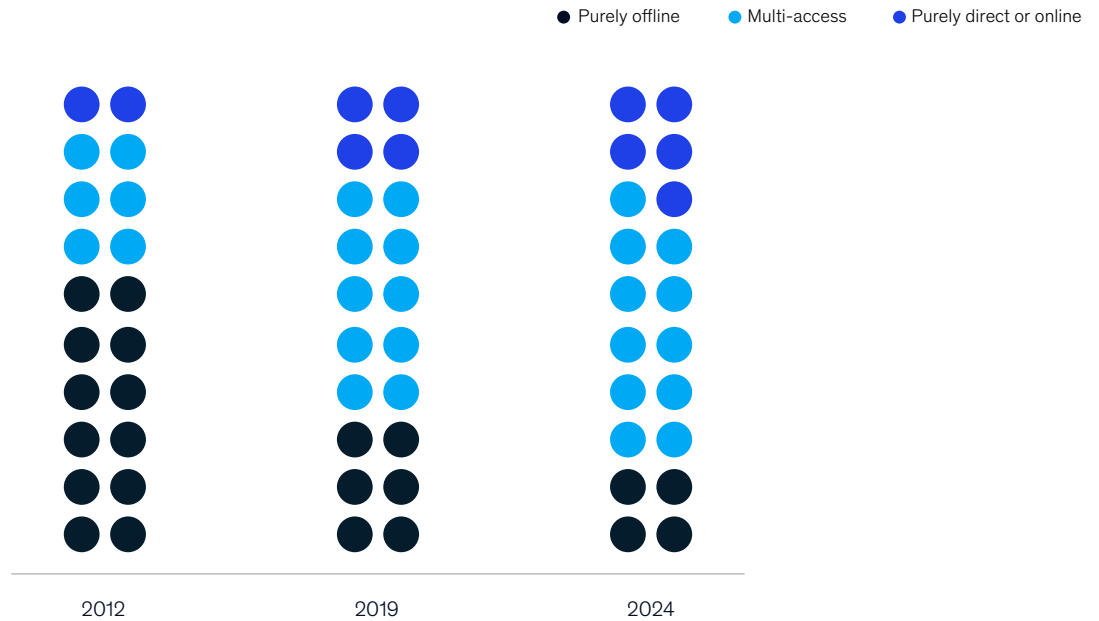
<sup>9</sup> Global Insurance Pools, McKinsey, January 2020, McKinsey.com.

Exhibit 3

## Multi-access in insurance is the new standard.

### Share of insurance customers in Germany (all lines of business)

Illustrative



Examples include the following areas:

**Digital customer interaction.** Insurers can equip agents with the technical infrastructure needed to offer advice through online channels, including remote services for video chat and instant messaging. This functionality improves convenience for the customer while maintaining the human component of the traditional channel. In addition, agents are provided with digitized processes and tools for their day-to-day business, such as online appointment scheduling, which is already a widely accepted service. Our analysis shows that consultation meetings from online appointments tend to have significantly higher conversion rates than meetings arranged in other ways. Moreover, customer consultations are enhanced by digital elements such as tablet computers, digital

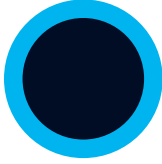
signatures of new contracts, and advisory videos for products that agents can show their customers.

**Increased visibility, accessibility, and reach.** To augment the online presence of agents' websites, many insurers provide their distribution network with a modular toolbox, one that contains applications such as instant messaging and social media as well as the content for regular digital customer outreach. Additional digital features include automated callback options and call routing to a central call center. Furthermore, customer relationship management (CRM) initiatives using data analytics for targeted email, telephone, or social media campaigns can increase the reach to customers.

**Multi-access skill building.** Training is needed to successfully enable agents to use the provided digital

## Insurers can take three approaches to address multi-access customers.

Multi-access models: ● Agent channel ● Direct channel



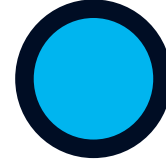
### Digitization of the existing agent channel

- Agents remaining at the center of distribution
- Digitization of sales processes and access points to agents
- Direct channel with focus on information or advice for customers and generation of leads for agents



### Full integration of agent and direct channels

- Collaboration of agent and direct channels on equal footing
- Transformation toward multi-access product offering and seamless customer journeys
- Uniformity of external appearance of agents and direct channels



### Enhancement of direct channel with human components

- Direct channel at the center of distribution
- Use of agents, brokers, or outlets as additional sales and advice channel for customers
- Extension of product portfolio to more complex products with need for personal advice

tools and apply effective remote advisory techniques. According to our analysis, which compiled responses from approximately 30 European insurers, nearly 70 percent of traditional insurers have increased or plan to establish multi-access training programs for their physical sales channel. In addition, successful insurers digitize tools for customer feedback to give agents the opportunity to improve their performance.

For most insurers, however, supporting the agent channel with the necessary digital elements is a mitigation strategy rather than a future strategic direction. Still, insurers that systematically digitized their agent networks have achieved impressive results, including a five-digit increase in the number of consultation meetings initiated online within a few months, impressive growth of total website visitors, and an annual rise of about 20 percent in the number of contracts sold by top-performing agents.

#### Full integration of agent and direct channels

For a full integration, insurers should have a robust network of tied agents and direct skills and

then commit to integrating both on equal footing. With these assets in place, insurers can unlock the full potential of the growing segment of multi-access customers as well as control costs by steering customers to the most appropriate channels—for example, forwarding inquiries for less-complex products to direct channels.

The aim of full channel integration is a seamless, consistent customer experience that puts customer needs at the center. It provides access to relevant products and services through all channels and touchpoints. This approach does not necessarily view a tied agent as an obligatory intermediary but rather as someone who adds value where needed with expert advice and service.

Fully integrating the agent and direct channels relies on three pillars:

**Multi-access product offering.** Products should be available through all sales channels and with consistent pricing so customers can freely switch

## Seven key insights on multi-access customer behavior

A recent McKinsey survey of more than 16,000 people in eight Western European countries asked which channels they

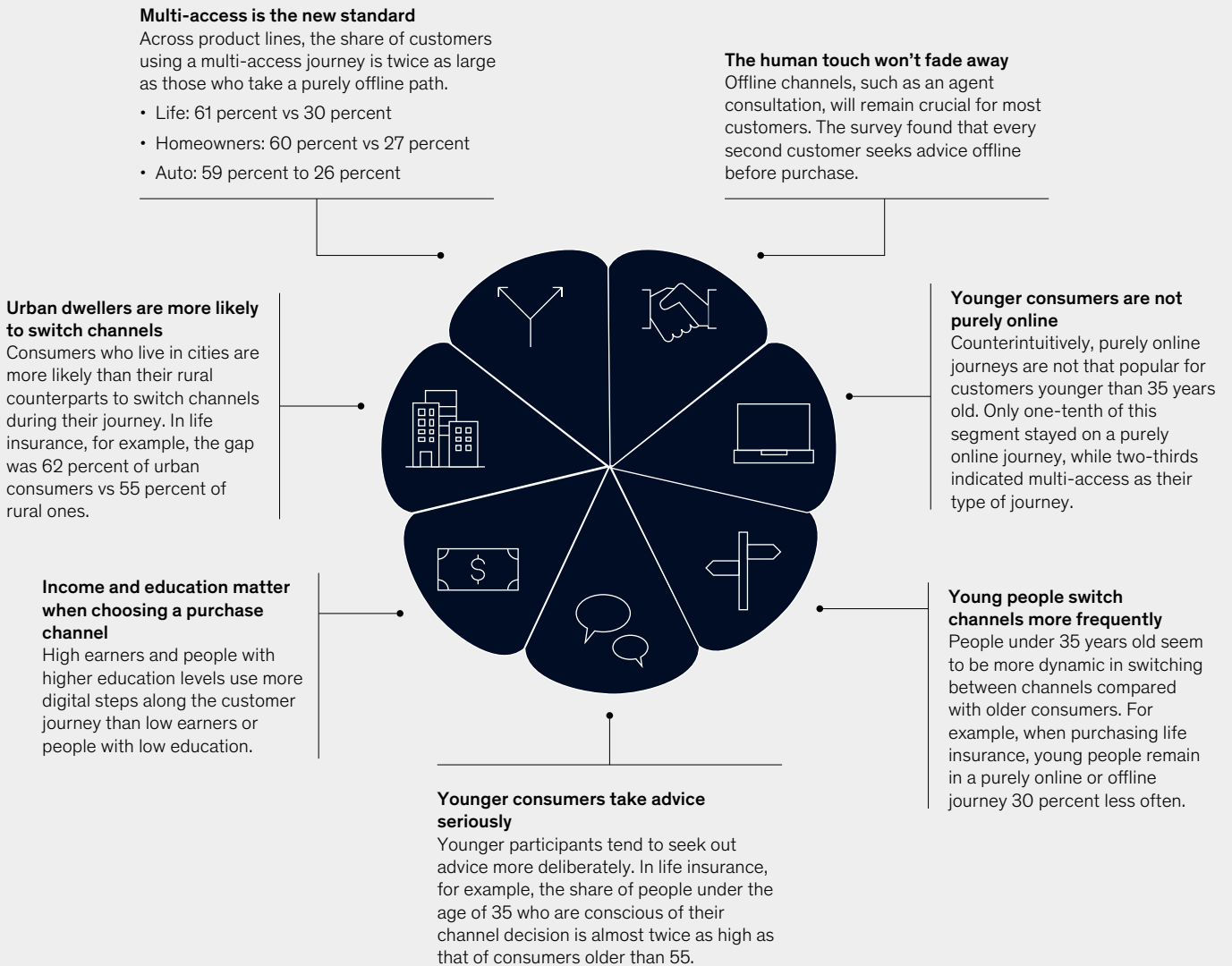
used in their purchasing journey over the past two years. Our analysis revealed a

number of insights about market trends and preferences (exhibit).

Exhibit

### Supporting multi-access customer journeys will be critical for insurance companies in the future.

#### Key insights on multi-access customer behavior



between channels during their purchasing journeys. A standard product structure must be suitable for both the top-down sales approach of tied agents (in which agents typically start with a comprehensive premium product and work with the customer to deselect components to lower the price) as well as the bottom-up sales approach in direct channels (in which customers typically start with a basic product and then select additional components). Also, multi-access insurers should carefully design different rate options—for example, basic, intermediate, and premium—to enable customers to down- or upgrade their insurance.

***Interfaces for seamless channel switches.*** To address the needs of multi-access customers, insurers must identify interfaces between agent and direct channels and establish seamless handoffs. For example, the availability of customer data in all channels is required to enable cross- and upselling of existing contracts as well as the service and claims settlement in all channels. Integration of channels does not stop at the closure of contracts; it must be defined end to end along the customer journey from information seeking to services and claims. For example, human touchpoints are preferable for inquiries of more complex products to increase chances for cross-selling. In services and claims, the direct channels with self-service offerings can be prioritized to decrease administrative costs.

***Internal collaboration setup.*** To organize the collaboration between agent and direct channels, insurers must establish an efficient set of multi-access rules. The essential questions of who “owns” and approaches which customers as well as who gets paid and how much for multi-access contracts must be answered. To put such a framework into practice and actively manage the channel collaboration, the availability of customer data and the ability to track

customer journeys must be guaranteed across the organization.

A comprehensive multi-access transformation requires considerable time, effort, and resources to implement. Yet we have seen transformations make a significant impact—for example, an increase in total sales of new products, across all channels, of ten to 15 percentage points a year. Installing a comprehensive CRM system to generate cross-selling leads and using digital channels to systematically target inactive or dormant customers can more than double cross-selling rates with existing customers.

### **Enhancement of direct channels with human elements**

Insurers that start with a focus on direct sales can address the needs of multi-access customers by enhancing their direct business model with in-person advice to customers. The direct channels remain at the center of business. But the ability to offer personal advice through agents, brokers, and outlets enables insurers to sell more complex products, such as life insurance, and better serve customers who do not feel comfortable relying on impersonal contact.

When including human elements in direct channels, insurers must make the following decisions:

***Degree of ‘humanizing’ direct channels.*** The extent of human elements in the direct channel can vary significantly. A first step could include chat and email in the sales process in addition to call center agents. These contact options can be enhanced through simple measures such as showing the names and photos of people on the contact page. A more far-reaching step is routing the customer to consultants or agents who have similar personal characteristics. Last, integrated sales processes with routing of customers between the direct channel and an agent



network can be a preliminary step to a full integration of both channel worlds. Depending on the insurer's target customers and its affinity for direct purchase and need for personal advice, different degrees of humanization are suitable.

**Product offering.** The insurer should define its product portfolio depending on the degree of humanization. With integrated sales processes, agents can build trust with customers and offer personal advice for complex and more expensive products that are originally difficult to sell in the direct channel. Absent collaborating with real-life agents, insurers have limited possibilities to offer comprehensive advice to customers and establish a personal, trust-based relationship.

**Selection of agent or broker partners.** Direct insurers that choose to collaborate with agents or brokers have three options. First, they can partner with an existing network of tied agents. This option is particularly interesting for direct insurers with a parent company that has a traditional tied agent network, a strategy some German direct players have deployed. Second, insurers with a strong focus on direct business can build their own network of tied agents and outlets. This path requires more investment than the first approach but has the advantage of minimizing cannibalization between the direct products and the "original" products for tied agents. In the European insurance market, some direct insurers have their own tied agents or outlets in major cities to provide advice and service for selected direct products. As a third option, direct insurers can sell their products using brokers. This option—chosen by a digital attacker in the German market, for example—involves the least amount of integration and is therefore the easiest way to collaborate with offline partners.

## **Choosing the right approach to address multi-access customers**

As previously mentioned, every insurer has a viable path to implementing a multi-access model. However, the appropriate choice is dependent on many variables. Executives should assess three areas to best determine which multi-access model is right for their organization.

**Evaluate existing assets and capabilities.** As a starting point, insurers must confirm their chosen multi-access approach is aligned with four aspects of their existing organization. First, they must assess the suitability of the product portfolio for sales in both the agent and direct channels. As described earlier, successfully selling through agent and direct channels requires different product characteristics, which can be combined in a way that addresses requirements from both angles. Second, the insurer should assess if it has employees with the respective skills and digital talent capabilities required for the preferred approach. Third, it is crucial to verify the ability of existing IT infrastructure and the availability of technical equipment from remote service and advice to support the integration of direct and agent channels. Last, a strong brand and perceived competence in tied agents or direct sales (or both) ensures the acceptance of the respective access points by customers. Carriers must have these capabilities in their organization or within their network. For example, an insurer with a traditional agent focus and a lack of online expertise could benefit from a purely direct player's strong brand and digital competence.

**Gain greater insights into the needs of target customers.** Insurers should strive to attain a granular understanding of the needs of their existing and future customers. This task typically requires gathering extensive data throughout the customer

journey. Through this process, carriers can determine their customers' levels of affinity to online information and purchasing compared with their desire for personal advice and interaction. Based on these insights, the insurer should choose an approach that best addresses an individual customer's needs. This approach can closely resemble a traditional agent network for customers who have a strong preference for personal interaction, a direct channel in case of high online affinity, or a fully integrated approach.

***Define the target position in the competitive landscape.*** To evaluate which multi-access model is the most promising, insurers need to define their target position within the market—an exercise that naturally considers the position of competitors. Insurers should seek to focus on potential white space in the competitive landscape. For example, being the first player with fully integrated agent and direct channels can confer a valuable first-mover advantage in addressing multi-access customers. Companies should also determine whether to partner with an existing agent network or a direct

insurer, acquire one, or develop a multi-access offering on their own.

The insights from these steps can guide an insurer in the development of its target multi-access model, accounting for the needs of all relevant stakeholders in the sales process. The selected model must benefit all relevant stakeholders—for example, the tied agents, the direct channel, and, above all, the customers.

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European insurers increasingly must manage the complex needs of the growing multi-access customer segment. While executives understand that they must fully embrace the digital possibilities to support a multi-access offering, the best solution can vary based on an insurer's strengths and structure. By choosing the right multi-access approach, carriers can be well positioned to serve evolving customer needs.

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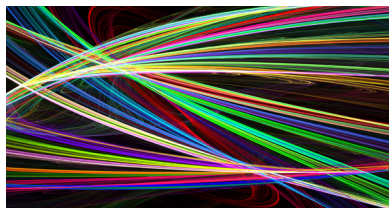
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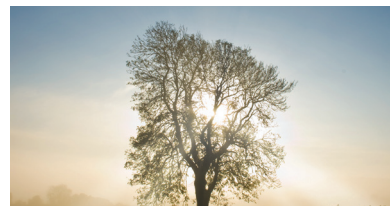
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