



# THE FIVE THINGS AGENCIES MUST DO

*Before The Hard Market Ends*



The hard insurance market has made it difficult for agents trying to find adequate coverage for their clients – but hard markets don't last forever.

In fact, there's reason to believe this hard market will be ending soon.

While this is good news, it does not mean that agents should take things easy right now – quite the opposite. As the market begins to soften, brokers must take action to seize the opportunity, grow their books and position their businesses for a stable future.

This window won't last forever. Agents who manage to win customer loyalty now will build a solid foundation for stable growth for years to come.



# Navigating the Ups and Downs of Hard and Soft Market Cycles

According to the [Insurance Information Institute](#), the property and casualty insurance market is characterized by cycles of soft and hard markets. During soft markets, rates are stable or even falling and coverage is readily available. During hard markets, rates rise and coverage becomes more difficult to secure.

[IRMI](#) says hard markets are caused by a number of factors, including falling investment returns, regulatory intervention that goes against the interests of insurers, and increases in loss frequency or severity.

Many of these factors have been at play in recent years. Notably, economic and social inflation have increased claims costs, whereas severe weather and natural disasters have impacted both claims severity and frequency. However, the tide may be turning.

## Historical Hard Markets

1975 to 1978

1984 to 1987

2001 to 2004

Source: [Insurance Information Institute](#)

# This Hard Market May Be Ending Soon

The [Council of Insurance Agents & Brokers](#) (CIAB) says commercial property and casualty rates increased by 7.7% on average in the first quarter of 2024, marking the 26th consecutive quarter of premium hikes. However, many lines showed moderation. Commercial property prices were up 10.1%, which is steep but significantly better than the 20.4% rate hike in the first quarter of 2023. Cyber insurance rates were only up 0.4%, whereas directors and officers lines were actually down by 0.8%. Survey respondents also reported increased capacity and less demand in D&O lines.

[S&P Global](#) says U.S. property and casualty insurers saw better underwriting results in 2023. Some business lines were still struggling (including commercial auto liability), but, overall, profitability appears to be improving.

Insurers also earn investment income. High interest rates may boost that source of revenue. According to [Captive.com](#), U.S. property and casualty insurers recorded \$73.9 billion in investment income in 2023 – a record high.

There are signs that things are looking up for insurers. Although price hikes and reduced capacity might persist for a while longer in some lines, a softer market may be on the horizon.

# Is this a good time to go independent?

If you're a captive agent, the thought of going independent during a hard market may seem scary. However, this may be the ideal time.

Policyholders are shopping like never before. As an independent agent, you'll be able to retain clients by doing the shopping for them and providing more choice. You'll also be in a stronger position to take advantage of the future soft market and the pent-up demand for coverage that's likely to surface as rates decline – particularly in commercial lines.

# What the End of the Hard Market Means for Insurance Agencies

The end of the hard market comes as good news for agents who have been struggling to find coverage or capacity for challenging risks, or those who are dealing with clients who are upset about rising costs and more restrictive terms. However, it's important to keep in mind that the end of the hard market isn't just good for you – it's also good for your competition.

When the insurance market softens, finding coverage will suddenly be much easier. Unfortunately, finding clients may not be. In the hard market, frustrated policyholders tend to shop around for better options. As a result, some agents lose clients, while others gain them. During the soft market, policyholders will have fewer reasons to explore their options. If you can win over clients now, you'll enjoy their loyalty through the soft market. If you lose clients now, you may have a difficult time winning them back.

And that's assuming you even survive. The simple truth is that some agencies don't last through hard markets. When the going gets tough, they give up and other agencies buy them out. When the market softens, these agencies reap all the rewards.

To make the most of the soft market, insurance agencies need to prepare for it. That means acting now, before the hard market ends.

In the first quarter of 2024, 42% of insured households had shopped for auto insurance coverage in the last 12 months.

*Source: LexisNexis*

“Some agents who are power players are looking into the future and seeing what's going to happen in three years, and those are the people who are buying agencies today.”

- Mike Miller  
State Director, Smart Choice



# Must Do #1:

## Conduct Purposeful Sales Interviews.

When you meet with prospects, your main goal is to sell them the insurance policy that brought them to you in the first place. However, if you want to create a long-term client rather than a quick sale, there's a lot more to accomplish during the meeting.

**Show the prospect your value.** People can buy insurance anywhere. They may not even need an agent to buy coverage, especially for personal lines. Why should they come to you? If you can show that you'll go the extra mile for your clients, you'll earn their loyalty.

**Collect information.** To be able to help your clients above and beyond their expectations, you need to gather information. Part of this involves learning about what they want from an insurance program. For example, are they most concerned about costs or would they prefer to pay more for comprehensive coverage? Do they want the minimum coverage their lender or state says they need or do they want to understand the terms of their coverage?

You also need to learn about their other coverage needs, including needs they're unaware of. For example, you could discuss various scenarios – such as losing a diamond ring while on vacation or being sued after someone falls on their property – and talk about whether they have sufficient coverage in place.

“It's all about engaging with your customers. So, you're helping and, hopefully, having those good consultative conversations through the hard market, and that's what builds customer retention.”

- Carol Drake  
SVP, Smart Choice

### Do your meetings have a clearly defined purpose?

- What is your primary goal for the meeting?
- What are your secondary goals?
- What message do you want to convey about your value?
- What information do you need to gather?



## Must Do #2:

# Eliminate Price Objections.

Price objections are often a barrier to sales, both in a hard market when prices are up and in a soft market when people just don't want to spend money on insurance. People understand that bad things happen, but they don't think bad things will happen to them. As a result, they don't want to spend their hard-earned money on insurance coverage they don't think they'll ever need.

Of course, bad things could happen to them just as easily as to anyone else. Your job is to help them obtain the coverage they need before that happens. To do that, you need to overcome price objections.

**Explain why you're offering coverage.** If you think your clients need additional policies or higher limits, explain why. Otherwise, they may think you're trying to be pushy and upsell them. Discuss specific scenarios in which they would need the coverage and go over the math to show why they need to increase their limits.

**Discuss your clients' budgets.** To avoid rejection based on price, take some time to understand what your clients are willing to pay. That way, you'll know what's doable when you get quotes and can offer some budget-friendly options.

**Think outside the box.** If traditional coverage options aren't meeting your clients' needs, try a different approach. For example, instead of conventional auto insurance, you might recommend telematics or usage-based auto insurance.

**Have your clients sign a waiver.** Imagine you're meeting with a client who's just had a baby. You're recommending that your client increase their life insurance coverage. Your client says they'll think about it – and then never gets back to you. Maybe they were just busy with the new baby or maybe they didn't want to spend money on higher premiums. Either way, your client doesn't get the coverage and you don't get the sale. This might have gone differently if you'd provided a waiver when you made your recommendation. With a waiver, clients have to sign to show whether they're accepting or rejecting your recommendation. This forces them to act. It may also make them think twice about rejecting coverage that's important enough to need a waiver.

“Telematics has really become a very easy thing for customers to get their head wrapped around. It's on your cell phones now,” says Carol Drake, who estimates drivers often save 15% to 20% and may save up to 30%. “That's substantial savings. And when you bundle that with a lot of the right coverages, you're bringing value. Value is really what lasts long term. When you do that, you retain your customers. You grow your bottom line.”





## Must Do #3: Bash Your Competitors Without Ever Saying a Bad Word.

You need to convince your prospects that you're better than the competition, but insulting other agents will make you look unprofessional. It's a fine line, but you'll be able to walk it if you choose your words wisely.

The trick is to ask questions that uncover weaknesses and oversights and then show what you'll do differently. For instance, you could say:

- *Has your current/previous agent been reviewing your policies at renewal to make sure you're properly covered? No? As your needs may change from year to year, an annual review is critical. I can do this – then, you won't have to worry about whether you have the protection you need.*
- *Has your current/previous agent explained your policies to you? No? Insurance is often confusing. I don't want you to be surprised when it comes time to file a claim. I'll go through the policy with you to make sure you understand all the terms.*

When you take this approach, you don't have to bash the competition – your client will read between the lines and understand that the incumbent's services have been underwhelming.



# Must Do #4:

## Eliminate E&O Claims by Covering All Lines.

45% of Americans don't know which natural disasters their homeowners insurance covers.

*Source: ValuePenguin*

“Agencies need to be thinking: ‘Do I have the right carriers? Do I have the right portfolio? Do I have enough diversification to survive another hard market?’ ”

- Ashley Wingate  
EVP, Smart Choice

You're not an order taker – you're an insurance expert. It's up to you to lead your clients through the process of understanding their risk exposures and their coverage needs. Discuss the available coverages for every exposure scenario. Don't wait for your customers to ask – they don't know enough about insurance and risk management to ask the right questions.

For example, imagine you help a family secure homeowners insurance. A year later, the husband dies. The wife can no longer afford to make mortgage payments. They came to you to secure protection for their home – now, they've lost their home. If you had offered life insurance, the widow and her children may have been able to stay in their home.

There are countless other scenarios like this. For example:

- When offering homeowners insurance, always discuss whether flood insurance is needed.
- When offering life insurance, be sure to discuss disability insurance. In this age, your clients are more likely to live with a disability than die from an accident or illness.
- When offering a business insurance package, discuss cyber and employment practices liability insurance.

By covering all your bases, you build trust, increase insured value for every client and protect your agency from errors and omissions lawsuits.

We've already talked about gathering information to identify coverage needs and having clients sign a waiver when they turn down coverage. These strategies are important, but you also need to offer a wide range of insurance products. By covering all lines, you'll ensure your clients have all the coverage they need. At the same time, you'll earn more commissions and increase customer loyalty.





# Must Do #5:

## Be A Risk Consultant, Not A Quote Machine.

Many people want the lowest price. However, if that's all you offer, you're not giving clients much incentive to stay loyal to you – they'll jump ship the second they get a slightly lower quote somewhere else.

When coverage becomes more readily available as the market softens, it's easier for clients to find coverage on their own. You need to prove your worth as a risk consultant.

One way to do this involves points we've already covered. If you conduct a thorough assessment of each client's needs and provide all the lines of coverage clients may require, you're already ahead.

However, true value continues after you've finalized the sale and earned your commission. You don't need to wait for renewals to reach out to your clients again – you should help them throughout the year by acting as a risk consultant:

- Check in to see how clients are doing. Find out if their coverage needs have changed and be ready to help them secure additional coverage.
- Support clients through claims. Make sure they know how to report a claim and be ready to assist if they run into any problems. This is what they're paying for when they buy insurance.
- Provide risk management tips. For example, if insurance companies have been canceling policies based on drone footage, give your clients a heads up. If a winter storm is coming, provide resources on how to prevent frozen pipes.

LOW

RISK

HIGH



# To Be There for Your Clients, You Need Someone to Be There for You

If you're thinking that all this advice sounds great in theory, but you don't have the resources to pull it off, it's time to find better support.

If you want to ...	The Smart Choice network can ...
Offer every line, but you don't have access to carriers ...	Help you gain the carrier access you need, and you can start right away, without having appointments.
Expand into more types of insurance but you're not sure you know enough ...	Provide support and guidance so you can easily expand into new lines. In fact, with Smart Choice's Smart Start program, we do all the work for you, and you earn a competitive commission.
Help commercial clients but can't find affordable solutions in the traditional insurance market ...	Give you access to alternative solutions, such as the excess and surplus market.
Do more for your clients but you don't have the time ...	Free up your time by providing back-office support, technology, quoting services and guidance.

## Did You Know?

Smart Choice provides access to more than 100 carriers and 3,000 products. We also provide product training and sales and marketing support. Best of all, we don't charge any fees. With Smart Choice by your side, you can easily achieve the five crucial strategies discussed above, laying the foundation for stable growth for years to come.

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