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The Insurance Agency of the Future

Executive summary

As the insurance landscape evolves with the rise of new insurtech players, traditional incumbents must reformulate their strategies to preserve long-term competitive advantage. Agency of the Future was born from the need to assist a major incumbent, Reale Group, in taking up a huge challenge: innovating the role of insurance agencies and agents in its business model by 2030, taking into account technological trends and evolving expectations of the customers.

An extensive discovery phase preceded the solution design based on a deep understanding of the insurance landscape, Reale Group's business model, and all the stakeholders' needs using both primary research and secondary research activities.

The research helped to define the problem underlying the challenge. In an increasingly digital world, a traditional player in the Italian insurance sector, like Reale Group, is currently stuck to a traditional business model where the insurance agents are central. To resist the entrance of disruptive players, insurance companies must reshape their business models, rethinking the role that insurance agents will have in 2030, as well as the customer experience and offering to attract young clients.

Hence, Agency of the Future outlines a new, customer-centric insurance agency model characterized by a journey where the customer is accompanied by the agent, which adapts his role over the customer's life stages. The customer journey takes place in a «phygital» environment, combining digital and physical spaces.

The solution comprises three components: digital platform, physical agencies and network, described through functional and technical requirements, service flows, customer journeys and a feasibility assessment.

The solution developed supports Reale Group in undertaking a path towards reshaping the "Agency of the Future", firmly rooted in the needs of their clients of 2030.

Key Words

Reale, Insurance, Agent, Phygital, 2030

Project description written by the Principal Academic Tutor

In many industries facing potential disruption brought by new business models and new entrants, one key question placed by incumbent firms is how to transform and breathe new life into legacy assets. The key point is to ensure that these assets do not constitute a "deadweight" contributing to organizational inertia but – on the contrary, and once renewed - they may become enablers of change, leading to a new form of competitive advantage.

"Agency of the Future" is a very interesting project that attempts to deal with this problem in the case of the insurance industry and, specifically, the traditional distribution network based on independent insurance agencies. The project provides interesting proposals aimed at transforming these agencies into new hubs catering to a complete and renewed customer experience. From a methodological perspective, this can be viewed as an instance of a more general intervention approach that may be used in other industries as well.

Team description by skill

The team includes seven members: three management engineers, one mathematical engineer, two product-service-system designers, and one built environment interiors architect. The challenge was inherently multidisciplinary and led each team member to expand personal commitment beyond their specific field of expertise.

Giovanni was the Team Controller, managing both budget and agenda, communicating with tutors and finding the right balance between the different souls of the project.

Glenda enriched the value of primary research activities and solution development, leading codesign and validation moments, as well as the design of the user experience.

Matteo was fully committed to the project, providing all the stages with a business-oriented view, which was crucial during research and solution development.

Silvia took care of the design methods and service flows, contributing to fuel the ideation process and stimulating the team to disruptive reflections to overcome discouraging phases.

Francesca C. participated with enthusiasm and dedication during all the project's activities, no matter their nature, while developing an accurate solution for the physical spaces.

Francesca V. was decisive during critical phases: thanks to the experience gained with her insurtech startup, she was able to pragmatically strengthen the weak elements of the solution in harmony with the project's progress.

Finally, **Alessio** supported the team with his perspective.



Codesign sessions organized with the company

Goal

Agency of the Future (AoF) is a project about innovation in insurance distribution models. The challenge consists of an overall rethinking of the insurance value proposition, customer experience and role of the intermediaries for the next decade. The perspective taken is that of an incumbent like the Italian Reale Group, one of the top five players in the Italian insurance industry and the country's largest company in mutuality form.

The challenge looks at the whole insurance distribution chain, acknowledging the presence of significant trends affecting both customer choices and technological opportunities.

The critical element of the innovation challenge proposed by Reale Group is to imagine what the core relationships between end customers, insurance companies and agents will be, designing all the aspects characterizing the experience of an insurance customer in 2030.

It is possible to summarize the project's primary goals as follows. The project should:

- understand the Italian insurance sector's dynamics and stakeholders' needs;
- elaborate the insights gathered and translate them into solution requirements;
- develop scenarios and design directions to give the solution a long-term vision;
- develop a solution envisioning the new role of insurance companies and agents;
- assess the feasibility of the solution and provide recommendations to monitor its success.

Understanding the problem

An extensive discovery phase preceded the solution design based on a deep understanding of the insurance landscape and all the stakeholders' needs using both primary and secondary research activities. The insights gathered were then translated into solution requirements. The following list includes some of the insights that emerged from the customers:

- Insurance is perceived as a negative concept;
- Insurance policies' conditions seem non-transparent, and customers often mistrust agents;
- Italian consumers have poor insurance literacy;
- Young customers desire empowerment and digitization, while older customers need more support and physical interactions along the journey;
- Customers are becoming more willing to share data in exchange for a better offer.

The exact process was carried out for agents and the company, resulting in the following insights:

- Agencies have complex organizational structures made of dozens of professionals;
- Agents are overwhelmed by bureaucratic activities;
- Physical agencies have limited traffic flow and are mainly used for back-end activities;
- Customer relationship management is typically unstructured;
- Many agents resist sharing data with the company fearing disintermediation;
- Reale Group's competitive advantage lies in financial solidity, agents' expertise and nationwide presence.

As for the sector, what emerged is a portrait of an industry facing a process of concentration, mainly due to the progressive erosion of margins, which companies have to cope with by increasing volumes. At the same time, new threats players such as banks, BigTech companies and insurtech startups are targeting the insurance industry with disruptive strategies not firmly opposed by incumbents.

The research defined the problem underlying the challenge: in an increasingly digital world, a traditional player in the Italian insurance sector, like Reale Group is non-digital and relies on insurance agents as its primary distribution channel. To keep competitive, incumbents must rethink the role that insurance agents will have in 2030, as well as the customer experience and offering, to make them attractive to the under-35s of the future.

Exploring the opportunities

The insights collected during the research phase were fundamental to imagining future scenarios on which the development of Agency of the Future's solution could have been grounded. Two orthogonal dimensions were considered: 'Physical-Digital spaces' and 'Customer-Agent relationships'. We considered three scenarios to evaluate the stakeholders' expectations and the state-of-the-art analysis.

Considering the peculiarities of Reale Group and the Italian consumers, the scenario chosen was the second: "On-demand agents as consultants in a «phygital» environment. Further, we defined four directions to support the solution development: (I) Image homogenization, (II) Integration with the community, (III) Empowerment of the consulting role of agents, and (IV) Increased customer awareness.

Generating a solution

The design directions led to the definition of "Agency of the Future": a new, customer-centric insurance agency model characterized by a journey where the customer is accompanied by the agent, which adapts his role over the customer's life stages. Customers can take on this journey autonomously or supported by a consultant along the insurance experience. The customer journey takes place in a «phygital» environment, a combination of physical and digital spaces, maximizing flexibility, accessibility and value for the customer and meeting the expectations of both traditional and digital-native customers.



Design of a platform connecting the customers with the agents and the company

The solution developed by the team is composed of three key components, summarized hereafter.

- **Digital platform:** it represents a 360° connection between customers, agents and Reale's services, where the customer can remotely manage his insurance portfolio - autonomously or supported by the agent of reference. Consultants can better address customer needs thanks to innovative, machine-learning-based tools embedded in the platform.
- **Physical agencies:** existing spaces are maintained nationwide, giving them new value to increase their attractiveness, complementing consulting activities with prevention-oriented services, such as wellness and welfare, which must be delivered in presence. The solution includes two different lines of intervention: service hubs (large cities) and renovation of current spaces (medium and small towns). A case study about the construction of a service hub in Milan is analyzed in detail.
- **Network:** a value-adding function aimed at connecting customers with complementary needs within the same agency, thanks to the intermediation of the agent, which is further perceived as a 360° consultant. This is done through a structured mechanism triggered by customer needs and tracked through the digital platform.

The solution description was integrated with a feasibility assessment, leading to further recommendations. A high-level industrialization plan aims to mitigate possible risks of the solution, while the definition of a business dashboard of KPIs ad-hoc developed for the solution allows stakeholders to monitor its effectiveness and adoption.

All the stakeholders highly appreciated the solution since it supports Reale Group in undertaking a path towards the reshaping of the “Agency of the Future”, firmly rooted in the needs of their clients of 2030 to make the business of an insurance company thrive, despite the entry of disruptive insurance players.

VALIDATION AND USER TESTING SESSIONS



User testing sessions leading to the design of the digital platform



Service hub rendering for the case study in the city of Milan - Via Torino, 60



Sample materials of the brand image chosen for the physical spaces

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