

Brokerage of the Future

Digital innovation is enhancing insurance brokers' value





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The evolution of digital technology has transformed how business gets done in nearly every industry, including insurance. Over the past several decades, insurance brokerages have adopted a variety of new technologies, and many more continue to emerge. As this evolution continues, questions arise:

What will insurance brokerages look like in the future?

What does it mean to be a “digital brokerage”?

Should brokers worry about disruptive innovation?

How can brokerages best keep pace with the changing landscape for businesses and consumers?

What will help brokers reach the Millennial generation?

This report explores these and other questions, showing how technologies are empowering brokers to enhance their value, avoid disintermediation, serve new generations of customers, and preserve the importance of their role as trusted advisers to insurance purchasers.

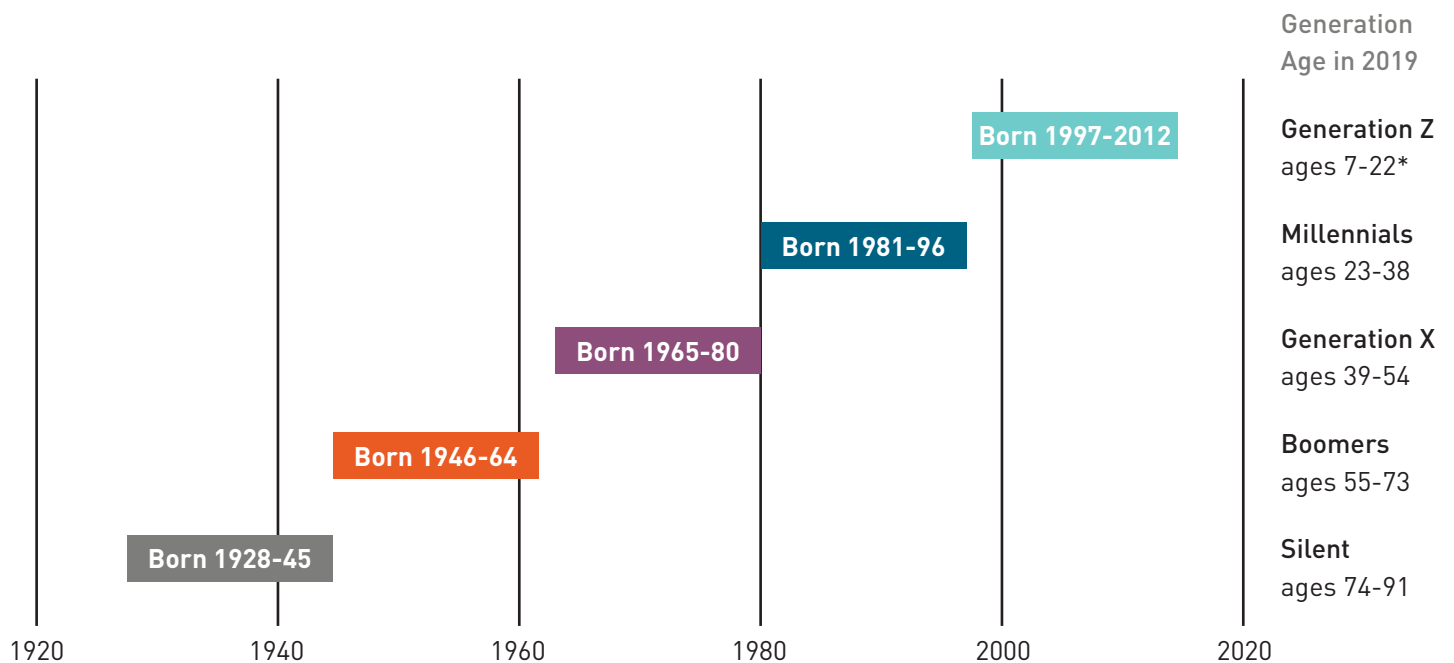
Brokerages of tomorrow

What will brokerages look like in the future? An obvious answer is, “different from today.” However, the differences that will distinguish brokerages of the future are likely to be less about what brokerages do and more about how they do it. A major reason for these differences is changing workforce and customer demographics.

The Millennial generation, comprising individuals born between 1981 and 1996, is the largest segment of the working population. In 2020, it is expected that Millennials will comprise over 50% of the UK workforce, according to the [Institute of Leadership and Management](#). The [Pew Research Center](#) notes that Millennials came of age during the launch of the public Internet, and the oldest members of the following generation, Gen Z, were 10 when the Apple iPhone was introduced in 2007. The term “digital native” is apt when applied to the Millennial and Gen Z generations.

Reaching and engaging these generations will require insurance brokerages — and indeed all businesses — to think beyond purely traditional methods of interacting. Online channels play an enormous role in the daily lives of the digital natives. Brokerages that do not adapt to this reality will find it difficult to capture the attention of Millennials and later generations, as potential employees and as customers.

FIGURE 1 The Generations Defined



*No actual chronological endpoint has been set for this group. For this analysis, Generation Z is defined as those ages 7 to 22 in 2019.

Source: Pew Research Center

The brokerage of the future will:

SERVE — AND EMPLOY — MORE DIGITALLY SAVVY INDIVIDUALS OF ALL AGES.

For years to come, brokerages will sell their services to and recruit as employees Millennials and Gen Z, but even prior generations are becoming more comfortable with digital technologies. Insurance brokerages of the future will need to forge connections in the environments where the digitally literate spend most of their time.

CONTINUE TO PROVIDE ADVICE AND ACCESS TO INSURANCE PRODUCTS.

Insurance customers will value brokers' advice in a range of situations, but advice will be especially important for customers buying products designed to cover complex exposures.

A commonly held belief is that younger customers only want to do business online through self-service apps. But a study by Liberty Mutual and Safeco suggests evidence to the contrary. According to, "[Understanding Millennial Insurance Consumers](#)," about half of Millennials are looking for experienced insurance professionals to guide them in buying coverage. In addition, according to research conducted by [NTT Data Services](#), they are more willing to share personal data, "if it enables them to receive advice on spending, insurance products or coverages." This provides a perfect opportunity for brokers to use data to personalise and customise their services, bringing costs down for their clients and offering insurance that more accurately fits individual needs.

DELIVER A BETTER CUSTOMER EXPERIENCE.

Brokerages will need to offer personal lines and commercial lines customer experiences that emulate the best business-to-consumer models. That includes attentive service and consistently positive interactions, whether they occur online, by phone, or in person.

Bain & Company, in its 2017 study, "[Customer Behavior and Loyalty in Insurance](#)," notes seismic shifts in the customer landscape: "Across industries, the bar has been raised on customer expectations. Digital pioneers such as Amazon and eBay have set new standards for convenience, speed, value, and ease of use. Consumers, particularly younger ones, now want an Amazon-like experience whether they're buying a car, opening a bank account, or shopping for an insurance policy."

50%

Millennials are looking for experienced insurance professionals to guide their insurance coverage buying.

80%

Millennials want their broker to help them understand their insurance coverage.

Source: Liberty Mutual and Safeco

Learned about an insurance brokerage through digital channels, including social media.

Millennials

27%

Gen X

18%

12%

Baby Boomers

Source: Liberty Mutual and Safeco

Trends in the broader retail marketplace offer insights for financial services businesses. Brick-and-mortar retail stores have struggled to attract and retain customers, leading more of them to adopt a multi-channel strategy that incorporates social media and other digital shopping experiences. [Subscription e-commerce](#), in which customers receive goods tailored to their preferences and delivered directly, is expected to soar to £1 billion by 2022, according to the Royal Mail. The reason subscription e-commerce has become popular is because it offers shoppers convenient, personalised products on a recurring basis. Brokerages and insurers in the future might think of insurance policy renewals similarly.

Going forward, the customer experience for Millennials and Gen Z may well begin at a brokerage's website. The Liberty Mutual and Safeco study found that 27% of Millennials said they learned about a brokerage through digital channels, including social media, versus 18% of Gen X and 12% of Baby Boomers. These findings suggest that brokerages in the future will need to:

- Invest in and market their services through digital channels, including websites for lead generation, social media, and paid search advertising.
- Provide an easy-to-use digital environment that facilitates the delivery of brokers' expertise.
- Offer a streamlined digital application process.
- Use data to deliver relevant products and more responsive service.

ENHANCE PRODUCTIVITY WITH INNOVATIVE TOOLS AND PROCESSES.

The ease of doing business more digitally will pay off for brokerage staff as well as customers. Workflows in the future will become more efficient, and processes such as quoting, binding, and issuing policies that used to take hours or days will occur in minutes. The technology infrastructure that will power this acceleration is already in development across the insurance industry. Therefore, brokerages in the future will need to carefully select partners — carriers, wholesalers, managing general brokers, and managing general underwriters — that offer easy-to-use digital platforms so brokerages can share their efficiencies with customers.

If brokerages in the future are not completely paperless, paper documents will represent a small and shrinking part of brokerage customer service and administration. Digitisation is a foundational step in introducing automation to brokerage operations. Ultimately, the ability of brokerages to automate or accelerate routine tasks will free up brokerage staff to focus on higher-value activities, such as new business development and existing relationships.

ACHIEVE GROWTH THROUGH SPECIALISATION.

As new digital distribution channels emerge, such as those offered by insurance technology start-up firms, brokers in the future will improve their growth and profitability by focusing on specialty and advice-driven business, such as property catastrophe, cyber, and professional liability coverage. Indeed, brokerages whose books of business are heavily weighted in personal lines may accelerate growth by moving deeper into commercial lines.

The broker's critical role today

Insurance brokers play a prominent role in today's economy, as both employers and providers of financial protection for other businesses and individuals. Thousands of independent brokers operate in every corner of the UK and can offer their clients unique expertise when it comes to understanding complex risk exposures, where coverage gaps may exist and how to navigate the claims process.

This expertise is particularly valuable during an unforeseen crisis such as COVID-19, or catastrophic events such as widespread flooding. While COVID-19 was a global health outbreak, affecting tens of thousands in the UK, its financial impact also spread at lightning speed throughout the UK, and has wreaked havoc on economies domestically and around the world. Many small to midsize businesses had to shut down and put a pause on their business plans, resulting in sudden and massive job loss, which has had a rippling effect throughout several industries, including insurance. It is in just this type of environment that brokers can and should highlight their value as trusted advisers for their clients, through added services:

- Advice on what provisions have been made available by insurance companies to alleviate premium payments and extend renewal periods in the short term.
- Working with clients to determine what coverage needs to be added or adjusted when shutting down a business, either temporarily or longer term.
- Helping clients understand what coverage they do and do not have in place in the event of a government-mandated shutdown.
- Advice on how to maintain claims eligibility when a business location has been left vacant for a period of time, social distancing requirements have been mandated, and/or employees are to be furloughed or laid off due to the crisis.
- Crisis updates, access to government support mechanisms, and tips to help clients navigate their new "normal".
- A range of digital solutions to ensure clients continue to have access to forms and policies, as well as new and renewal coverage in a timely and efficient manner.



According to the [UK Department for Business, Energy and Industrial Strategy](#), there were 5.8 million small businesses (0-49 employees) and 36,000 midsize businesses (50 to 249 employees) in the UK in 2019, representing 99.9% of the total business population. Of course, many insurance brokerages are SMEs themselves, which is advantageous in understanding customers' business challenges and exposures.

Data collected prior to COVID-19 suggests that brokers may renew growth opportunities in commercial insurance lines as the UK economy moves into recovery mode and gets back on track, particularly for small-commercial and midsize accounts. Business confidence had begun to grow at the beginning of 2020, just before the outbreak, as is indicated in Barclaycard's inaugural [Small Business Barometer](#). SMEs were upbeat about the year ahead, predicting annual revenue to rise by 6.3% on average. These projections will no doubt be adjusted to reflect the impact of COVID-19, and some industries will bounce back better than others. While there will be a recovery, it is still an open question as to when, how fast and how widespread that recovery will be. Now is the time for brokers to take stock of their business environment, and redefine how they will thrive in a new, post-COVID economy.

Disrupters at the gates

Traditional insurance brokerages are accustomed to competition, but they are now seeing an influx of new, digital-first players, in the form of insurtech start-ups. These insurtechs are attracting capital as well as growing interest from consumers who want a different experience from their insurance providers.

The boom in insurtech has special relevance for traditional brokers: A significant number of start-ups are offering innovative ways to distribute insurance policies. Online brokerages offer online quotes on commercial lines coverage nationwide. Others provide personal and small-commercial

lines coverages online on a national or regional basis. Most of these online brokerages tout the ability to deliver instant quotes through a brief questionnaire, available on demand.

Many insurers have publicly stated their commitment to working with brokerages, but nevertheless, some of the largest investors in insurtech companies happen to be insurers and reinsurers. While the insurtech industry has matured globally over the past two years, capital flowing into insurtechs has continued at a healthy pace, totalling over £5 billion in funding in 2019, according to [KPMG](#).

Many observers suggest that insurtech firms will continue to disrupt the insurance industry. The main reason: These start-up companies offer a different experience to insurance buyers, emulating the digital environments of successful consumer brands.

Incumbent insurers and brokers have an opportunity now and in the future to embrace technologies that deliver traditional protection in new ways — faster, more easily, and to more customers, especially digitally savvy ones.



TIME SAVED IS MONEY EARNED

Using digital platforms for quoting and binding coverage saves a significant amount of time that can be used to build business and brokers say.

“Getting a response back immediately saves a lot of time, with no more back and forth with an underwriter,” says a senior account manager at a brokerage. “That allows you time to focus on other matters and issues. Turning around quotes quickly lets you focus on four or five new business opportunities and service the clients you already have.”

Technology enhances the ability to chase new business, agrees another broker. “Faster, competitive quotes and fast service makes for happy clients. Our business is growing quickly, and the extra time saved helps us do other things that are important. Platforms are tools to do the job. If they’re easy to use and the products are good for clients, business will get written.”

Digital technologies pay dividends for brokers as well as customers, explains another brokerage leader. “If using technology saves us two hours a day for all of our customer service representatives, they can make the rounds on existing accounts and solicit new business. Technology allows me to work more efficiently with my employees. Our biggest complaint used to be, ‘I’m backed up. I can’t get to that task.’ That’s not happening anymore.”

The myth of disintermediation

For decades, brokers have been told they are at risk of disintermediation as digital channels emerged for buying and selling insurance products. A glance at articles and reports over time shows a recurring negative outlook for traditional intermediaries:

- “Will the Web Eat Your Job?”, E.B. Baatz, *CIO Magazine*, May/June 1996.
- “On the Implications of the Internet for Insurance Markets and Institutions,” James R. Garven, *Risk Management and Insurance Review*, 2002.
- “Insurance Brokerage Is Broken,” *TechCrunch.com*, May 2, 2016.
- “Insurtech — the Threat That Inspires,” *McKinsey.com*, March 2017.

Each prediction of disintermediation in insurance has proved wrong, however. Why? One explanation is that, while methods of distributing products and services evolve, human behaviours take much more time to change. People have continued to need and seek advice they can trust, particularly where their finances and assets are concerned.

Technology may enable more direct sales of products, including insurance, but most observers agree this applies principally to commodities, not items with complexity. For insurance brokers, the future of how standard personal lines and perhaps even some small-commercial products are sold is uncertain. These may shift in whole or in part to online sales channels. Complex exposures that require specialty coverages are likely to remain firmly in the domain of traditional brokers who can also provide valuable advice on risk management.

What is changing with certainty, however, is the client base for insurance products. The marketplace today includes more insurance buyers who are young, diverse, and digitally oriented. Spending more time online than previous generations of consumers, this segment is accustomed to digital experiences that make purchasing convenient, easy, and efficient. Insurance is likely to remain a people-based business, though much of it will increasingly be conducted through digital channels, such as email, online chat, and even social media.

Break with tradition. Do it with digital.

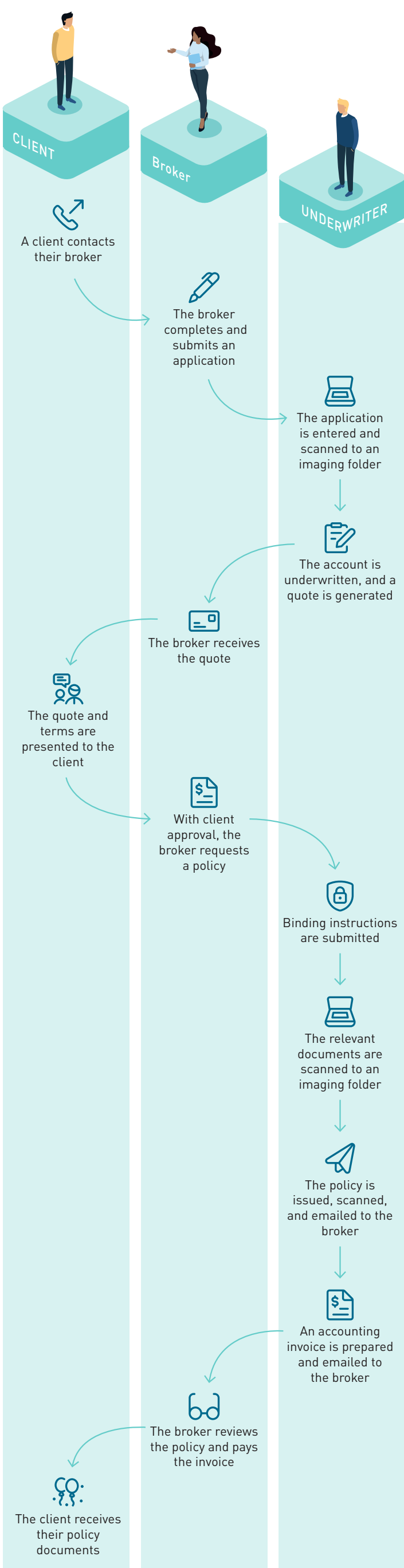


Traditional insurance models rely on countless back-and-forth between clients, brokers, and underwriters.

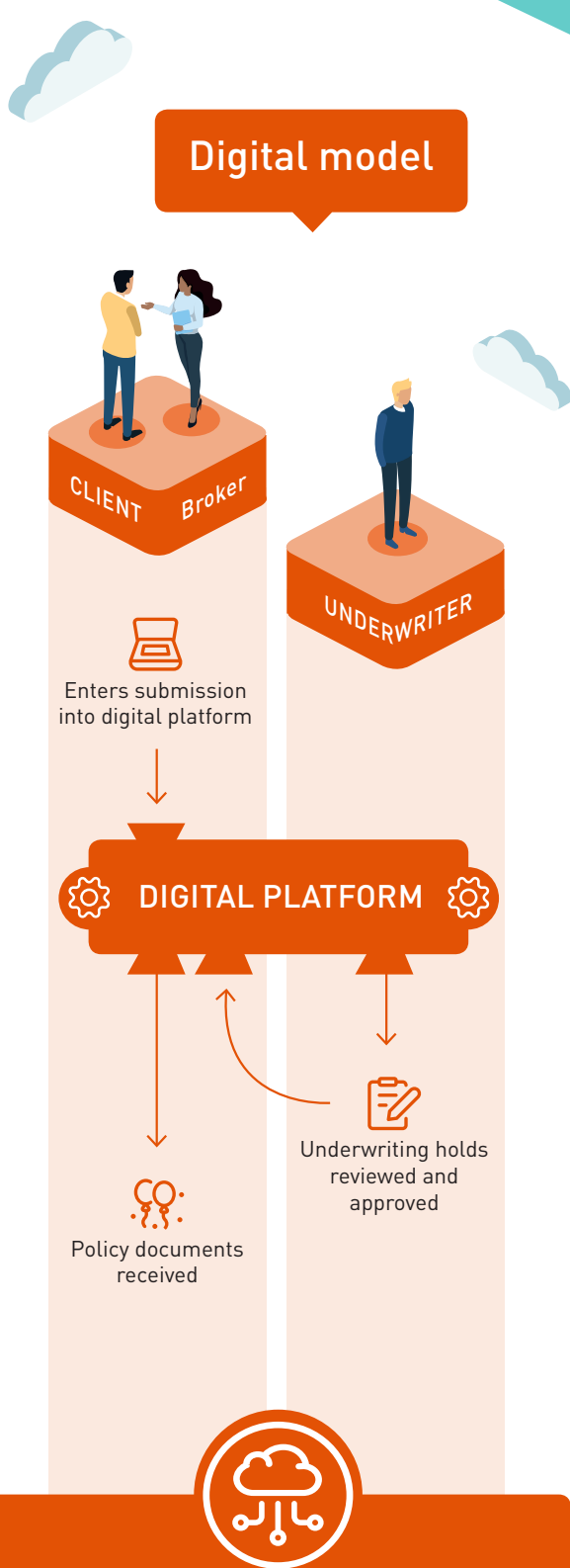
With new digital platforms, the process is simplified, and everyone wins.



Traditional model



Digital model



Good for brokers, good for everyone.

- ☑ End-to-end platforms are a single entry point for account servicing.
- ☑ They drastically reduce the number of touchpoints.
- ☑ And they ensure a consistent, smooth user experience.

How does your brokerage fit into this new world?
Find out more on page 9.

CUSTOMERS NOTICE ENHANCED SERVICE

“There’s a big misconception about emerging technologies in insurance,” says one brokerage leader. “Technology is not disrupting. This is evolution. The insurance transaction has moved from pen, paper, and even a napkin, to the virtual space.”

“Insurance itself hasn’t changed. The whole concept is still premium paid in exchange for the promise to pay claims. The way in which people buy and brokers make matches with companies has evolved.”

The brokerage has been an early adopter of new technologies, particularly online quoting and binding platforms. Insurance can now be transacted in minutes, and customers appreciate that responsiveness. “Technology has improved my client relationships, especially for contractors and doctors, who don’t have time to meet me. Clients like that can respond to me on their time.”

The digital brokerage

Essential equipment in an insurance brokerage 25 years ago might have included a telephone, fax machine, photocopier, pens, paper, and filing cabinets. In the future, a brokerage’s list of essential equipment will be decidedly less analogue: smartphones, tablet computers, scanners, and digital storage.

Avoiding the paper shuffle is only one of the advantages of digital brokerages. Insurance brokerages that embrace digital innovation will derive a number of valuable benefits in the future, including:

- **Efficiency in brokerage administration.** Digital platforms and brokerage management systems enable a paperless environment as well as data access from anywhere, at any time. This improves productivity and facilitates more responsiveness in customer interactions.
- **Greater speed in delivering service.** This is perhaps most noticeable in the acceleration of quoting, binding, and issuing policies. Digital platforms dramatically reduce the time to quote and bind a given risk, as well as simply locate information about a customer.

Consider the number of steps involved in pulling data from a paper file to answer a question over the phone: a brokerage employee must ask the caller to hold, go to the filing system where the record is stored, retrieve the file, find the desired information, return to the call, and resume the conversation. Whether the process takes 60 seconds or 10 minutes, that length of time will add up during the course of a day. Those become hours wasted, and will often leave customers asking if there is a better way to get what they need.

- **Enhanced customer experiences.** Consumers increasingly expect businesses they deal with to deliver a satisfying experience. Some of the world’s best-known technology companies have permanently raised the bar on digital experiences. Indeed, those brands enjoy a high level of customer loyalty largely because their technology is designed and deployed with the end user in mind.
- **Time savings.** Digital platforms let brokers focus on business development and spend more time on complex accounts. This, in turn, can facilitate organic growth and account retention.

Tips for future brokerage success

COMMIT TO INNOVATION.

Broadly, innovation is more than merely adopting new technologies. It also involves embracing new mindsets and adapting workflows that create efficiencies while generating improved results.

EXPLORE DIGITAL TECHNOLOGIES.

Not all technologies are created equal. The number of different solutions, designed for various purposes, rivals stars in the night sky. Each brokerage should examine options for digital business platforms that are:

- **Flexible.** Modern technology platforms are developed to integrate with other systems via application programming interfaces (APIs) and other tools.
- **Scalable.** Brokerage growth hinges on the ability to deliver more products to more customers, so having technology that can grow along with the business is important.
- **Intuitive.** In the recent past, training occupied a lot of time for brokerage staff, particularly on software upgrades. The more intuitive the user experience for a brokerage's technology platform, the less time will be needed to train staff and get them used to new features and functions while striving to serve customers.

UTILISE DIGITAL INSURANCE PLATFORMS.

Brokerages in the future will need to choose the right tools to deliver the products their insureds need. Digital quote-and-bind platforms are an immense timesaver for brokerages, help brokers present more choices, and offer a better experience for users as well as customers.

INCREASE COMPETITIVENESS.

A more efficient brokerage is better able to compete for customers. An innovative brokerage is better positioned to compete for young, digitally-oriented talent. Building a sustainable, rewarding business is key to attracting not only future generations of brokers, but also potential buyers. Whether a brokerage's perpetuation plan is to remain independent or merge with another firm, using the right technology can be a powerful tool.



By embracing technology, brokers can bring efficiency to the transaction and stay at the centre of it, serving their clients and their business.

Conclusion

While some brokerages may be reluctant to fully embrace technology, they should not get left behind. Consider that 15 to 20 years ago, some of the largest and greatest travel brokerages probably said, “What’s this thing called Expedia?” Now try to find a traditional travel broker.

Technology is just the next phase of evolution in insurance. Without embracing technology, the insurance industry can’t move forward or serve the next generation of employees and customers. By embracing technology, brokers can bring efficiency to the transaction and stay at the centre of it, serving their clients and their business.

To further explore the brokerage of the future, visit victorinsurance.co.uk/brokerageofthefuture.

About Victor

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