



Brokerage of the Future

Opinion/Analysis



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In the future, insurance clients will want to communicate with their brokers 24 hours a day, seven days a week. Meanwhile, real-time policy change will make existing workflow more efficient.

The value proposition is quite clear. A broker will offer the best value products and service in the country. Through a broker, customers will obtain personalized support and advice that will protect them and their families.

Brokers will have access to multiple insurance companies (not just one) from which customers will be able to choose the best product and service that suits their needs and lifestyles. In the near future, all of this will be available through a consumer's medium of choice, 24/7, 365 days a year.

This unique value proposition of a broker offering personalized service and choice of carrier leads me to believe that even given today's trend of consumers moving away from the broker distribution network, the brokerage of the future could quite feasibly return as the epicentre of

consumer choice for both value and for service. It is a value proposition so strong that the broker network could regain the market share it has lost in recent years.

There are many ongoing discussions, industry workshops and industry groups aligned with developing solutions for the challenges of today's marketplace. Industry associations are busier than ever, but one thing is clear: the pace of change has significantly increased.

The broker distribution model today is complex and inefficient; it is frequently categorized as more expensive when compared to other distribution models. The broker distribution supply chain will need to collaborate with key stakeholders to resolve these complexities and inefficiencies in order to create sustainable value for consumers.

IN THE FUTURE

In the future, a broker will have seamless, real-time communication with its customers and suppliers. Data required to transact business will be collected and processed via the broker and this will be done only once. The consumer's product of choice will be delivered in the format requested by that consumer and it will

be made available immediately.

Consumers will be able to transact business with "The Brokerage of the Future" 24/7, 365 days a year. Access to buy new products or change existing products will be through the consumers' medium of choice, whether that be by mobile device, the Web, telephone or by visiting the physical brokerage office on the high street.

The broker network will be supported, outside of office hours, through in-house or centralized shared service centres delivering professional advice and customer support that are specifically tailored and branded as if they were coming from the broker itself. As far as the consumer is concerned, the broker is available when he or she needs the broker to be available, through whichever medium the consumer chooses.

The ability for the broker to leverage customer base to increase overall value proposition by providing additional products and services beyond those commonly found today is significant. These offerings may be generic by nature or be targeted at specific segments of the general population or in the broker's local community. They could be lifestyle-based or demographically based.

The broker of the future will leverage its customer base to its maximum potential. With an increased number of valued contact points with customers between insurance interactions, the relationship between the broker and consumer will only become that much more rewarding and enduring.

Today's broker network is challenged, but through the realignment of production activity and effective use of technology, the supply chain as a whole will become more efficient. Technology will be used to simplify many of the complexities in existence, allowing for single-data capture and straight-through processing.

The realization of production efficiencies, if shared equitably, will lead to more competitively priced products while retaining the profitability of the various segments of the distribution model. Any meaningful price differential between competitive distribution models will be eroded.

If the price differential between distribution models is no longer material to a consumer, then the consumer will likely choose the model that provides the best choice of value-added service. To re-emphasize, the ability to offer unique personalized and valued service to consumers is the defining feature of the broker distribution network.

There may be some aspects of the brokerage of the future that may be difficult to attain in the short to medium term, as a result of human limitations, limitations of technology or even the lim-



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itations of our regulatory framework. However, there are many aspects that may become a reality in tomorrow's world as opposed to some far-distant time period.

REAL-TIME POLICY CHANGE AND CONSUMER SELF-SERVICE

In 2012, industry stakeholders witnessed the birth of real-time policy change (RTPC), a development that will form the bedrock upon which consumer self-service will be based. Now available for personal lines automobile

and property, the RTPC process allows a broker to begin and end a transaction from its broker management system and obtain seamless, real-time communication and processing with its insurance company.

RTPC brings significant efficiencies to existing workflows to both the broker and insurance company, but it will not, in itself, significantly change either working model. In contrast, it is fully expected that consumer self-service will create significant change in today's operating model by completely modernizing the service offering of a broker. In conjunction with RTPC, it will simplify current complex multi-touch processes, resulting in significant cost reduction potential across the supply chain.

The broker's efforts will no longer be muddied by back office processing, but rather become a model that is clear and focused in providing consumers with true value-added service. The broker and the insurance company can return to their core value proposition of providing personalized professional advice based on sales and underwriting risks/risk selection, respectively.

Consumer self-service is a new way of transacting property and casualty business and it will offer significant opportunity to those who embrace it.

The challenge of implementing such a major change in the existing broker model is a material undertaking. Significant time, effort and resources must be spent to create realistic implementable solutions with measurable outcomes.

Partnerships will need to be formed among suppliers in the chain, with material input required on an ongoing basis to and from the industry associations and their memberships. A new openness of communication and teamwork will be required across the board to ensure success.

Tomorrow's world is here today. RTPC was successfully delivered in 2012 and consumer self-service is coming in 2013. I encourage all of you to reach out to your local, provincial or national broker association to find out how you can participate in shaping the brokerage of the future. ☰