

Brokers' Summit: More than just broking



At the 5th Asia Insurance Brokers' Summit, organised by Asia Insurance Review, brokers, insurers and technologists talked about the expanding and increasingly complex role of brokers in the new world though their survival was assured.

By Ahmad Zaki



With the advent of technology and robo-advisers entering the market, worries about the role of intermediaries continue to grow. However, Mr Rudi Spaan, President & CEO and Head of Country Operations, Greater China & Australasia, AIG, Hong Kong, said that the broker's job is never going away, but it will get more complex.

With the spending on the Internet-of-Things expected to rise to US\$14 trillion by 2020, he added that the industry would need to understand the interdependencies of new technologies and come up with new platforms to be efficient and harness data to provide more benefits.

"Technology will take away jobs," said Mr Astik Ranade, founder of DOT.2.DOT. "It will not take away every job, but it will take away quite a few jobs."

Several critical roles within the industry, such as brokers and agents, will remain, he said, as technology is not really a substitute for human labour, but actually complements it. "Robots are not able to use common sense as yet, they're not able to brainstorm, motivate or inspire."



Mr Rudi Spaan



Mr Astik Ranade

Brokers as consultants

Mr Jose Manuel Dias da Fonseca, CEO, MDS Group & Brokerslink, said technology has yet to catch up with brokers in offering risk management advice. Thus brokers should leverage on the consulting side of business which is the most important component of their offering, especially when it comes to bigger risks.

"As the little stuff gets more and more commoditised, our advice and experience will become even more important to clients facing more complex risk challenges," he said. "Broking companies that don't have this function within their business need to develop it urgently."

He added that nonetheless, varying degrees of advisory capacity would lead to a kind of natural selection among brokers, formerly manifested in waves of M&A, and now, he believed, via the quality of services they offered.



Mr Jose Manuel Dias da Fonseca

What brokers should focus on

He highlighted three areas brokers should focus on being good at.

First, they need to add constantly to their knowledge of risk as there are new perils emerging, yet the details of many are not known. Mr Fonseca noted that as some old risks fade away, there may be less physical things to insure, but in their places are intangible and complex risks such as connectivity and compliance.

“The shift towards fewer, higher value insurable assets – which is mirrored in commercial coverage – will only accelerate. It demands greater knowledge on all our part,” he said. If brokers commit to it, the digital revolution would be an opportunity for them.

Second, brokers need to master analytics and Big Data, which provide a platform for growth and a way to understand customers' behaviours. Insurers that are able to exploit this information for better pricing, underwriting and loss control will undeniably have a competitive advantage.

Third, brokers need to master relationships and ensure trust between broker and client, by focusing more on the client rather than the results. By nurturing and maintaining trust, the relationships would continue to grow and prosper.

“For insurers, something called ‘FOMO’ – fear of missing out – is often an important driver of their move towards InsurTech novelties. For brokers, I believe, the acronym should be FODO – fear of being driven out,” Mr Fonseca quipped.

Sharing data to help insurers catch up with sharing economy

The insurer/broker community needs to share data so that it can return it with added value to customers. Smart and safe data sharing will power the new economy, said Mr Spaan. According to AIG's research, some two-thirds

of businesses and individuals would be willing to share data if it provides some benefits to them, and 75% would do so if there was a “digital trust” built.

He noted the irony of the insurance industry being pioneers of a “sharing economy”, with maritime insurance centuries ago, but that the industry had since then “missed the boat” of the contemporary sharing economy. The industry can tap on the use of wearables, telematics and gamification to collect meaningful data, he said, citing examples of some AIG projects in these fields which users were keen to participate in and which eventually resulted in benefits like improved safety and reduced claims.

He said the client-broker relationship is an “outside in and inside out” relationship. “Outside in” is when brokers collect available data, package it differently and combine it with their industry knowledge and return it as useful information to the consumer, he said, citing the example of dating app Tinder. The app uses a lot of public data with an algorithm and then gives it back to users in a form (via suggested date matches) that has added value.

“Inside out” would be the other way around, for example, using claims information to help customers prevent or reduce claims in the future.

Using data to power processes and platforms

Mr Robert Kelly, Managing Director and CEO of Steadfast Group Limited, Australasia's largest broking agency, said technology would free up brokers to deploy themselves into more of a market-facing role. “I don't see technology as a disruptor, but an enabler. It's going to enhance what we do,” he said.



Mr Robert Kelly

Highlights

- Role of intermediary will never go away, but instead become increasingly complex and married to technology;
- Data collection and analytics are vital to improving business; and
- Brokers need to adopt consultant's role.

Elaborating on examples of platforms, he said that consistent data standards, defined by the global community ACORD, had helped to significantly streamline data transfer among client, distribution and insurer across international markets.

In Lloyd's Project Tomorrow, risk bound reporting data is sent from Australia to the Lloyd's market straight through to systems in London, thus paving the way for the market to get real time underwriting data in the near future. This initiative also benefits agencies, and has resulted in efficiencies and reduction in business process within hours, and an increase in revenue.

Mr Kelly also spoke of the “power of the premium pool”, where via improved data analytics and claims data with his brokerage's partners, it was able to wrangle for a better deal with an insurer.

He also touched on key trends brokers need to look out for which are shaping their business, namely, consolidation of like-minded players as the cost of business rises, changing legislation, rising client expectations, the importance of cyber risks and the rise in risk advice as a competitive advantage against pricing in Asian broking.

The two-day conference in Singapore drew some 160 participants. It was sponsored by AIG, Brokerslink and Steadfast and supported by the International Insurance Society, nine regional brokers' associations, MARIM and RIMAS. 

