

More With Less

Opinion/Analysis



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Brokers competing with direct writers can learn from some of the technologies and techniques direct writers have employed: automating processes so that the employees can accomplish more in a shorter space of time.

“What has worked in the last 100 years selling insurance will not work in the next 10.”
— Kimberly Harris Ferrante, Gartner

Based on constant change affecting the landscape of the independent broker distribution channel, it is a reality that if brokers allow themselves to remain stagnant, they will fall behind. Competition and technology are on the long list of external factors contributing to this fast-paced environment.

In a recent Keal broker survey, 100% of all brokers surveyed acknowledged the threat of the incursion of direct writers and banks into the property and casualty insurance marketplace is the biggest challenge they face today. After more than 20 years of this intrusion, this should hardly count as ‘news.’ Ignorance is no longer bliss, but awareness and action are two different beasts. It is one thing to see new competitors enter your business; it is quite another to research alternative ways of doing business, search for new tools and develop a strategic plan. In light of this, brokers should be asking themselves: ‘What will my brokerage look like in

two, five or even 10 years? Who will my clients be, and will I meet their expectations? What do I need to do today to maintain and increase market share?’

Keal recently had an opportunity to get a bird’s eye view of the internal operations of a direct writer. In a nutshell, micro-management is the name of the game: everything is measured through the use of business tools and technology solutions that allow them to compete leaner and meaner. Call recording systems allow them to book premiums faster by way of audio signatures. Call scripting is not only a portion of their quality assurance program, but it plays an important part in the employee’s performance evaluation.

Employees work on a “points reward system.” If an employee gets a sale by following a script, they get merit points. If they don’t get the sale but followed the script, they still get rewarded. But when they get a sale without following a

script, they get rewarded but less than if they had followed the script. They use “needs-based” questions with clients and follow rigid time goals. For example, they have 10-12 minutes for a new auto insurance policy, and 15-20 minutes for a new home insurance policy.

For direct writers, the process is as important as the result. When asked why they won business from brokers, they said consumers have difficulty reaching their broker. And once they did reach their broker, the broker’s response time for information, quotes, etc was slow. When direct writers were asked why they lost business to brokers, the main reason was that consumers wanted to talk to a local broker.

As a Broker Management System (BMS) provider, Keal strongly believes in the ability of the independent broker distribution channel to increase its market share. Technology plays a critical part in making this happen. The good news is, some brokers are organically increasing their volume, and at a quicker rate than their direct writer competitors. These brokerages have a few things in common: they are paperless, they use call recording, they have embraced best practices and they are committed to more rigid processes and measurements. In short, what gets measured gets done.

NATIONAL SURVEY RESULTS

To support this knowledge, Keal commissioned a national survey of more than 25 Keal brokers to gauge their use of BMS technology. We asked about their current challenges, and whether or not they were paperless and using integrated call recording technology. We also asked for their thoughts about electronic document downloads and SEMCI.

The high-level results of the survey are included below:

Paperless

- 79% of brokers surveyed are paperless.
- 17% expect to become paperless sometime over the next two years.

Brokers referenced the following measurable efficiencies of going paperless:

- Refined workflows: increase productivity and flexibility.
- Time and cost savings: no paper, less storage.
- Faster client response time.
- Greater organization: access to all for all.
- Increased E&O protection.

The adoption rate of paperless workflows in the broker distribution channel is good news when you consider the cost of paper heavy workflows. For example, 7.5% of all documents (i.e. policy-related documents) get lost, and the cost to recreate a lost document is \$220. It is easy to realize the hidden costs — not to mention the increased liability exposure — of a paper-rich brokerage. Less paper is definitely more.

Call Recording

- Only 25% of brokers surveyed are enjoying the benefits of call recording.
- Good news: 58% of brokers show an interest in investing in this technology within the next 2 years.

Brokers listed the following benefits they have gained from call recording:

- Quality assurance and training.
- Increased E&O protection and reduced E&O costs.
- Booking premium faster with audio signatures.
- Call scripting for audio signatures and telemarketing.
- Performance and result metrics.

Call recording in the broker distribution channel is indeed an untapped opportunity. Direct writers have been using this technology for more than 10 years, representing a significant explanation for their increase in market share. Brokers using this technology are competing on a level technology playing field with their competitors.

Single Entry Multiple Company Interface (SEMCI)

Keal’s survey makes it clear brokers know they need direct connectivity technology to compete. To help illustrate the urgency of this technology, Keal selected eight brokers, representing \$290 million of personal lines premium volume, and analyzed their policy change transactions. The survey found pure pol-

icy changes accounted for 23% of all transactions. Of these transactions, revenue accounted for less than 1% of the total commission revenue, or \$3.68 per transaction.

Policy change transaction is the most time-consuming transaction. When brokers apply the cost of the policy change transaction, the margins are very slim, if not negative. This begs the \$1-million question: What solution will allow brokers to minimize the time needed to complete transactions that bring the least revenue to the bottom line? The answer is simple: automate them through SEMCI solutions.

Keal’s position on SEMCI is clear: it is available today. It is the responsibility of every BMS provider to develop functionalities for brokers to make true SEMCI a reality. To this end, Keal applauds and supports the IBAC (Insurance Brokers Association of Canada) Data Exchange Project initiative. (For more information about the project, please see the article on Page 58.):

MORE FOR LESS

The objective of SEMCI is do more with less — fewer user clicks, fewer navigation screens and fewer data fields that have to be re-entered. In a nutshell, doing more in less time.

Technology will continue to change the way you do business with your clients and carriers. It will contribute directly to your brokerage’s future success and your profitability margins. Opportunities exist for brokers to re-invent themselves using technology that is currently available and affordable. A broker’s biggest fear should not be banks or direct writers, but their own apprehension towards adopting the right technology tools to grow their business.

The old attitudes of “if it ain’t broke, don’t fix it” and “we’ve always done it this way” may be comforting theories, but they certainly don’t represent a strategic plan to increase market share. Instead, brokers should take a second look at their workflow procedures and actively research existing technology tools and platforms that will allow them to do more with less. ≡