

 *LTIMindtree* Insights

Shaping the Future of Insurance

By leveraging technology as a strategy





Key Pillars to Restructure Insurance Brokerage Business

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Abstract

Considering the current market trends and changes in the insurance space in the post-pandemic era, there is a clear mandate for greater reliance and persistence on technology. In this Point of View paper, we are discussing the market trends with a focus on insurance brokers and how leading brokers are responding with differentiating solutions leveraging technology, and what are the key pillars of restructuring.

Introduction ---

The insurance market is centered around catastrophic events and natural disasters. The intensity and frequency of such events result in huge losses driving the market into soft and hard phases.

The recent spate of climate change-triggered events, the COVID-19 crisis, the digital economy, and cyber activity have all resulted in large and frequent losses, pushing the insurance industry to rethink its strategies and focus on risk reduction, prevention, and prediction

The need for insurance is evident and ever-increasing, but it is more inclined toward risk management and improving the quality of risk.

The availability of advanced digital technologies, the proliferation of data, and the surge in insurtech companies are triggering a tectonic shift in the way the insurance business is conducted. We will see the following unfold in the near future

- ▶ Reduced administrative tasks due to technological advancement, including Artificial Intelligence.
- ▶ Clients will seek overall risk advice, not just help with buying insurance.
- ▶ Clients will highly value specialist skills, predictive insights, and actionable intelligence based on data.

In this scenario, brokers are uniquely positioned to deliver risk advisory services. In fact, it is not just about advising but partnering and enabling the customer with optimal risk prevention strategies and monitoring solutions.

The needs of varied market segments, serving simple to complex products, make the business and technology journey challenging. We believe brokers can deliver true value by adopting the role of insurance ecosystem orchestrators—an amalgamation of digital, data, and advanced analytics.

Brokers need to strike a balance to stay competitive and relevant. Based on current technology maturity, it would be prudent to take an incremental approach to align strategic and tactical initiatives.

Here, we discuss market trends and how leading brokers respond with differentiated solutions.

We will examine three segments.

- ▶ Affinity, EHB, and Micro-SME—Super Commoditized Products
- ▶ Mid-Market—Mix of Commoditized and Complex Products
- ▶ Large Commercials—Complex Products

Brokerage landscape – market segmentation and product complexity

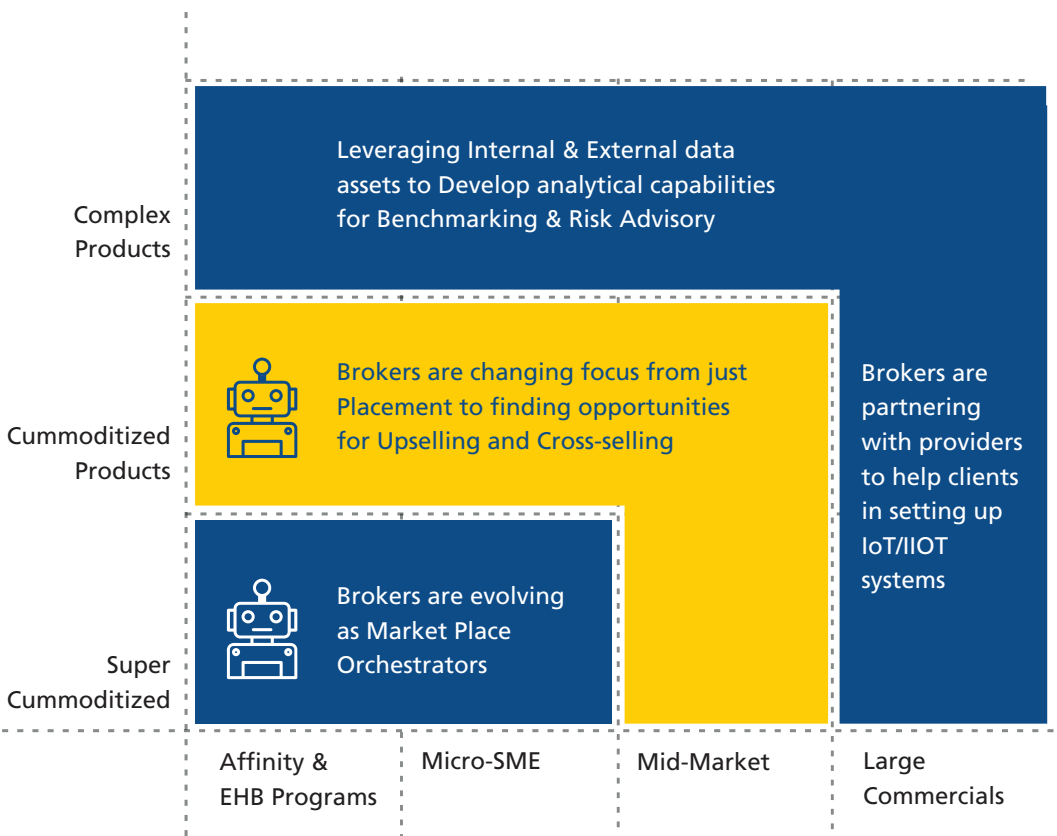


Figure 1: Market segment & product complexity

Source: LTIMindtree Insurance Strategy & Advisory

Affinity, EHB and Micro-SME segment— super commoditized products

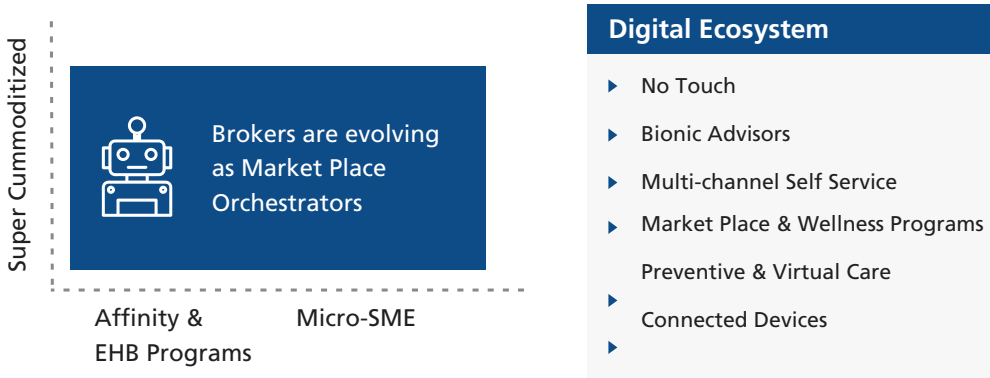


Figure 2: Affinity, EHB, Micro-SME segment and super commoditized products

Source: LTIMindtree Insurance Strategy & Advisory

A leading British-American multinational insurance advisor firm

7% growth in revenue in Benefits Delivery & Admin segment, driven by "individual market place"

A global asset management firm, with services including health & benefits, investments, human capital

MarketPlace supporting employee benefit needs In the virtual world

A global professional services firm, with operations in insurance broking and risk management

Brokerage firm collaborates with Amazon to support new online insurance network for sellers

We have seen rapid commoditization of most products that service the need of affinity, employee benefit groups and the Micro-SME segment. The major reasons are the parameterization of simple products, technological advancements, and a surge in the number of insurtech companies.

Micro-SME

Brokers are finding it extremely difficult to service this business using traditional processes as the cost of operations v/s the revenue is simply not sustainable. Moreover, consumers are increasingly opting for self-service and virtual services, particularly in a pandemic world.

Though simplification and parameterization of insurance products are largely happening at the low end of the product complexity scale, we are bound to see an upward movement of simplification and into the SME product segment. We also see more examples of products being embedded and offered via B2B channels to provide a quick, seamless experience.

Affinity, EHB groups

As premiums increase, affinity, EHB groups are witnessing a shift from sponsored programs to voluntary products. Program sponsors are shifting the cost burden onto the consumer. Sponsored programs are being redesigned to provide basic covers and additional coverages are offered as part of the voluntary basket. It is here that brokers can play a critical role by providing plan/program benchmarking reports for in-depth analysis and better decision-making.

This segment saw a lot of virtual wellness programs being conducted through the COVID-19 pandemic, along with preventive and virtual care. A few leading brokers also took the initiative of implementing a marketplace for other personal lines products, increasing cross-selling opportunities.

To service the affinity, EHB and micro-SME business, brokers need to implement a robust digital platform having capabilities to integrate with multiple third-party service providers and seamlessly orchestrate the ecosystem.

Example 1

Benefits programs supported by virtual care, wellness software, wearables, and mobile apps have increased the engagement and retention quotient, thus making wellness programs successful.



Virtual care



Fitness Tracker



Wellness App



Wellness Portal

Figure 3: Representative illustration of components of EHB program

Source: LTIMindtree Insurance Strategy & Advisory

Example 2

A marketplace adds high value to the benefits program, where individuals and families can purchase and compare various insurance products and services.

It can offer personalized lifestyle benefits programs with access to loans, purchase programs, legal assistance, travel insurance, pet insurance, identity theft, home and auto insurance, and access to a large selection of discounts like access to fitness and wellness centers.

Mid-market segment and commoditized products

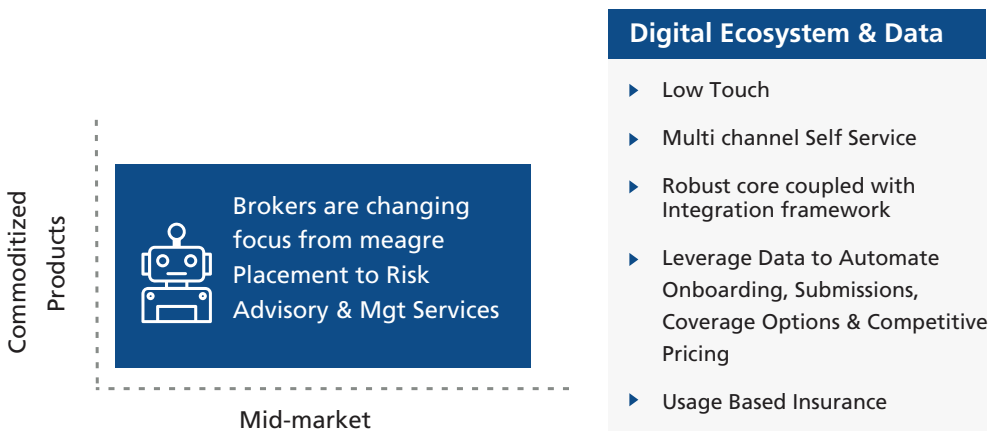


Figure 4: Mid-market segment and commoditized products

Source: LTIMindtree Insurance Strategy & Advisory

An insurance brokerage company providing an array of P&C, life and health products and services across North America

Usage Based Insurance - Drive Safe App, a fleet risk management solution

A global professional services firm, with operations in insurance broking and risk management

Launched Cyber Risk Analytics Center, brought together cyber risk data, analytics, and mitigation expertise

Apart from better placement, mid-market clients seek coverage of specialty risks, better risk management, and advisory services. The clients' focus is more on premium reduction and faster claims settlements.

Brokers have adopted various service strategies for this segment

- ▶ Creating specialist teams to address client needs in specialized risk areas.
- ▶ Consolidation of books of business with a focus on higher-premium accounts.
- ▶ Creating integration hubs to support clients at the lower end of the premium range
- ▶ Increased level of automation for simple risks or commoditized products.

From a technology perspective

- ▶ The upgrade is largely focused on placement process improvement and account maintenance.
- ▶ Some Managing General Agents (MGAs) have focused on upgrading the core platforms for policy and claims administration.
- ▶ Some brokers have taken a step forward by integrating with insurtechs to deliver risk management and value-added services focusing on specific risk areas.

Example 3

Commercial truck insurance is a major focus area for large brokers.

They balance client needs with cost-effective programs that provide unique coverage and superior protection.

One of the biggest trends in this space is usage-based pricing. There are advanced initiatives to help fleets reduce insurance costs through safer driving.



Track maintenance, repairs, incidents, violation



Track movement of vehicles, assets, and equipment



Monitor driver habits, racing, braking stats, preferred driving routes



Access data via desktop, mobile phone, or tablet

Figure 5: Representative illustration of components of fleet risk management

Source: LTIMindtree Insurance Strategy & Advisory

Brokers are integrating with third-party fleet monitoring systems for continuous monitoring. They are building models to classify driver and vehicle performance, resulting in actionable insights and cost control.

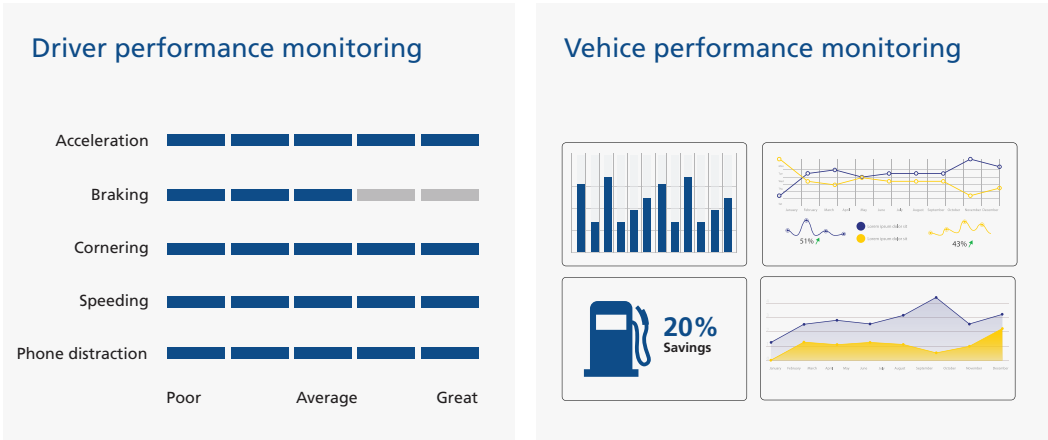


Figure 6: Representative illustration of driver & vehicle performance

Source: LTIMindtree Insurance Strategy & Advisory

Large commercials and complex products

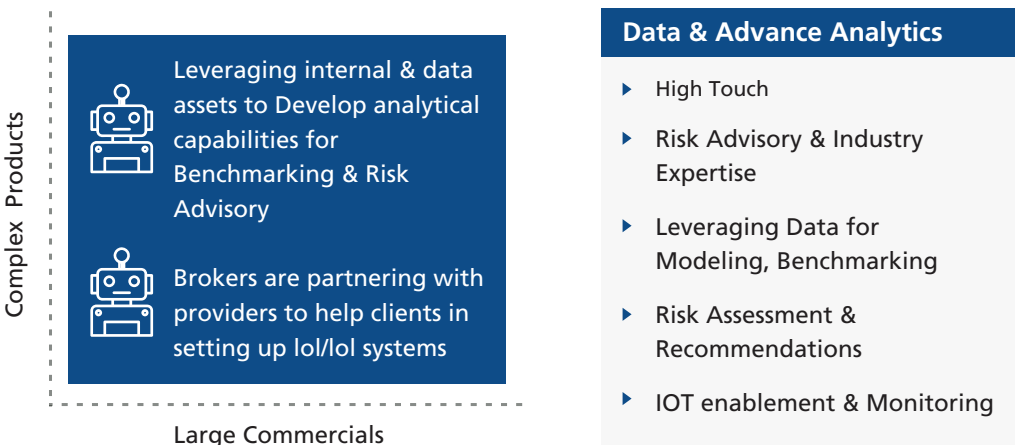


Figure 7: Large commercial segment and complex products

Source: LTIMindtree Insurance Strategy & Advisory

A British-American multinational financial services firm that sells a range of risk-mitigation products

Partnered with an insurtech organization to revolutionize construction risk IOT technology to mitigate risk and reduce costs.

A leading insurance brokerage firm, delivering risk management solutions to individuals and businesses

In addition to rate, coverage, and capacity changes, underwriters have a rejuvenated focus on seeing adequate valuations and risk improvements.

Large commercial brokers play an important role as intermediaries between clients and insurers. The heterogeneous nature of the risk of large commercials or complex risks is a primary reason why clients and insurers are more selective about choosing their brokers.

A fundamental challenge in the large commercial space is unstructured data formats and a lack of data standards. This drastically limits data exchange capabilities resulting in inefficient processes and a lack of data-driven insights.

While little has changed in the large commercials business, stakeholders have well-defined expectations

From a large commercial client's perspective

- ▶ Brokers should provide risk management advisory services, including optimized risk management program planning and placement.
- ▶ Brokers should help in real-time risk monitoring advisory and help in enabling real-time risk monitoring capabilities.
- ▶ Brokers, who can leverage substantial consolidated data from clients, must provide benchmark coverages and rates and provide loss mitigation and prevention suggestions.

From an underwriter's perspective

- ▶ Brokers should provide comprehensive details of risk, schedules, and claims.
- ▶ Brokers should leverage third-party data sources and provide additional data points for underwriting evaluation.
- ▶ Brokers should provide analytical insights into the risk, not just submit a placement slip.

From a technology perspective, brokers should

- ▶ Leverage cognitive data intake and validation.

- ▶ Increase in automated/semi-automated data exchange between insurers and brokers.
- ▶ Conduct virtual risk inspections.
- ▶ Leverage third-party data sources, deploy Artificial Intelligence to deal with the complexity of risk assessment and claims analytics.
- ▶ Partner with insurtech companies to create niche and differentiated products and services.

Example 4

The recent pandemic, catastrophic events, and high-risk-prone environment have made brokers' contractual obligations such as - industrial survey and onsite risk engineering analysis more challenging. Also, administrative expenses and investment of time are considerably high.

Sensors and augmented reality technologies are being leveraged to virtually survey plants to comply with obligatory contracts.

Drones acting as a broker's representative (risk engineer) to gather data, sensors providing real-time streaming, industry data sources, and the broker's internal data assets will help create a data mesh powering prudent risk management decisions.

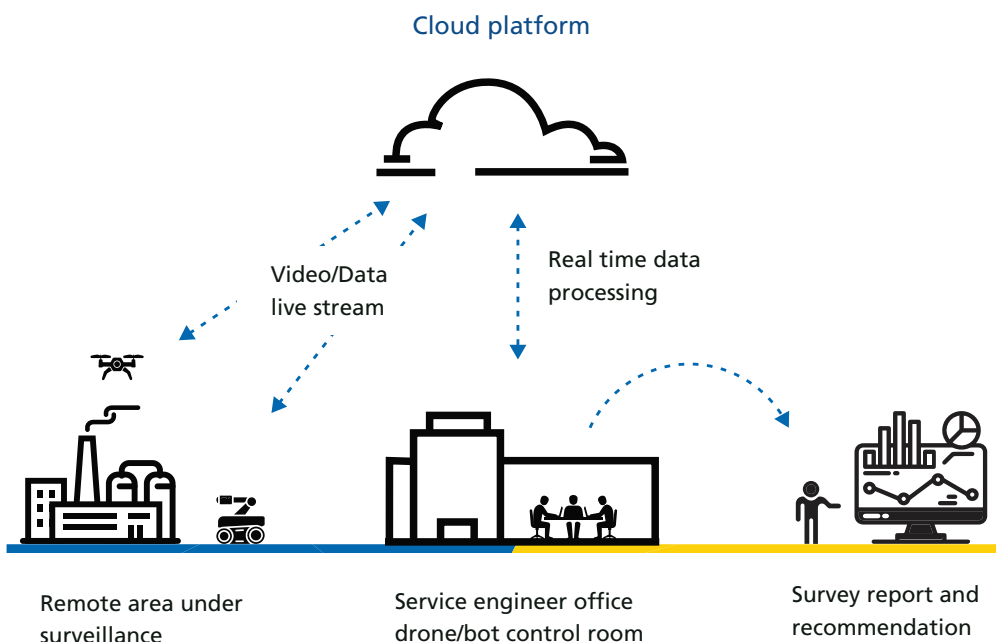


Figure 8: Representative illustration of components of virtual risk inspection

Source: LTIMindtree Insurance Strategy & Advisory

Conclusion ---

There are abundant opportunities to enrich the overall user journey across the insurance brokerage value chain.

	Value Chain	Trends and Opportunities
Pre – Bind	Client prospecting	<ul style="list-style-type: none"> ▶ Customer Relationship Management (CRM) systems ▶ Segmented and optimized content marketing ▶ APIs to social media
	Client info and risk facts	<ul style="list-style-type: none"> ▶ Information collected digitally; access to third-party databases via open APIs ▶ Usage of drones, satellite imagery and advanced analytics for risk assessment
		<ul style="list-style-type: none"> ▶ Data exchange with insurers ▶ Automated and semi-automated workflows ▶ Quote compare and automated policy wording validation
Policy Issuance	Policy Issuance (Affinity/ MGAs)	<ul style="list-style-type: none"> ▶ Core modernization ▶ Underwriting workbench and leveraging third-party data

	Value Chain	Trends and Opportunities
Post – Bind	Invoicing	<ul style="list-style-type: none"> ▶ Migration to standard accounting packages for general ledger ▶ Real-time integration with insurers ▶ Automated reconciliation
	Mid-term adjustments	<ul style="list-style-type: none"> ▶ Self-service customer portals ▶ Automated and semi-automated workflows ▶ Certificate of insurance
	Claims	<ul style="list-style-type: none"> ▶ Automated notification of loss through IoT integration ▶ Claims progress tracked online <p>Usage of predictive analytics</p> <ul style="list-style-type: none"> ▶ to determine the complexity of the claims, fraudulent claims

Based on the trends and initiatives in the brokerage landscape, we can broadly classify these initiatives under five pillars.

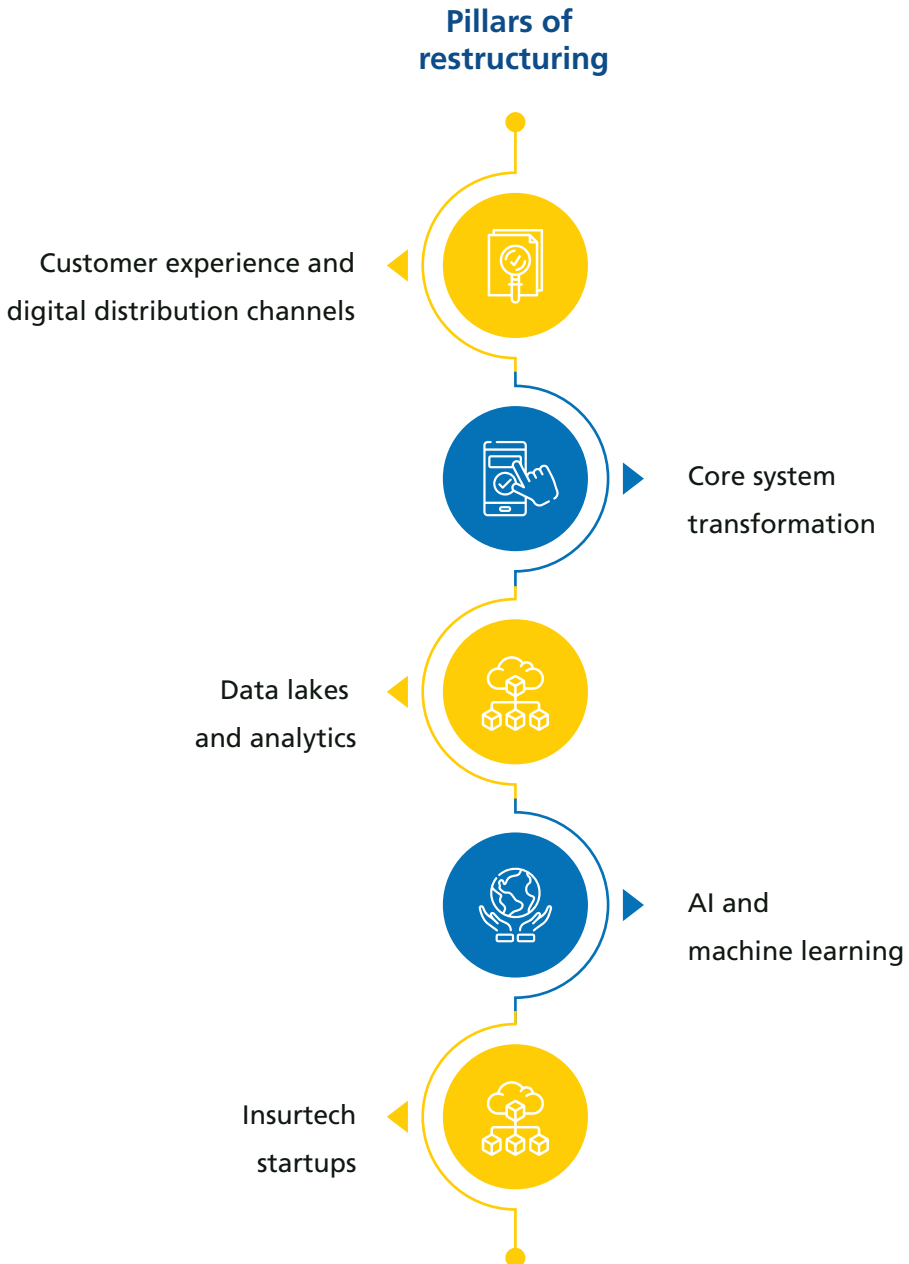


Figure 9: Key pillars to restructure insurance brokerage business

Source: LTIMindtree Insurance Strategy & Advisory

Depending upon the business focus, major investments will be driven by initiatives under these pillars.

Advanced technologies offer endless possibilities to brokerage firms to find innovative ways to stay competitive and relevant. In many ways, insurance brokerage will evolve alongside other ecosystem services. Clients will demand a much more explicit and transparent display of the value that risk management advisory brings as a trusted advisor.



About Author ---

Uday has 25+ years of experience in insurance technology and insurance brokerage. He has a strong understanding of the P&C insurance domain and has worked as a business solution architect across the insurance value chain in various consulting engagements, including digital transformation, intelligent automation, policy & claims systems modernization, and product implementation.

Uday has conceptualized and built solutions using CRM Dynamics, BPM & low code, no code platforms. He has championed iCEOn – insurance brokers - employee benefits platform, AccuRUSI™ – underwriting workbench, two of the strategic solutions developed by LTIMindtree. He is an Industrial Engineering graduate, and an Associate of the Insurance Institute of India.

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Rajesh has 15 years of experience working in P&C insurance and IT services. He brings expertise and strong knowledge in the industry best practices, digital adaptability, and program architecting. He is Scaled Agile (SAFe) certified member and has played a major role in establishing Agile methodology within the IT group.

Rajesh leads a team of business analysts and manages the technology segment of the general liability portfolio with a major client. He has expertise in insurance data analysis with predictive analytics, insurance broker data models and in accounting system setup.

He holds a Bachelor's Degree in Science from Mumbai University.

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