

GENERAL INSURANCE – BROKERS' USP TODAY

BROKING NEW GROUND



As the industry grapples with disruption, innovative technologies and the Internet of Things (IoT), the spotlight was also cast on the broker's role today. Experts discussed this and shared tips on brokers' best practices as well as how to transition from "good to great" at the recent 4th Asia Insurance Brokers' Summit in Bali which saw some 170 delegates.

By Dawn Sit



The rise of connected objects, or the "Internet of Things" (IoT), and innovative technologies are changing the landscape for everyone. The insurance industry will have no choice but to keep up with these developments because it needs to understand these changes and their implications on customers, said Mr Jon-Paul Jones, President Director & CEO of PT AIG Insurance Indonesia who delivered the industry keynote address.

While there are plenty of opportunities presented by IoT, all of them come with some level of risks and he said that it is "not enough just to ask the right questions" but that there is a need to "find the right answers as well". From questions on cybersecurity to shifts in liability to privacy issues as sensors that people carry around are continually capturing data, the industry is best placed to understand these phenomena – analysing data and extracting actionable insights – in order to help its clients prepare for the risks ahead.

Evolution of the broker's role

Sharing his observations on the evolutionary role of brokers from the 1990s till now, Aon Benfield Asia's Head of Analytics Brad Weir said the intermediary has progressed from a



"local" transaction-only role in the 1990s which carried out market intelligence, policy administration and negotiation and placements among others, to a "regional" advisory role that included additional functions such as liability management, reinsurance and portfolio optimisation, and catastrophe management in the 2000s.

From the 2010s, brokers' suite of services have further expanded, taking on a more global approach as they assist clients in risk assessments, often developing proprietary models and solutions, and provide strategic advice on risk and capital strategies.

Core value to clients

Meanwhile, Mr Laurie Feather, Executive Director of Strathearn Insurance Brokers in Australia, said that fundamentally, the broker's value is in its personal interaction with its clients. "It's not what we offer to clients but what we can do for them that is core. Our business is a personal interaction with clients, not computers."

Whether it is in meeting with loss adjusters, lawyers or the insurers' claims officers, the broker is the connecting link between its client and the various parties and is able to provide much value add as a specialist communicator.



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Crucial role in narrowing protection gap

Mr Edy Setiadi, Deputy Commissioner of Non-Bank Financial Institutions (NBFI) Supervision 1, Indonesia Financial Services Authority (OJK), who delivered the official keynote address, emphasised that the regulator fully supports and hopes that the broking sector can play a crucial role in helping to bridge the wide protection gap existing in Indonesia and the rest of the region today.

But whilst the regulator can develop strategies and regulations to encourage the industry to play a significant role in supporting economic growth and development, as well as financial inclusion, the implementation of its regulations are only as effective as the industry's efforts to put them into practice, he added.

"The Law No. 40 Year 2014* and its implementing regulations are considered effective, if and only if the insurance industry takes them into account seriously. Insurance brokers in particular, are expected to undertake real efforts in practice. They have to conduct business consistently and help increase consumers' understanding of the importance of insurance protection. Further, they are also responsible for supporting consumers in relation to claims settlement."

Key issues to address

He also highlighted four main issues that the local broking sector needs to address:

1. First, there is a need to improve public confidence in the intermediary institutions;
2. second, domestic brokers need to "seriously anticipate" the country's economic growth and opportunities that come with the AEC and "increase [their] competence", especially with foreign businesses entering the market;
3. third, with the increased frequency and intensity of natural disasters, brokers are crucial in helping communities mitigate risks and in providing companies appropriate recommendations on placement of risks and;
4. fourth, the need to adapt to the fast-changing environment and adopt

technology for more effective and efficient work outcomes.

Further to improving work efficiency, Mr Mike Donnelly, Principal, Donnelly Insurance Brokers, advocated the use of standardised fact-find forms that would be able to help brokers electronically record, store and retrieve client instructions; another purpose the forms would serve would be that in the event that a professional liability claim against a broker arises, such a best practice would be able to help in mitigating its risk exposure.



Mr Mike Donnelly

From good to great

Turning to look at what it takes to be a champion in the broking profession, Mr Clemens Philippi, Regional Manager, Market Management for Allianz Global Corporate Specialty (AGCS) Asia, shared the traits of a good broker, as well as the difference to be made in order to transition to a "great" broker.



Mr Clemens Philippi

A good broker, he said, is one who is "client-centric and relationship-driven", is "passionate about the best T&Cs" and is "efficient and data owning". However, each of the traits have pitfalls which need to be avoided.

For example, if a broker is too relationship-driven and "loves his clients", there is the danger of him becoming too protective of the client, and may wind up stifling innovation. Similarly, a broker passionate about technical broking and who aspires to achieve the best renewal outcome may also end up fixated on reducing premiums for his client and neglecting other value-add components.

Contrastingly, Mr Philippi said a great broker is one who: 1) is able to build a long-term "tripartite and value-based partnership" between the client, broker and insurer, allowing for "multiple touch-points, beyond individual personalities"; 2) can manage expectations of both client and insurer well and match-make personalities with the right organisations; and 3) is knowledgeable on portfolio, able to analyse data to build strategies and identify niches, and is "strategically aligned".

Considerations in joining a network

The two-day discussion also heard experts shared on broker networks and how it may serve as a strategy to help smaller brokers gain a leg up in the competitive environment. But first, Mr Robert Kelly, Managing Director and CEO of Australian network Steadfast Group, advised delegates that they need to consider what they wish to change and achieve about their business and what is limiting them, and then compare it against their expectations for joining a network.

Both Mr Wolfgang Mercier, President & CEO of unisonBrokers AG in Germany and Mr Paul Bitner, Managing Director of Brokerslink, USA, emphasised that the network is mainly a strategic tool for a broker's development and for international support and accessibility, as opposed to a "defensive" strategy.

UNiBA Partners' Chairman & Executive Director Mareen Hüffmeier summed it up: "Like marriage, joining a network has a lot more to do with [increasing] happiness, than with being a defensive strategy [to boost business]. And as in a marriage, finding the right 'partner' deserves some thought."

The Summit was organised by *Asia Insurance Review* and sponsored by AIG and Tokio Marine Insurance Group.▲



(L-R): Mr Paul Bitner, Mr Wolfgang Mercier and Ms Mareen Hüffmeier

*The Insurance Law, enacted in 2014, introduced various new concepts and provisions; among others, the concept of a controller being held liable for an insurance company's liabilities, statutory management being appointed by the OJK, the spinning off of sharia business units, the requirement that the Indonesian shareholder must be an Indonesian citizen or an Indonesian legal entity fully owned directly or indirectly by Indonesian citizens, and the single presence policy. The OJK is mandated by the Insurance Law to issue implementing regulations on many of these issues. While the OJK has issued several implementing regulations, there are still regulations to be issued.