

UNFORESEEN IMPACTS AND OPPORTUNITIES OF THE ERA OF MEGA-BROKERAGES

The advent of mega-brokerages creates possibilities to reshape client-broker-carrier interactions and preserve - and even extend - the influence of the independent channel.

The insurance industry, specifically the independent agencies, are under threat and are responding by forming the largest independent brokerages ever - the recent announcement of Aon and Willis Towers Watson fast following the Marsh-MacLennan JLT merger in 2019.

Threats to the independent agencies and brokerages are coming in waves.

- InsurTech companies are forming their own companies to prove the viability of their solutions
- Direct-to-consumer carriers are growing market share while overall growth is relatively stagnant
- Carriers in the independent channels are slow to react and not offering enough digital options for agencies to connect through to their clients
- Agency system vendors are doubling down on process-heavy systems
- Agency connectivity partners are charging fees on both ends of interfaces

By creating these mega-brokerages, interesting opportunities arise to preserve and even extend the influence of the independent channel. The largest opportunities are potentially those alluded to by [Greg Case, CEO of Aon](#) (London). "Our combined firm will accelerate innovation on behalf of clients and be better able to deliver more value to all stakeholders. And while we will be bigger, yes, that's not what this transaction is about. This is about better."

The new mega-brokerages will have opportunities to scale like never before.

Historically, independent brokerages and agencies had challenges leveraging economies of scale. The primary benefit of merging was in the size of their portfolios, being able to negotiate preferred contingent commissions and pricing. Brokerages have not been able to leverage technology or their size to help with processing efficiencies. Large brokerages use many of the same solutions as the rest of the independent agency market. They haven't been able to scale digital solutions and direct-to-consumer features due to the complexity the industry already faces with gaps in single-entry, multi-carrier interfaces and scalable technology.

Imagine the experiences these mega-agencies could drive with combined their technology capabilities:

- The potential policyholder experience if these brokerages offer all services in one place, regardless of market placement. A single-entry multi-carrier interface not only for brokers but for policyholders and true digital capabilities to download policies, request information or changes and manage risk portfolios. To have brokers easily monitor for new opportunities, risk exposures and reach out to help implement strategies ensuring a solid financial plan foundation.
- The small business owner experience if business details were posted through a brokerage and carriers bid on the portfolio of liability, commercial property, equipment floaters, cyber risk, business interruption etc. Brokers guiding clients through the experience layering in their expertise. Custom tailoring packages to exactly meet my needs and budget.
- Brokerages pro-actively recommending products and coverages to clients and carriers meeting market needs. Leveraging their risk specializations combined with new data sets and further analytic insights, brokerages can provide insights such as propensity to buy and client risk appetite along with traditional political, economic and social risks.

As they move in to address the technology transformations, they have an exciting opportunity to define a vision for the independent insurance channel and brokerage models to really reshape the client-broker-carrier interactions. Thoughtful planning on what those interactions look like and how to layout the best technological solutions will be a monumental task.

WHAT ARE THE NEEDS?

The industry has been asking for a long time for some keystone components:

- Digital document exchanges to eliminate paper and improve the timeliness of delivery
- New workflows for underwriting and client onboarding, including digital signatures, verbal consents and data capture
- Interactive solutioning between underwriters and brokers to negotiate policy coverages and rates
- Robust integrations for quote and binding processes eliminating the needs for additional portal steps
- Improved interactions for claim consultations, payments and inquiries demonstrating to the policyholders a deep relationship between carriers and brokers
- New client stakeholder interactions between social media, carriers and brokers allowing for the seamless flow of information and experiences

Mega-brokerages are well-positioned now to drive these conversations and interactions and support the adoption of the features. Once built, the independent channel will be able to drive further adoption benefits.

WHAT'S AT RISK?

If the mega-brokerages don't drive change, the threats to the independent channel will continue to erode its ability to be effective. Carriers will continue to chase lower operating margins by pushing work down onto the brokerages through portals and other tasks. The direct markets will continue to push for straight-through (real-time) processing and improved efficiencies.

The independents need to find a way to afford digital solutions and work with their carriers on effective business processes that are meaningful to the next generations of clients.

Vendor systems are offering solutions, but the value-benefit hasn't been realized yet, and client experiences aren't optimized. The experiences are being designed by the vendors for their clients – the brokerages and not for the policyholder-brokerage relationship.

To make these dreams reality, these mega-brokers need to really unite, not just data sets but their technology visions. To do it right, they should not just be big, but dream big.

The original version of this article was published on Insurance Innovation Reporter to read it [click here](#).

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JN_1894

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