

Future proofing broking:

The views of the
next and current
generation brokers



Introduction

As an attendee said at one of the events that preceded this White Paper: “We no longer need to be just good at insurance broking, we need to be technology and marketing specialists - our next recruit should be an innovation director.”

The word most often used to describe brokers is ‘resilience’ - but this is becoming outdated, as being able to stand firm in a fast moving market is not enough. Brokers need to make sure their businesses are forward looking, offer relevant products and are able to deal with the changing landscape and uncertainty. They need to attract talented staff who want to stay in broking and be adept at developing a strong brand.

Insurance Age and Zurich held two roundtables on the topic of ‘future proofing’ broking, the first attended by a group of young ‘rising stars’ and the second by senior brokers, ‘the current generation’. The aim was to provide some clear-cut guidance as to how the broking industry can flourish, no matter what challenges come their way, with a specific focus on:

- What changing skills sets are required
- Succession planning
- Attracting the best staff and professional development
- The value of professionalism
- The role of technology
- Dealing with competition

Chapter One

Why future proofing matters

The UK is home to some extremely successful brokers and there remains a strong demand for expert advisory services. Whether personal or commercial, insurance is complex and the support and guidance of a broker can be invaluable.

As Zurich's National Development Manager, Andy Day said: "There is no other sector that can get as close to the customer and understand what their needs are – only they can ensure it is the right product at the right price."

But, there is certainly no room for complacency – too many customers are still focused on finding the cheapest price and if they believe they can find it themselves, then they may discount the value of advice. However, problems can later materialise if they find they have inadequate cover.

Through consolidation broker numbers have shrunk. However, Aston Scott Chairman Peter Blanc noted that there are some highly attractive start-ups, often using networks to provide support in key areas such as compliance and agency access.

So what makes for a successful broker – whether established or in its infancy?

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They are decisive and prepared to change

Successful brokers have a clear focus. They know their audiences and how to reach them. Many are embracing digital and see technology as key to future growth and efficiency. They are willing to seek external guidance on areas where they may have less knowledge if necessary.



A willingness to listen and work collaboratively

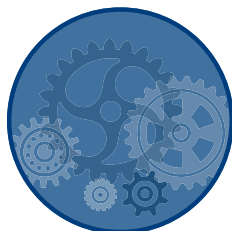
Smart firms show a willingness to bring on talented young employees quickly and appropriately. The roundtables highlighted that many senior managers listen to their younger employees to pick up on their views.

The attendees at the next generation roundtable were energised by the amount of client involvement and responsibility they have in key areas, from new product development to liaising with third parties.



They promote professionalism

Chartered broker status, whether for an individual or a firm, is something many of the roundtable brokers have either achieved, were working towards or are considering seriously. Furthermore, while technical competence is viewed as essential, many also take advantage of other forms of training – such as for soft skills - and see the value in this for all their employees.



They adopt a less hierarchical management style

It is now commonplace to see a fairly flat management structure - senior managers are also more approachable and visible.

Chapter Two

Recognising and retaining new talent

There may be no empirical data, but the make-up of the broking workforce is already changing. Few brokers had family connections at our next generation roundtable and graduates had a range of degrees, including business studies, computer science and history.

While connections are important in most sectors, it was fairly typical for broking employees to be introduced to the sector by people they knew or because of a family connection. Others just felt they would try broking as a stop-gap – only to stay once they started to find it such an enjoyable and rewarding career.

Certainly awareness of insurance careers remains low, but there have been improvements. The CII's Discover Risk initiative was applauded, but more brokers are now collaborating with schools and colleges, working on their employer 'sell'. Many brokers now employ graduates, while it was once the exception. This is definitely a sector which is becoming more diverse and a career of choice.

A growing number of brokers are also now offering apprenticeship schemes and this is proving an effective way of taking on bright school and college leavers who prefer to earn while they learn and want to avoid being saddled with university debts.

Aon, for example, reported its apprenticeship programme was over-subscribed in terms of applications. Apprenticeships are becoming increasingly popular and while they carry an administrative burden and require planning and commitment, they are one route towards ensuring a pipeline of talented individuals the industry needs.

One attendee also reminded brokers of the value in taking on experienced people for project work. Contractors are probably less widely used in broking but can mean getting up to speed in a specialist area.



Career Progress

Many brokers said they realised that if they did not offer prospects to their ambitious staff that they would lose them.

This was the case with Aston Scott's Blanc who said: "When I started working in the industry I was told by my employer that I could be an inspector at the age of 40, so I moved into broking six months later."

Coversure, has an executive committee largely run by younger managers which ensures they have a full understanding of the whole business and Northern Ireland's Autoline sends a group of its people to the University of Ulster for leadership training, among other programmes. As broking employs smaller numbers, there are fewer jobs that are "just jobs" and as one senior manager said: "We don't have anyone who is not hungry to learn."



Demonstrating value to customers

Offering a great and empowering work environment will bring benefits in terms of staff performance and loyalty. It is also imperative that a broking firm ensures all members of the team are clear on what they stand for – and are able to show customers that price is not the only option to consider.

Paul Emery, Head of Navigators & General, Zurich said: "We know that some customers choose aggregators and direct insurers but not all are going to remain there – some will find their insurance doesn't fit and will naturally need to discuss their risk with a broker.

"Brokers need to make it clear they are different, the value they provide customers, offer outstanding knowledge on the risks their customers face and work closely with insurers to manage claims and as such that they are not solely based around price. So it may mean being able to show case studies if relevant, or finding ways to communicate with customers that sets them apart from the other channels."

Chapter Three

Covering emerging risks

Brokers take market research seriously. This may mean working with underwriters in pushing for relevant products to be developed and also working closely with clients to predict where future risks lie.

The hack on telecoms provider Talk Talk in October 2015, will have proved enormously damaging to the business but may also act as a reminder of the need for cyber insurance, which most agreed was likely to become far more mainstream.

One broker commented: "There are a growing number of examples that show cyber crime is a real risk, but take up is still slow. We need to see how insurers are responding to claims as the cover is still relatively untested. When we start seeing more examples of claims being paid out we can speak more confidently to clients about why they need this cover." Parallels were drawn with directors' and officers' insurance which is now widely purchased, encouraged in part by the financial crisis and corporate scandals.

Likewise, brokers saw growth in liability cover linked to the rise in 3D printing and one said his firm was now offering cover for new currency risks, such as Bitcoins.

Brokers who are committed to being a part of a changing economy need to work with flexible partners and it was noted that Lloyd's syndicates and in particular, MGAs could prove sufficiently agile as brokers seek to differentiate themselves with bespoke cover.

In personal lines, the sharing economy, for example with car sharing, was seen as creating opportunities. Meanwhile, the connected home – and wider internet of things revolution - was said to offer insurers scope to manage risk better, such as when properties are empty. Captive cell solutions may also prove relevant for complex risks and brokers are increasingly offering guidance in setting these up and providing ongoing management services.



Chapter Four

Ready for change

Are brokers ready for the Millennials – those born from early 1980s to early 2000s? Can brokers look the part for customers with high expectations, who are not prepared to fill in long applications forms and are so wedded to their mobile devices? Can they have a place in a world which is demanding instant access backed up by efficient service?

These roundtables showed that many brokers will need to ensure digital and traditional people-focused business strategies co-exist. They also need to use their resources effectively. Andrew Carter (Centre for Cities) spoke about his work with Zurich in analysing the market in the UK - where the vast majority of UK firms are SMEs - but while there is economic recovery, it is not evenly distributed.

So, it should be worth investigating ways to target growth industries and regions which are seeing the most growth. This should mean they can maximise the benefits of the 'multiplier effect' where other SMEs experience prosperity as a result of economic expansion.

Focus on the right markets and more business should follow. One broker referred to his firm's rising sales in technology and music-related industries, which he described as 'heavily networked and leading to the best type of referrals'.

But, do brokers also need to be big to succeed? The takeover of Jelf by Marsh shows large remains in vogue. Equally, insurers want scale and the consolidators can offer this. So, is it possible to be a serious but smaller independent player? Niche is nothing new, but it seems specialist firms that can offer exceptional service and outstanding knowledge will stay in business. Meanwhile, for the consolidators, there are lessons to be learnt from past experiences. Taking their eye off the ball once a broker has been purchased or growing too big too quickly can turn to losses and the best people exiting, and results in a wasted opportunity on a massive scale.



Future proofing is not an exact science, but it contains these elements:



Understanding your firm's strengths and capitalising on these



Having the right mind set to make strategic change and move into new areas while not letting go of what you do best



Collaborating with experts where necessary - look inside and outside of broking for inspiration



Digital is here - be a part of it

As motivational speaker Barry Gibbons said at our roundtable event: "John Lewis can forge relationships with its clients in ways Tesco can't - there is a lesson here for brokers."

So although technology is business critical and many brokers are investing more and more into digital, the emphasis on independent advice of the highest quality and traditional personal service remains. For many brokers, future-proofing their businesses is well under way.

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