

ARTICLE

5 TRENDS IN INSURANCE BROKING

A WNS PERSPECTIVE



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Evolving
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5 TRENDS IN INSURANCE BROKING

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The figures speak volumes of the immense opportunities in insurance broking market across the world. Estimated to have touched USD ~60 Billion in 2019 in its incremental growth, the industry is being driven mainly by the U.S. and the European markets.¹ Of this, broker-mediated insurance premiums account for more than 60 percent of the total market premiums in a highly fragmented landscape.

Currently, customer demographics, technology, economic and environmental factors strictly require insurance brokerage firms to strategize actuarial models and effective sales strategies to create efficient pricing policies. Here are five trends that are shaping the insurance broking industry.



¹EY: Vision 2025



DIGITAL LANDSCAPE, EVOLVING EXPECTATIONS

As digital technologies evolve, insurance broking firms are finding new ways to optimize processes, reduce costs and most importantly connect with their customers. Brokers are continuing to boost investments in Artificial Intelligence (AI), automation and big data while expanding the use of mobile devices. In fact, global spending in cognitive / AI technologies is expected to rise 48 percent on a compound annual growth basis to reach USD 1.4 Billion by 2021.²

Internet of Things (IoT) can provide clients, brokers and insurers extensive data and insights to design holistic risk management tools and systems. This can boost their customer information repository, thereby enabling them to offer timely, pertinent coverage based on individual needs.

One of the recommendations for larger brokers to retain and grow their market share is to invest in technology and establish specialist divisions that offer personalized services. Such investments will improve analytical capabilities, open intelligent ways of managing risks, and bring down costs of distribution and service.



TRANSFORMATION IN RISK MANAGEMENT

From consumer lifestyle alteration to climate change, disruptions are leading to stark changes in the way people buy and use insurance. Companies need to build meaningful relationships by radically changing the customer's approach towards risks.

As more customers are empowered to effectively handle standardized risks, there is tremendous potential and opportunities for

insurance brokers in the area of emerging risks. Insurance brokers are thus becoming risk facilitation leaders to address the need for profitability. Innovative client service models now include the shift to automated underwriting.

To support this change, organizations and functions are looking to plug knowledge gaps in technical insurance through investments in training and by empowering agents with new areas of knowledge, such as data literacy and AI.



CHANGING ROLES OF ADVISORS

Technology is providing personalized offers that are increasingly more accurate than the ones recommended by the most experienced brokers. In addition, digital interventions and automation are ensuring reduced intermediary commissions and fees for customers.

Insurance brokers need to leverage the same technology to essentially evolve from their role as experts and trusted advisors who foresee and minimize risks. Speed, accuracy and convenience — these three components offered by new technologies can help brokers become a crucial cog in the hybrid story of physical and digital.

Investments in digital marketing (including consolidation through mergers and acquisitions) are being stepped up as a means to generate leads for new sales, and engage with existing customers and markets. Digital platforms are being deployed by insurance broking firms for brand promotion and trust-building in a competitive market — and for dissemination of specialist knowledge to develop risk strategies. With the world becoming increasingly complex, newer insurance products are being created, and brokers that can understand and leverage this information at speed will race ahead in the time of digital disruption.

²Deloitte 2018 Insurance Industry Outlook



DYNAMIC REGULATORY CHANGES

Even as insurance broking firms leverage advanced technologies to deliver greater value at reduced costs, the dynamic nature of regulatory and compliance requirements creates significant challenges. Over the last five years, the broking channel has seen dynamic changes in the regulatory landscape in the areas of data and privacy with General Data Protection Regulation (GDPR), sales standards, market conduct, Solvency II, fraud, and third-party risk management. While Brexit's long-term impact on insurers doing business in Europe is still uncertain, many companies have already taken steps to adapt to a post-Brexit scenario. Broking firms are positioning regulatory and compliance risk management programs as competitive differentiators of agility.



DATA MANAGEMENT

IoT is already generating humungous volumes of client data, and broker systems are getting ready to innovate and provide additional value-added services through advanced data analysis and management. For insurance brokers, this calls for better knowledge and understanding of IoT and its impact on risk handling. Sophisticated data analytical tools can help brokers glean customer footprint data and develop a competitive edge through superior sales and market segmentation strategies, and improved underwriting and claims operations.

As risk analysis and management continue to be valued by businesses, the future of insurance broking is optimistic. A proactive and collaborative approach by all parties involved — brokers, insurers, regulators and other stakeholders — can help the insurance broking industry achieve its true potential.



About WNS

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