

The evolution of the modern broker



Broking today is multifaceted. Brokers are not only considered providers of insurance but also partners in protecting the financial welfare of clients. The role of brokers expands beyond traditional insurance placement and they must also learn how to use technology such as AI to streamline and speed up the insurance process. Speakers at the 12th Asia Insurance Brokers' Summit broke it down.

By Reva Ganesan

The broking industry needs to embrace digital transformation, optimise efficiencies of processes and understand the importance of client experience. Brokers are not merely providers of insurance but partners in safeguarding the financial wellbeing of clients.

These are some of the messages that came out of the 12th Asia Insurance Brokers' Summit.

Environmental risk – more challenging than before

Marsh Asia president James Addington-Smith shared his insights on risk importance, risk concerns among executives, assessing and mitigating such risks and the future of technology shaping and supporting ideas.



Mr James Addington-Smith

“Environmental risk has gotten more challenging than before. Climate change is evolving and the world is getting hotter. Yet, environmental risks seem to be falling off the priorities of the executives. In 2015, the Task Force for Climate-related Financial Disclosures was initiated and companies came under scrutiny to compare and improve their climate resilience and their environmental impact on the world,” he said.

Mr Addington-Smith said that the risks brokers faced five years ago are very different from today, largely because of the bounce-back effect from the pandemic - supply chains being disrupted and interest rates are rising along with inflation.

“The ever-evolving nature of risks means that we cannot use an insurance-only approach to mitigate these risks. In the past, with risks

being more predictable, businesses may be able to transfer, for example, half of those risks into the insurance market. But with all these emerging risks fast evolving, the historical data and insurance industry cannot keep up, widening that gap between capacity and these risks,” he said.

Client expectation is a major challenge for brokers

Moving on to the future of modern age brokers and how the broking industry will evolve in the next five to 10 years, Price Forbes Broking Asia CEO designate for APAC Philip Johnson said, “As the industry evolves, there is still a bright future for the insurance brokers who embrace technology and innovation.”



Mr Philip Johnson

“In financial terms, a study by Allied Market Research forecasts 10% y-o-y compounded growth doubling the size of the global broking market to about \$625bn by 2032. In even better news for all of us here in Singapore, the same study shows that Asia Pacific will have passed North America as the largest market globally by the same date,” Mr Johnson said.

He pointed out that staying relevant, managing client expectations and the rising pressure on commissions and fees along with the need to diversify are some of the challenges brokers face these days.

“Client expectations is a major challenge as customer experience has now moved from just expectations of faster turnaround and more transparency to an expectation of personalised advice, omnichannel experiences, shaped by their interactions with digital natives - both within and outside of the industry,” he said.

Mr Johnson predicts that in the future, there will be far fewer brokers than there are today, mostly due to the costs of operating effectively as an insurance broker will become significant with very little room left for transactional insurance broking and procedures as done today.

“New technologies such as the internet of things, AI and machine and deep learning will replicate these transactional broking services exponentially faster and at a fraction of the cost with far less reliance on costly human labour,” he said.

“Brokers should use technology to streamline and speed up the insurance process of matching clients with capacity and remove the ‘human touch’ other than where required. The technology is there, we just need to make sure we use it and are first movers in doing so,” he said.

In the future, he believes that insurance will become more embedded, connected, immersive and co-created with the customer community in the next decade.

“There will be a significant use of interactive channels and I believe the insurance market will become truly global and that APAC will become the biggest insurance marketplace in the world. Alternative capital such as ILS will have gained a far greater share of wallet than they have today, with

significant positive repercussions for the industry if used effectively to move into new product lines and access wider distribution,” he said.

Job displacement due to AI is inevitable

At a panel discussion surrounding the role of a broker, panellists talked about how the concept of transacting a policy today is changing, as part of a broker’s overall role to help and advise clients.

“As the evolution and needs of risks continue to grow, generations behind us are seeing the industry in a more professional light. The expertise is growing. Machine learning or gen AI essentially brings more industry-led insights and data-driven decision making for clients,” Mr Addington-Smith said.

“But in terms of job displacement, yes that is going to happen. Our worry should not be about the risk of losing jobs but more of how brokers can upskill talent and how new roles can be created in organizations,” he said.

Maintaining personal relationships and value proposition

The conference also looked at the changing role of a broker as an intermediary. UIB Asia Reinsurance Brokers CEO Francis Savari said that the broking environment is changing. Maintaining personal relationships was one of the aspects he stressed.

“Historically, brokers have been defined by certain parameters. Traditionally, a successful broker has fantastic relationships with clients - be it personal or friendship. With new developments coming up, brokers need to adapt to the changing world. Brokers are expected to be well-versed with market knowledge, which means being able to provide market information to clients whenever they require some,” he said.

He also said that due to capital restrictions and regulatory constraints, clients are looking for capital relief solutions.

“On the reinsurance side, brokers can design treaties to provide relief on the capital rather than injecting new capital. Parametric solutions have also become more common, with the increasing frequency and

severity of Nat CAT losses and these are the kinds of knowledge that brokers need to equip themselves with,” he said.

“In the end, everything boils down to value proposition. We will stay relevant as long as brokers are able to add value to the business, transaction and relationship,” he said.

AI helping with vast amounts of data

QBE Insurance head of corporate underwriting and broker distribution Barry Robinson said instead of hiring countless underwriting assistants, AI will have the power to do that.



“Price, coverage and turnaround times are some of the challenges in underwriting. Turnaround time is the biggest challenge we face because of the volume of work and the volume of data that are at hand. The data that comes through is huge and finding ways to be able to go through that data much quicker and efficiently is going to help the underwriting process - which is where AI can help,” Mr Robinson said.

In response to a question posed if AI will replace underwriting jobs, he said, “The underwriter will still be in control and be the main decision maker. It is only that they are being helped quicker by AI than traditional methods.”

While the opportunity to incorporate AI into underwriting processes is in its infancy, he said that the chance to create APIs for the broker community is where it gets exciting.

“Connectivity between the broker system to an underwriter or an insurance company system in regard to making the end-to-end process a lot smoother and quicker is something that all of us are striving for.”

“The cost of doing business is getting more expensive with 90% of the market in Singapore being SMEs. We must find ways to do business quicker and cheaper and part of that might be through AI,” he said.

The 12th Asia Insurance Brokers’ Summit organised by *Asia Insurance Review* ran from April 15 to 16 in Singapore, sponsored by Success IT Consultancy & Services.▲