

What You Don't Know Can Hurt You



Pat Durepos
President,
Keal Technology

Business tools and technology solutions are available to help brokers in their battle with directs.

I recently attended a broker roundtable featuring some of the largest and most successful brokerages in Quebec. The messages heard around the table were likely familiar to many firms across the country — all representatives had lost a certain amount of business to direct competitors, many speculated there would be a bigger push in advertizing and spending by these competitors to gain more market share and most felt at a competitive disadvantage in terms of technology. After more than 20 years of direct intrusion into the broker-dominated property and casualty insurance marketplace, these messages were hardly news. What I found odd, however, was how few brokers had a tangible business plan to address this threat — and how little they understood of the current technology that is available to help them do so.

My perceptions are based on research that Keal Technology commissioned the French Group to undertake last year. In an opinion survey conducted with brokers from across Canada, 74% said the industry is experiencing a fundamental

change in distribution; 69% predicted new players would continue to gain market share. Moreover, 67% of brokers reported that changes in distribution had affected their business results. When asked to specify how their businesses had been affected, brokers most often responded: “keeping up with technology.” So brokers are well aware of the shifting competitive landscape.

And yet, when asked if brokers had enough tools and resources to compete effectively against new competitors, a whopping 74% said no. Awareness and action are two different beasts. It is one thing to see new competitors enter your business; it is quite another to research alternative ways of doing business, search for new tools and develop a strategic plan.

A comprehensive response from brokers should in part entail investing in technology for productivity improvements. This could involve:

- setting growth and productivity goals;
- separating sales, service and administration;
- training staff to become pro-active (annual reviews, cross-selling, referrals);
- measuring results; and
- developing in-house technology expertise.

Ideally, that in-house expertise should be matched with industry standards such as the Insurance Brokers Association of Canada (IBAC)'s electronic workflow initiative.

A FRESH PERSPECTIVE

The bulleted points above are all important aspects of a forward-looking business plan. But let me give you some specific examples of how brokers can reap rewards by approaching problems with a fresh perspective.

Keal's "best practices" consulting team recently visited a successful brokerage. We met with both management and a handful of client service representatives (CSRs), producers and team leaders. We quickly discovered a disconnect between the brokerage's "vision" and operational reality. For example, there was no real evaluation of the cost and benefit of certain procedures. In fact, in some instances, the brokerage had developed time-consuming work processes to produce information that was already stored in the broker's BMS. By evaluating just one workflow procedure, the brokerage was able to save \$12,000 annually. Imagine the potential of unlocking more efficiency, and allocating freed-up resources to support profitable growth.

In another example, our consulting team encountered a brokerage that took four days to reconcile insurance company statements and broker accounts. The solution was to start using the sigXP automated electronic tool that automates all reconciliations. The result: four days of work was reduced to four hours, translating into 90% costs savings for the brokerage in that area.

In many instances, brokers simply do not know about the latest technology that is available and customizable to the size of their firm. Call recording integration, voIP (voice over Internet Protocol) telephony, premium financing management systems and integrated marketing to target opportunities and manage carrier relationships are just some of these tools. Guess what? Direct writers and banks have used many of these technologies to gain market share. The same opportunities exist for brokers on a scalable level.

For example, Keal recently formed a partnership with blueC 802, a company that provides call recording software called blueButler. This application is integrated with Keal's sigXP BMS and gives brokers a cost-effective solution to com-

pete with direct writers on their own technological turf. How many brokers out there today use call recording software? All of the banks and direct writers' call centres have been using this technology for decades now.

Regardless of whether or not they know about these specific tools, brokers should be asking themselves if their technology vendors are true partners in their business — or are these vendors just trying to flog the latest version of a product? Does your vendor understand your struggles, challenges and priorities?

Ask about technology platforms such as SQL. How long has a BMS run on it? What is involved in a conversion process, in terms of cost and complexity? What

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about protecting data integrity?

Similarly, brokers should ask whether or not their vendors offer end-to-end integration suites for all of the brokers' personal and commercial needs. Software development and integration done directly by the BMS vendor are becoming more important to an increasing number of brokers.

IDEAL ELECTRONIC WORKFLOW

Another key question for brokers is this: does your vendor support industry projects like the IBAC ideal electronic workflow initiative? This project endorses basic workflow principles for transactions between brokers and insurers, namely:

- transactions that start in a BMS must finish in the BMS;
- data flows between systems should occur electronically and transparently, without user intervention;
- all data transmissions must strictly adhere to CSIO standards;
- XML data that flows to a company's system should be processed and returned in real-time (or via CSIONet using existing BMS download procedures);

- workflows must avoid connection to and a broker's use of an insurer's Web portal; and

- translations are to be addressed on the insurer's side of the transmission, not the broker's side.

IBAC's initial assignment was for BMS vendors to generate one standard, specific, CSIO-compliant XML policy change transaction from within their respective broker systems and electronically transmit it to an assigned location. As of late last year, four vendors successfully produced the standard transaction. (One vendor is "pending completion" and another is classified "resources not yet allocated.") The next step is for insurers to receive and incorporate the data into their own systems.

The stated goal of the IBAC ideal electronic workflow initiative is to discover more efficient methods to exchange information between brokers and insurers, for the benefit of both partners. As an industry standard for workflow and electronic transactions, this project holds immense potential for brokers to become more efficient in their day-to-day business operations and to improve customer service.

In the meantime, a broker's biggest fear should not be banks or direct writers — it should be the broker's own complacency. The old attitudes of "if it ain't broke, don't fix it" and "we've always done it this way" may be comforting bromides, but they certainly don't represent a strategic plan to grow your business profitably. Instead, brokers should take a sober second look at their workflow procedures — or perhaps use a consultant — to ensure that management's vision and goals are aligned with staff processes. In addition, they should be actively researching existing technology tools and platforms that will allow them to do more with less.

Whoever said "ignorance is bliss" surely did not refer to the shifting tides of the property and casualty insurance industry. Nor did the author of the quote refer to beleaguered brokers facing increased threats from savvy competitors with deep pockets. But it turns out that what you don't know really can hurt you. ☐