

Measuring costs, revenues, and using efficient SEMCI available today will help the entire independent broker network remain profitable and help make them more competitive.



This article is submitted by Patrick J Durepos. Pat's career started as a broker in NB, back in the early 1970's. The brokerage now has 10 offices, with premium volume in excess of 35 million. Since 2000, Pat is President of Keal Technology which develops the sigXP, Signassure, dokXP, and comXP products. Keal distributes nexisys, lifeXP and premiumXP as well.



It is widely accepted that the following transactions occur on a daily basis in an Independent Insurance Broker office. This is how CSR's (Customer Service Representative) support their clients. It is also how the brokerage earns its revenues; commissions.

The objective of this case study is to compare the present costs of doing some of these transactions with the revenues generated and examine the costs benefits for the brokerages when these transactions are done in a SEMCI (Single Entry Multiple Company Interface).

**The transactions:**

Using information from a 17 million personal lines book of business, this is what I observed:

	Number of Transactions	Per Cent to Total	Rekeying Time (minutes)	Revenue per Transaction	Labour Costs per Transaction	Time Saved With Nexisys	Dollars in Time Saved	Total Dollars Saved
Endorsements	6054	15%	15	\$ (1.44)	\$ 6.98	12	\$ 5.59	\$ 33,814.34
Inquiries & Claims Uploading	6958	18%	5	\$ --	\$ 2.33	4	\$ 1.86	\$ 12,954.53
New Business	3246	8%	25	\$ 114.86	\$ 11.64	20	\$ 9.31	\$ 30,217.31
Renewals	23,167	59%	--	\$ 87.57	\$ --	--	\$ --	\$ --
Total and Averages	39,425	100%	5.2	\$ 60.69	\$ 2.44	\$ 4.20	\$ 1.95	\$ 76,986.18

**Nexisys software for SEMCI:**

- Nexisys is a real time SEMCI solution that connects most existing broker management systems as they are today without changes. Nexisys can output ACORD and CSIO standard data.
- Nexisys provides a complete SEMCI solution. Nexisys has these functionalities currently; Single Sign-on, New Business upload, Inquiries (Claims, Billing, and Policy Coverage) and Endorsements.
- The Insurer credentials are stored within the brokerage using 512 bit encryption. The credentials are never sent to Nexisys servers.

**Summary:**

Renewal transactions account for the second highest revenue per transaction, and a good opportunity to reduce costs. This will be explored in a separate case study.

It is interesting to note that endorsement transactions which only account for 15% of the total transactions provides an opportunity to save the most amounts of time (dollars). This is due to the negative amount of revenue generated on average with this type of transaction. Here is an opportunity to save almost \$34,000.

Even with New Business transactions which accounts for the most unit cost revenue generator, substantial savings occur due to efficiency gain. The opportunity to reduce expenditures here equals \$30,000. plus.

With inquiries that generate no revenue, e.g., uploading a claim or providing information on billing information, reducing the time to accomplish this brings in huge savings. These transactions account for only 18% of the total, yet the opportunity costs savings is almost \$13,000.

The total dollars saved represents 1.5 persons salary and overhead, amounting to almost \$77,000 for this amount of transaction activity.

**Assumptions:**

1. Benchmarks for time saved were calculated using **Nexisys as the SEMCI software and sigXP Broker Management System.**
2. Annual salary of CSR used is 35K including benefits and 1820 hour work year.
3. Overhead is calculated at 25% of commission income and included in the labour costs. Salary costs amount to 55% of commission income, anticipating total expense operating expense of 80% of the normal commission dollar.
4. Batch download is used with automatic billing in the example above.

**Conclusion:**

The independent broker distribution network is under extreme pressure to reduce its operating costs so as to remain competitive and profitable. This is an excellent way to make this happen.

We all need to remember that a dollar of expense reduced is the same as a dollar of additional revenue as it relates to the margin, i.e. the bottom line.

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