



Why Brokers Need to Transform to Stay Ahead

Custom Research by ISG, commissioned by Genpact

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Introduction

Traditionally, brokers represent a high-performing segment of the insurance industry. And although a hard market has created many opportunities for them, it has also revealed certain vulnerabilities. Evolving customer expectations, market fragmentation, legacy technologies, and staffing issues continue to challenge the industry. To better meet the needs of their clients, carriers, and employees, brokers are transforming their systems and processes, embracing advanced digital technologies, and optimizing their operations.

Solutions that leverage data, technology, and augmented intelligence (AI) are helping brokers to:

- Stay ahead of the competition
- Improve the quality of customer interactions
- Accelerate delivery
- Increase efficiency



Competition, legacy tech and more challenge the broker segment

The insurance industry faces many challenges. Insurers are up against new competitors. Clients are demanding more in the way of personalized products and timely services, which are dependent on digital solutions. And the threat of their infrastructures being outpaced by new and rapidly advancing technologies is real and constant. And brokers are not immune to these challenges.

In general, insurers face four major challenges:

1 Growing competition

Competition is fierce, especially as more Insurtech and start-ups, backed by significant investment capital, enter the market—often, with the explicit goal of disrupting the industry.

2 Shifting customer expectations

The demand for more personalized products and timely services necessitates new, digital offerings. Without them, customers are increasingly likely to abandon their traditional providers.

3 Complex technologies and processes

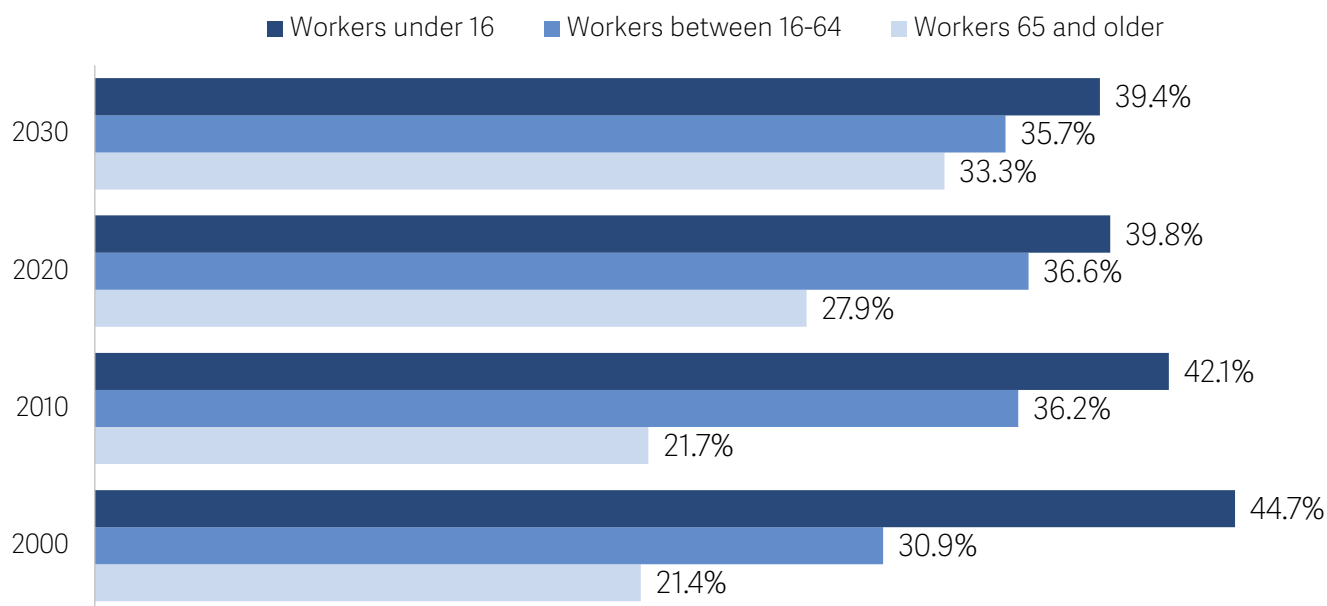
Inorganic growth in the industry is creating a complex ecosystem, adding to development and maintenance costs, and making it difficult to service customers effectively and efficiently.

4 High staff turnover

An aging workforce and a lean recruitment pool mean many positions are being left unfilled. According to the US Bureau of Labor Statistics, the number of workers at retirement age is not only growing but also outpacing the growth of the population of younger workers (see Table 1). And Pew Research reports an increasing rate of retirement, especially following the pandemic. If these trends continue, then companies will face reduced staff capacity and institutional knowledge, especially where legacy infrastructures are concerned.

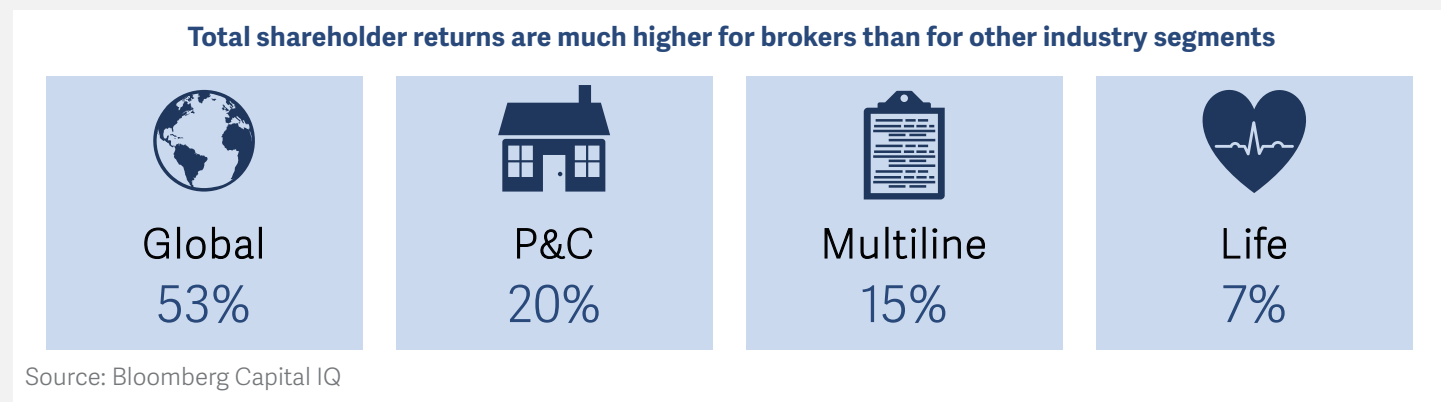
Figure 1: Economic Dependency Ratio

The number of workers at retirement age is growing and outpacing the population growth of younger workers



Source: Employment projections program, U.S. Bureau of Labor Statistics. Last modified date: September 8, 2021.

Figure 2: Broker segment remains strong



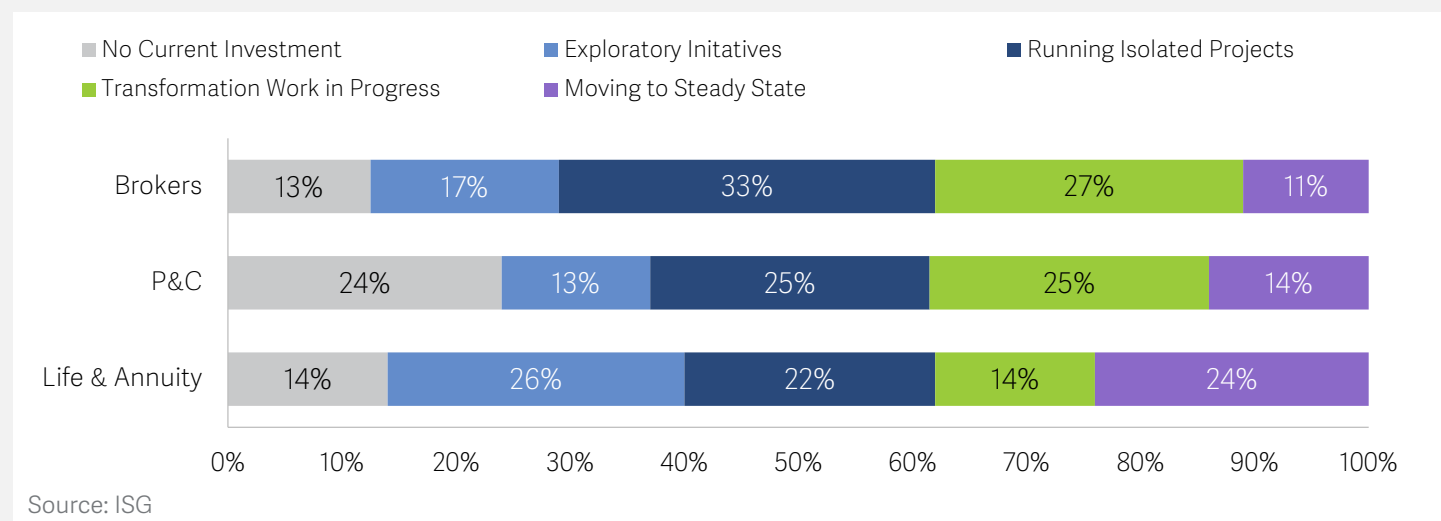
Despite these challenges, the broker segment remains one of the strongest performers in the insurance industry. Brokers are currently delivering higher shareholder returns than any other insurance industry segment, as has been the case for the last decade (Figure 2). However, that success also contributes to some of the challenges brokers face.

Growth (compounded by investments from large public equity firms) has fueled an active trend of mergers and acquisitions (M&A). In 2021, broker M&A activity hit an all-time high with 1,034 announced insurance agency transactions¹. Unfortunately, high M&A activity often

means that firms end up inheriting the operational issues of each individual brokerage they acquire.

When legacy technology is inherited, processes become slower and more inefficient. And fixing disjointed processes takes time. According to ISG's 2022 Insurance Survey (Figure 3), only 11% of brokers say they are moving to steady state stage of implementing an automation transformation involving machine learning or artificial intelligence. Brokers lag behind P&C at 14% and L&A at 24%. Meanwhile, manual and siloed processes persist, even when a transformation is underway.

Figure 3: AI, machine learning and automation adoption among insurance segments



¹ OPTIS Partners' North American Agent & Broker Year-End Merger and Acquisition Report

Enabling brokers with transformation programs focused on data, technology, and AI

To stay competitive, brokers are pursuing transformation programs specifically focused on improving processes through the use of data, technology, and AI.

- **Processes:** Brokers are improving their processes to create capacity and increase speed and efficiency. To achieve best practices more quickly, brokers often rely on external partners. As M&A activity slows in the near term due to geopolitical instability, inflation, and rising interest, brokers are increasingly focused on optimizing their operations and addressing the need for standardization in today's data-driven business culture.
- **Data:** Thanks to the rapid advancement in data-related solutions, brokers are now able to launch new services and enhance existing offerings. For example, to improve speed and accuracy

and reduce costs, many brokers are now standardizing the exchange of data (including submission, claims, and premium data) between all parties in the insurance value chain.

- **Tech:** Brokers are also implementing technology solutions to drive change. For example, automation, machine learning, and artificial intelligence prioritize interconnectivity, reduce capital expenditure, and ease the burden on processes.
- **AI:** Artificial intelligence can analyze large volumes of multi-dimensional, real-time data to generate intelligent recommendations. These recommendations can be combined with years of human expertise for more informed decisions. The result? Augmented intelligence.

What services are brokers looking for from their providers?

The ISG 2022 Insurance Survey asks brokers what characteristics they look for in service providers, both for business and technological solutions.

- **Insurance-specific innovation:** Brokers have always sought service providers with high availability and high service levels. Now, brokers say that a service providers' ability to provide innovative, insurance-specific solutions as is equally as important as availability and service. More respondents identified insurance-specific solutions as a critical trait for a service provider to offer than any other trait: 25% of respondents identified it as critical, with 67% identifying it as important or very important.

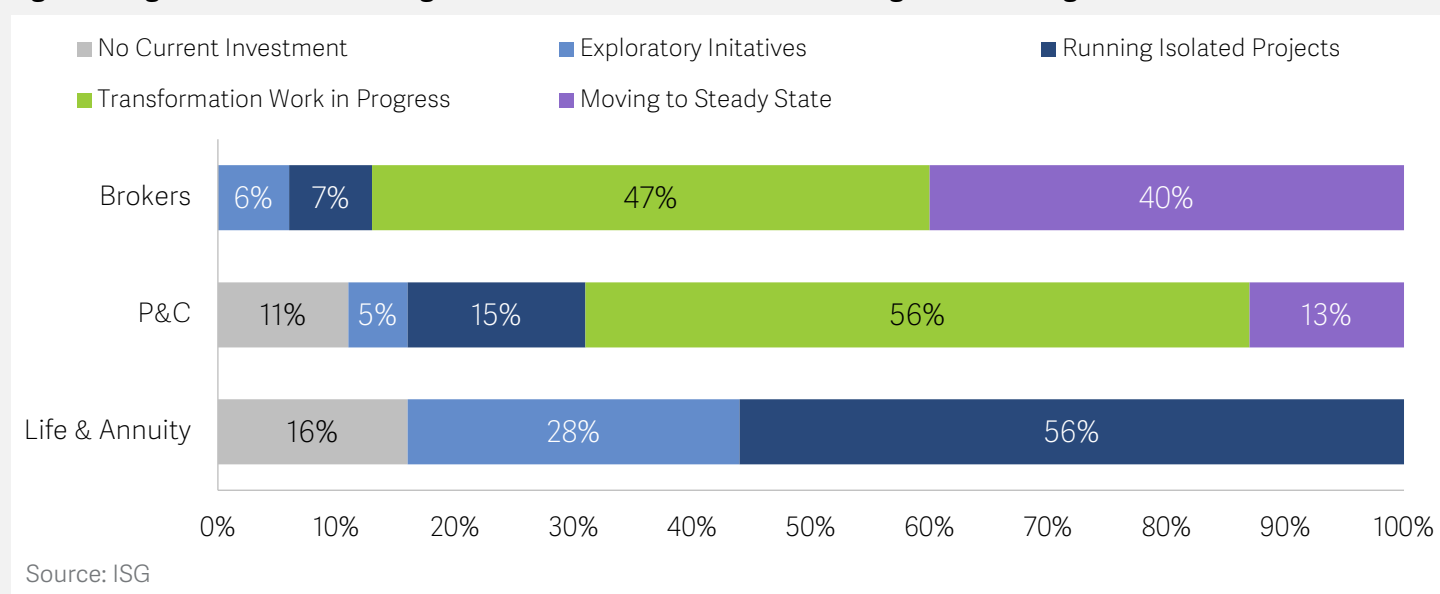
This reflects the rise of insurtechs, and service providers that bring their own innovative insurance technology solutions to the insurance market.

- **Technology and services combination:** Brokers are looking for service providers that offer both technology and process services as a combined solution. In fact, 50% of brokers say this type of combined offering is very important, and 19% say it is critical.
- **Cost and location not as important:** Brokers report that alignment with the broker's locations, and lowest costs as are the least important traits of service providers. Instead, brokers are more focused on a provider's ability to decrease their total cost of ownership (TCO). In fact, 63% of brokers say decreasing TCO is important, 19% say it's very important, and 13% say it's critical.

Expanding their capabilities in these areas helps brokers remove the friction caused by outdated infrastructures and elevates their offerings to ensure they remain competitive. And According to the results of ISG's 2022 Insurance Survey (Figure 4), brokers are investing more frequently in digital sales, underwriting and distribution modernization programs than Property & Casualty (P&C) or Life and Annuity (L&A) carriers. Indeed, 40% of brokers

report that these initiatives are moving to steady state. Property and Casualty (P&C) insurers lag behind brokers in this area at 13%. And L&A reports that 44% of carriers have no investment or are still in the initial exploratory project stage — not one of them reported moving to steady state. The applications for these enhanced processes and technologies service three discrete audiences – clients, carriers, and employees.

Figure 4: Digital sales, underwriting and distribution modernization among insurance segments



Transforming client interactions

Building systems that cater to clients is the cornerstone of many major broker transformations. These systems take the form of digital, omnichannel solutions that expand clients' support options and brokers' opportunities for renewals, cross-selling, and up-selling.

One major focus for this area of work is in simplifying and accelerating the broker process for clients. Challenges in the underlying IT landscape can often be responsible for slowing down both the submission and processing of insurance policies. Possible solutions to remove those roadblocks use automation and analytics. For example, brokers can:

- **Eliminate redundant work with automation:** Some processes require employees to key data multiple times into multiple systems, or otherwise repeat labor. An automated solution can minimize redundant data entry work by extracting key datasets from various systems and applications.
- **Improve submission quality with workflows and rules engines:** Poor submission quality creates delays for customers as it requires brokers to evaluate and organize the information in submissions. But workflow and rules engines can enhance quality. For example, such an engine can route complete or incomplete applications, saving time in decision-making and creating a "fast lane" for applications that do not require correction.

- **Enhance decision-making with risk modeling and advanced analytics:** Transformation optimizes decision-making. It does this by automating many of the analyses and judgements that make up part of the broker team's decisioning process. Risk modelling and advanced analytics can aid in product positioning and strategy by providing critical decision variables that influence risk placement, coverage and pricing.
- **Enable client self-service with web portals:** Brokers can implement self-service portals and certificate downloads to empower clients and reduce their own administrative burdens. Such portals enable clients to address their needs in a direct, streamlined, on-demand manner, improving customer experience.

"Brokers that undergo transformations focused on data-tech-AI are able to reduce processing times by between 50% to 70%," says Yasir Andrabi, global head of insurance solutions and strategy, Genpact. "And they can increase productivity by around 10 percent."

"For example," Andrabi continues, "we worked with a global leader in commercial specialty insurance to eliminate bottlenecks caused by a process that involved manual effort and shared excel files. By implementing a new workflow management process, the company was able to minimize delays and human errors by 50% to 70%, contributing to improved speed and quality. The overall process improvement also increased the resource productivity by 14% resulting in increased number of submissions processed."

Blending technology and AI for specialty underwriting

A global leader in commercial and specialty insurance was struggling with a submission workflow process that depended on manual, time-consuming steps. For example, their process relied on a combination of email transfers and manual data entry, which invariably resulted in errors and delays. So, the insurer partnered with Genpact to create a workflow management solution.

The company implemented Genpact Cora, a modular and carefully governed digital business platform that helps companies realize the benefits of transformation sooner, across their operations. By doing so, the insurer was able to simplify the overall submission process, increase speed and accuracy, and manage tasks among internal teams with more rigor and visibility. Users are also able to take advantage of self-service tools to prioritize and quickly resolve their needs.

The solution helped the company increase their process speed and the accuracy of their work and lowered their IT involvement. This also helped give their employees more control over process, and better visibility into their work.



Optimizing technology for carriers

Carrier transformations use automation and AI to optimize the interactions between carriers and brokers. A brokerage's ability to help carriers access customer data and risk insights speeds the process of insuring and improves the experience for all stakeholders.

But several major issues stand in the way of these improved interactions:

1. A lack of data transparency
2. An ability to measure performance due to a dearth of appropriate metrics
3. Delays related to quality
4. The need to rework submissions

Addressing these problems can greatly improve premium settlement and reconciliation, commission settlement, and other carrier interactions.

The first step to improving the flow of information between carriers and brokers is optimizing and standardizing key processes. This helps reduce the possibility for time-consuming errors. It also facilitates monitoring, which makes it easier for data dashboards, such as PowerMe, to supply better data transparency and reporting.

According to Andrabi, it is also the first step to implementing automation. "Process optimization and standardization makes it possible to accelerate processes such as reconciliation and categorization using advanced digital technologies," he says. Likewise, ISG survey data confirms that companies that have undergone such transformations have optimized working capital to the tune of \$30 Million through improved service and avoidance of cancellations.

Boosting employee efficiency

The employee experience is a focus for transformation on two fronts.

First, new workplace services help boost an organization's capabilities and efficiency. For example, improvements in employee experience have helped Genpact's clients improve productivity for submission handling by up to 35%. Improved experience can also be valuable in attracting and retaining talent.

Second, brokers and account executives frequently report frustrations with administrative burdens, which can be eased by improvements in the employee experience. Sub-optimized systems and inefficient processes distract employees from time that could be spent on market-facing activities. Many of these issues are symptoms of technological limitations—a company's technology may be too complex or may not operate at the required level. As disparate systems and processes create even more complexity, M&A infrastructures that breed broken and redundant processes are particularly relevant here.

Companies can address these common pain points through transformation. For example, transformation can help companies to:

- **Reduce administrative tasks.** For companies focused on improving employee experience, minimizing administrative tasks is a top priority. This is largely

accomplished through the use of automation technologies, which frees up time for employees to perform higher-level, more value-added work, which in turn increases their job satisfaction.

- **Minimize redundant or disparate processes.** By integrating systems and processes using a microservice application programming interface framework, a cloud-based extraction and hosting solution, and a routing and workflow management solution, companies can minimize redundant and disparate processes.
- **Transition to a more agile and interconnected way of working.** Adopting remote work technologies and other digital solutions that make things more convenient for employees improves both employee efficiency and employee experience.

System complexity also creates challenges with respect to knowledge management. Without clear, standardized processes, employees' daily work activities require specific, individualized knowledge. Staff attrition makes it difficult to maintain these processes, or at least demands more time reskilling new employees on non-standard processes.

But companies can use technology to implement more robust knowledge management frameworks as well. Companies can also implement knowledge assessments and reskilling focused on various areas of process lifecycles.

Digital enablement and transformation for a global broking firm

A leading broker offering a wide range of commercial insurance and reinsurance solutions partnered with Genpact to transform their mid and back-office operational capabilities. Their processes had grown organically into very siloed experiences. They wanted to make their offerings more structured and consistent across all services.

Genpact partnered with the insurer to co-develop a solution that identified opportunities for transformation. The company focused on standardizing their systems and building in automation to create a more structured, consistent experience for their employees—with more backup capabilities.

The company reported improvement in employee experience, making their associates' jobs more fulfilling by reducing & eliminating day-to-day processing tasks off their plate. This translated into an improved customer experience as well, with significantly reduced cycle times.



The time to create a robust transformation agenda is now

While still a high-performing sector, brokers face the same challenges as their peers in the insurance industry. Legacy technology and processes are making things worse. The best way to remain competitive is to implement solutions that improve efficiency for employees, which translate into improved outcomes for clients and carriers. In the next five years, brokers can expect to:

1. Move from being intermediaries to risk managers and custodians.
2. Be able to offer tailored products through an ecosystem of service providers (from the insurance industry and beyond).

3. See continued consolidation in the industry as data and technology advancements evolve and mature.

This is an opportune moment. Research shows that while many organizations are interested in digitizing their operations, the vast majority are still in the early stages. More importantly, very few companies are reporting steady progress toward their end goal. Creating a robust transformation agenda supported by a strong change management framework will help brokers to leapfrog the competition and outperform even in challenging market conditions.

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Vaidi Rajmohan is the lead solution architect for the P&C, broker, and MGA segments within Genpact's insurance practice. He has 23 years of experience in leading and successfully delivering technology and business transformation engagements for companies in the insurance industry. He has worked with leading carriers and brokers to execute large-scale, complex programs focused on customer experience, digital strategy, core systems modernization, and global service delivery. He leads the creation of curated solutions that align to client's transformative needs, which he partners with Genpact's operations, products, sales, and alliances teams to design and deliver.



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About ISG

ISG (Information Services Group) (Nasdaq: III) is a leading global technology research and advisory firm. A trusted business partner to more than 900 clients, including more than 75 of the world's top 100 enterprises, ISG is committed to helping corporations, public sector organizations, and service and technology providers achieve operational excellence and faster growth. The firm specializes in digital transformation services, including automation, cloud and data analytics; sourcing advisory; managed governance and risk services; network carrier services; strategy and operations design; change management; market intelligence and technology research and analysis. Founded in 2006, and based in Stamford, Conn., ISG employs more than 1,600 digital-ready professionals operating in more than 20 countries— a global team known for its innovative thinking, market influence, deep industry and technology expertise, and world-class research and analytical capabilities based on the industry's most comprehensive marketplace data.

For more information, visit www.isg-one.com.

About Genpact

Genpact (NYSE: G) is a global professional services firm that makes business transformation real. Led by our purpose – the relentless pursuit of a world that works better for people – we drive digital-led innovation and digitally enabled intelligent operations for our clients. Guided by our experience reinventing and running thousands of processes for hundreds of clients, many of them Global Fortune 500 companies, we drive real-world transformation at scale. We think with design, dream in digital, and solve problems with data and analytics. Combining our expertise in end-to-end operations and our AI-based platform, Genpact Cora, we focus on the details – all 100,000+ of us. From New York to New Delhi, and more than 30 countries in between, we connect every dot, reimagine every process, and reinvent the ways companies work. We know that reimagining each step from start to -finish creates better business outcomes. Whatever it is, we'll be there with you – accelerating digital transformation to create bold, lasting results – because transformation happens here.

For more information, visit [Insurance Services | Digital Transformation | Genpact](#)