



Enhancing Intermediary Links for Business Growth

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Enhancing Intermediary Links – Partnerships

What we know about Intermediaries:

- ▶ Intermediaries are key business partners;
- ▶ Critical to the sustainability of the business;
- ▶ Intermediary relationships grow over time;
- ▶ Are built by trust and by being consistently visible in the intermediaries office adding value to their businesses and by enabling them to grow;



Enhancing Intermediary Links — Partnerships & Ecosystems

- ▶ In Ecosystems, companies may be quite different but are brought together by the complimentary nature of their activities and in particular by the perceived value in accessing shared knowledge.
- ▶ In order to maintain their positions and grow, they are creating their business ecosystems or becoming a part of a business ecosystem.
- ▶ **Build your Ecosystem with trusted partners..**
- ▶ **Rethink your strategies, business models and partners...**



Enhancing Intermediary Links — Partnerships & Ecosystems

Case Study... Deloitte & Touché, Deloitte Centre for Financial Services

Many middle-market commercial insurers are looking for ways to maintain and expand penetration and retention rates in this increasingly competitive environment with turnover on the rise.

- Research conducted by Deloitte & Touché for Financial Services (Insurance Companies) suggested the following:
 - ❖ One-quarter of the buyers had changed one or more of their carriers in the prior 12 months;
 - ❖ Over two-thirds had switched at least once in the past three years;
 - ❖ Intermediaries surveyed confirmed the churn rate in this segment with nearly one-half of the respondents reporting that between 11 and 25 per cent of customers at least part ways with one of the insurance companies in a typical year; &
 - ❖ One of the reason behind this volatility could be rate softening – price remaining one of the most important consideration for changing insurers.

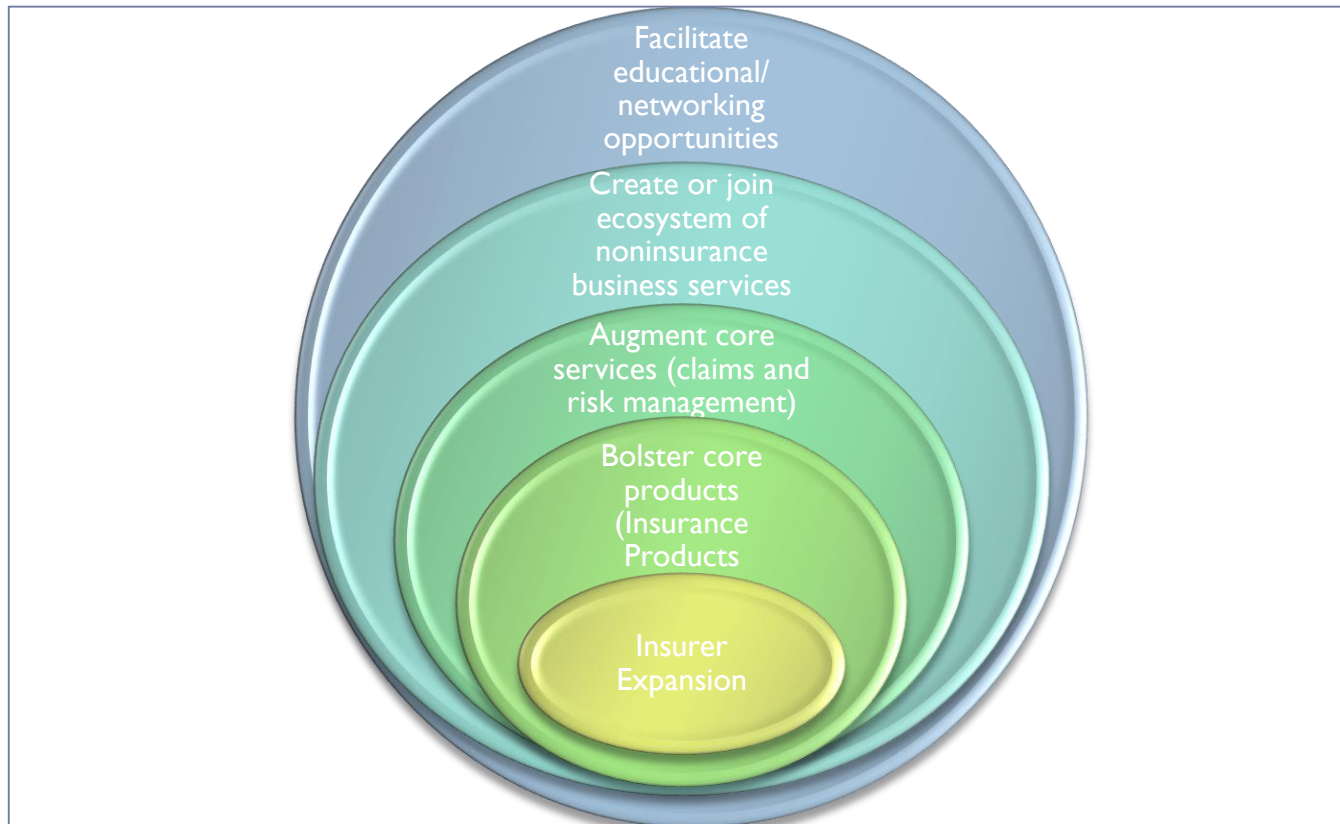
Volatility...may create an opportunity for insurers New and Old to capture market share and improve retention rates through meaningful differentiation.

Enhancing Intermediary Links – Ecosystem Model

How can insurers set themselves apart from competitors?

Combatting Commoditization by Bundling Non-Traditional Services:

- Product innovations, segmentation and bundling; being bold enough to stray from the traditional offerings providing basic risk transfer, loss prevention and claims management support.



Enhancing Intermediary Links – Ecosystem Model

Why Would Insurers Choose to Undergo this kind of Business Model Transformation?



Enhancing Intermediary Links – Ecosystems Model

Insurers have options to achieve preemptive differentiation by:

- Creating and maintaining a more comprehensive business-support ecosystem; this requires underwriters to expand beyond long-established comfort zones and implement creative fulfillment strategies;
- Building a Universal Financial Services Organization (UFSO) can potentially strengthen their value proposition to customers, putting them in position to improve acquisition and turnover rates. Revenues can also be enhanced by commission or referral agreements with participating intermediaries.
- And given the increased interconnectedness that will likely result, insurers may be able to harvest new sources of data for more customized and precise underwriting and claims processing.



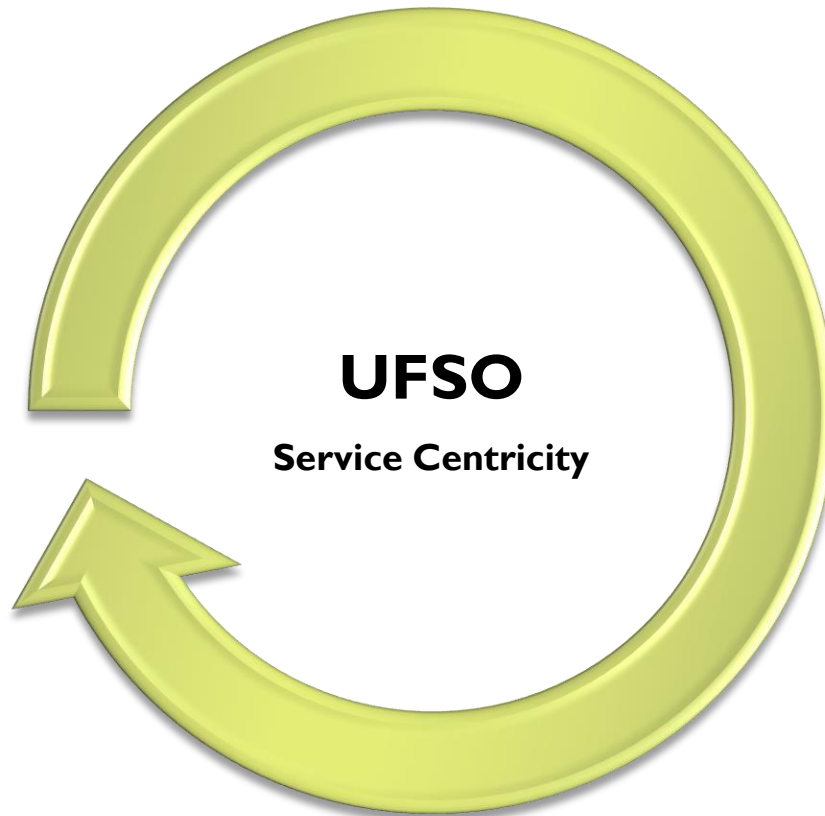
Enhancing Intermediary Links - Ecosystem Model

The road to preemptive differentiation in the insurance market: building a UFSO



Enhancing Intermediary Links - UFSO

Many of the buyers Deloitte surveyed were enthusiastic about possibility of establishing a much broader business services relationship with their insurance carriers;



- Widespread disintermediation and direct sales is unlikely for the near future
- Complexity of coverage & level of risk involved
- Need for experienced advisors to support buyers in the segment
- Insurers looking to substantially broaden their service offerings will likely need to work in conjunction with their distribution force to ease the way forward into this new service-centric model
- Such collaboration with intermediaries could generate valuable feedback for insurers and help promote cooperation and enthusiasm among those charged with selling the idea to policyholders;
- The role of brokers and agents could be transformed into broader business consultants providing clients with customized services



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