

TOPIC - A VALUE ADDED APPROACH TO BROKING- FINDING BUYERS FOR YOUR RISK

The world is facing an increasingly complex, uncertain and, in some important areas, under-insured risk environment. Insurance risk and the risk of loss is likely to continue to increase. The globalised economy is creating ever more diffuse and vulnerable supply chains. The world and technologies are becoming smaller. The rich and the reach dimensions have changed from trade-offs to synergetic. In turn, growing reliance on technology is introducing an array of new and escalating risks in areas ranging from cyber-attack to nanotechnology. Data Breaches are becoming common and devastating and the definition of risk is transforming from material damage (fire and lightning) to intrinsic risk inherent in molecular technology.

Given the potential for sharply rising losses and ever more complex loss drivers, the evolving risk environment can no longer be managed solely through traditional approaches. **Albert Einsten had this to say, “The world we have made as a result of the level of thinking we have done thus far creates problems we cannot solve at the same level of thinking at which we created them.”** This in a nutshell defines the character of the successful broker of the future.

Solving these complex and dangerous challenges requires a comprehensive risk facilitation leader to educate, promote and co-ordinate solutions across a range of stakeholders including corporations, insurance/ reinsurance companies, capital markets, and policymakers worldwide.

So what are the implications for brokers? As the traditional intermediary in the risk transfer chain, brokers are ideally placed to identify and develop viable and innovative solutions to the changing risk environment—to be global risk facilitation leaders. I believe there are a number of ways that brokers can ensure they stay on top of the frenetic pace of change in this new era of risk:

- Adapt business and operating models to simultaneously support both cost-efficient standard risk management *and* a knowledge-intensive consultative interaction with clients.
- Expand their information gathering network to better anticipate and understand the new and emerging risks facing their clients
- Improve their ability to collect, integrate, analyse and communicate data to create actionable insights-shifting to more of an ‘analytical/consultative’ broker. The link between insurance broker and business consultant is becoming finer.

To lead in this new era of risk, it's also important that brokers forge close relationships with a broader set of stakeholders that includes governments,

academia, specialist risk consultancies and even their industry peers. The ability to identify and collaborate with a diverse set of partners is going to become a core competency for risk facilitation leaders. In this respect, it is also going to be important to develop shared databases and research capabilities. The challenges include how to bring together all the information and expertise and forge it into actionable real world solutions. In turn, brokers need to assure this diverse stakeholder group that they are the right party to lead.

Finding buyers for your risk as a broker; it is critical to be aware of the functions that the broker has to perform to ensure the client's needs are met. Broker functions are most apparent in the provision of specific products and services. Policyholders view the following as the main functions that would attract them to buy more insurance packages and refer the next customer to their broker to find more business/ risks:

- identification, quantification, analysis, procurement and evaluation of risks.
- evaluation of self-financing and insurance solutions, as well as execution of corresponding transactions
- provision of region-specific information and claims settlement
- training of employees in the area of risk management
- development of software tools and provision of ART (Alternative risk transfer) solutions.

In essence, every broker's top priority should be to:

- Reach out to as many potential clients as possible
- Recruit new clients
- Retain existing clients
- Grow existing clients

This is the only way to ensure growth. This is and will always remain the case. However, only those brokers who adapt their strategy to reality will manage to survive.

The overall aim of a business is to make money, and the only channel for realising this outcome is the paying client. Of course, a desirable product or service is vital to attract clients, but this will rarely be sufficient to ensure repeat business. Insurance brokers must engage in constant dialogue with their clients. In my days as a technician we always had an item for Capital Development Projects on the review Agenda. This is the only opportunity to listen and connect with your client. Buying insurance from a broker must go beyond the underlying product. The strategy must be determined by human involvement. Only then will brokers be able to fulfil their role as people of trust *and* facilitators of information and insight.

There are instances where a broker can add more value in the insurance chain which ultimately aids in finding buyers for the risk that you will have identified.

Impartial and Independent Advice

- Insurance is not 'one size fits all' purchase hence brokers create "bespoke" solutions and challenge the tradition. A broker must be able to define how they add to the business of their client.
- Broad experience and practical advice can help businesses understand the risk consequences of business decisions such as growth plans, new markets, acquisitions and mergers
- Regular market, product and technical bulletins.

Market Accessibility and Knowledge

- A broker should be able to access insurers which clients may not always buy from directly
- A broker should know which insurers provide the best policy cover and also which insurers will quote competitive premiums
- A broker should be able to assess the needs and recommend a product which is fit for purpose
- A broker should understand the mechanics of a policy wording and be sure to hold an insurer to account and seek ways for the policy to respond in the event of a claim.

The business environment is not static and keeps advancing. Organisations should be aware that the evolving risk environment can no longer be managed solely through traditional approaches. Brokers need to adapt their approach to provide the specialist advice needed and the data analysis tools to assess these risks, or they face losing relevance. Broking is at a "once in a generation" crossroads to adapt its business and operating model, expand information gathering and networks to better anticipate and understand new and emerging risks facing clients. Brokers must ensure they stay on top of the "frenetic pace of change in the new era of risk", expanding their information gathering and networks to understand new and emerging risks, and improve their ability to collect, analyse and communicate data to provide actionable insights to clients.

Policyholders' expectations are changing faster than ever, with risk managers looking for consultative partners who have the skills to both identify and develop solutions for the changing risk landscape. For some Brokers this will

require a shift in mindset from hindsight to foresight as they evolve from being simply placers of coverage to preventative risk advisors and managers.

Insurance brokers have a particularly important part to play in delivering innovation and choice for policyholders. For example, brokers provide expertise and access in niche markets where customers may have difficulty obtaining cover through mainstream channels, or for commercial business where experience, insight and advice is critical to placing a complex risk.

Adding value to insurance programmes

Part of the broking activities is business consultancy, which enhances and adds value to the client's risk management programme. The brokers' analysis and advice should be geared towards providing the right solutions at the most economical terms and conditions. Industry specialists, risk management and insurance experts work together in harmony to achieve the best results for clients hence my understanding of the need for Brokers to expand their networks.

A professional broking firm utilises its business knowledge, experience, technical strength and insurance market influence to put in place the best insurance programmes that meets with, and often exceeds clients' needs and expectations.

At times, the risk is of a type that requires specialist reinsurance markets or of a size that requires spreading amongst several reinsurers. This is when reinsurance brokers gets involved to assist with what might be a complex process of placing different reinsurance programmes that could attach at different levels and could vary in type.

Brokers work with multiple reinsurers across a broad geographical spread with the aim of supporting clients' insurance programmes, and help carriers spread the risks in their portfolios according to industry, geography, volume, line of insurance and other factors. This relieves reinsurers from becoming over-exposed in a particular region or a particular type of risk, thus freeing precious resources for use elsewhere, with the ultimate benefit to clients.

“The new breed of ‘analytical brokers’ are more information-driven than their traditional counterpart and have a deeper knowledge of the client’s particular industry” —Steve Hearn, Deputy CEO of the Willis Group.

I believe there are five key questions brokers need to address if they are to make the most of the opportunities in their evolving marketplace:

- Do you have clear enough insights into the rapidly shifting risk and pressures facing your clients?
- Do you have the expertise to turn advanced analytics into actionable solutions?
- Are you doing enough to bring together and make the most of the information, expertise and talent available to you within your organisation and among your partners and stakeholders?
- Do you have the operational efficiency and flexibility to respond to clients' changing channel and engagement choices in a sufficiently fast and economic way?
- Do you have the confidence of your clients, risk transfer partners and other key stakeholders needed to lead effective risk facilitation?

Finding buyers for your risk as an insurance broker requires certain specialist skills and these are listed below:

People Skills

1. *Puts the needs of the client first* – A broker who is only out to earn a commission, regardless of the needs of the client, is not likely to last long in the business. Brokers who listen carefully to what their clients and prospects say will be able to earn their trust, which is the hardest part of their job. Those who are willing to put their clients into a product that pays a lower commission because it better fits their needs are much more likely to be successful.

2. *Good customer service* - Clients who are able to get a hold of their broker when they need them are much more likely to stay happy and reassured. A timely response to inquiries and phone calls is a must, and you must be able to do what you say you will do, when you say you will do it - or at least have a good reason as to why you can't. One of the major complaints of those who buy insurance policies is that there is no one around to answer their questions after they have purchased the policy.

3. *Emotional intelligence* - This includes the ability to listen and empathize with clients on a deeper level in order to discern what they really want and need. A good broker is tactful and knows how to help a client see financial reality clearly, even when the client is dead set against it.

Strong Personality

1. *High energy level* - One of the most important traits of a good insurance broker is that they appear to be excited and eager at all

times. A worn-down or dreary disposition will immediately rub off on clients and discourage them from buying anything.

2. *Persistence* - This is perhaps the most vital quality of any good insurance broker. Those who work in this field absolutely must be able to handle rejection on a daily basis over the course of their careers, and do it with a smile. Good insurance brokers understand that each "no" only brings them closer to someone who will say "yes."

3. *Honesty* - Insurance brokers who use deception to close business seldom stay with the same company for very long. A good broker knows that telling the truth up front will win them clients' respect and trust and is likely to lead to repeat business over time. The principle of utmost good faith applies in this scenario.

General Knowledge

1. *Wide array of products* - As the old saying goes, ***if all you have to work with is a hammer, then everything in the world looks like a nail.*** A good insurance broker will be able to offer a comprehensive selection of products and services that can meet any reasonable need a client might have.

2. *Technical knowledge* - A good insurance broker knows much more than how to sell a policy. The broker must understand the tax and legal aspects of the products he or she sells and how they are designed to fit into a client's overall financial situation. It's ideal for a broker to continuously qualify themselves in professional courses such as obtaining Chartered status in Insurance Broking, engage in continuous professional development and any other financial courses that aid in the insurance knowledge and current business environment that provides an array of risks.

In conclusion Insurance brokers should continuously seek to improve on their skills and knowledge and always find new ways on how to satisfy their clients, finding buyers of their risk. They should always act with integrity, transparency and always seek to add value in the whole broking system from the shareholders and stakeholder perspective.

In summary today's clientele are looking for Consultants in insurance products, risk management, economics, organisational and financial advice and the broker who renews a paper push will soon find themselves relegated to irrelevance.