The Future of the Insurance Broker in a digital age

2015

Nick Van Langendonck
nick.vanlangendonck@hifluence.eu
TABLE OF CONTENTS

I. INTRODUCTION 3

II. THE DRIVING FORCE BEHIND INNOVATION IN INSURANCE? PEOPLE! 4

III. START WITH WHY? 5

IV. THE BROKER OF THE FUTURE: BROKER AND CONSULTANT, HUMAN AND DIGITAL 7

V. THE 4C STRATEGY 8

VI. HUMAN, DIGITAL AND PRAGMATIC 8

VII. TRANSFORM YOUR CUSTOMER INTO A HERO 11

VIII. MAIN REFERENCES 12
I. Introduction

There is nothing certain but the uncertain. Nowadays, we can hardly keep up with all the changes that are taking place at social, technological, economic, environmental and political level.

Everything is affected by the digital age, particularly the insurance industry. The digitisation of both our personal and professional lives has an enormous impact on how we perceive traditional risks like illness, car accidents, theft, etc and also brings along a completely new spectrum of potential risks:

- How does one insure a car that is shared by several people in the city?
- Do solar panels on the roofs of residential houses affect the fire insurance?
- Can I insure my genetic data against theft?
- How does one insure a business against cyber attacks?

Radical changes at economic, political and technological level are forcing the insurance industry to call everything into question and to go in search of innovation.

On the one hand, as brokers have always acted as a link between the consumer and the insurance companies, they are perfectly placed to develop new initiatives and to maintain their critical position in the market.

On the other hand, being the middleman, Brokers feel pressure all around. The one thing that disrupters like AirBnB and Uber have in common is that they successfully cut the middleman.

This paper aims to provide a helpful approach to the role of insurance broker in the digital age.
II. The Driving force behind innovation in Insurance? People!

In essence, every broker’s top priority is to:

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

That 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. And the reality looks like this:

**The Reality in Insurance Service**

- Generation Y and Millennials require a new type of interaction with their broker:
  - Online focus
  - Do their own research
  - Trust the input of social connections and the media
  - High degree of self-service
  - Expect major human commitment just prior to their final decision and throughout the course of the contract
- Generation X and baby boomers:
  - Human contact from the start
  - Trust input from their close circle
  - Expect a paper-based process

**The Reality in Insurance Products**

The digital aspect also has an impact on how and what we insure:

- Nowadays, we insure cars, our lives and our health. With the arrival of ‘Wearables’ and ‘The Internet of Things’, customers will want to ensure their personal data.
- The rise of digital marketplaces, such as Uber and AirBnB, is creating a need for a new type of (travel) insurance.
- New insight into customers’ lives as a result of social analytics will also help to determine the person’s risk profile. For example, a woman with a broken knee was sentenced for insurance fraud when photos of her skiing were detected on Facebook.

**The Reality in Talent Management**

As 50% of baby boomers will be retiring from their career as brokers in the next 15 years, the challenge to attract new GenY-talent is greater than ever. A generation that is living with technology, and is constantly in search of new information and knowledge. A generation that is socially highly committed and wants to be close to people. A generation for whom brokerage has very little appeal. *Why would young talent opt for a job as a broker?*
III. Start with Why?

Anyone wanting to attract and retain customers and talent in this reality must first understand the customers and talent.

We Are Social Beings

Prehistoric man lived in a group setting as this was the best way to protect himself from danger. With the support from the group, he dared to take risks. In the past, human beings were under threat from wild animals, and now from financial crises and competitors. We are social beings, because that helps us to survive.

Digitisation means that we have now become even more social than ever. We are in contact with people and companies across the other side of the world, and this 24/7. Social media, cloud and mobile technology strengthen us in what the essence of our existence as social beings is all about. This is why Facebook, for example, has become so successful.

Digital technology supports us in our evolutionary search for people and companies whose visions and values we share, and with whom we wish to be associated. Digitisation is not a hype, because it plugs into the core of our human system. That is why we embrace digital technology. It radically improves our lives. Nowadays, 93% of Flemings own a home computer. Three quarters of them have a profile on social media and 40% of internet users have already purchased goods online. People adapt. Homo digitalis is a fact of life. But what about our businesses?

Homo Digitalis Rules

Recent research by the Altimeter Group into the Anno 2014 status of digital transformation in companies has revealed that most companies are investing in digital initiatives, without really understanding the basics of digital transformation. Only a handful of them realise that it is not about the technology, but about adding value to the life of homo digitalis.

Even for those who do realise it, keeping things relevant is proving difficult. That requires time, money, passion and commitment. One should not act too hastily or without giving the matter due consideration, or just invest ‘because it is something that just has to be done’. The fact is that this evolution is just forging ahead. Anyone who wants to continue to engage with people, would be wise to heed the needs of homo digitalis.

Why a Customer Should Choose You as His Broker

Just ask 10 insurance brokers “What is the purpose of your business?” or “Why should a customer choose you?” There is a big chance that the answer will be as follows:

- We are an independent accredited insurance broker.
- We are easily accessible.
- We guarantee superior service.
- We are a registered insurance broker.
- We meet the statutory requirements.

In other words, they tell you what they do and how they do it, but not why they do it. However, research has shown that the latter is exactly why your customers buy your products and services.
The Golden Circle

The Golden Circle is a thinking model developed by Simon Sinek. This model was set up as a result of his research into the success of the most influential leaders and companies in the world. Sinek discovered that all the successful brands all think, act and communicate alike, which is completely contrary to how the majority thinks, acts and communicates. This also applies to insurance brokers.

If you ask companies why their customers buy from them, most companies will reply that they offer fantastic products or services that are reasonably priced and of good quality. According to Sinek, this proves that they have no idea why their customers buy from them. By contrast, influential companies tend to approach their customers based on the why question? This principle is explained below with the Golden Circle.

The Golden Circle consists of three circles. The core is why, followed by how, with the outer circle representing what. Most companies start with the outer circle (what) and then work inwards (how and why). Only the most influential companies start with the core: Why. The right-hand column provides a brief explanation of what each circle entails.

**Why? The Aim**
This is not about making a profit, but about what companies believe in, about what drives them. Inspired companies, regardless of their size or the industry in which they operate, think, act and communicate from the inside out.

**How? The Process**
Explains how companies do what they do. For example, ‘How’ can be a unique selling method or a unique selling point. ‘How’ is often used to explain why something is different or better. Many managers think that these are the distinctive or motivating factors in the consumer decision-making process.

**What? The Result**
These are the products or services that a company supplies.

For insurance brokers this provides an enormous opportunity given that the answer to the why question is so deeply intertwined with one of our basic needs: our need for security.

*We believe in the powerful force of security in those difficult times, when security meets a vital need (why). We do this by translating people’s needs into the right type of insurance, by proactively providing information and always being there (how). We are registered, independent and always follow the law to the letter (what).*
IV. The Broker of the Future: Broker and Consultant, Human and Digital

For the purpose of this paper, I am supposing that the broker’s internal organisation is both efficient and effective:

- The internal company processes are atomised (100% paperless).
- The organisation is prepared for impending legislation, e.g. MiFID2.
- The performance of the organisation and the workforce are closely monitored. The financial results are analysed and are used as the basis for the strategic indicators for the next financial period.
- The entire workforce is well trained, both in terms of content as in the use of available ICT tools.

In other words, the necessary foundations are in place. The organisation has a stable core and defence strategy. The focus is on attack: the customer.

Please find below the customer process of an insurance broker explained:

Recruitment

Attract  Retention

Sales  Pay premiums for on average 7 years  Claim  Care

A brief survey among friends and acquaintances promptly revealed that there is far too little contact with the broker in the period between the sale and the claim. Some even have reservations about their after-care role. It is, therefore, not surprising that brokers suffer from an image problem. They must go back to the basics: acting as a person of trust and advisor. Someone who can:

- Assist people in choosing the right insurance;
- Provide new information and insight;
- Provide human guidance in the after-care following a claim.

This is, therefore, far removed from the salesperson-image that is attributed to them nowadays. It is with this focus that the broker of the future embraces digital technology: engaging people from beginning to end.

- Improve understanding of the customer
- Explore new digital marketplaces
- Increase customer contact through online channels
- Opt for pro-active contact instead of reactive contact
Of course, the implementation of the digital strategy will also depend on the organisation's resources and constraints. However, as far as the people focus is concerned, there should never be any compromise on mindset or ambition.

V. The 4C Approach

In his book “The Conversation Company”, Steven Van Belleghem talks about the 4C approach, which refers to the four main pillars for building up a well-structured relationship with customers:

- **Contact**: Interaction with the customer on both offline as well as online channels.
- **Content**: Think like a chief editor of a newspaper. The best content wins. Publishing strong content is vital to extend your range.
- **Conversation**: Enter into an online dialogue at three levels - observing, participating and facilitating.
- **Collaboration**: Collaborate with your customers whenever possible. This increases the commitment of existing customers and attracts new customers.

These are the four pillars which successful companies consistently use as part of their strategy, always supported by three simple rules:

- Be positive
- Sorry, how could we improve things
- Thank you

The paragraph below contains a number of inspiring examples. With each case story, I have provided a helpful approach to a possible broker’s strategy.

VI. Human, Digital and Pragmatic

**Zappos.com**

Zappos.com is an online clothing and shoe store established by Nick Swinmurn and Tony Hsieh in 1999. The entire organisation is built around customer service. As such, the customer service team answers approximately 5,000 telephone calls per month and no less than 1,200 e-mails. The staff do not use any script, and there are no restrictions on the time spent talking to customers. The longest telephone call ever? 10.29 hrs. Literally everybody is urged to take customer service to a completely new level.

**The Broker:**

Zappos has now caught onto the idea from a member of staff to always have postcards for birthdays, funerals, new home, etc. close to hand, and this has become standard procedure. If you explain the reason for your purchase during the conversation, then you will receive a hand-written card the very next day. Do you as a broker aim to become a person of trust? Then start with a card, or a bunch of flowers. Especially if the customer has made an insurance claim. You have all the data at your fingertips. You could even go further. On Facebook, did you happen to read that someone has had a baby? Then send a card and information about life insurance or a pamper account.

Off>Road>Action
Jan Cardinaels, CEO of Off>Road>Action, is never one to shirk a challenge. His company specifically focuses on the niche market of trial motor sports. The online and intuitive webshop enables the company to sell its products directly to the trade, to be highly responsive, without any need for sales representatives. All the information is available online and all the purchases are made online. As such, Off>Road>Action has succeeded in becoming a world player with just a few people.

The Broker:

By now I have explored quite a number of brokers’ websites, and they are generally not intuitive, not user-friendly, and the self-service forms completely miss the point. Just take a look at www.heyguevare.com, which is a peer-to-peer car insurance company, and you will immediately notice the difference. The layout is beautiful and simple, and immediately addresses the customer’s basic wish: How can I save money? The frequently asked questions feature at the bottom of the website, and that’s it.

Allianz

The price of your car insurance will to some extent depend on the number of accidents you have had, i.e. whether or not you are a safe driver. Allianz has decided to apply the same principle to illness and life insurance. Allianz therefore joined forces with Nike and has used the popular Nike+ application, which runners all over the world use to store their results. This has led to real collaboration with the customers. Anyone who can demonstrate a healthy lifestyle on the app will notice a reduction in the cost of their insurance.

The Broker:

Naturally, for any small to medium-sized insurance company, it would not be possible to collaborate with Nike, but there is no doubt that, in the future, the cost of insurance will be determined by more than the usual variables. The whole wearables trend, which we will soon be bombarded with, will in the short term have an impact on how we will monitor our own health. After all, the iPhone already has a health app as standard. Until then, brokers will have to find their own way of rewarding their customers’ behaviour throughout the term of the insurance.

Telecoms

Telecoms companies are currently waging battle for customers. It is all about recruitment and retention. The main strategic change that has taken place in their customer service is their ability to respond to consumer behaviour. With the aid of data analytics, they endeavour to map and predict their customers’ behaviour and decisions. They subsequently contact their customers to tell them that their monthly tariff is being reduced by x euros, and that they can now offer a more attractive product package. Throughout the term of the contract, customers are kept informed about their usage status by text message.
The Broker:

What opportunities are there for the broker to pro-actively communicate with existing customers? Of course, reducing the premiums for existing customers would be great news. The other option of just providing information about current policies and new risks is also perfectly acceptable.

Ask your customers about their problems and how you can help them. This type of campaign is virtually guaranteed to generate word-of-mouth recommendations.

Threadless – Danone - Lego

The Threadless clothing company makes maximum use of Customer Involvement as the company is customer-driven. The company only produces clothes designed by its customers. Visitors to the website are offered the opportunity to vote for their favourite designs. The winning designs will subsequently be produced. In other words, the customers are the staff and vice versa. Danone and Lego also involve their customers in their decisions about new products.

The Broker:

Make insurance products more personal and customise them. This is possible by searching for customers’ stories, on the one hand, and collecting them on your social media, on the other hand. Better still: offer your customers a platform to enable them to share their stories, both good and not so good. For example, reviews on your website. This could be taken a step further by involving customers in the choice of products the broker purchases from one or other insurance company. In this process, try and collaborate with well-known comparison sites that are popular with the general public.

IKEA

Ingvar Feodor Kamprad, founder and CEO of IKEA, is one of the richest people in the world. IKEA’s policy is based on a very consistent concept: good quality at low prices. Despite his wealth, Ingvar remains true to his company values. He is well-known for his modest lifestyle and always goes in search of good quality at low prices.

The Broker:

I previously mentioned ‘The Golden Circle’ to demonstrate that people do not buy what you do, but why you do it. Company values are a clear expression of what you believe in. Anyone who wishes to build up a relationship of trust with customers must be genuine. Values form an integral part of this. I have noticed that insurance brokers rarely stand for any particular values. And this neither in the office, nor on the website, let alone in their contact with people. That is a pity because the essence of their existence is closely connected with one basic human value: our longing for security.

By contrast, new players on the market, such as Friendsinsurance, are doing just that. With just their company name and their slogan (Making insurance social again), they are already conveying what they stand for.

Converse

Converse, the famous brand of shoes for teenagers, has succeeded in linking its brand to its customers’ teenage world in a truly unique way. By analysing the most researched key words in Google within that age category, they have managed to find out which topics their customers are most interested in. They only selected those which had not yet been used by their competitors. They created a mini-site for each individual topic, in which the Converse logo only featured at the bottom. The site made no mention of
the shoes, and instead focused entirely on the topic. So, what was the end result? The actual Converse website was flooded with visitors.

The Federation of Insurance Brokers - Brocom

Firstly, the Federation of Insurance Brokers could use this strategy to set up a marketing campaign for every generation of customers they serve. Secondly, pro-active information campaigns could be set up for a number of topics with a view to providing insight and creating collaborative links.

VII. Transform Your Customer into a Hero

The overall aim of a business is to make money, and the only channel for realising this outcome is the paying customer. Of course, a desirable product or service is vital to attract customers, but this will rarely be sufficient to ensure repeat business.

A brief survey among friends and acquaintances made it clear to me that customers of insurance brokers seem to feel neglected. People feel that they are simply a resource and not the main objective. Customers hardly hear from their insurance brokers as soon as the insurance has been purchased, apart from when the annual premium is due. An analysis of various brokers’ websites has shown that the message conveyed is often along the lines of: work with us because we are faster, more independent, cheaper and better.

Insurance brokers must engage in a dialogue with their customers. This is the only opportunity for you to listen and connect with your customers. 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 a person of trust and a facilitator of information and insight.
VIII. About the author

“The future belongs to the few willing to get their digital hands dirty”

Nick’s mission is to connect people. His goal is to launch and improve digital businesses through innovative ideas created in collaboration with others. He is a positive man driven by humor, creativity and curiosity.

With a gift for empathizing with people and understanding business processes, Nick is strategically placed to identify new valuable ideas and translate them into pragmatic action plans.

Like no other, Nick inspires and creates the confidence needed to achieve change. He loves nothing more than to roll up his sleeves and get things done.

After studying Applied Economics, Nick built his experience in big organizations like Medtronic, GDF Suez and Eni. He is one of the protagonists in Gumption, successfully led Bmatix to become a leading BI company and recently started Hifluence. He is also a frequently asked and inspiring speaker on people and technology topics.

IX. About Hifluence

Grown from a network of CXOS and entrepreneurs. They are the community. A group of digital doers united. We are the creators. Together we study, coach and realize digital ideas and strategies.

Everything we do, we do because we want to bring digital power to the people. We believe the future belongs to those willing to make their digital hands dirty. Few firms succeed in bringing about real change because they lack the knowledge and the creativity. We exist to solve that problem.
X. Main References

- Start with Why, Simon Sinek
- The second machine age, Erik Brynjolfsson
- The conversation company, Steven Van Belleghem
- When digital becomes human, Steven Van Belleghem
- Digitale transformatie? Een kwestie van gezond verstand, Nick Van Langendonck
- The customer is the hero, Mashable
- Website