

# Insurance 2030



# The increasingly strategic role of insurance brokers and independent agencies



Ongoing reinvention of insurance distribution puts brokers and independent agencies (IAs) in an excellent position to remain relevant and successful far into the future. With the increasing sophistication of analytics and AI, the rise of online purchasing and an aging workforce, many carriers are reconfiguring sales channels and considering reducing their reliance on exclusive/captive sales.

As we look to 2030 and beyond, we expect that prescient brokers and IAs will act on this disintermediation by offering solutions they develop through strategic relationships with managing general administrators (MGAs), managing general underwriters (MGUs), reinsurers, third-party services and data providers, and other partners. These solutions will include more offerings in captive services, risk management and risk monitoring (including climate change-related) services. This won't be the sole preserve of mega-brokers, either. Although the largest handful of firms are likely to take the lead in consulting with multinationals on managing complex global exposures and funding coverage, there is ample opportunity for all brokers and IAs to similarly serve their respective market niches.

## What stakeholders are saying

- Executives and employees: *“Our workflows and interfaces are a burden for us, partners and customers. We need technology that works.”*
- Producers: *“It’s getting harder to find relevant products and services that cover emerging risks. We need more partners to team with on solutions.”*
- Customers: *“We need advice on how to manage — even avoid — risk. Considering rising premiums, cyber attacks and climate change, we’d like brokers to offer thoughtful advice, not just sell to us.”*
- Carriers: *“We need broker and independent agency systems to talk with ours so we know what’s happening in the market.”*

# A commoditized lower end of the market



We described at the outset of this [Insurance 2030](#) series the rise of the “bare minimum” buyer, who looks for the simplest, cheapest insurance option, primarily through direct to consumer digital offerings. This buying approach is commoditizing products and lowering carrier margins. For the companies that choose to compete in this challenging segment, market awareness (typically accomplished via advertising), digital channel integration, bundling and embedded insurance options, and overall ease of doing business are necessities.

In hopes of lowering these significant acquisition costs, many carriers are making bets on conversational chatbots (aka robo-advisors), reducing the role of brokers and IAs in serving the “bare minimum” customer segment. In other words, carriers are looking to rely on digital technology to do much of their selling for them.

The lower end of the market is moving more and more toward self-service. This benefits brokers and independent agencies because they can focus on being trusted advisors to higher value customers with complex coverage needs.



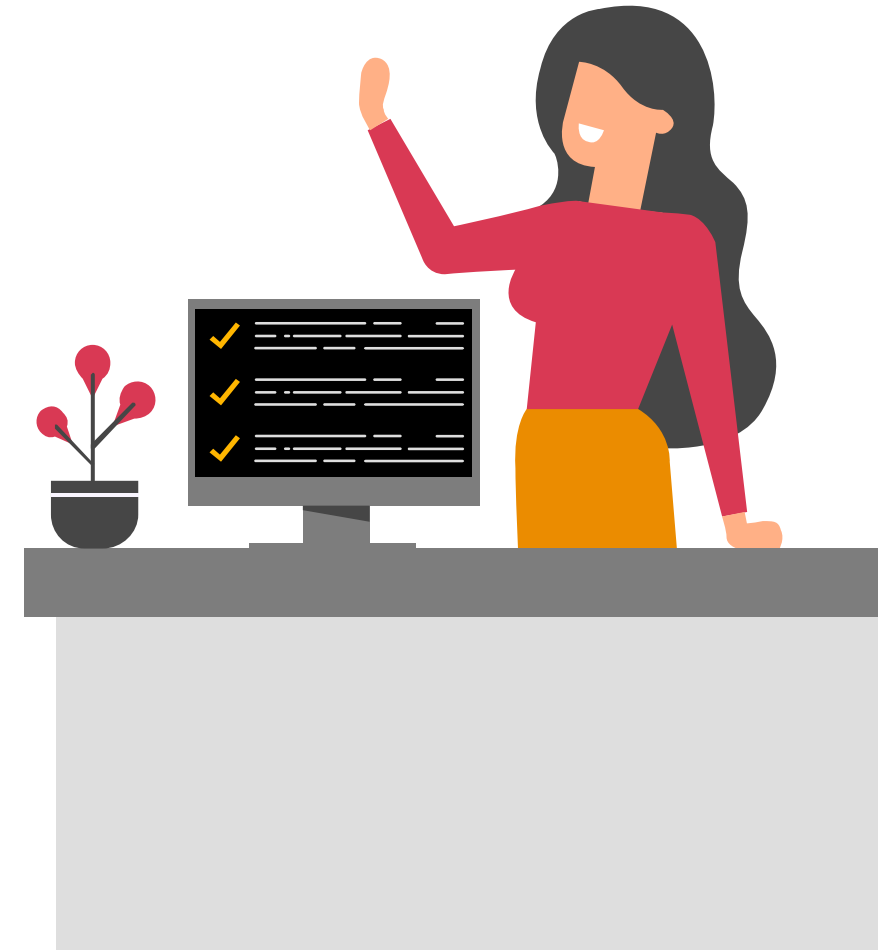
# Being a trusted advisor



As a result, few brokers and IAs will have an incentive to acquire mono-line customers with simple needs. Most of them will instead focus on higher touch (e.g., multi-line, high net worth and commercial) customers who need more than basic coverage, are willing to spend more on protection and are apt to need assistance choosing appropriate coverages.

This means that brokers and IAs will need to act as a true advisor and risk manager — not just a sales rep — who knows and has access to a wide variety of products and services that meet customer coverage needs. As we detail [elsewhere](#) in this series, this increasingly includes claims prevention, notably through greater deployment of sensors and effective use of data sources.

At the top of the market, megabrokers are offering increasingly sophisticated financial services consulting on mitigating risk and funding adequate coverage to clients that manage a variety of business issues, not just insurance. But there's room at all levels of the market for this kind of service and, with a proliferation of partnerships, ecosystems and embedded options, greater opportunity for brokers and IAs to leverage them on behalf of their clients. As an added bonus for brokers and agencies, being a valued advisor and relationship facilitator provides employees a meaningful purpose and job satisfaction, both of which are vital for attracting and retaining workers in a labor force in flux.



# Climate and sustainability risk management



As we've recently noted, there's a rapidly growing need for climate and sustainability risk solutions in many market segments. In their role as intermediaries, brokers and IAs are in a prime position to bridge the gap between customer sustainability needs and risk solutions. In particular, they can:

- Based on consumer preferences and behaviors, identify opportunities to develop **new products and services** that protect against climate-related events and facilitate low carbon growth. This extends from commercial to personal lines and includes:
  - Offering climate risk management modeling services,
  - Identifying innovative products (e.g., parametric and embedded insurance) and potential coverage enhancements (e.g., for green buildings),
  - Working with new industries like clean energy and climate tech and coordinating partnerships.
- Assess where new coverage needs and exposures may arise from climate-related events and the transition to net zero. This can help clients better understand their risks, as well as inform carriers' underwriting guidelines and clarify their **risk appetites**.
- Analyze the **pricing** environment to help carriers and customers determine the most cost-effective coverages in a burgeoning market. Scenario analysis can help project the future claims environment and how pricing may change to meet target loss ratios.
- Assess the appropriateness of existing client and carrier **risk mitigation** strategies in the context of climate change.

No single firm can master the wide variety of coverage needs and solutions. This is why strategic relationships with a variety of partners both in and outside insurance are so important.

# The front and back office digital imperative



Directly related to providing a higher level of service, brokers and IAs should continue investing in digital channels because building out the digital platforms that attract clients and facilitate sales and servicing processes are now absolutely essential. Customers expect seamless digital interactions and brokers and IAs can deliver them only through channel integration with carriers and other third-party content and service providers. Moreover, because of the enhanced data sharing and benchmarking they promote, stronger broker and IA digital connections with carriers will contribute to a better understanding of coverage needs, pricing trends and portfolio performance, promising enhanced distribution and more beneficial business relationships for all concerned.

Of course, you can't accomplish this if your operations are stuck in the 1990s. We know that brokers and IAs face challenges making long-term technology investments. In an industry that's seen a great deal of consolidation in recent years, many systems are out of date and don't communicate with each other. In addition, the agency management systems landscape is fragmented and constantly changing, with common solutions frequently being acquired and retired. Moreover, producers — the focal point of the business — concentrate on selling and view a simple contact list as the easiest and cheapest tool for their work.

However, outdated operational technology — and at many brokers and agencies, manual processes — are clearly inadequate in what is now a truly digitized world. They also present serious risks. Missed revenue from unrealized opportunities, inefficiencies that waste time and effort, and exposure to business and compliance risks can jeopardize business viability.

As we noted earlier, properly planned and implemented technology and processes aren't just a defensive measure. They're necessary for organizations to support and maintain a competitive advantage. Today's cloud-based systems are capable of creating the insights that drive new business, streamlining workflow, improving data quality and controls, and facilitating proper governance.

Your digital front end's effectiveness depends on the quality of your digital back end. You're not going to serve customers or operate efficiently if your supporting data and processes are 20 years out of date.

# Making market reinvention work for you



Ongoing reinvention of insurance distribution is rapidly changing brokers' and independent agencies' traditional ways of doing business but also is a catalyst for continuing relevance. You can make the most of current and future opportunities by:

- Focusing on your role as trusted advisor and partner. With disintermediation at the lower end of the market, brokers and IAs will increase their relevance by helping customers with complex risk management needs. While selling products and services will remain the bedrock of the business, the nature of sales and value of insight will take increasingly greater precedence over sheer volume.
- Establishing partnerships and identifying innovative solutions to client needs. Risk management has become very challenging in recent decades. In particular, climate-related and cyber risks are not only increasingly acute and severe but also difficult to predict, assess and protect against. Solutions are possible only with group action. In their role as intermediaries, brokers and IAs should actively partner with all stakeholders — customers, carriers, reinsurers, service and data providers, insurtechs, industry, government and NGOs — to devise ways to meet these genuinely existential challenges.
- Modernizing your technological underpinnings. Efficient and effective digital interaction is a baseline expectation among all stakeholders and is an absolute necessity to operate economically and efficiently, effectively link with carriers and partners, and serve customers in the manner they expect. Fortunately, there's now a variety of cloud-based options that make technology upgrades faster, more economical and more user friendly than at any time in the past.

# Contacts



**Melanie Henderson**

Principal, PwC US

[jmelanie.henderson@pwc.com](mailto:jmelanie.henderson@pwc.com)

**Katie Klutts Wyso**

Principal, PwC US

[katie.kluttsi@pwc.com](mailto:katie.kluttsi@pwc.com)

**Marie Carr**

Principal, PwC US

[marie.carr@pwc.com](mailto:marie.carr@pwc.com)





[pwc.com](https://www.pwc.com)

© 2023 PwC. All rights reserved. PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see [www.pwc.com/structure](https://www.pwc.com/structure) for further details.

