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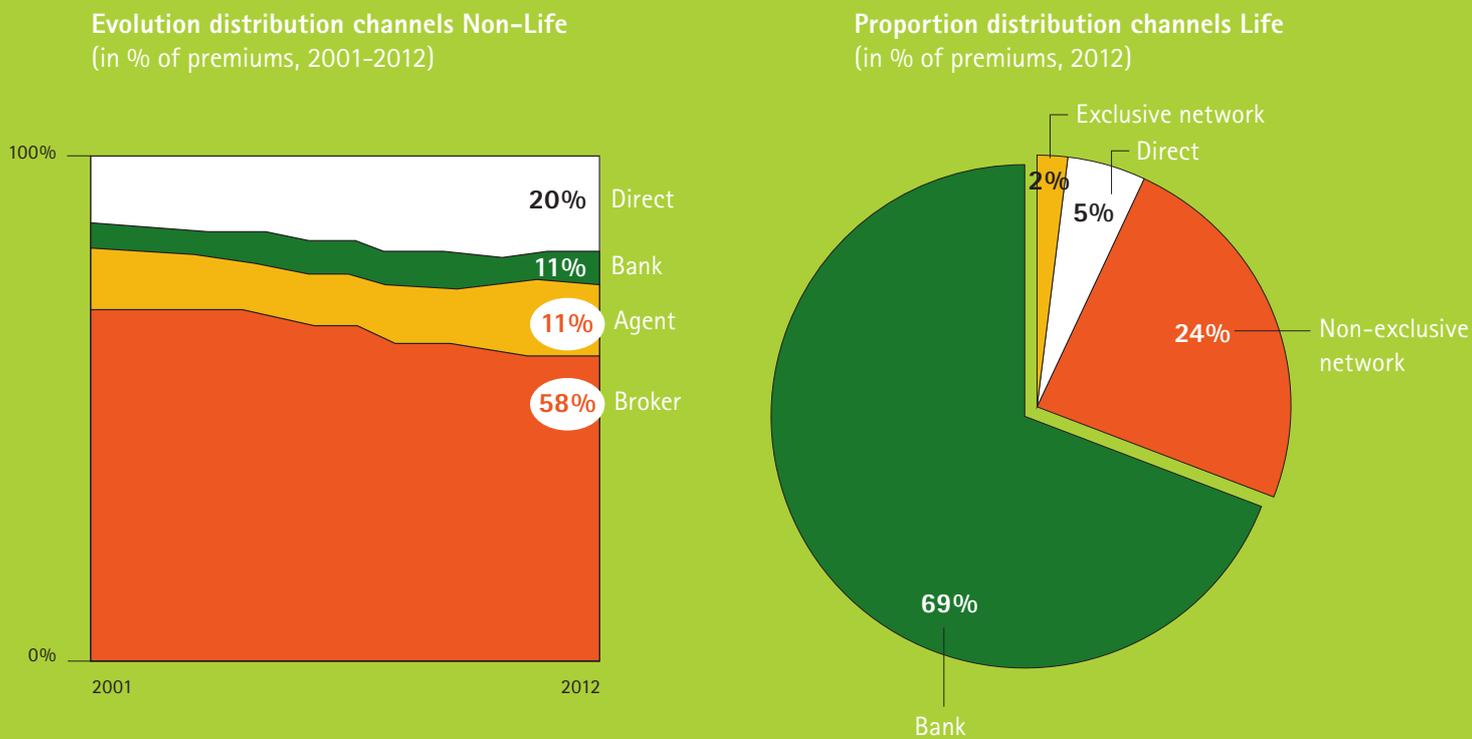
Insurance industry transformation

At the crossroads  
of change

"Reports of my death are greatly exaggerated." Mark Twain's famous quote could also apply to the broker/agent in the insurance industry. They are coming under increasing pressure to prove the value of their role as intermediaries. However, they still succeed in doing this. It is too early to announce their demise, but they must start focusing on the right target groups and embrace digitalization. This will allow them to free up time for additional services for customers.

The evolution of insurance distribution channels in Belgium shows that intermediaries remain the dominant channel. For non-life insurance, 58% of respondents prefer brokers, while 11% choose an agent. 20% go directly to the insurer and 11% to their bank branch (figure 1).

**Figure 1** The intermediary remains the dominant distribution channel



Source: Assuralia 2012, Distribution channels in the insurance industry



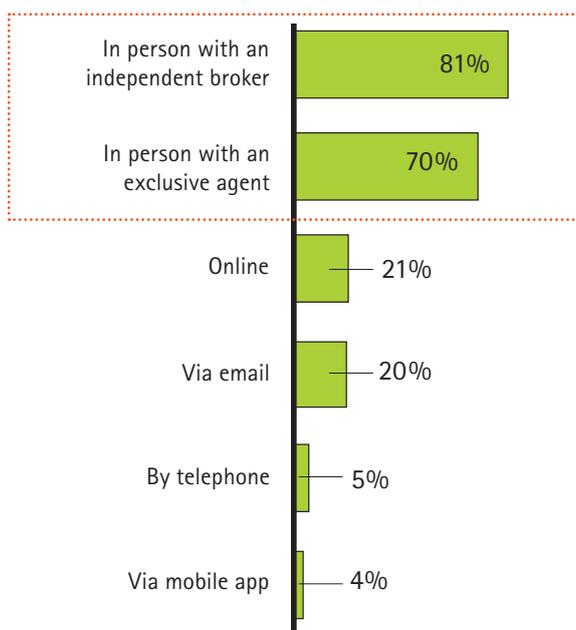
# Consumers prefer the intermediary as their unique point of contact in the insurance ecosystem

A new study by Accenture and the professional association for self-employed banking and insurance intermediaries, BZB (*Beroepsvereniging van Zelfstandige Bank- en Verzekeringsbemiddelaars*), reveals that consumers are increasingly using digital and other direct channels. But when taking out an insurance policy, the vast majority still chooses the intermediary because of the personal contact (figure 2).

Consumers who choose a broker/agent are also very loyal (figure 3). They prefer taking out new policies with their current intermediary. The most important drivers are the trusting relationship between the customer and broker/agent, and the tailored advice and service they receive (figure 4).

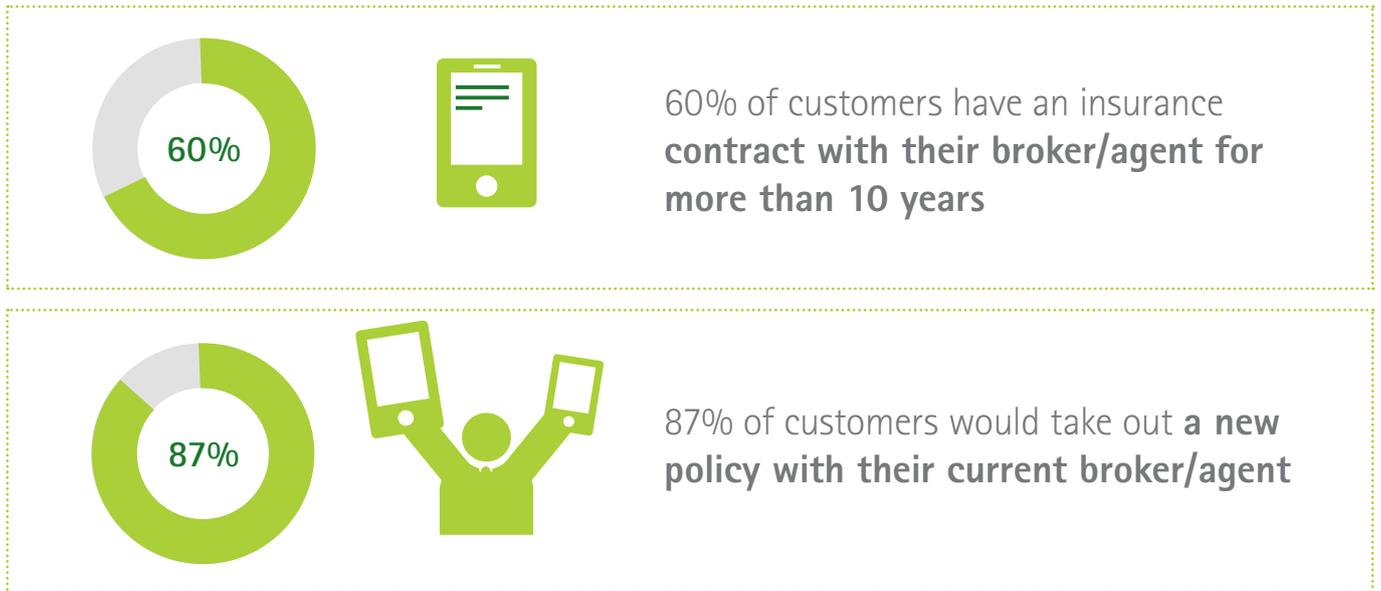
**Figure 2** The majority of customers prefer to take out an insurance policy with a broker or agent

How would you prefer to conclude and pay for an insurance policy?



Source: Accenture/BZB Market Research 2014 with 1005 insurance customers

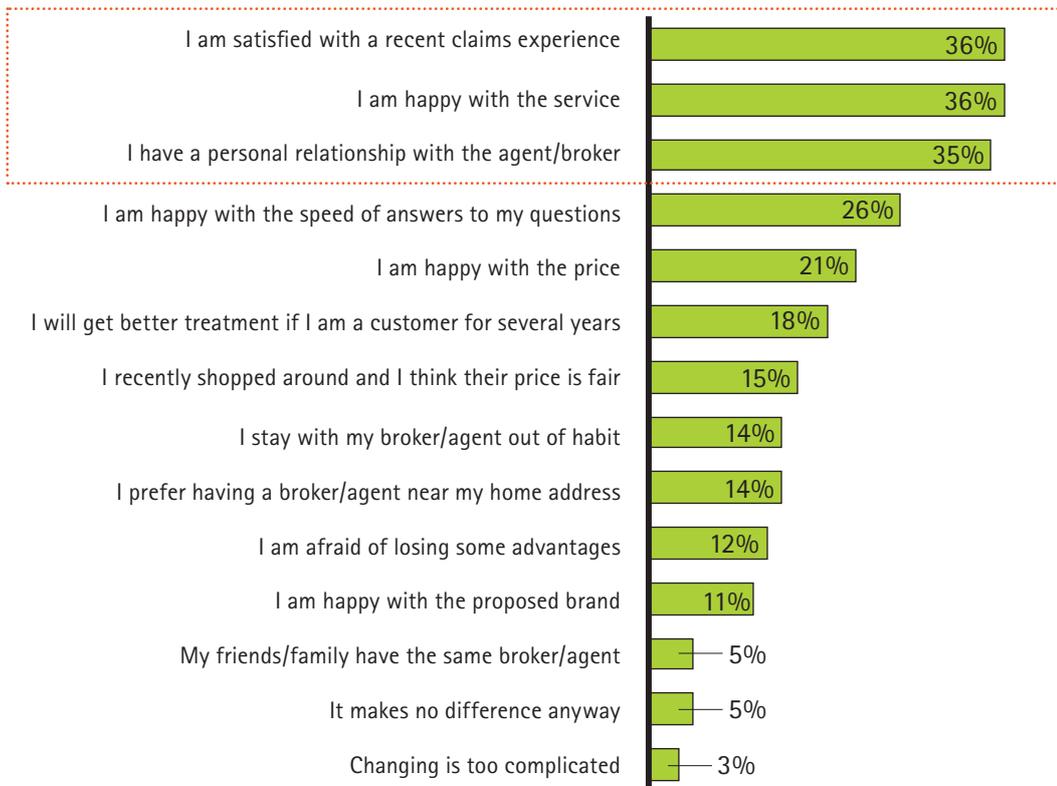
**Figure 3** The customers of intermediaries are loyal customers



Source: Accenture/BZB Market Research 2014 with 619 insurance customers

**Figure 4** Customers stay with their broker/agent because they are satisfied with the advice they receive, claims handling and the personal relationship

Why don't you shop around for a new agent/broker?



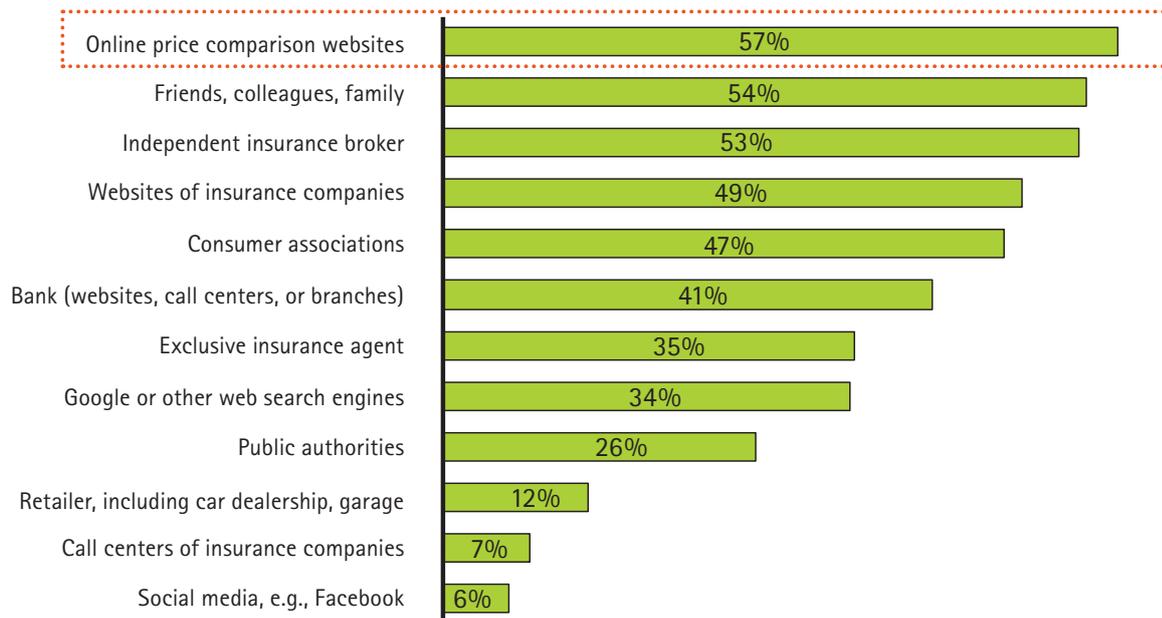
Source: Accenture/BZB Market Research 2014 with 66 insurance customers who indicated they had purchased insurance within the past 12 months with their existing broker/agent

Currently, insurance intermediaries are still in a comfortable position. However, there are clear signs that significant changes are afoot. Just as in other industries, the insurance market is facing digital transformation. This is already noticeable in the changing

behavior of consumers. For example, price comparison websites are gaining in popularity as a source of information (figure 5).

### Figure 5 Price comparison websites are the most important source of information

If you were to buy a new car/home insurance policy, where would you go to find information about products and prices?

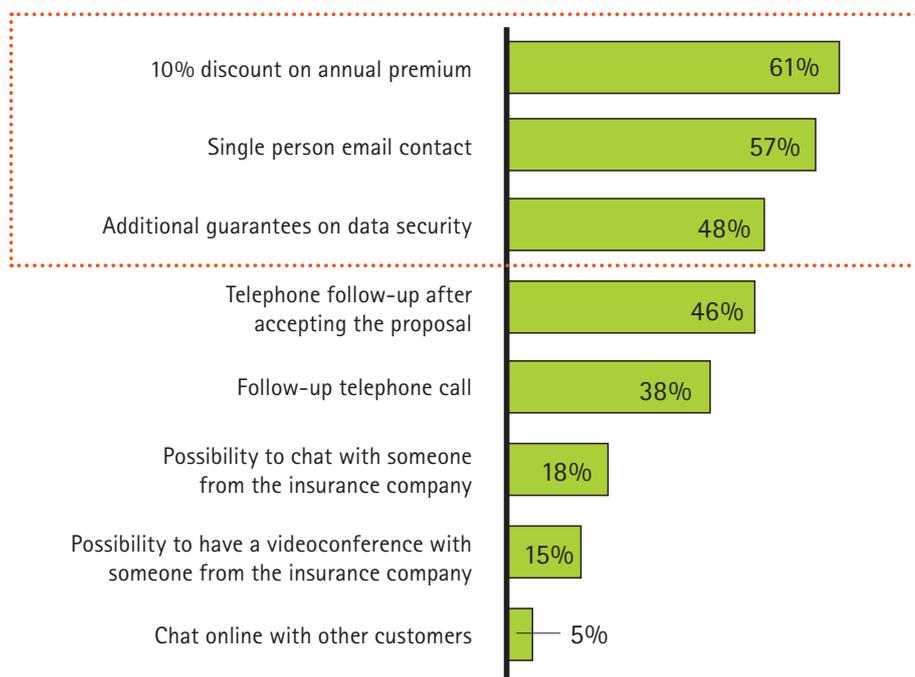


Source: Accenture/BZB Market Research 2014 with 1005 insurance customers

Moreover, customers are more willing to conclude and pay for insurance policies online if certain conditions are met (figure 6), particularly, a premium discount, easy (online) contact and guarantees regarding data security.

### Figure 6 Additional discounts, a single point of contact and personal data security convince customers

Would any of the following encourage you to use online channels for setting up and paying for your car/home insurance policy?



Source: Accenture/BZB Market Research 2014 with 1005 insurance customers

# Market and regulatory changes represent the most important challenges

## Profitability is under pressure

Competition in the insurance market is increasing due to the entrance of new actors such as direct players, price comparison websites and other companies trying to capture a slice of the action. But consumer behavior is also changing. They display different behavior towards the different distribution channels available, which also influences their expectations.

Meanwhile, regulatory changes are putting pressure on intermediaries. Guidelines such as Twin Peaks II and IMD2 aim to improve consumer protection, but they also oblige insurance intermediaries to be more transparent with their customers.

This leads to additional administrative costs, but mainly it decreases revenue from commission fees, thus undermining the profitability of small and medium-sized insurance intermediaries. To counterbalance all these changes, the sector needs strong assets.

Finally, insurance intermediaries are facing a wave of consolidations, with smaller offices being taken over by large brokers and private investment groups.

## Fragmentation in the market limits possibilities

Most intermediaries operate on a small, local scale and this limits market scalability. All too often, their employees take on multiple responsibilities and lack specialization. Intermediaries have difficulties deploying their staff optimally in function of customer expectations. They also exert little influence on the insurance companies they work with. Therefore, staff cannot develop the right skills. In addition, people with critical sales skills often don't have time to take advantage of them, because they are weighed down by additional (non-sales) tasks.

Another barrier is access to capital, which these firms need for their marketing campaigns and investments in technology. They miss the vital resources to attract specialized profiles. The broker/agent must also choose the most appropriate business model, and decide between working exclusively or as an insurance broker.

All these obstacles are the most important challenges for insurance intermediaries if they want to stabilize their profitability and protect or expand their portfolio.

Because the broker/agent has to divide his/her time between so many activities, the time spent with customers may suffer. However, personal contact is the main reason why customers opt for an intermediary. It is therefore important for intermediaries to make clear choices and to use their time wisely. This can be achieved by following two strategies:

- Focus on customer segments where tailored advice is valorized.
- Embrace digital to free up time for valuable advisory activities.



Two strategies that can  
protect profitability:

- Focus on customer segments
- Embrace digital

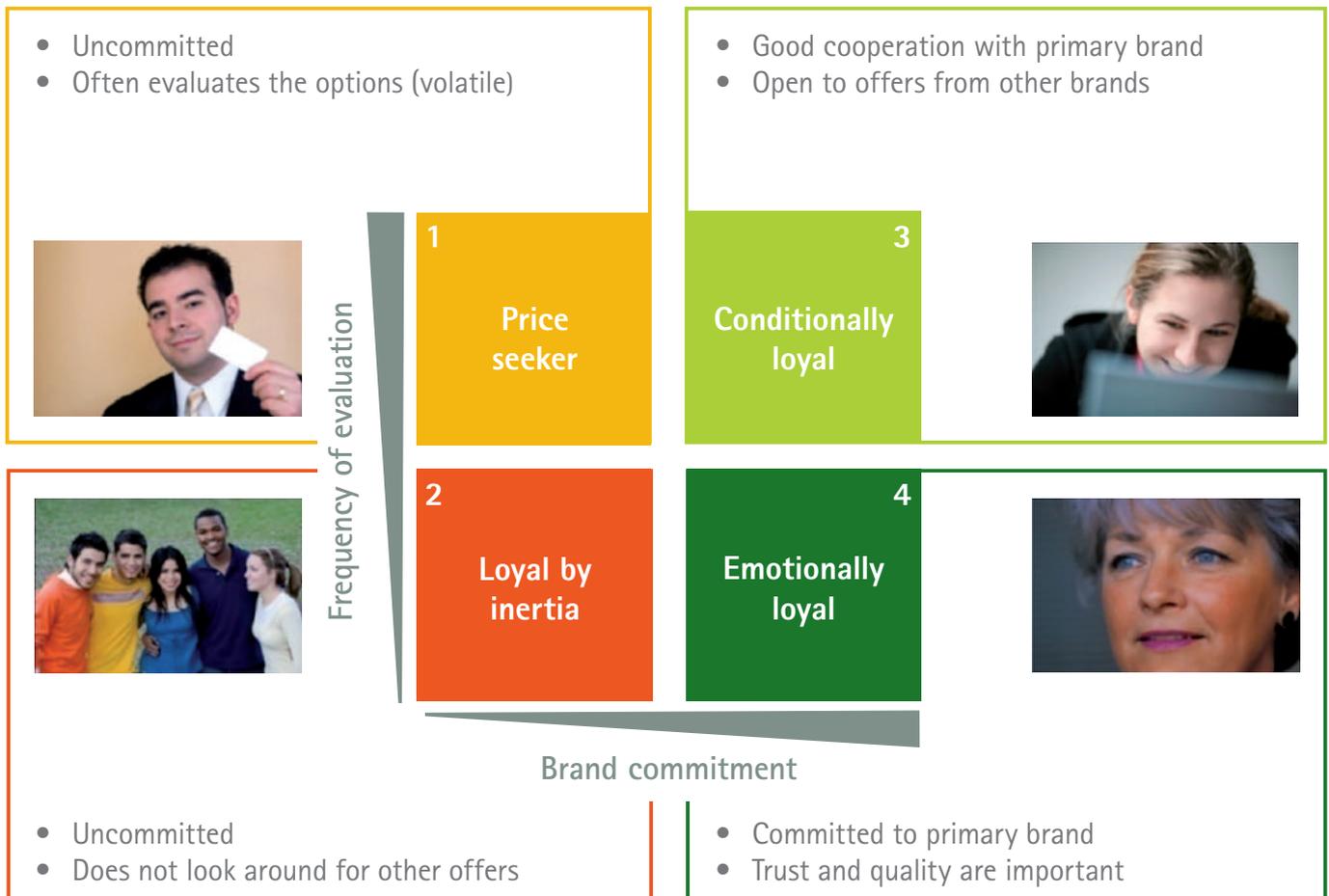
# Focus on customer segments where tailored advice is valorized

Most insurance intermediaries see the advantages of segmentation and know it is a powerful asset for providing a tailored offer, but many have not developed a personalized approach to their customers. Nevertheless, different consumers have different expectations. They can be divided into subgroups, each requiring a specific approach to increase loyalty.

If intermediaries distinguish themselves from other (direct) channels with their tailored advice, it is crucial for them to know what type of customer requires which approach. Based on Accenture's research, we have

identified four loyalty groups on the Belgian market (figure 7). They clearly differ in their attitude towards their insurance intermediary, in terms of brand loyalty, and frequency of reassessment of their existing products.

**Figure 7** Loyalty segments – Advice can be better aligned to the profile of the customer



Source: Accenture Research 2014

## Tailor advice and services to fit each customer profile

**1** Price seekers are the most volatile consumers. They are focused on the entire market and often evaluate their portfolios. They rely on all channels, often online, including price comparison websites. They do not feel committed to their primary insurance brand, so they have a tendency to switch fast as soon as they find a better offer. Price seekers are the least interested in frequent communication and new options in the product range. A low price is the most important criterion. The transparency of the offer and the ability to objectively compare deals is crucial to this group. They want to be able to decide for themselves what benefits they exchange for a lower price or special promotion.

**2** A second group of consumers who are not bound to their brand are loyal by inertia customers. In contrast to price seekers, they rarely evaluate their portfolio or look around for alternatives. Therefore, they appear to be very loyal. Inertia is a typical Belgian phenomenon, which also occurs in other sectors, such as health insurance or with electricity suppliers. These customers find it important to be rewarded for their many years of loyalty. Therefore, their definition of a good customer is simply: "A person who has been a customer for long time."

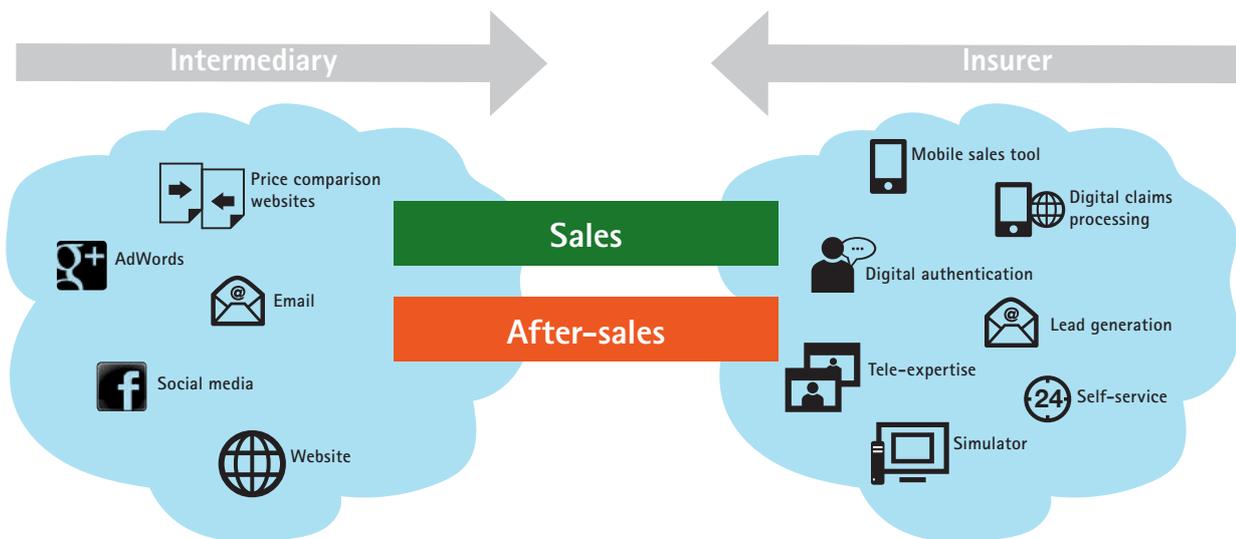
**3** Conditionally loyal customers, a third segment, have a good relationship with their primary brand, but are still open to new offers. Value for money is the most important factor. Very often they are customers of different insurance brands simultaneously. They usually make decisions when significant events occur in their lives, such as births and marriages. Therefore, intermediaries should maintain close contact with these customers so that they can respond quickly to these life changes.

**4** The last subgroup consists of emotionally loyal consumers. They feel strongly tied to their primary brand, and will have little or no interest in other brands. They believe in their brand and see no reason to doubt it. They are often older people from higher income groups. Their main drivers are trust and the quality of a product or service. They desire an exclusive VIP treatment, wherein the broker/agent provides them with a special individualized service only offered exceptionally to the best customers. They are the best ambassadors for a brand, and the most loyal customers.

# Digitalization frees up time for valuable advice and an optimal service

In addition to a renewed focus on customer segmentation, brokers and agents must focus on digitalization. Smart investments in digital technology can free up a significant amount of time along the value chain (figure 8). This time can then be used to strengthen ties with customers by focusing on the personal customer relationship. Intermediaries can take strategic actions to improve the way they offer their products and services, build up confidence and nurture high-quality customer relationships. To achieve this, they can also cooperate with insurers.

**Figure 8** Digitalization frees up time for better customer advice



Source: Accenture/BZB Market Research 2014

Each intermediary can generate sales leads and increase their customer service in different ways. The average consumer increasingly uses price comparison websites before contacting a broker or agent. He/she is becoming better informed. Therefore, conversations can already be smoother and more efficient. The broker/agent can also take advantage of price comparison websites to generate leads. While this is not a

simple task due to different platforms and regulations, some successful initiatives have already been launched. An intermediary can also use social media to keep up-to-date on important events in a customer's life, thereby establishing a more personal relationship. Armed with this knowledge, customer service can be increased. Another powerful means to attract customers is the use of AdWords. The intermediary can post

ads on Google based on keywords linked to potential customers. In this way, a consumer searching online for information about insurance can be quickly converted into a lead. The use of email and websites can also help intermediaries increase efficiency.

Digitalization is also helpful in aftersales. Today's customers expect to be able to arrange many things online. Tools offered by the insurer

can provide help here. The customer is already used to managing his bank accounts via PC banking. In the insurance industry, self-service is also possible: a good example is processing a claim online. Tele-expertise is also becoming increasingly popular. When making a claim, customers only need to send pictures and videos of the damage. This allows the intermediary to settle the claim more quickly than ever before, and from a distance.

Intermediaries can also look for insurers that help them to work as efficiently as possible.

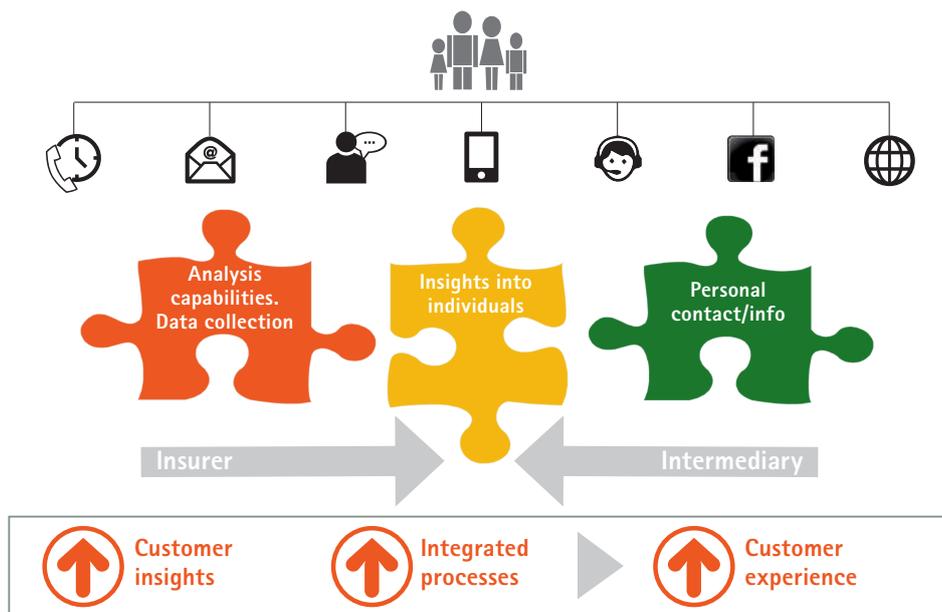
### More time to advise the customer

The more efficient the intermediary becomes through digitalization, the more time he/she can spend building and nurturing relationships with customers. Moreover, thanks to all the data collected, he/she will be able to better identify customer segments and tailor advice accordingly. The broker/agent can also offer their customers personal financial coaching.

For those active in the insurance industry ecosystem today, not taking steps into the digital world will mean being passed by other players tomor-

row. Those who evolve digitally will see a win-win situation for consumers, intermediaries and insurers. Renewed mutual confidence must grow between all these parties in which all expectations are matched. Good cooperation between brokers/agents and insurers will eventually lead to a better service for the customer (figure 9).

**Figure 9** Those who cooperate can create a win-win situation



Source: Accenture/BZB Market Research 2014

### Bundle the data of intermediary and insurer to get to know the customer better

Insurance intermediaries can optimally help customers along the entire value chain by making good use of the various channels (digital channels, omni-channels) and the analytics capabilities of insurance companies. The intermediary already has more than enough information to understand the needs of each customer. If he/she

links this isolated data to data from the insurer, this will create a complete, 360° view of the customer. Although data privacy rules should be developed, society is fast becoming more and more data-driven. Take for example, the recent news about using so-called wearables (like Fitbit, Samsung Gear, Apple Watch) to measure the life-

style and health of the policyholder. Therefore, the question is not whether insurers should deal with more data, but how they will deal with it.



## Conclusion

# The market and the customer need an integrated approach

Brokers and agents are facing enormous challenges. Both the market and changing regulations are adding pressure. At the same time, the insurance industry is fragmented, lacks scalability and specialization, and has difficulty accessing capital. Research confirms once again that the majority of consumers want to work with an intermediary. Trust and satisfaction with the advice the intermediary gives are the main reasons for this. In an increasingly harsh climate, insurance intermediaries must use their time more efficiently if they want to retain and expand their portfolios.

A first recommendation for the insurance intermediary is to focus on sharper customer segmentation in order to choose the right approach for the right customer. Many consumers greatly appreciate a personalized service and tailored advice.

A second recommendation is that intermediaries should embrace digital. Not only will they gain additional insights into customers, but they will also use their time more efficiently. The broker/agent will be able to focus more on personal advice and creating added value for the customer. Digitalization also benefits insurers because it will lead to more effective marketing and increase customer loyalty. This is the win-win situation all parties should be working towards as of now.

## About Accenture

Accenture is a global management consulting, technology services and outsourcing company, with more than 305,000 people serving clients in more than 120 countries. Combining unparalleled experience, comprehensive capabilities across all industries and business functions, and extensive research on the world's most successful companies, Accenture collaborates with clients to help them become high-performance businesses and governments. The company generated net revenues of US\$30.0 billion for the fiscal year ended Aug. 31, 2014. Its home page is [www.accenture.com](http://www.accenture.com).

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## About BZB

BZB is the professional association for self-employed banking and insurance intermediaries (*Beroepsvereniging van Zelfstandige Bank- en verzekeringsbemiddelaars*) in Dutch speaking Belgium. In 2014 it numbers more than 1,600 members of whom the vast majority is active as self-employed bank agents and insurance brokers. BZB also counts a group of insurance agents among its members, as well as several stock brokers and bank brokers. BZB represents their interests collectively and individually and strives for the continuation of the independent distribution channel in the financial sector.

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