# An InsurTech approach for insurance distribution

How Distribution Connectivity Intermediaries are all set to untangle insurance transformation by reimagining distribution

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Deconstructing insurers' challenges with traditional distribution model

The insurance market is over 330-years old and has not changed fundamentally all this while. For years, even insurance distribution remained largely unchanged – relying primarily on independently affiliated agents and brokers. But now Insurers find themselves in a place where their very survival depends on abandoning legacy practices and leveraging technology to modernize their distribution networks.

The process of selling to and servicing insurance customers was for the most part based on "high-touch" customer encounters. These interactions consumed a lot of time and energy, requiring agents to educate and assist customers with their research and subsequent purchase of coverage for insurable risks. The usual method of establishing siloed relationships with independent agents was fraught with scalability and cost issues.

But today, new distribution channels continue to emerge, paced by different forces that have traditionally shaped insurance distribution: legacy technology platforms, rising customer expectations, and lack of scale in direct channels.

What Consumers expect from Agents and Insurers

We are currently in the age of amazon where Customers expect a superior user experience, and they expect the same experience from even insurance companies. Therefore, insurance distribution modernization is also being shaped by high customer expectations.

 Customers be it either prospects or current policyholders, desire flexibility, agility, and autonomy in both sales and services. Customers expect more buying options that would help them buy plans that fit best to their needs, quick quote generation and an ability to compare quotes and resolve policy issues faster.

From a service standpoint, customers desire self-service capabilities, the ability to engage through a variety of channels, and the ability to remain connected to their accounts and avail services at any time and from any place.

Distribution Connectivity Intermediaries- an emerging approach for distribution

Traditionally an insurer, in the interest of more efficient operations and better customer & partner experience, integrates its ecosystem, with different independent agents, systemically but in a point-to-point tight coupled manner. Such point-to-point integrations are not scalable, not efficient, and not cost-effective.

That's where distribution connectivity intermediary platforms chime in. Distribution Connectivity Intermediary, which is an emerging area in insurance technology, is a cloud native Insurtech product that connects multiple independent agents with multiple insurers. Through such a construct, it helps to build a digital distribution ecosystem where multiple agents and insurers can work with each other flexibly through digital connectivity and a straight-through operating model. This helps to enhance the efficiency of the insurer-agent dynamic which eventually improves policy holders' experience and reduces the cost of insurance distributions.

This new pattern improves the experience for all involved parties including agents, insurers, and policyholders. It delivers strategic business values to each of these parties in the distribution ecosystem that we will see in one of the subsequent sections.

What's more, many of these intermediary platforms provide self-serviced and omnichannel portal for policyholders which is like digital agency out-of-the-box.

Additionally, some intermediary platforms provide digital capabilities for producer management or DCM (distribution and commission management) that can help insurers to jumpstart modernization of those areas.

Overall, distribution connectivity intermediaries significantly accelerate the modernization of insurance distribution in a very cost-effective way.

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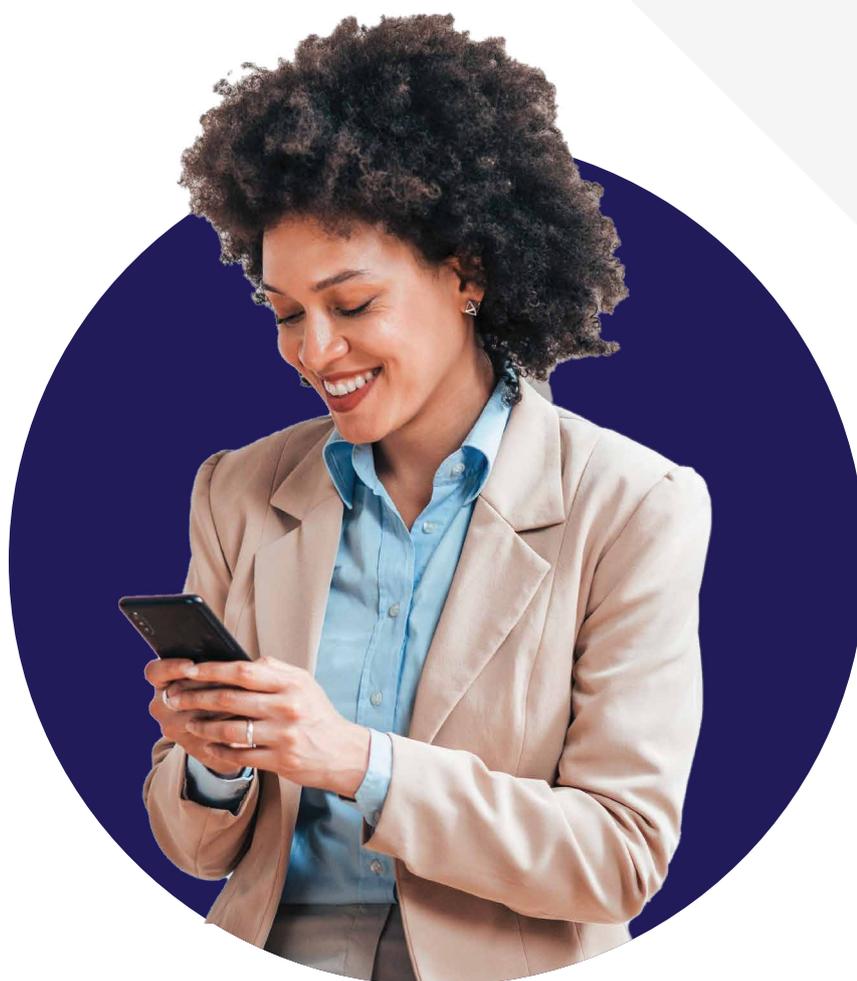
Demystifying Distribution Connectivity Intermediaries

The intermediary platforms do the heavy lifting in terms of:

• Integrating agents' and insurers' systems

• Smart data intake (including data pre-population by leveraging out-of-the-box integrations that these platforms have with 3rd party data sources)

• Robust operational workflow

• Data transformations/ standardizations

• Advanced analytics

• API enablement, etc.
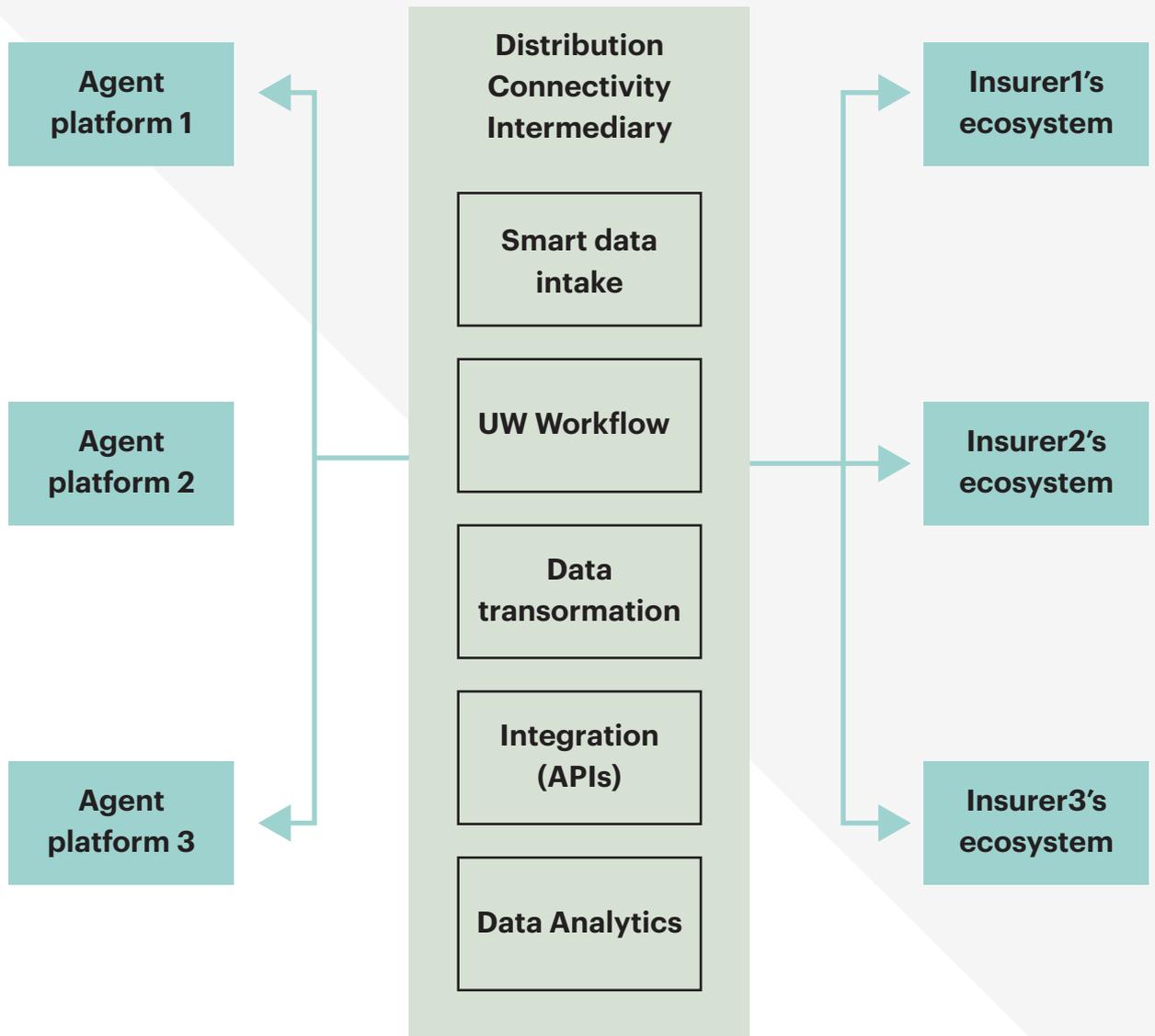
By acting as an intermediary with the above capabilities that connect multiple insurers with multiple agents seamlessly, they help to eliminate the rigidity of point-to-point integrations. Being cloud-native they also bring in cloud's best practices and flexible pricing model.

How could Agents and Insurers reap business benefits with Distribution Connectivity Intermediaries?

Distribution Connectivity Intermediary is being recognized as a strongly emerging by Agents and insurers since it provides following business benefits

For Agents

• Independent agents can transform quickly, digitally, and cost-effectively from sales, service and CRM standpoints

• Independent agents can integrate with multiple insurers quickly and digitally to enable a better buying experience for prospects and also expand their agencies (businesses)

• Intermediaries provide self-serviced and omnichannel customer portals out of the box for agency management systems (digital agency out-of-the-box)

For Insurers

- Insurers can integrate with multiple agents quickly, digitally and in a cost-effective way that provide the ability to deliver high quality service to end customers (policyholders)

- Insurance distribution becomes improved through technology modernization and operational cost reduction

- Intermediary platforms act as data hubs that enable Agents and Insurers to unlock advanced analytics potential

For Prospects and Policyholders

- Prospects enjoy superior buying experience through the availability of multiple buying options, ability to compare among options, competitive rates, etc.

- Policies are issued much faster

- Policyholders enjoy superior experience through self-service, omnichannel, and anywhere & anytime connectivity

Thinking through the challenges that Insurers face while adopting the solution

While Insurers are exploring the emerging approach to distribution with distribution connectivity intermediaries, this new distribution approach does pose some unique challenges that require consideration:

Data Security
Security, regulatory and compliance requirements can create roadblocks to the use of intermediary platforms because these platforms store data

Multi-tenancy
Intermediary platforms normally embrace cloud-based multi-tenant architecture to integrate multiple agents with multiple insurers. Such multi-tenancy is not appreciated by many organizations who prefer private data centers.

Agent affinity
An intermediary platform remains pre-connected to specific agents. Thus, an insurer who does not have business relationships with those agents will not be benefitted through the use of that intermediary platforms

Lack of Industry Standard

Despite that these platforms have abilities to integrate multiple agents with multiple insurers with robustness in complex data transformation, there exists a lot of inconsistencies primarily due to lack of an industry-standard data model for data exchange in the distribution area. Thus, the promise is not always well-kept.

Strategy to mitigate above challenges

To resolve the above challenges, the Insurtech vendors have created multiple variants of distribution connectivity intermediary platforms, each variant addressing specific business needs in the context of insurance distribution, and insurers can adopt variants appropriate to their business needs.

A mapping of Insurtech vendors and their intermediary platform variant is given in the table below

Player	Appetite Transparency	Submission Streamlining	Quote to Bind	Digital MGA/ Wholesalers	Digital Agency	Comparative Rater	Data Broker
Applied software/ EZLynx		■	■			■	■
Appulate		■	■				
Ask Kodiak	■						
Bold Penguin	■	■	■			■	■
Bolt		■	■				
Broker Buddha		■	■				
DAIS	■	■	■	■	■	■	
Ebix Team-Up		■					
Fluid Insurance Workflow		■	Quote Only	■			
InsureZone	■	■	■	■		■	
IVANS		■	Quote Only				■
Relay		■	■				
Semsee		■	Quote Only			■	
Talage	■	■	■	■	■	■	
Tarmika	■	■	Quote Only				
towerIQ		■	Quote Only		■		
TurboRater		■	Quote Only			■	■
Vertafore TransactNow	■	■	■			Through PL Rating Tool)	■
Vlocity		■	■	■	■		■
Wunderite		■			■		

Reference : Novarica

Appetite Transparency
Use data and analytics to inform agents and consumers of best-fit insurance products and coverages based on the risk profile

Submission Streamlining
Provide a consistent and often personalized experience for collecting application data digitally, and enables guided flow

Quote/Bind
Evolved to have a greater customer focus and provide the framework for insurers to support multi-channel quoting experiences for agents and customers

Digital MGA/Wholesalers
Simplify the submission and underwriting process among insurers for specific risk types and lines of business

Digital Agency
Allow policyholders to interface directly with the agent system

Comparative Raters
They differ from quote/bind platforms in their scope and their stand-alone interfaces. They usually focus only on the quote function and stop processing when multiple quotes have been received and displayed

Data Brokers
Sell quote, appetite, rating, and submission data and analytics—usually anonymized or aggregated—to insurers and agencies for go-to-market research, competitive analysis, or benchmarking purposes

From a data security perspective, the intermediary platforms leverage cloud-based security architecture and protocols.

These platforms are architected based upon well-architected framework of public clouds that offer best-in-class performance, reliability, security and flexible price models.

Also, many of these platforms are complaint from a regulatory standpoint, like HIPAA, ISO, etc.

Insurers' response to an emerging approach for distribution

It's on the Insurer to make the decision which variant is suitable for its business, and it is not an easy decision. Also, an insurer's partnering agents must be connected to an intermediary platform for that platform to be applicable for its business.

In most cases. the insurers are working directly with their partnering agents to make the choice of intermediary platform.

Also, insurers are transforming their ecosystems heavily into API based architectures to make their core systems (like Underwriting, Rating, DCM, etc.) more integration-friendly to the intermediary platforms.

Thoughts for the road ahead for Insurance Organizations

Because intermediary platforms offer self-service and omnichannel portal capabilities, they create opportunities for Insurers that integrate with those intermediary platforms to open up direct-to-consumer (D2C) channels at wide scales and bypass their traditional agents and partners. This can potentially lead to a disintermediation trend that is likely and will continue in future where agents-based insurance distribution can change over time to D2C model of insurance distribution.

Author: Suvojit Dutta
Head - Insurance Solutions and Consulting
suvojit.dutta@zensar.com
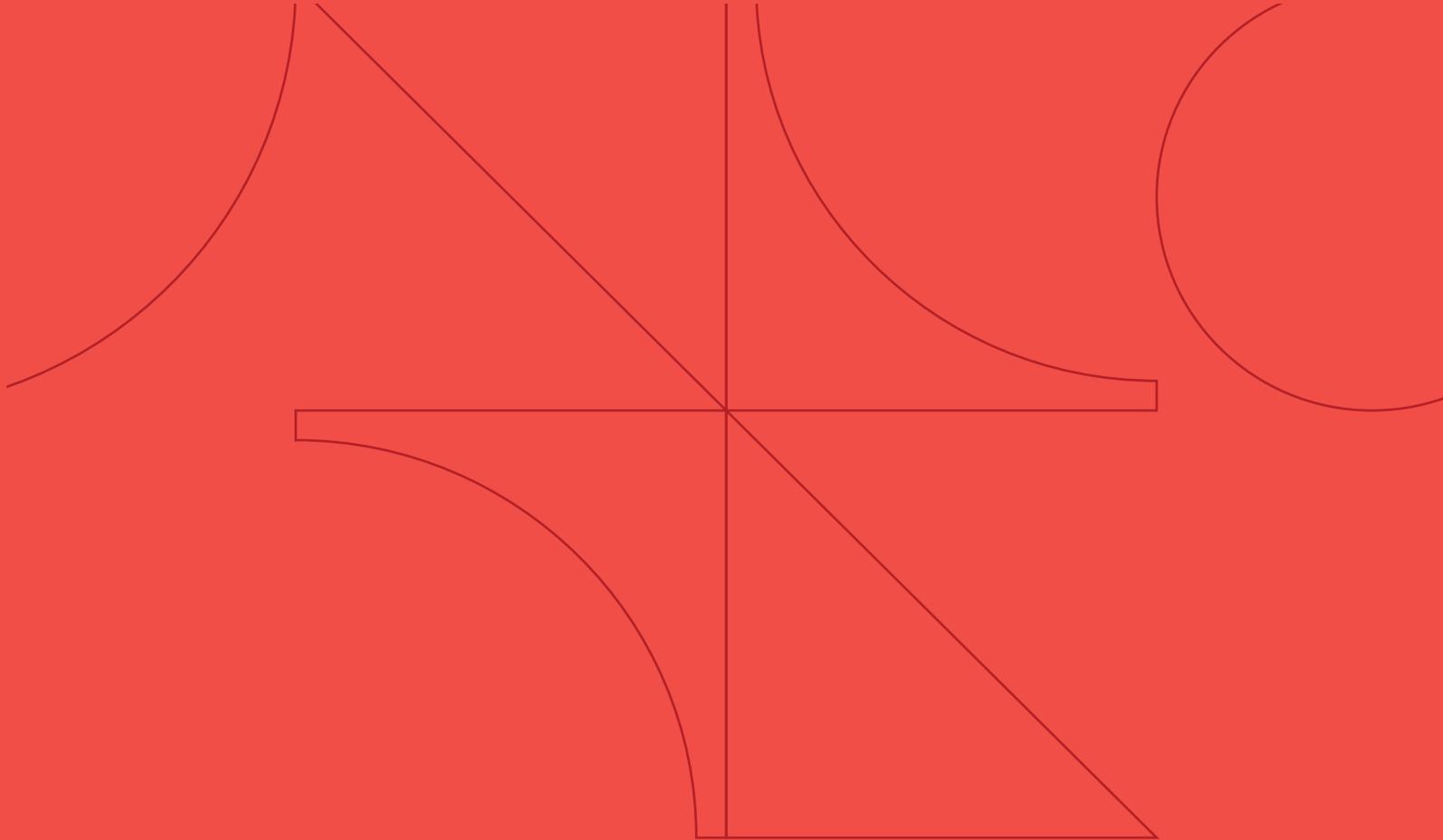
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