



# Role of Brokers : Redefining Products & Service Excellence

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Presented to Insurance Workshop Organized By  
International Finance Corporation  
22 August 2006, New Delhi





# The Historic Question !

Nationalisation: 1972

Consolidation + Marginalisation of the Intermediary

Liberalisation: 30 years later

Private Competition + Whole Range of Distribution Channels

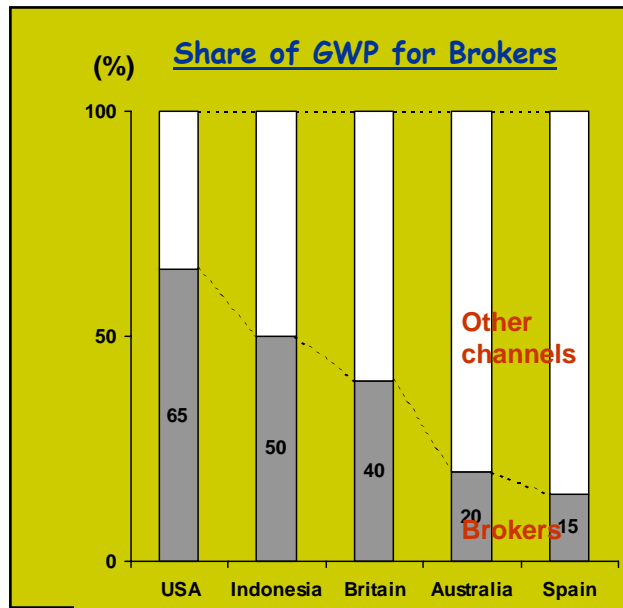
*"You cannot have chicken  
by breaking an egg..  
you need to hatch it!"*





# Brokers` Share !

Internationally share of brokers varies considerably



Prospects in India

Brokers likely to capture 20-25% of total market in 3-5 years time

"India will follow international trends and brokers will be an integral part of the non-life corporate market"

Source: Industry Interviews





# Brokers` Share of Corporate Risks !

Brokers` share of total commercial / corporate business : -

- U. S. A. 90 % +
- Australia 90 %
- United kingdom 85 %
- Hong Kong 40 - 45 %

Clearly the broker market scenario is corporate oriented !





# The Origins - England

16<sup>th</sup> Century England

Drafting policy - a specialized and legal task

Direct Approach:

If proposed policy simple

And underwriter known

Defining the Product : Intermediary Approach

Often a Book-Keeper or Notary

Complex contract

Merchants and Moneylender as risk takers!





# The Origins - Americas

19<sup>th</sup> Century America

Great Fire of New York 1845

Fire ruined many Insurers

Demand for insurance attracted many new insurers

Supply exceeded demand

Insurers solicited business through brokers

Product Freely Defined - Insurers Depend on Brokers

Brokers became established





## IRDA`s Expectation

*The functions of a direct general insurance broker and direct life insurance broker:*

- (a) obtaining detailed information of the client's business and risk management philosophy
- (b) familiarizing himself with the client's business and underwriting information so that this can be explained to an insurer and others
- (c) rendering advice on appropriate insurance cover and terms
- (d) maintaining detailed knowledge of available insurance markets, as may be applicable





# Fulfilment of Expectation

## *Detariff*

- Market is mature for agents and not brokers
- A paradigm shift can be expected when intermediary practice is at the core of insurance buying
- Informed processing of proposals leads to service efficiencies
- Surrogate Underwriter
  - upfront risk analysis
  - devise a cover
  - choose an insurer





# Better Insurance Management

## *Detariff*

Brokers value add:

- Customized Property / BI programs
- Customized Liability programs
- An Extension of Risk Management
- Less Premium and More Risk Transfer





# Agent vs Broker

## Agent

1. Procure premium for his insurer
2. Exclusive single insurer relation
3. Identifies prospective clients
4. No capital investment
5. Insurer responsible for conduct
6. Straitjacket offer
7. Take or leave

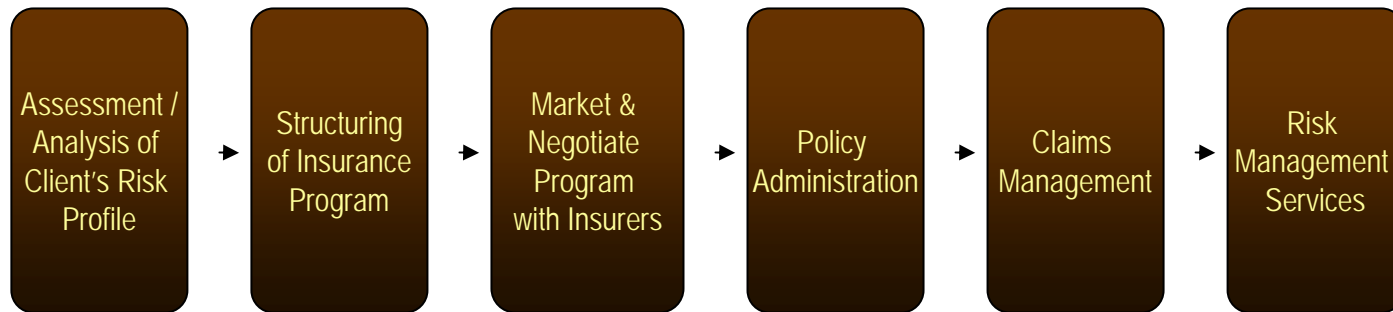
## Broker

1. Offers advise for optimal cover
2. Works with any insurer
3. Identifies prospective risk issues
4. Minimum Rs.50 lacs + capital
5. E&O insurance - a must
6. Negotiated covers
7. Coinsurance / reinsurance options





# Value Chain Commercial Lines Broker





# New Solutions

## A Case Study of Turkey

Earthquake hits Turkey 1996

Huge property loss

World Bank - Catastrophe Pool

Standalone EQ policy - a sellout

Increases market premium 7 times

Initiative open to brokers

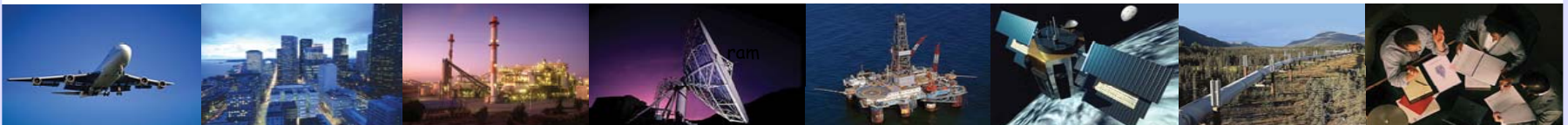
Indian market has seen insurer initiatives for Event Covers,  
Hospital Cash, P&I - brokers are not seen in the forefront





## New Corporate Trends

- o Listed companies need formal ERM for compliance
- o Developing own internal risk management operations
- o Brokers revenue can be commissions from insurers or fees from clients or both
- o More corporates could move towards In-house brokers
- o Clearly, the balance of power between brokers and insurers is changing.





## Major Service Issues

Survey by Deloitte of Regional Brokers in UK :

*Good claims service* - 54% felt claims service by insurers as fair, 29% felt it to be poor ; services provided by solicitors caused most dis-satisfaction followed by accountants and insurers; greatest concern was with claims life cycle and third party recoveries

*Cost of Premium*

*Deductible* - 37% of brokers have clients who opt for large voluntary deductibles





# Brokerage Paid 2004-05 [audited]

S.No	Insurer	Brokerage
	> Rs.10 Crores	Rs. In Crores
1	National	26.62
2	New India	19.82
3	ICICI Lombard	15.78
4	Oriental	13.91
5	United India	13.25
6	Bajaj Allianz	10.04
Market Overall		124.00





# Thank You !

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*The Grace of Tradition*

