

# Underwriting Agencies Australia/New Zealand CEO Survey 2015

## Business Priorities and Trends

Brought to you by Gratex International Pty Ltd



I am delighted to share with you the insights gained from the Underwriting Agencies Council 2015 survey.

This is a comprehensive survey of senior management in underwriting agencies, conducted across Australia and New Zealand, and reflects the priorities and dynamics that drive the success of the agency sector.

I thank Gratex International ([www.gratex.com.au](http://www.gratex.com.au)) for sponsoring the survey and all the UAC member agencies that participated.

The annual survey is part of UAC's proactive planning process to determine the structure of future programs and activities that add most value and effectively address members' needs and requirements.

It gives UAC members access to ongoing data to identify trends in our industry and reflect on members' perspectives of key issues challenging agencies as they build better businesses.

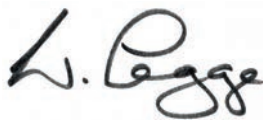
The survey is an essential element of UAC's discussions with the wider industry and regulators and government bodies.

It helps to position UAC as a major industry body that is indeed THE Resource for brokers and THE Resource for members.

When UAC is promoting the agency sector's cause to stakeholders it is highly beneficial that we can present the most accurate information to enable us to influence decision making.

For that reason, I urge all members to take the time to complete the survey each year.

**Yours sincerely**



**William Legge**

General Manager

Underwriting Agencies Council

# Key Insights

Competition has become **FIERCE**

Speed to market **is a MUST**

Broker channel performance and loyalty is the biggest **CHALLENGE**

Collaboration **with insurer partners is ESSENTIAL**

New products for niche markets are **FOCUS**

Process automation **shows high MOMENTUM**

Operational cost reduction is aimed at increased **EFFICIENCY**



*"The insight, knowledge and expertise of underwriting agencies is invaluable to the insurance industry. As an industry educator and professional standards body, ANZIIF recognises that data such as this survey is vital to supporting innovation, leading and responding to client needs with agility and precision.*

*We applaud Gratex for their support of, and contribution to, the success of our region's underwriting agencies through the insights that surveys such as this provide."*

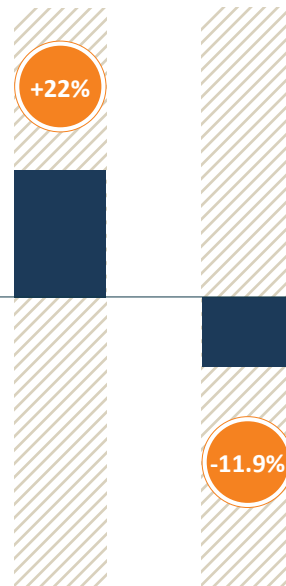
**PRUE WILLSFORD, CEO, ANZIIF**

## BIGGEST SHIFT FROM 2014 TO 2015

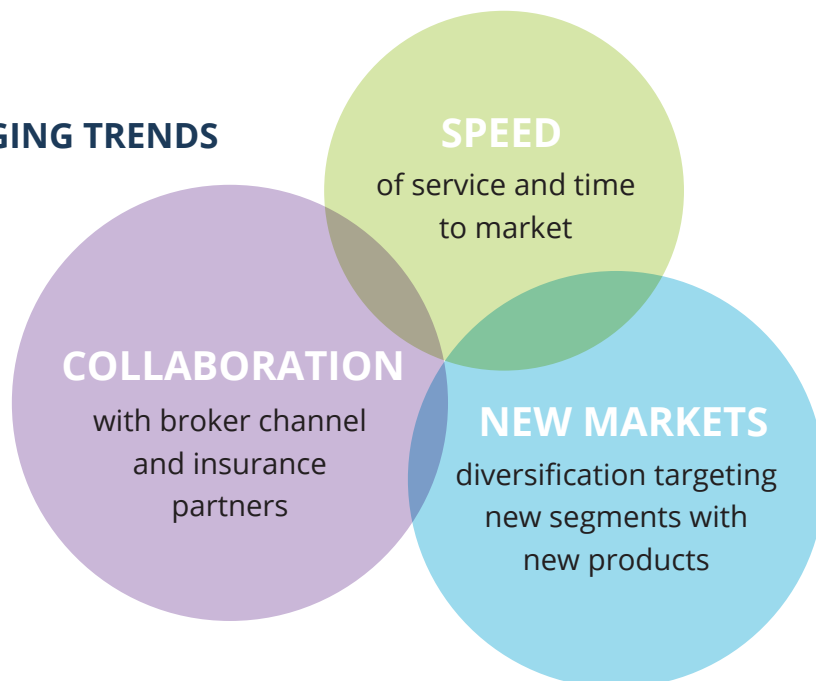
### 'Business Challenges'

**Biggest increase:**  
Broker channel performance  
and loyalty

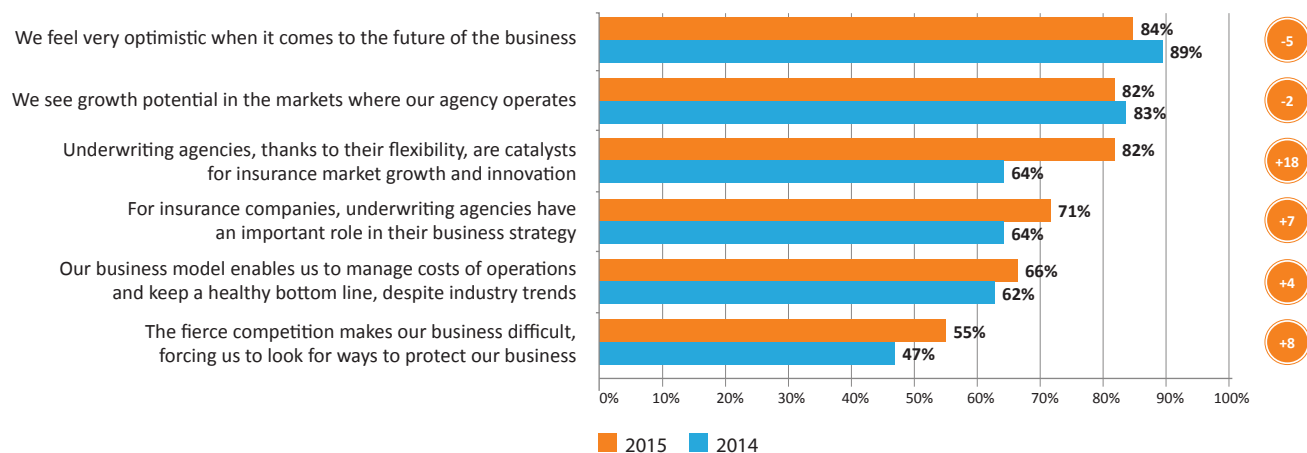
**Biggest decrease:**  
Identifying clear opportunities  
for operational cost reduction



## EMERGING TRENDS



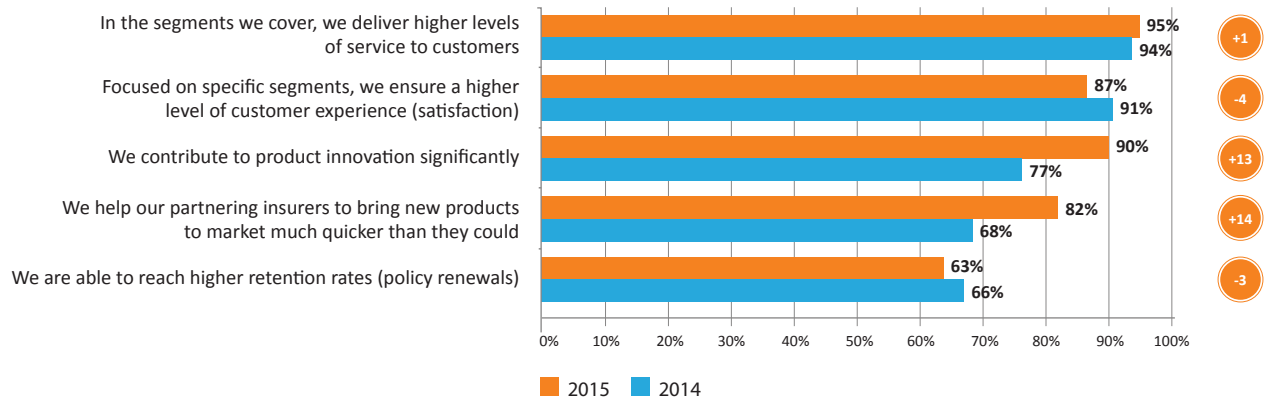
## 1 How do you perceive the role of underwriting agencies in the market?



Despite increasing competitive pressures jumping from 47% to 55%, and a 5% drop in optimism for the future of the business, underwriting agencies see their role increasingly as drivers for market growth and innovation. The influence of increased competition may have dampened the optimism reported in the previous year. At the same time, an increase of 18% of underwriting agencies report that they feel assured of their pivotal value-adding role for their insurance partners.



## 2 How do you perceive the value of underwriting agencies to the insurance market?



With virtually no change compared to the previous year, underwriting agencies still see their key value-adding role in delivering higher levels of service to customers. However, product innovation (13% increase) and speed to market for new products (14% increase) have seen a significant lift of perceived value, while a focus on specific segments and retention levels have declined marginally.

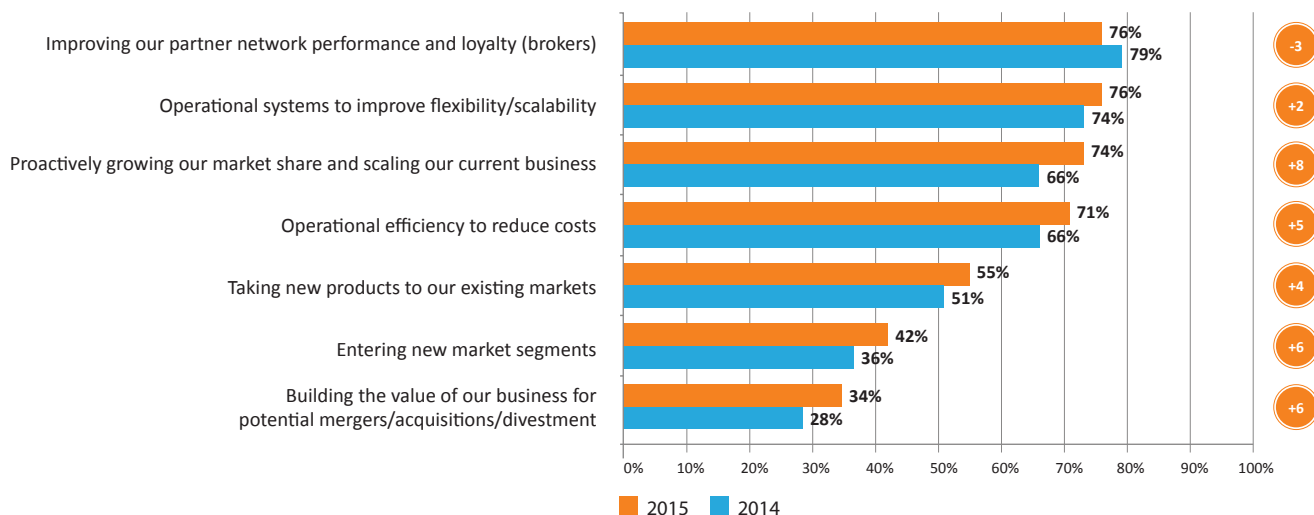
After customer service delivery, innovation has become the second most important factor, pushing customer experience into third place. Creating innovative products and increasing speed to market are the centre of attention.



*"It is great to see underwriting agencies are still optimistic despite soft market conditions. That they are thriving in the current market is a testament to the service they provide."*

**WILLIAM LEGGE, GENERAL MANAGER, UAC**

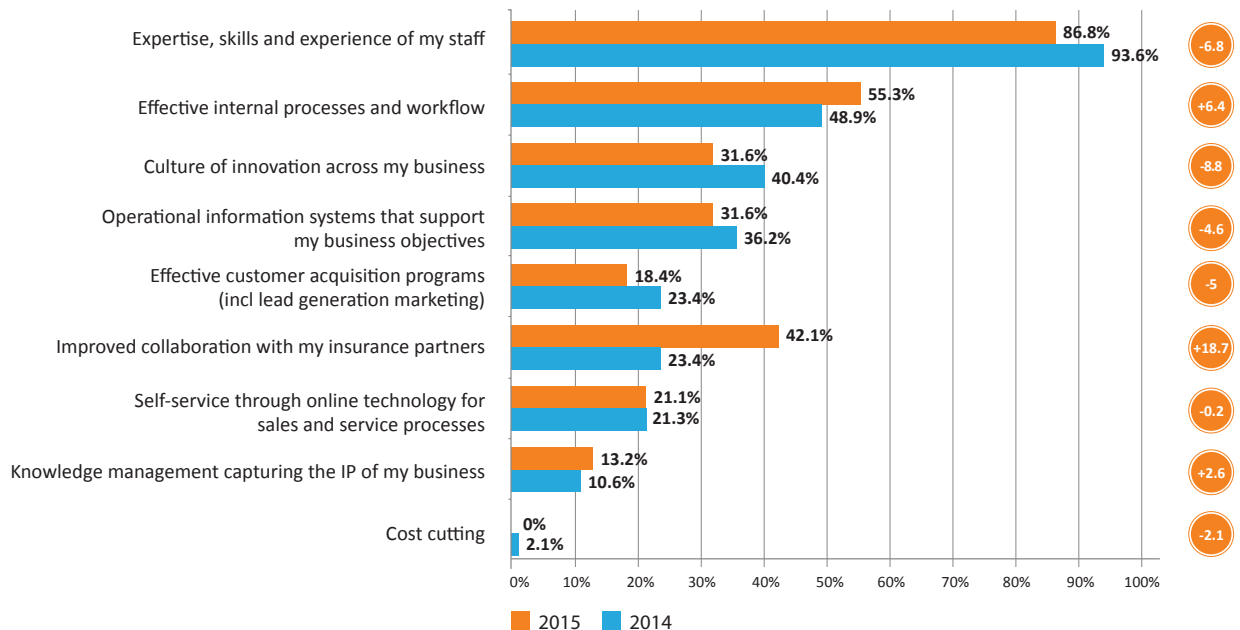
### 3 What are the most important business aspects for your business?



Although 'partner network performance' is still the most highly rated factor with a slight year-on-year decrease, all other aspects have increased in importance. The need to proactively grow market share and scale the business has the highest increase of importance (8%), closely followed by the need to enter new market segments with a 6% increase.

With increasing mainstream competition, the innovation around niche products for new market segments and short time to market are likely to become more important. In this context, it is no surprise that 'operational systems to improve flexibility/scalability' received the highest rating. Underwriting agencies take action and focus on seizing market opportunities.

## 4 What business enablers have the most significant impact on your business?



Although the expertise, skill and experience of staff is still taking the top spot, we see a 6.8% decline in this business enabler. Surprisingly, we see the biggest decline (8.8%) in significance in 'innovation', while it is rated very highly as a value contributor to insurance partners.

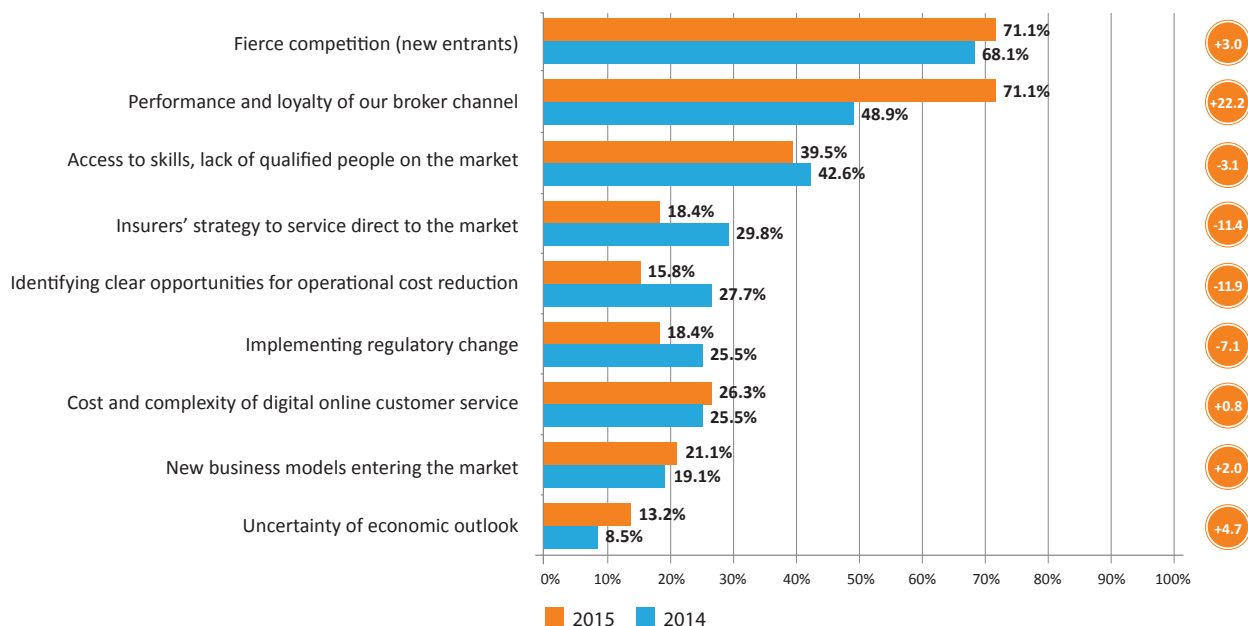
With an increase of 18.7%, 'improved collaboration with insurance partners' is now seen as the third most important enabler. It is interesting to consider the increased importance of effective internal processes and workflow now positioned in second place, while 'operational information systems' has seen a slight decline in perceived importance, implying that respondents don't directly correlate automation of processes with effectiveness of outcomes. Most noticeable is the constant 31% lead of staff importance compared to other factors.



*"It is pleasing to see many agencies going on the offensive to combat soft market conditions. We are increasingly seeing agencies working together with their security partners to broaden the scope of policies without increasing premiums, to bring clients better value products."*

**WILLIAM LEGGE, GENERAL MANAGER, UAC**

## 5 What are the key challenges that impact your business today, or might do in the future?



With an increase of 22.2%, 'performance and loyalty of the broker channel' has seen a significant increase and shares first position with 'fierce competition from new entrants'. This shift shows a clear market movement with more competition driving the need for stronger differentiation.

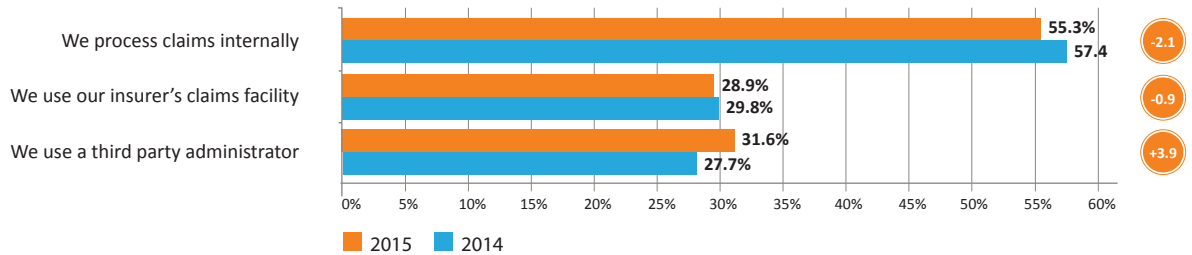
With a gap of 31.6%, 'access to skills and lack of qualified people on the market' is in a distant second rank. Underwriting agencies are focused on better cooperation with both brokers and insurers, as they feel less challenged by insurers' direct sales models.



*"Competition is definitely growing. UAC is seeing an increase in membership from new start-ups and broker groups entering the underwriting agency space."*

**WILLIAM LEGGE, GENERAL MANAGER, UAC**

## 6 Business model trend – How does your organisation handle claims management?

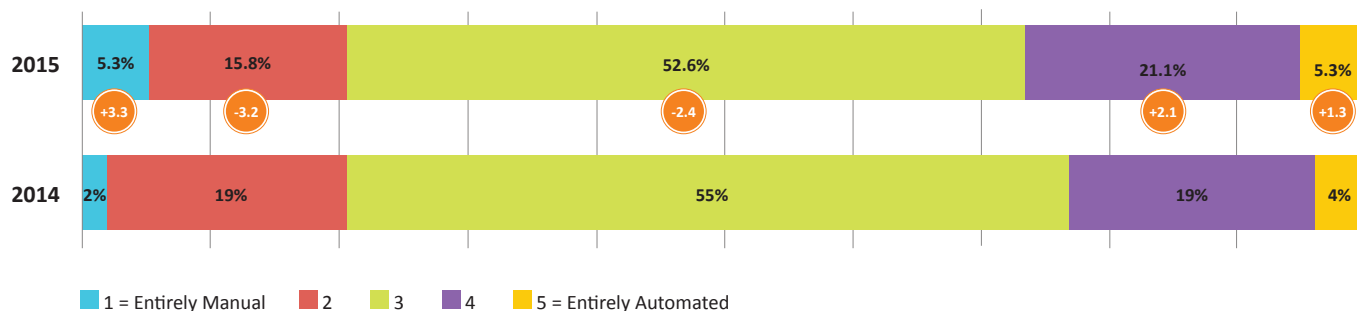


The business model for claims handling remains largely unchanged with 57.4% of respondents processing claims internally.

However there is a trend towards outsourcing to third party administrators showing a 3.9% year-on-year increase.



## 7 On a scale of 1-5, to what degree are operational processes performed in a manual versus automated way?



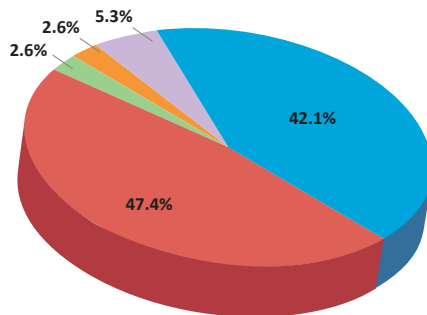
As a slight increase in the degree of automation of operational processes is reported, it continues to present a large opportunity for underwriting agencies to improve their competitiveness.

In light of the need for speed to market and higher effectiveness of work procedures, it delivers the promise of doing more with less while creating more flexibility for differentiation and customisation.

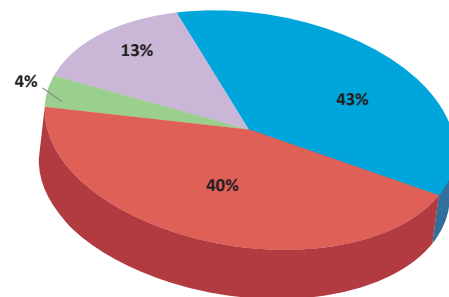


## 8 Is your business considering a change of business systems?

- Considering changing or upgrading our underwriting systems
- Are happy with our underwriting systems and do not plan to change them
- Are NOT happy with current underwriting systems but change is not a priority today
- We changed/upgraded our core system within the last two years
- I'd prefer not to answer this question



2015



2014

42% of underwriting agencies continue to recognise the need for change and are considering a system implementation or upgrade. It is encouraging to see that more organisations report higher satisfaction levels with their systems. The fact that no significant year-on-year change has been reported suggests there are adoption barriers in the market despite the business impetus.



*"The consistent feedback from the broker community is, that brokers prefer to work with underwriting agencies that can support the need for speed and on-line transparency, whilst still providing exceptional claims service."*

*To compete in this increasingly competitive market, underwriting agencies need the right mix between competitive products, excellent and fast customer service, as well as self-service functionality. Agencies that can provide online services that enhance the claims experience particularly in achieving the right outcome are also of great interest to brokers. It seems there is still a lot of room for improvement based on what underwriting agencies can provide today and this of course means opportunities for those that deliver to the broker's needs."*

**PROF. ALLAN MANNING, MANAGING DIRECTOR, LMI GROUP**

# Survey approach and methodology

## Survey Audience:

The respondents in this survey are senior executives of underwriting agencies in Australia and New Zealand. The anonymous survey was conducted by a trusted industry body and all data is confidential.

### **This report represents aggregate data from all respondents.**

76% of all respondents report less than 20 employees, 24% report between 20 and 100 employees.

42% reported GWP (gross written premium) of less than AUD10m with 58% achieving more than AUD10m–AUD200m.

## Methodology:

The survey was anonymous and conducted through an online survey tool.

The data was held in a secure hosted environment (Google Docs form).

After analysis of the data, all information has been removed.

The anonymous data sets are retained by UAC for future reference.





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