



Underwriting Agencies Australia/New Zealand CEO Survey 2015 Business Priorities and Trends

Brought to you by Gratex International Pty Ltd





Welcome to the Underwriting Agencies CEO Survey 2015. After the fantastic feedback we received in response to our first survey in 2014, we are delighted to present this year's findings and explore them in the light of year-on-year changes. I would like to thank all survey participants for their valuable time and hope we can broaden the circle next year.

Like last year, the anonymous survey was conducted through the assistance of a recognised industry body, the Underwriting Agencies Council (UAC), across its membership base and proudly sponsored by Gratex Australia.

For the first time, we can share the shifts in priorities and dynamics that shape our domestic markets. Working on a daily basis with underwriting agencies, I was not surprised to see some of the pressure points that demand proactive action with unprecedented speed and agility under fiercely increasing competition.

Like never before, we have seen new entrants as well as portfolio diversification with specialist products for niche markets, such as bicycles, cyber threats and drones. The ability to anticipate future trends and design new, complex products for emerging markets seems to come to the forefront of competitive strategy in order to retain customers and capture new demand to grow business volume.

It becomes apparent that the most crucial success factor for underwriting agencies is to increase the effectiveness of highly skilled expert staff through systems that automate and speed up business processes in a transparent and scalable way.

If you have not seen it already, you may also be interested in the first 'Australia Insurance Brokers Insight Survey 2014' conducted by Gratex International in collaboration with LMI Group.

The entire team at Gratex International Australia is delighted to 'give back' and contribute to the industry through this insightful series of market surveys.

Sincerely

A handwritten signature in black ink, appearing to read 'Milan Neklapil', with a small dot at the end.

Milan Neklapil

Managing Director, Gratex International

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.”

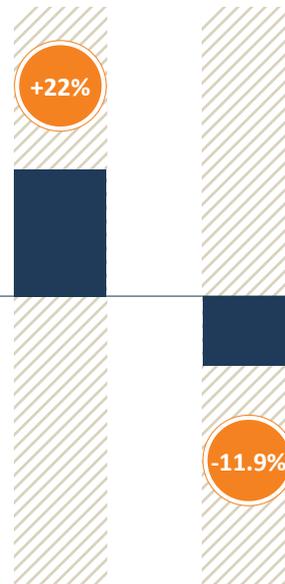
PRUE WILLSFORD, CEO, ANZIIF

BIGGEST SHIFT FROM 2014 TO 2015

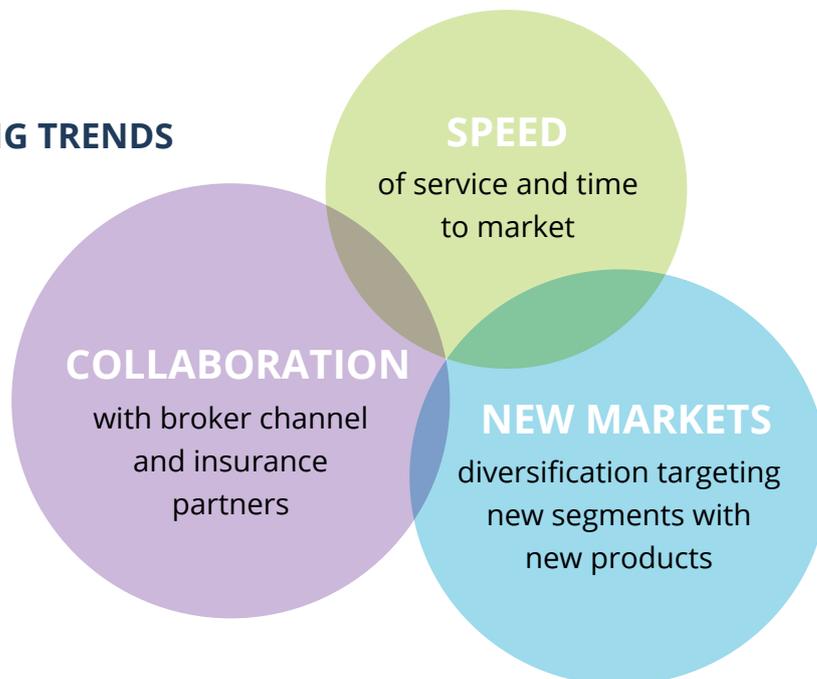
'Business Challenges'

Biggest increase:
Broker channel performance
and loyalty

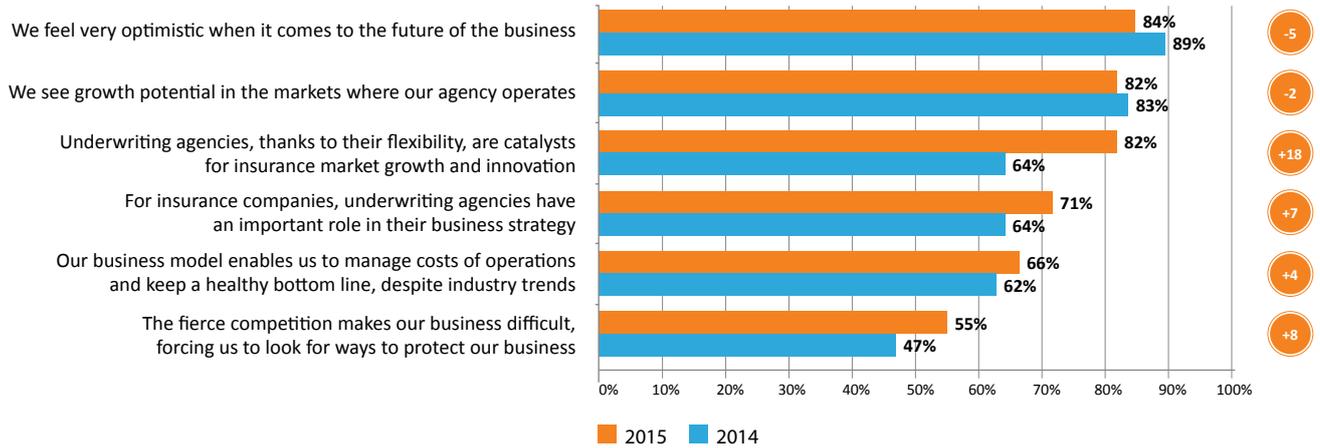
Biggest decrease:
Identifying clear opportunities
for operational cost reduction



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.

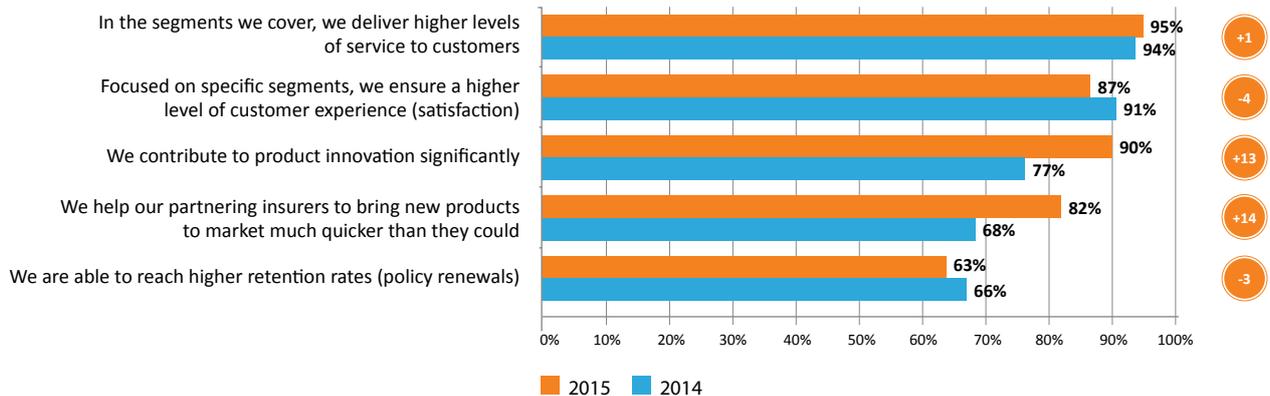


UAC is THE Resource for brokers and THE Resource for its members, providing a range of services to help agencies build their businesses.

The Underwriting Agencies Council connects diversified specialist underwriting agencies, creating a focal hub at www.uac.org.au as an essential resource for brokers.

For more information contact us at info@uac.org.au or call +61 2 8284 8406.

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



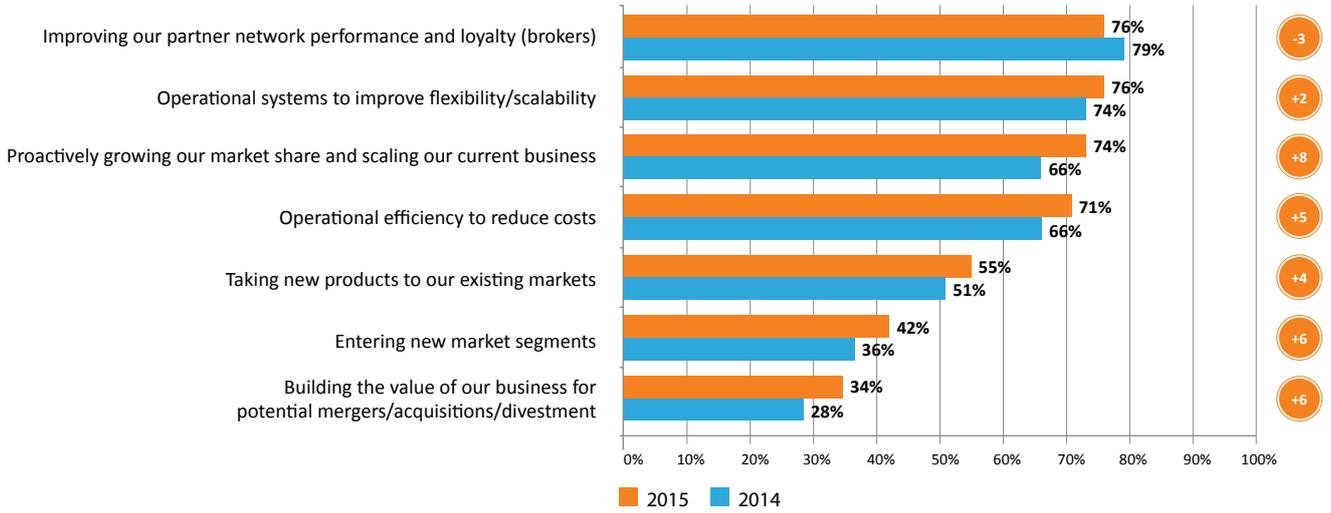
With virtually no change compared to the previous year, underwriting agencies still see their key value-adding role in delivering higher levels of service to customers. However, product innovation (13% increase) and speed to market for new products (14% increase) have seen a significant lift of perceived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

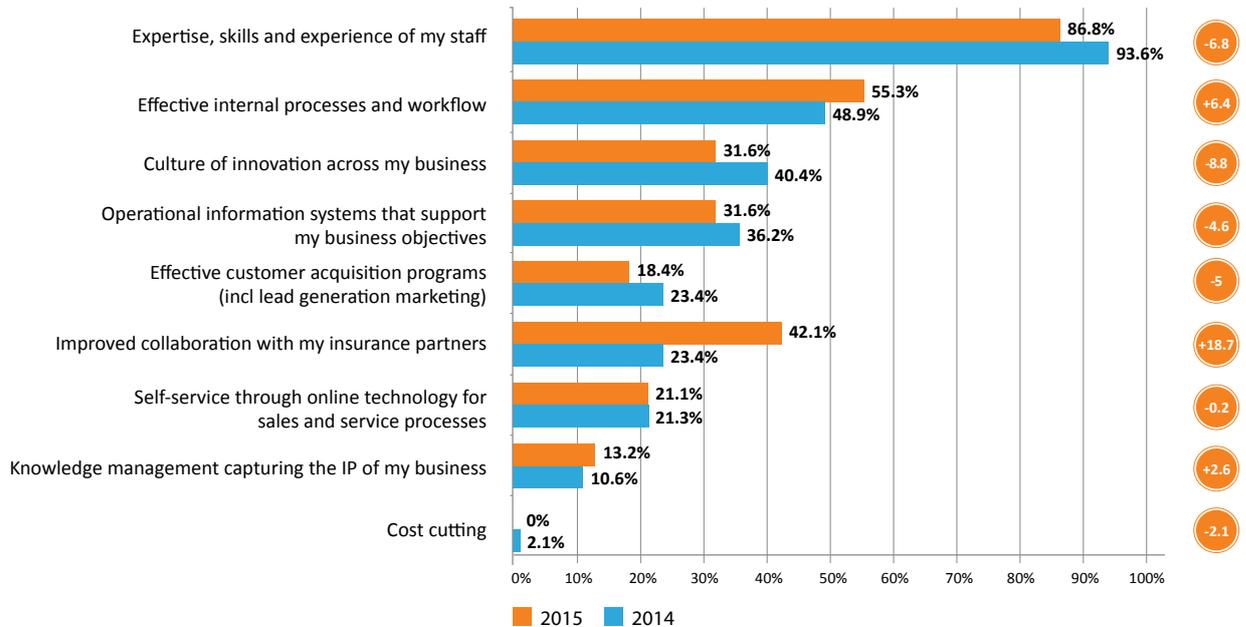


Although ‘partner network performance’ is still the most highly rated factor with a slight year-on-year decrease, all other aspects have increased in importance. The need to proactively grow market share and scale the business has the highest increase of importance (8%), closely followed by the need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

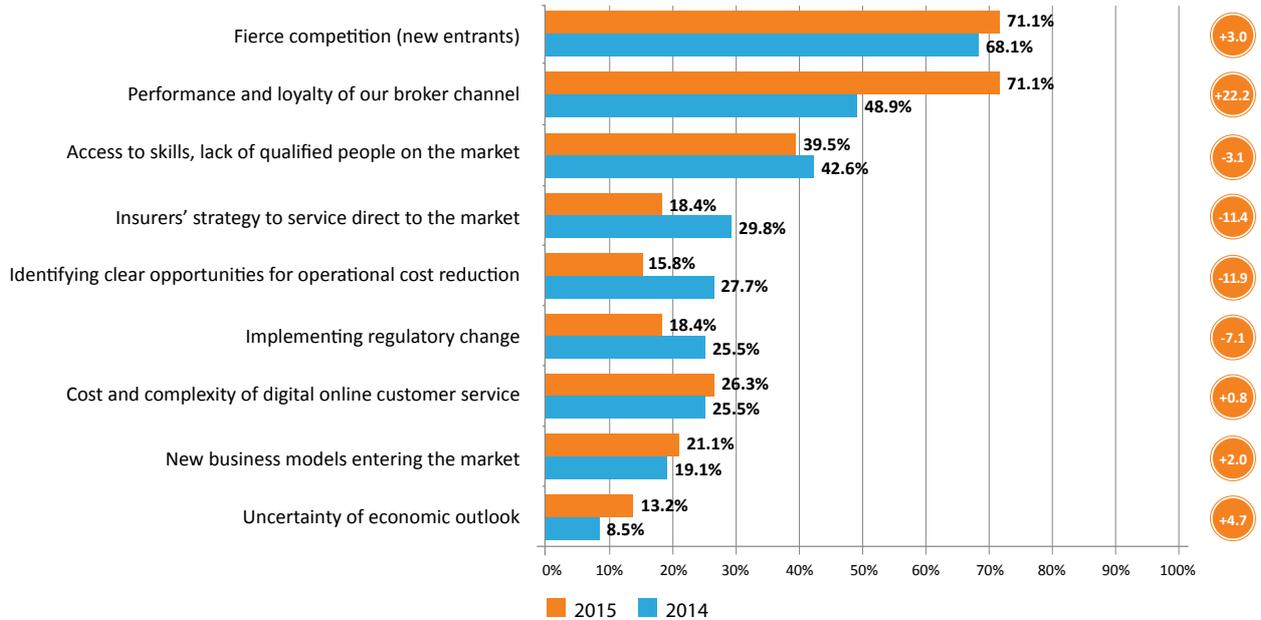
With an increase of 18.7%, ‘improved collaboration with insurance partners’ is now seen as the third most important enabler. It is interesting to consider the increased importance of effective internal processes and workflow now positioned in second place, while ‘operational information systems’ has 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?



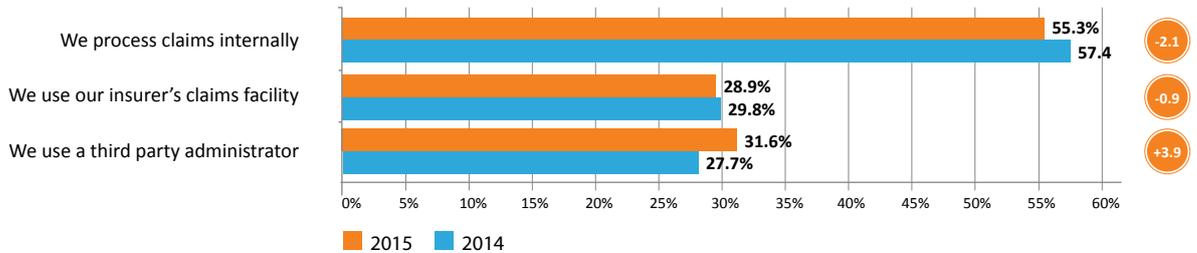
With an increase of 22.2%, 'performance and loyalty of the broker channel' has seen a significant increase and shares first position with 'fierce competition from new entrants'. This shift shows a clear market movement with more competition driving the need for stronger differentiation. With a gap of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

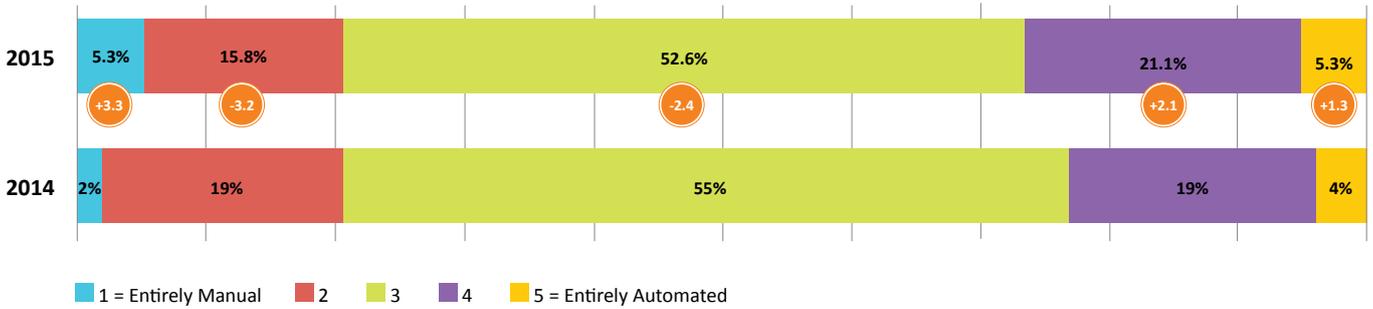


The business model for claims handling remains largely unchanged with 57.4% of respondents processing claims internally.

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



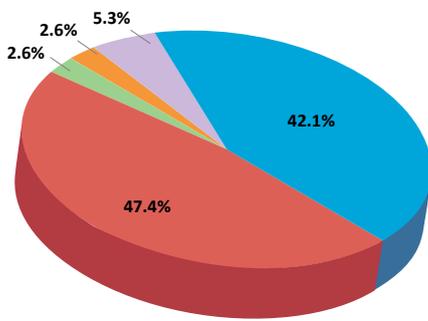
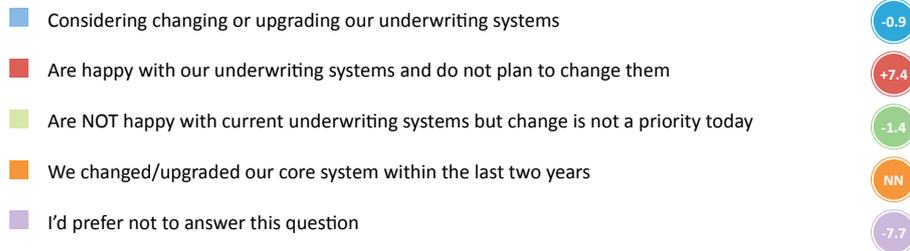
7 On a scale of 1-5, to what degree are operational processes performed in a manual versus automated way?



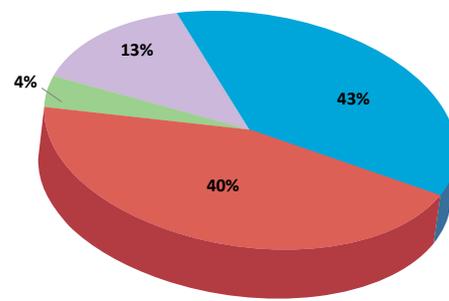
As a slight increase in the degree of automation of operational processes is reported, it continues to present a large opportunity for underwriting agencies to improve their competitiveness. In light of the need for speed to market and higher effectiveness of work procedures, it delivers the promise of doing more with less while creating more flexibility for differentiation and customisation.



8 Is your business considering a change of business systems?



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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Founded in Europe in 1991, Gratex International is a business systems solutions house with offices in Australia, Europe and Korea. With more than 350 specialists globally, the company develops and supports specialised business management software solutions for some of the world's largest finance and insurance organisations.

Since 1999, Gratex Australia has been a leading business systems solution provider for the local insurance industry, providing application development, cloud strategies and end-to-end managed IT services.



Specifically designed for underwriting agencies in ANZ, UPM2 is a fully integrated business management system that enables operational flexibility, reduces time to market and improves staff efficiency through the automation of workflows as well as on-line services. With unmatched configurability, industry leading technical support and low cost of ownership, the solution allows firms to seize market opportunities through fast, robust and transparent operations. UPM2's modular framework can complement existing systems or provide an entire end-to-end business management system.

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