

INSURANCE – DISTRIBUTION



According to the Collins English Dictionary the “distribution of things involves giving or delivering them to a number of people or places”. **Generali’s Marco Bovolini** puts distribution at the centre of the insurance power equation.



The important word at the core of the definition of ‘distribution’ is ‘people’. The value of distribution actually lies in the access granted to people, better qualified as customers or prospects. The real power of distribution is twofold: Providing goods or service to the targeted clients and collecting feedback from these clients.

If properly managed, this ‘priceless link’ can generate a virtuous circle where the goods or services provided can be improved and tailored to match customers’ inputs perfectly.

This virtuous circle is particularly relevant in the insurance industry, where the word ‘people’ assumes even greater importance. Insurance is a people business and one that has undergone a continuous evolution and diversification in terms of distribution channels across the years. From a very specialised sector focused on agents and brokers, it has been diversified towards a broader distribution spectrum.

All change ahead

Some of the changes worth highlighting include: The entrance of new players – such as banks and aggregators, and the direct sales channel, where insurers reach out directly to their clients and prospects.

These trends have different impacts for life and non-life business, as well as for those focused on the retail and corporate sectors. Nevertheless, all insurers are united by the ultimate target of playing a bigger role in a crucial part of their business model: interacting with the customers. Clients’ needs change and so do the way companies relate to them. The power of distribution lies in having the capability to capture the needs of customers and prospects as early as possible and customise the service to these users’ preferences.

The distribution players within the insurance sector have adapted themselves to serve specific target clients, complementing each other: Simple or standardised insurance

solutions are primarily provided by insurers directly or through aggregators, or as complementary products offered by banks and IFAs, while agents and brokers play a major role in more tailored solutions.

Technology has triggered historic changes in the insurance sector and it will continue to drive developments, strengthening even more the power of distribution and creating new opportunities. The internet of things (IoT), wearable devices, digitalisation, etc. generate huge amounts of new data which enables companies to understand their customers' needs better than ever before.

Using technology as a predictor

Big data analysis and AI can go even further in predicting these needs and, in doing so, provide an unparalleled edge to distribution when dealing with clients. This level of understanding is paramount to building the customer intimacy and empathy which triggers the buying process: We are all clients ourselves and we all know the satisfaction of receiving the product or service we were looking for, at exactly the moment we wanted it.

We are entering the era of 'insurance on demand', where the client will be offered insurance cover customised to their personal profile,

accessible in real time, whenever and wherever they need it.

Everything has a price, and these incredible new opportunities will also bring new competitors among distribution players and, most importantly, will require existing players to embrace these new trends with an open mind. They must avoid simply protecting their current business model, and instead look for ways in which technology can improve it.

Some customers seem increasingly to prefer one-stop shop solutions, whereby they can access everything they need through one distribution channel. So far, this preference has typically applied to more standardised insurance products, which tend to be commoditised. In this case, technology can improve the degree of customisation available for certain products, further simplifying the buying experience for customers and making it more convenient and efficient.

Tailored risk management

Other clients prefer to deal with specialised distribution channels, where providers have a deeper knowledge of developing bespoke coverage and a higher level of expertise in risk management. For these players, using the abundance of data created by technology is pivotal to successfully delivering insurance solutions that

are perfectly adapted to the – most of the time, unique – business models and needs of their clients.

In both cases, technology is increasing the amount of data available, enabling distributors to know the customer better and, at the same time, simplifying the sales processes. In this environment, insurers, agents, brokers, banks, IFAs, aggregators, etc. need to refocus their business models to the stages that can add the greatest value.

An example of this refocusing would be developing their advisory skills more and having the capability to interact with clients across multiple channels to achieve the same goal: Namely to enhance the level of service delivered to the client, who will then recognise the important role played by distribution in choosing the most suitable product to address their needs.

From push to pull

To stay ahead in this changing landscape, those working in distribution will have to transition to become more focused on being product advisers and educators, rather than pure sellers. We will have to move from a pure 'push' sales model to more of a 'pull' sales process, in which the client will raise a request and the distribution player will be able to address it promptly with a tailored product that is available immediately thanks to the deeper knowledge of the client that is available through data. They must also be able to anticipate and advise the customer on any other solutions which might fit their needs.

This shift also implies a change to the clients' mind-set, in that they must recognise the value added by the distributor to the buying experience, and pay for the advice/education service received.

It could be argued that this shift is easier said than done. No change is ever easy to implement, but once it is done, it creates new opportunities which we may not have thought possible before. Making these changes is the only way we can ensure that distribution remains the real centre of power. ■

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