



Insurance Exchange Gives Retail Agents More Market Access

By BusinessInsurance.com

While brokers and agents have long invested in agency management systems to capture and format insurance application data, and insurers have devised portals with product and service information, integrating that information has been the goal of the insurance exchange movement.

An early manifestation of the exchange model is Dallas-based MarketScout, which launched its exchange in 2000 and now has some 47,000 users.

Licensed agents use the Web-based MarketScout exchange to access insurance companies writing policies for hundreds of industries and coverage types across the United States.

“The reason that we built the exchange was because thousands of retail agents across the country lacked access to a plethora of markets that are organized according to expertise,” said MarketScout CEO Richard Kerr.

In addition to giving retail agents market access, the insurance exchange has evolved in recent years, Mr. Kerr said, noting that exchanges need to offer a wide variety of products and services to attract agents.

“The exchange is going to be tasked with solving problems for the retail agents, such as accounting, automation, training and human resources,” he said. “We really believe that this is the way that retail distribution and product access is morphing into. Exchanges are beginning to provide everything that agents need.”

On a separate front, the Washington-based Council of Insurance Agents & Brokers announced a partnership with Atlanta-based LexisNexis Risk Solutions to build an exchange. The LexisNexis Insurance Exchange launched in 2010.

That same year, Lloyd’s of London unveiled its exchange, which offers its brokers and managing agents a standardized way to exchange electronic information. The Message Exchange Ltd., which Lloyd’s website said processed 800,000 messages last year, this year is ramping up transmission of endorsements and other insurance-related information.

Mr. Kerr said a growing exchange realm ultimately will benefit brokers and agents by increasing products and services available to them.

“You are going to see different exchanges competing for customers,” he said.

Chris Gagnon, the council’s director of strategic technology, agreed. “In our nirvana, all carriers, brokers and agents would get on board,” he said

Clyde Owen, Hartford, Conn.-based general manager of the LexisNexis Insurance Exchange, said a primary goal of the exchange is to give insurance intermediaries information in an easily searchable manner, as opposed to asking them to maintain knowledge of multiple programs, insurers and markets.

“Our goal is to take information about the industry and share it with people who need to know it, when they need to know it,” Mr. Owen said. “Brokers or producers don’t have a Google for the information they need, so they tend to place most business with the few insurers they know best, which is not always in the best interest for insureds.”

According to LexisNexis Risk Solutions, by the end of 2011, about 20,000 submissions had been entered into the system in which more than 300 underwriters participate. In 2012, Roseland, N.J.-based Crump Insurance Services Inc. joined the exchange.

“We recognized that the exchange portal would be a valuable tool for retail agents to easily identify markets for their accounts in one place,” said Michael S. Oliver, senior vp at 5Star Specialty Programs, a Naperville, Ill.-based managing general agent that is part of Crump. “It also enables 5Star to identify those classes and lines of business we have the ability to provide product for, which reduces nonproductive activity for both the retail agency and 5Star.”

Another merit of the exchange is that it is cloud-based and accessible through a Web browser, eliminating the need for a capital outlay of hardware and software for participants, Mr. Owen said, adding that the exchange also encrypts all data.

However, Mr. Gagnon said there are some inherent disadvantages in the exchange model. A prominent one is that working through an exchange has the potential to alter brokers’ long-established workflows.

“The mindset that “this won’t change anything’ isn’t always accurate,” he said. “When you get down into the weeds with the people who are doing the placement, you realize that this is going require some change management. You can’t walk in and say, “We’ll just add a button to go through the exchange’ without some serious change management.”

A future concern is data security. Mr. Owen said that while there’s not yet a critical mass of data to aggregate, clear of personally identifiable information and release for analysis, the exchange will release anonymous data in the future.

“As the exchange grows, you are going to get richer data sets to run more analytics,” Mr. Owen said.

Even though this data will be scrubbed, Mr. Gagnon said it could give rise to competitive concerns in certain instances. For example, if a broker or insurer has most of the business in a specific niche line of coverage, a competitor could analyze exchange data in an attempt to discern the “secret sauce” underlying the success, he said.

Nonetheless, Mr. Gagnon said he expects analysis of the placement data to be used largely for the benefit of the industry as a whole.

“Data is the key to our industry,” he said. “Being able to trend and derive models from actual data aggregated from an exchange would change the industry in a profound way.”