

The Role of Insurance Broker - is there a future?

Having been an accredited broker recently but dealing with marine insurance since 1993 after finishing studies in maritime law, I find that the primary responsibility of an insurance broker is a transactional one: to place and service your business.

The role of a broker has evolved over the last years and nowadays a broker has become the middle person who brings buyers and sellers of insurance together, while seeks to add value to both parties. We must all admit that brokers in London have played a major role in the development of insurance broking, particularly in London and afterwards through their international marketing activities and have generally been regarded as a cost effective business production and distribution source. The broker's role as agent of the underwriter has changed long ago and now in most cases brokers have become agents of the client. Accordingly, Greek broker houses, individual brokers or small teams, made their presence in Piraeus and Greek insurance brokers are now playing a more determined role in broking community based on culture, mentality and relationship with Greek ship-owners. Due to this, their role has broadened considerably and their future in the business seems more promising than ever before. But, in order for a Greek broker to keep these promising prospects and to be successful, he must possess the following skills:

Marketing – we must promote our specialist areas in the international marketplace, in order to generate business from around the world.

Client handling – although quoting and placing is our most traditional responsibility we must equally be able to advise clients on specialist products, wordings and markets as well as risk management issues.

Sales skills – we have to be able to broker deals with all the major insurance markets all over the world and increasingly work to bring together clients and underwriters with like-minded business philosophies.

Claims handling – the professional handling and prompt collection of claims is vital to the ultimate client and as such the claims function must be fully integrated with the front-end business team.

Technical skills – brokers need to be able to design appropriate program structure always ensuring compliance with any local legal requirements for today's more sophisticated buyer

Processing – having successfully negotiated and placed a piece of business it is essential for us to accurately and promptly ensuring issuance of cover notes, debit notes and other policy documentation.

Strategic skills – these are essential if we are to manage our businesses in order to succeed in this competitive global environment.

From the point of view of a shipping manager the obvious decision is how to select the proper amount of insurance coverage, taking into account the reliability of the insurance company and the costs involved. Insurance brokers often complain that shipping managers overlook the quality of any and all mentioned services they offer and concentrate instead on the (cheaper) premia offered by other (competing) companies. It is obvious however that ship-owner and their financing banks pay attention to both of these aspects.

Discussing with a very good friend of mine, a respective and well known broker for many years in insurance broking community in London, I learned that a broker has to have traditional characteristics and values, be client focused and deliver services by way of a team approach. In this way a broker can anticipate reward on production and service equally and focus on account retention by way of providing superior service. My friend remembered that in the past a broker had to get Lloyd's provisional accreditation so that he is in a position to forge relationships with each of the underwriting syndicates and every underwriter they want to deal with. Separate signed terms were also required and this was just not feasible if you did not have an established base in London. Later on the role of a broker continued to change and London brokers were facing a number of major issues that had a significant impact on profitability and success and this was due to FSA new regulatory regime in UK in 2005. This meant that brokers would have to become more professional in their dealings with clients and markets. It became obvious that relationships would have to be formalized and greater attention would have to be paid to the details which was very good news.

There will always be a talent pool with top quality, experienced brokers notwithstanding competition. The big challenge is to combine skills since electronic trading systems are not competing with face to face broking. Of course technology is always the key to brokers for transferring information quickly around the world, creating transparency between the broker and the markets and the broker and its clients, but we may all agree that a broker and a client as well as an underwriter need to thrash out a deal together and this form of negotiation is virtually impossible among the three parties over a screen or a telephone.

In addition to the challenges facing the broking community markets are experiencing a period of extraordinary change and brokers must also be prepared for this. Capacity is likely to continue to increase for next year, but beyond that it is difficult to predict. In short, the markets will need to write for profit and not market share. There is no doubt that this will affect the business that they wish to write and the prices at which they are prepared to write it. Important aspect is to focus attention on the performance of the market.

Brokers will need to become increasingly marketing led and client relationship driven. They will have to really understand their clients' needs in order to provide them with the services they require. In addition, they need to anticipate market and

commercial trends and then work to design specific policy forms to meet the new risks and challenges associated with them. Brokers will have to continue to look to add new services and products including a range of consultancy on risk modeling, risk management and other industry specific services, if they are to stay ahead of the game and offer a really valuable service.

I always believed that the broker is the advocate of the client-the buyer. It is his absolute duty to obtain the best possible terms for that buyer. It has always been the broker's role to bind together the various insurer participants to deliver singularity of product. The broker is the glue that holds the package together.

There is future out there for broking, no matter what we hear, but as they say "the future isn't what it used to be", so we need to make some informed guesses about what the future really might look like so we can be on the winning side. The traditional broker will continue to prosper likewise will be committed to excellence. The best results are when we all work in harmony and blend our skills for the clients benefit. Greek brokers have always worked in teams with other International brokers and this has been the thrill of the marine insurance business in Greece.

Brokers are evolving faster than ever from transactional business into providing a wide range of services. As the scale and complexity of clients' operations increase and business creates new demands for coverage we will see a greater need for professional broking skills than ever before. Foreign markets are changing rapidly and it requires expertise to select and manage local coverage. Companies are facing a shifting risk landscape through changes in local economies the legal environment and the emergence of new risk classes due to new technologies. It has been proved of utmost importance that Greek brokers discuss face to face with clients and correlate to all such changes and other alternatives so that they provide best insurance cover.

A broker should be competitive but also professional. There is no doubt that there are many true professionals in broking business but we are an industry which does not insist on professional qualifications. A screen broking will never beat human contact. A computer screen cannot demonstrate confidence, accuracy and true relationship. Equally with the cost of insurance the value of Greek brokers' work is inextricably linked to the skill and advice associated with its handling.

Expertise is the foundation of effective broking but advocacy putting the client first is the key to success. Broking skill will not be extinguished in this arena as long as personal relationships between clients and Greek brokers are of great importance as insurance is eventually a matter of utmost good faith.

Victoria D. Liouta
Managing Director

Vilmar International S.A.
107-109, Filonos Str. 6th Fl.
Piraeus 18536, Greece

Tel: +30 210 4511615
Fax: +30 210 4511616
Email: info@vilmar.gr