

Blog: New directions for distribution

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Mark Bates looks at digital distribution and the emergence of a disruptive hub technology

Distribution is a broad term that describes many stages in the insurance cycle. It embraces both the way products and services are delivered and how consumers search for policies. In other words, distribution is not simply a function of sales. To better appreciate the value chain, think of it as a complex marketplace where suppliers, intermediaries and consumers interact as they variously provide and access information.

In the past, intermediaries stood at the crossroads of distribution, directing the flow of business and matching consumer requirements with appropriate insurance products. Today, digital distribution is changing the insurance landscape by remodelling traditional networks and relationships.

Thanks to the power of the internet and social media, consumers are becoming more autonomous and self-reliant. Consumers now have a wealth of digital decision-making resources and tools at their disposal, and with the growth of mobile technology and price comparison websites, insurance products are far more accessible.

For insurers, the digital revolution is also creating new levels of control and power. If consumers are no longer passive information-receivers, insurers are also transforming and strengthening their role as information purveyors. Never has there been such a variety and availability of data in the marketplace, nor has there been such a range of digital channels and software to process and manipulate it.

While digital distribution affords access to big data and facilitates a greater understanding of the customer, insurers still have to make sense of a sea of unmediated information.

The key is centralisation. That means using software to manage distribution over multiple channels, and automating and streamlining the underwriting

process at all stages. The goal is a single, consistent, real-time view of the marketplace that provides core information on consumers, products and prices. Everything should be in one place, with all the relevant data visible.

So how do you place technology at the centre of your business and gain both speed and depth of knowledge? The answer is being provided by a new generation of insurance 'hubs', disruptive technology platforms that will redefine the way insurers gather and present information.

The latest hubs are part data warehouse, part data processor, and part data integrator/aggregator. They provide a consolidated and strategic view of the marketplace by collating all relevant insurance details from other platforms. This is a rapidly evolving field where technology providers are pushing the boundaries to take advantage of big data, predictive analytics, telematics and other digital developments. In the future, risks will be examined and quantified using sensory techniques, biotechnologies and a host of other 'forensic' tools that will help insurers to develop and price their products accurately.

Because hubs can centralise and unify an insurer's rates – either via cloud-based hosting or an insurer-hosted solution – everything falls under one roof so there is no longer any need for rates to be distributed. All the distribution channels, be they broker, software house, aggregator sites or internal insurance systems, can access the rates directly at point of sale.

This removes one of the biggest bugbears of distribution: lead times that can take up to eight weeks because the rates are sent from software houses. The most advanced hubs will include rules and ratings engines, and be able to process tens of millions of quotes in sub-second times. Hubs also benefit from third-party data enrichment from the likes of Experian and LexisNexis, while MyLicence is an example of a recent technology initiative that insurers are now accessing.

Hub technology does not spell the end for intermediaries, as there will always be a need for human intervention and analysis, particularly for more specialist risks. However, insurer-hosted rating is clearly a game changer for distribution, while digital technology as whole is revolutionising both the way customers buy insurance and the way insurers sell it.

By Mark Bates, CEO, RDT