

Aviva Broker Barometer



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The business landscape is becoming increasingly complex, with ever-evolving risks from cyber-attacks and regulatory changes presenting insurance brokers with a number of ongoing challenges. For those that can respond quickly and effectively, there are real business opportunities to be found, as more clients seek expert advice to help navigate these changing times.

Aviva's inaugural Broker Barometer* sets out to examine market dynamics and suggest that brokers are set to thrive over the next 12 months. Many are already seizing opportunities to evolve and innovate their services to meet changing client demands.

In this report, we also look ahead to 2019 and highlight some of the key issues and opportunities on the horizon, along with possible solutions and measures brokers will need to support their business in future.



Key findings

42%

The broker market will continue to grow over the next 12 months, with 42% of brokers planning to expand

9%

Of brokers plan to leave the industry within the next 12 months

13%

Only one in ten (13%) insurance broker business owners have a succession plan in place

16%

Of brokers think cyber insurance will be their greatest opportunity for growth over the next 12 months

78%

The most pressing concern brokers face when clients don't follow their advice is that they could be underinsured or have gaps in their cover (78%)

78%

78% of brokers say their clients take their advice most of the time, while 65% say clients value their advice most of the time

11%

One in ten (11%) brokers see focusing on providing personalised service to clients as the greatest opportunity in the next twelve months



* Findings in the Broker Barometer report are based on a survey carried out by FWD Research on behalf of Aviva from 1 May 2018 to 31 May 2018, unless otherwise stated.

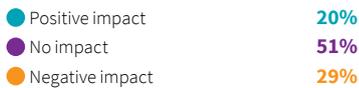
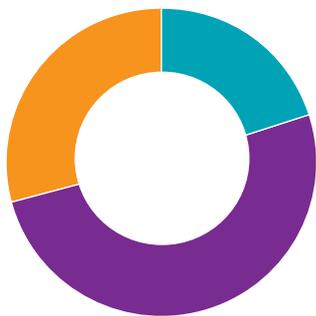


Economic climate supports broker growth

Aviva's findings suggest the insurance broker market will continue to grow over the next 12 months, with 42% of brokers planning to expand their business.

Despite political instability from Brexit, as well as inflation and rising interest rates, the majority of brokers feel positive about the future. Just over half (51%) of brokers state that the current economic climate has had no impact at all on their business performance. One in five (20%) say it has actually had a positive impact.

Impact of current economic climate on broker businesses



Source: Aviva Broker Barometer Q3 2018

Succession planning gap

Despite the 'business as usual' mentality, many broker businesses will inevitably experience resignations and retirements in the coming year.

One in ten (9%) brokers plan to leave the industry within the next 12 months – the majority of whom are retiring (59%). However, only 13% of businesses currently have a succession plan in place, suggesting an upcoming dearth of talent as valuable experience, knowledge and skills leave but are not replaced.



The Aviva Future Leaders Programme² is designed specifically to hone technical knowledge, business acumen and the key skills required to run a successful broker business for the next generation.



According to the Chartered Insurance Institute (CII), 81% of employers reported a shortage of technical skills in their business in 2017, an increase from 59% in 2015¹. If the vacuum of talent remains – or even expands – then the current climate of confidence could quickly change. Employers need to carry out succession planning both to ensure the future success of their business and to retain key employees to strengthen the talent pipeline.



This developed skillset can often be crucial in guiding a business, particularly in smaller, family-run companies, yet a worrying proportion of brokers currently have no succession plan in place. As their talent pool shrinks, brokers should proactively seek ways to ensure succession planning is a key part of their business strategy, training and developing from within.



Opportunities in cyber security

Cyber incidents targeting businesses nearly doubled from 82,000 in 2016 to 159,700 in 2017³, driven by ransomware and increasingly intelligent attack methods.

As cyber-attacks continue to make headlines, a third (34%) of brokers have seen an increase in enquiries about cyber insurance over the past year.

There has been a marked change in the last few years – only 2.4% of UK SMEs purchased cyber-insurance in 2014⁴ – which highlights a huge opportunity for brokers if they respond quickly to these changes and specialise.



¹ CII: http://www.cii.co.uk/media/6565627/cii_skills_survey_2015_web.pdf

² Aviva Future Leader Programme: <https://broker.aviva.co.uk/leader/>

³ Online Trust Alliance, 2018: <https://otalliance.org/news-events/press-releases/online-trust-alliance-reports-doubling-cyber-incidents-2017-0>

⁴ Global Data: <https://www.globaldata.com/uk-smes-showing-appetite-cyber-insurance-coverage-remains-low-13-7/>

Increasing enquiries seen by brokers over the last year



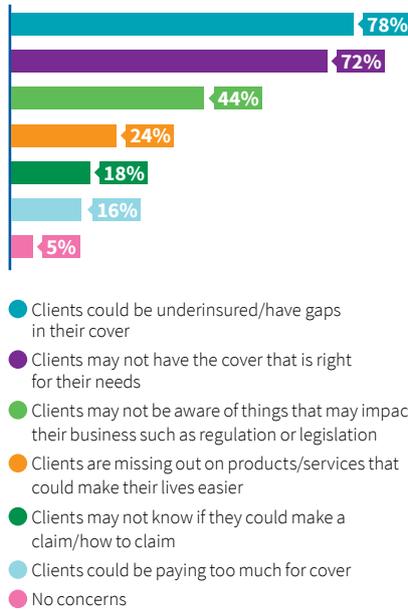
Source: Aviva Broker Barometer Q3 2018

Increasing personal service to tackle under insurance

Out of all the concerns experienced by brokers when their clients don't follow their advice, the most pressing one is that their clients could be underinsured or have gaps in their cover (78%).

This is followed by concerns that clients may not have the most suitable cover for their specific needs (72%).

Brokers' top concerns when clients don't follow advice



Source: Aviva Broker Barometer Q3 2018

Additionally, many brokers are also concerned that their clients could be missing out on services/products that could make their lives easier (24%).

However, a quarter of brokers (25%) believe they currently spend too little time servicing clients, while a further one in ten (11%) see offering a more personalised service as their greatest business opportunity over the coming twelve months. Increased contact between brokers and their clients could offer opportunities for both parties to benefit from an ongoing relationship and dialogue.

Almost two thirds (65%) of brokers feel their clients value their advice most of the time, with 78% who take their advice most of the time, suggesting a more personalised approach could go some way to ensuring clients have access to the products and advice that best suit their individual needs.



With many valuable and skilled employees set to retire over the next year the lack of succession planning is a real concern, especially when this is coupled with an increased demand for specialist skillsets – as seen with the huge jump in cyber insurance enquiries.

While it's greatly encouraging to see confidence levels growing, brokers cannot afford to be complacent. The consequences of not having a proper succession strategy in place can be damaging for business, especially when the biggest worry of the year ahead is the threat of under insurance.



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