



APPLIED DIGITAL BROKERAGE ANNUAL REPORT

2019 Digital Technology Adoption Benchmarks and Trends



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Survey Overview

The Applied Digital Brokerage Annual Report: 2019 Digital Technology Adoption Benchmarks and Trends was produced by Applied Systems.

More than 850 independent brokerages across the U.S., Canada, UK and Ireland participated in the 4th Annual Applied Digital Brokerage Survey, from which the results of this report were generated. Respondents voluntarily participated in an online survey conducted in Q1 2019. The findings are based on responses to a set of questions about brokerage technology use. The responses provided the data to calculate a digital score for each brokerage taking the survey, and identified baselines for technology adoption.

The survey questions examined five core competencies of a digital brokerage, including management system capabilities, mobility, insurer connectivity, data analytics and cloud software. Brokerages scoring 80% or higher across all core competencies were considered to be digital brokerages, having adopted most of the key drivers of digital transformation.

According to the survey, the average for digital technology adoption at an independent brokerage in 2019 is 43%.

Why the Digital Brokerage

Now that the digital transformation of insurance is here, opportunities abound for brokers who are ready to take the steps necessary to become a digital brokerage. A distinct set of core characteristics define a digital brokerage and enable more efficient operations, more informed business decisions, better insurer relationships, improved customer service, and accelerated growth and profitability across all lines of business.

The three core characteristics of a digital brokerage include:

- Digital automation within a brokerage to drive extreme efficiency
- Digital connectivity to insureds to drive an enhanced customer experience
- Digital connectivity to insurers to drive efficient interactions





Key Takeaways

43%

is the average for digital technology adoption at an independent brokerage in 2019. Given this score is nearly the same as 2018 (44%), it reveals that brokerages still have a long runway in terms of digital technology adoption and realizing the opportunities it provides to service and support connected consumers in the digital age.

96%

use a management system. This almost ubiquitous adoption by brokerages confirms that the management system remains the foundation of their businesses and is indispensable for their day-to-day operations.

47%

have mobile access to management system information, and even fewer, 18% and 24% respectively, offer clients mobile apps and self-service portals.

A significant competitive advantage exists for brokerages that adopt mobile technology. Given 90% of consumers expect an online portal for customer service (Microsoft), the time is now for brokerages to embrace mobile technology for both clients and staff.

91%

receive download directly into the management system. Use of download services is strong among brokerages across all regions. Adoption of eDocs and Messages download continues to grow. This response mirrors statistics reported in the annual Applied IVANS Brokerage-Insurer Connectivity Report, which states that 82% of brokerages demand integrated insurer connectivity.

23%

use data analytics applications to gain insights from their management system data. Year over year, data analytics use has increased 3%. Although a measured response, ambivalence to adopting data analytics may be shifting as more and more brokerages realize the competitive advantage it brings in the “age of data.”

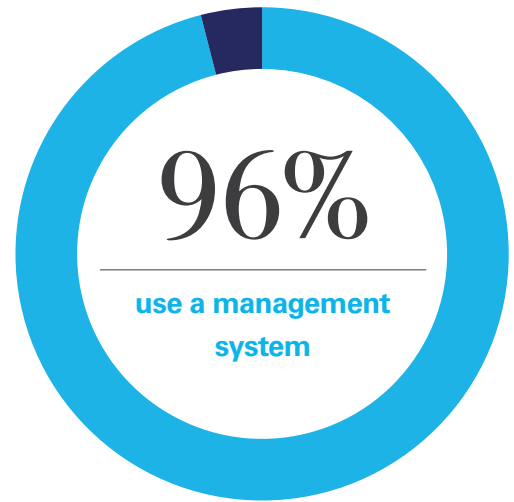
69%

host software in the cloud. Cloud continues to be the top choice among brokerages for software hosting. From increased data security and performance to reduced IT management and expenses, the benefits of moving operations to the cloud are clear.



Management System: The Foundation of Your Business

96% use a management system. This almost ubiquitous adoption by brokerages confirms that the management system remains the foundation of their businesses and is indispensable for their day-to-day operations.



Top Capabilities Used by Canada Brokers

92%

Financial reporting
and accounting

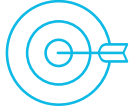
91%

Document management

72%

Integrated rating

Capabilities Growing in Use



13% increase year over year in use of integrated rating in the management system



12% increase year over year in use of workflow process management



3% increase year over year in use of document management

Standout Stats



58% of Canada brokers offer this capability to clients

12% increase year over year in use by Canada brokers

Business Impact

Best-in-class digital brokerages use one system of record across all lines of business, locations and roles. The benefits of a single foundational management system include lower total cost of ownership, better business visibility, more standardized workflows, and eliminating time spent managing and updating disparate systems.

Consider This



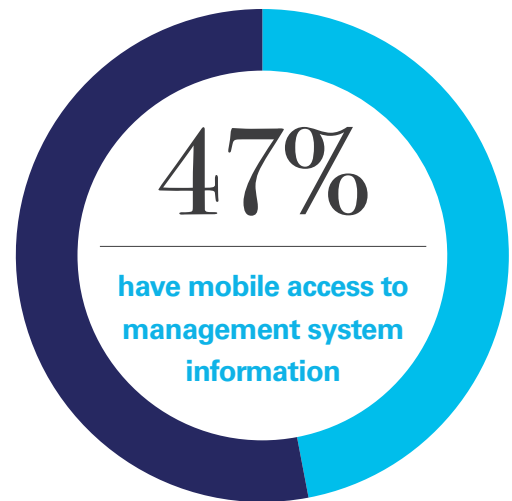
Switching between multiple, disparate systems can reduce staff productivity by as much as 30%.

Source: American Psychological Association



Mobile: The Vehicle for Anytime, Anywhere Service

Only 47% have mobile access to management system information, and even fewer, 18% and 24% respectively, offer clients mobile apps and self-service portals. A significant competitive advantage exists for brokerages that adopt mobile technology. Given 90% of consumers expect an online portal for customer service (Microsoft), the time is now for brokerages to embrace mobile technology for both clients and staff.



Self-Service Quoting

73%

of Canada brokers do not use self-service quoting

Customer Self-Service Portal

76%

do not have a customer self-service portal

Customer Mobile App

82%

do not provide mobile apps to clients

Staff Mobile Tools



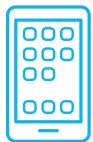
53% cannot access management system via mobile

Standout Stats



No customer self-service portal:

- 96% (Ireland)
- 77% (Canada)
- 76% (UK)
- 67% (U.S.)



No customer mobile app:

- 93% (Ireland)
- 92% (UK)
- 79% (U.S.)
- 73% (Canada)



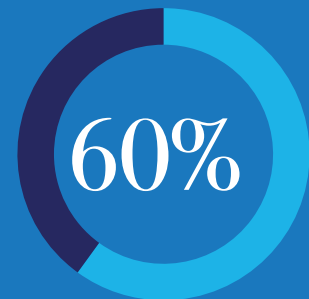
No staff mobile tools:

- 69% (Ireland)
- 67% (UK)
- 56% (Canada)
- 47% (U.S.)

Business Impact

Customer experience is today's battleground in customer retention. Insurance consumers expect omnichannel service in real time via whatever channel they choose. Giving staff remote access to information and tools within the management system empowers them to respond quickly to client and prospect service and sales requests – anytime, anywhere.

Consider This



60% of organizations focused on customer experience drive higher profitability.

Source: Deloitte



Insurer Connectivity: The Ultimate Time Saver

91% receive download directly into the management system. Use of download services is strong among brokerages across all regions. Adoption of eDocs and Messages download continues to grow. This response mirrors statistics reported in the annual Applied IVANS Brokerage-Insurer Connectivity Report, which states that 82% of brokerages demand integrated insurer connectivity.



Download Service Types Received

88%

Personal Lines

71%

Commercial Lines

63%

eDocs and Messages

57%

Claims

Connectivity Technology Use



80% are registered Applied
IVANS Exchange users



11% are registered Applied
IVANS Exchange Users (Canada)

Standout Stats



91% of Canada brokers receive
eDocs and Messages download



68% of Canada brokers manage
insurer relationships in their
management systems

Business Impact

Independent brokers must work in tandem with insurer partners to ensure the best coverage and service. Insurer connectivity provides brokers greater access to markets and automates servicing, providing instant access to the latest client information at each stage of the policy lifecycle – from quotes and policy details to claims management and renewals.

Consider This

60 minutes

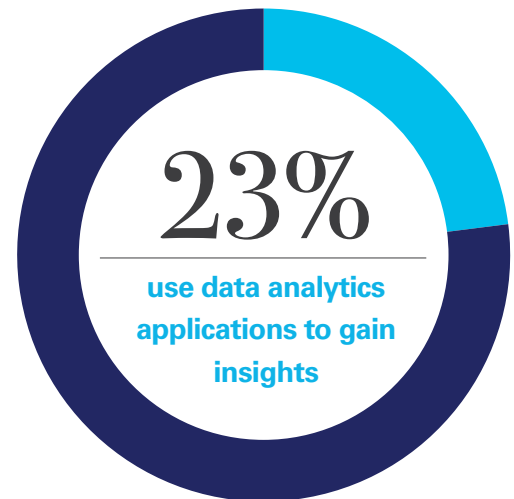
By using download services, agencies save at least 60 minutes per employee per day.

Source: Applied IVANS Annual Agency-Insurer Connectivity Report, 2018



Data Analytics: The Underutilized Secret Weapon

23% use data analytics applications to gain insights from their management system data. Year over year, data analytics use has increased 3%. Although a measured response, ambivalence to adopting data analytics may be shifting as more and more brokerages realize the competitive advantage it brings in the “age of data.”



Strongest Adopters

30%

Ireland

Weakest Adopters

20%

Canada

Standout Stats



53% increase in use of data analytics compared to 2016



5% increase year over year in use of data analytics by Canada brokers

Business Impact

The industry is moving at a faster pace and today's insurance consumer is more connected than ever before. At the centre driving it all – is data. In this new environment, reliance on outdated, manual reporting is no longer sufficient. To thrive in the age of data, brokerages need to gather, process and get insights from data in real time across the entire business. Fortunately, data analytics solutions have rapidly advanced and are extremely accessible to any business regardless of size, revenue and/or IT resources. Making the shift from being a data-generating organization to one that is data-powered gives brokerages a competitive edge through enhanced decision making, insight discovery and process optimization.

Consider This

23x

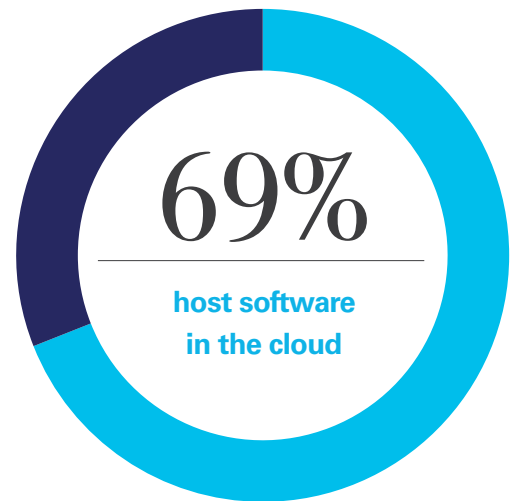
Data-driven organizations are 23x more likely to acquire customers, 6x as likely to retain customers, and 19x as likely to be profitable as a result.

Source: McKinsey Global Institute



Cloud: The Hassle-Free, Secure Business Go-To

69% host software in the cloud. Cloud continues to be the top choice among brokerages for software hosting. From increased data security and performance to reduced IT management and expenses, the benefits of moving operations to the cloud are clear.



Wide Adoption

80%

United Kingdom

75%

United States

52%

Canada

Growing Adoption



Ireland – 38%

Standout Stats



41% increase in adoption of cloud hosting by Irish brokers since 2017



27% increase in adoption of cloud hosting by UK brokers since 2017

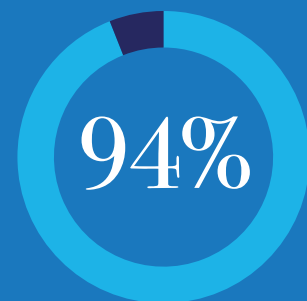


6% increase in adoption of cloud hosting by Canada brokers since 2017

Business Impact

Hosting the applications that your brokerage relies on day in and day out in the cloud ensures continuous business operations and secure data. By leveraging software that is accessible anytime, anywhere and backed up by redundancies, your business is always available to customers – even during a catastrophic event that historically would have completely disrupted brokerage operations. Additionally, by eliminating the time and expense managing IT systems, more of your staff's time can be spent selling insurance and servicing customers.

Consider This



94% of companies that suffer from a catastrophic data loss do not survive.

Source: University of Texas

Why Becoming a Digital Brokerage Matters

Digital brokerages experience greater monetary return. Overall, brokerages that completely transform into a digital business experience 158% higher revenue per employee than those that do not. When brokers are focused on selling and serving customers rather than performing manual tasks, they deliver a better customer experience driving increased retention and business growth.

158%

higher revenue per employee (RPE) gained by complete digital businesses



40% higher RPE for brokers who have a single view of customers



121% higher RPE for brokers who have a customer self-service portal



93% higher RPE for brokers who provide mobile tools to employees



98% higher RPE for brokers who provide mobile tools to employees



98% higher RPE for brokers who digitally connect with insurer partners



62% higher RPE for brokers who adopt data analytics solutions



223% higher RPE for brokers who host software in the cloud

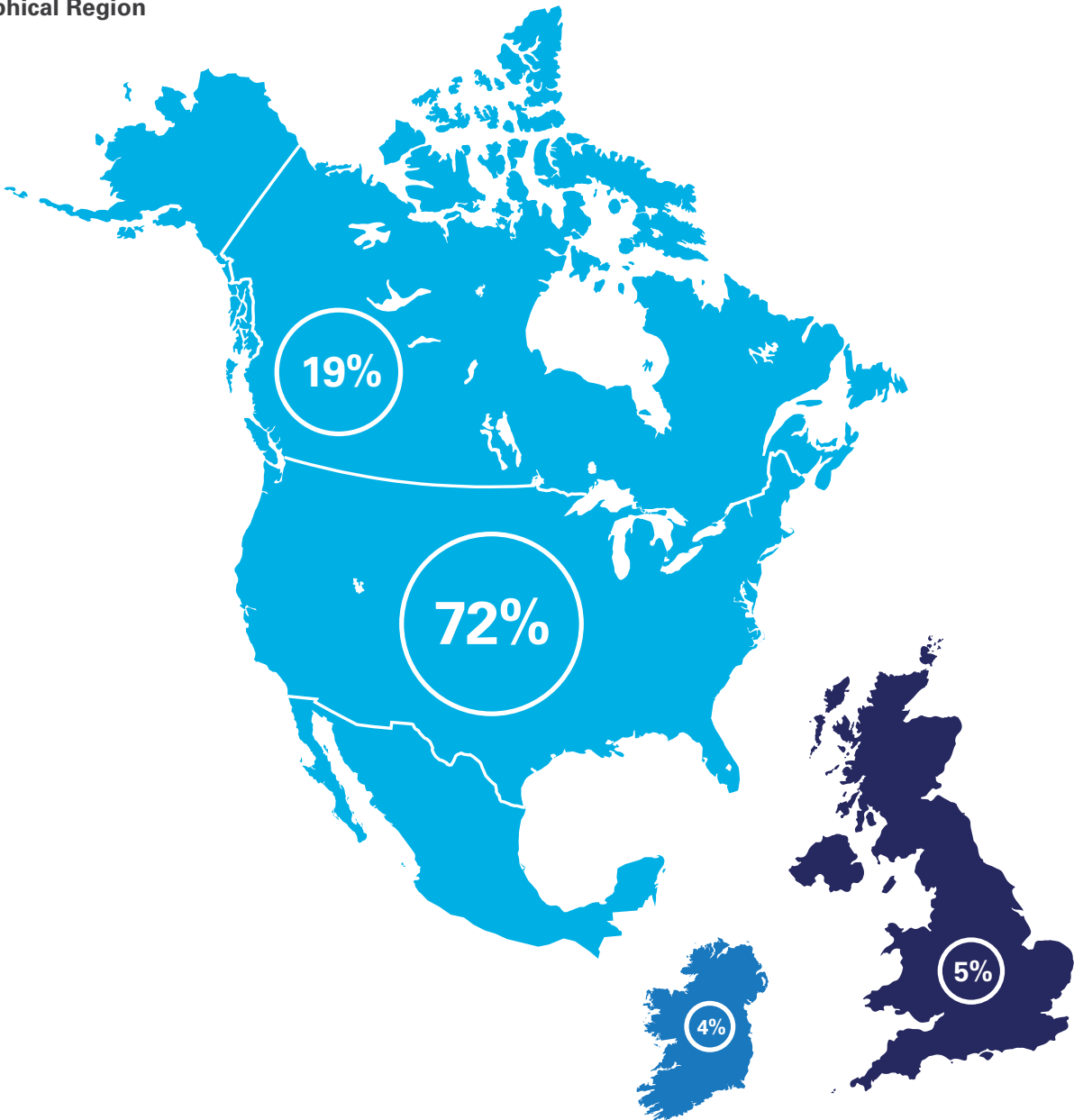
Conclusion

Similar to the 2018 survey results, in 2019 brokerages are on par with their digital technology adoption. There remains a strong opportunity to better leverage the core technologies that a digital brokerage is built on – a foundational management system, mobile, insurer connectivity, data analytics and the cloud.

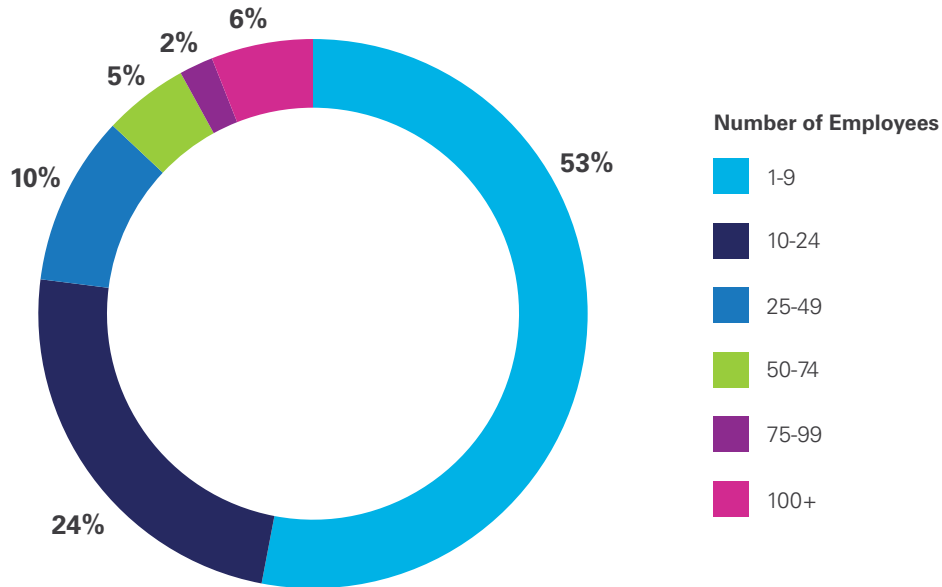


Demographics

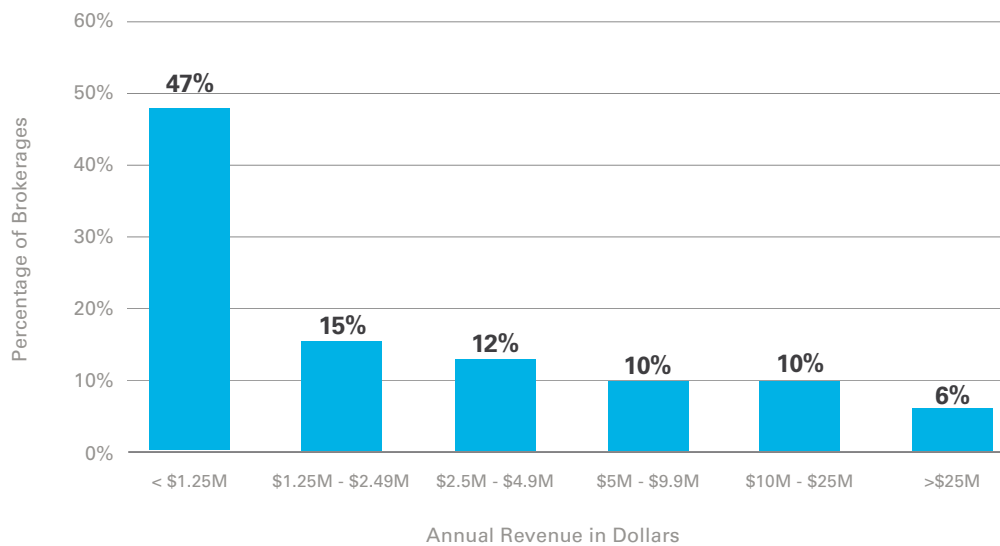
Geographical Region



Brokerage Size



Brokerage Revenue



About Applied Systems

Applied Systems is the leading global provider of cloud-based software that powers the business of insurance.

Recognized as a pioneer in insurance automation and the innovation leader, Applied is the world's largest provider of brokerage management systems, serving customers throughout the United States, Canada, the Republic of Ireland, and the United Kingdom. By automating the insurance lifecycle, Applied's people and products enable millions of people around the world to safeguard and protect what matters most.



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