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Brokers Expanding Into Strategic Advice, Data Analytics in Competitive Market

OLDWICK, N.J. - As insurance brokers face rising competition, they are increasingly expanding their focus to areas that include strategic advice and data value as well as lines such as employee benefits and retirement.

Ron Lockton, president and chief executive officer of privately held independent broker Lockton Cos., said “over time, we’ve seen clients shift away from focusing on the brokerage transaction and focusing more on the value that the broker brings to their strategic goals and objectives.” For several years, “we have been changing the conversation with our clients. Our approach to strategic risk consulting begins with asking more business-focused questions to gain better insights into our client’s business priorities.”



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David Lockton, the Kansas City-based company’s executive chairman, noted while the brokerage business is strong, opportunities exist beyond traditional broking.

Examples are the retirement services business and pharmacy consulting. “We are not aggressive acquirers but for the right brokerage, we can be a great fit.”

David Ross, CEO of U.K-based Ardonagh Group, said “there’s a huge chunk of our business that provides advice to customers where they don’t buy anything, where the advice we give them is that ‘you don’t need to buy anything.’ This is

where we think your risks are and this I where we think you need to structure your programs’.”

Ross said it is a it’s an interesting time due to the convergence between capital providers analyzing their data and brokers that control the relationship with the customer analyzing the data.

“The data that we have on our customers is arguably one of the most valuable things we’ve got,” said Ross. “The digital age is all about client behavior and what you know about buying patterns.”

With 3.5 million customers in the United Kingdom, the company has a valuable roster of data to mine, he said. “I don’t think people in the industry really thought that way 15 years ago. The obvious evolution is when you’ve got that data, you know loads of things — how people finance their premiums, when the go on holiday they’re buying travel insurance is your house more likely to get burgled. People didn’t have those databases before.

Ross added “instead of walking a million risks into Lloyd’s every year you can actually put a million risks into a binder through a managing general agency and you can actually take that pool of data and spread of risk and you can bring much cheaper capital to bear that can plug in behind a managing general agent.”



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With the current phenomenon of access to available capital, Ross said there will be a growth in the MGA space and more pressure on the insurance carrier side.

David Lockton said brokerage competition is “always tough. Even with the consolidation of the past couple of years, there are competitors everywhere.”

Ross had said earlier in terms of competition, the top three or four brokers will still have plenty of customers, but “I still think there are a lot of clients that have a specific requirement of what they want from a broker and that means there has to be some vibrancy outside the big houses because there’s an awful lot of money being spent by customers that want something a little bit more bespoke” (*Best’s News Service, July 3, 2018*).

“Overall, we see lots of growth opportunity around the world,” including “tremendous growth” in employee benefits in the United States and worldwide, said David Lockton.

“In the U.S., we grew 14% in benefits in the recent fiscal year, and our retirement services business in the U.S. has been strong, growing 12%,” he said. “Those figures are entirely organic growth.”

David Lockton noted the broker saw international growth of 11%, mainly in property/casualty lines, with growth in global energy, marine; reinsurance and U.K. real estate and construction.

In U.S. property/casualty lines, David Lockton cited health care, transportation and professional services as growth areas. Firms in architecture and engineering as well as technology consultants “have been very healthy growth areas for us,” he said. “Cyber and transactional liability are two fast-growing lines of business.”

(By David Pilla, news editor, BestWeek: David.Pilla@ambest.com)