The commercial insurance producer of the future

By 2030, producers will operate in fundamentally different ways, thanks to shifting client needs, technology transformation and to innovative new product offerings to drive value

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EXECUTIVE SUMMARY

1. When generative AI (GenAI) cuts quote-to-bind timelines by up to 75% and reduces pre-submission interactions by 50%, the main competitive front for brokers becomes specialized knowledge, meaningful insights and the ability to connect clients to tailored protections.

2. With 400,000 open jobs for producers and 50% turnover in the next five years, producers will seek new forms of talent from non-traditional sources and embrace creative recruiting and retention strategies.

3. The increased emphasis on client relationships and advisory services will fundamentally change compensation models for producers.

4. Innovative new offerings – both products and services – will provide the protections clients need, help close the coverage gap and unlock growth for both producers and carriers.

5. Intensifying regulatory scrutiny – and the resulting spike in compliance costs – will trigger a wave of consolidation and acquisitions.

Trustworthy. Transparent. Technology-enabled.

These will be the primary attributes of tomorrow's most successful commercial insurance producers. The carriers with the strongest producer relationships will embed these qualities into their business models, day-to-day operations and organizational cultures to achieve more profitable growth and increase market share.

Why are trust, transparency and technology enablement so important now? Because they benefit all industry stakeholders and make nearly every aspect of the commercial insurance business more efficient and effective. Further, they can help to address the huge worldwide commercial insurance coverage gap. The outcomes include higher degrees of customer loyalty and satisfaction, higher productivity and more collaboration, lower sales and operating costs, and improved profitability.

The rise of GenAI will only raise the stakes surrounding trust and transparency for commercial insurers since many clients may not trust insurers to use AI in beneficial ways. Producers and carriers that deploy AI transparently and in ways that are advantageous to clients (e.g., helping them identify emerging risks and optimize their insurance spend) will strengthen trust by matching protections and services for their unique risk profiles.

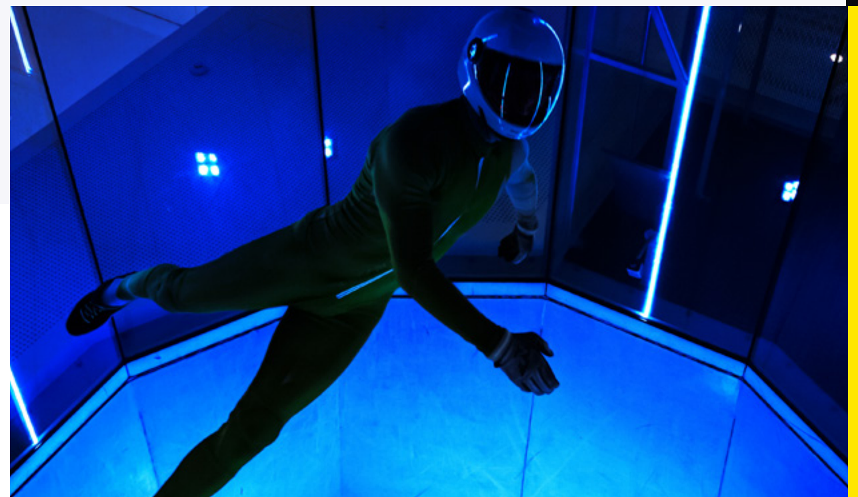
Increased efficiency and customized experiences can also build trust. Like consumers in personal lines, businesses also expect seamless interactions and experiences across all sales and service channels. And they want access to human beings when necessary – having the option to pick up the phone and talk to an expert or specialist. That means skilled and experienced producers can add value at many points in the relationship lifecycle.

Fundamentally, we believe increased trust and transparency, along with the sophisticated use of advanced technology, hold the key to unlocking profitable growth for both commercial insurance producers and carriers.

01

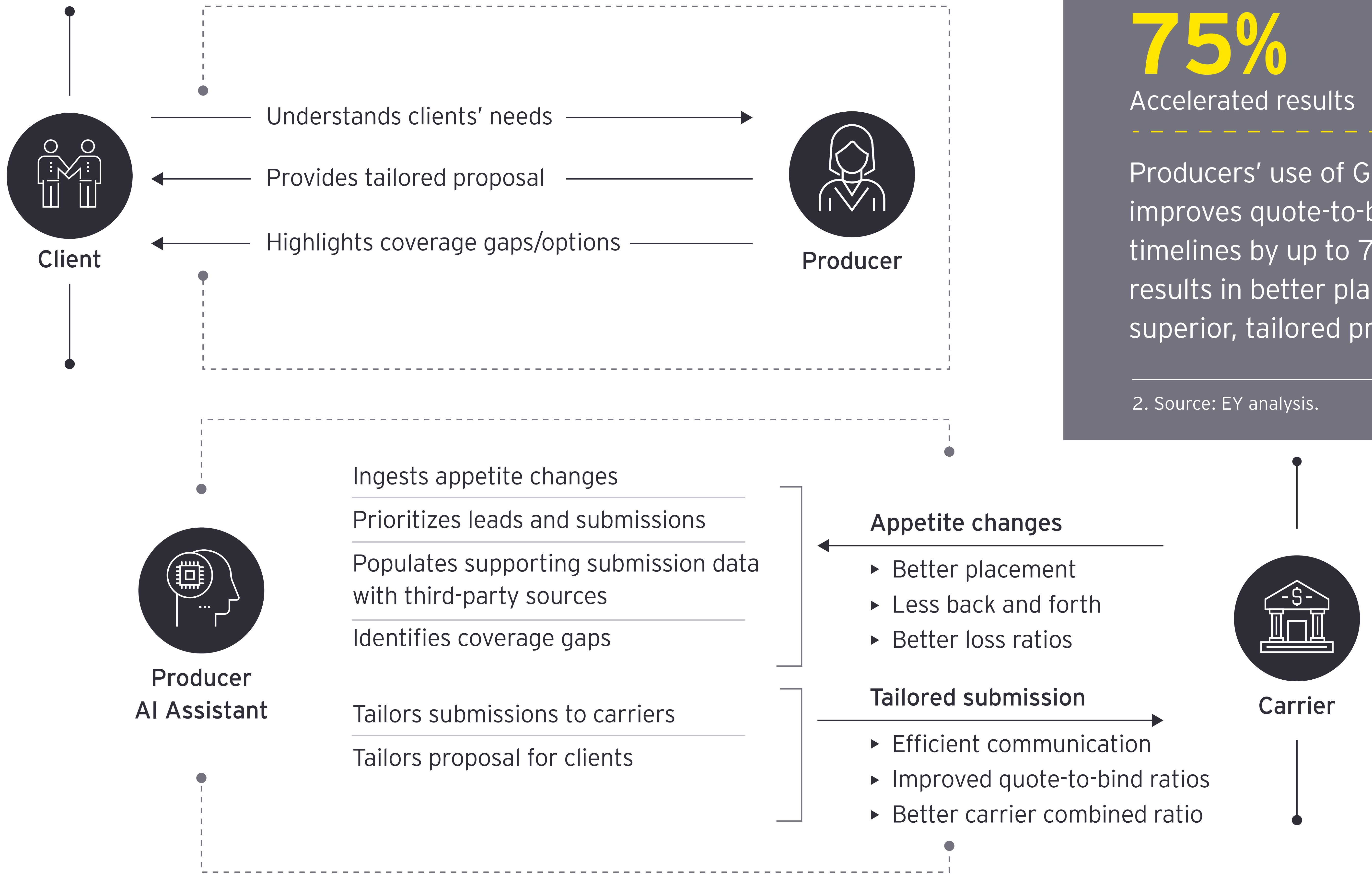
When GenAI cuts quote-to-bind timelines by up to 75% and reduces pre-submission interactions by 50%, the main competitive front for brokers becomes specialized knowledge, meaningful insights and the ability to connect clients to tailored protections.[1]

By 21st-century standards, commercial insurance brokers spend far too much time gathering, validating and adjusting data to submit complete and accurate submissions to insurers. Those timelines have only grown longer as clients' risk profiles have become more complex, necessitating more time-consuming analysis of underlying drivers of losses. The amount of benchmarking data brokers must analyze has also increased substantially. Chasing long-shot prospects is yet another threat to producers' productivity and effectiveness, limiting the time they can invest in strategizing, building relationships and other high-value activities.



1. Source: EY analysis.

While brokers realize significant gains from eliminating inefficiencies and shortening timelines in the submission process, carriers stand to benefit, too. They can more quickly assess risks and determine whether or not to provide a quote. Of course, clients are the ultimate beneficiaries of more efficient and accurate submissions.



75%

Accelerated results

Producers' use of GenAI improves quote-to-bind timelines by up to 75% and results in better placement with superior, tailored proposals.[2]

2. Source: EY analysis.

GenAI can empower producers in navigating today's common challenges, unleashing win-win-win value for clients, insurers and their own bottom lines. Consider how smart, GenAI-enabled tools and processes can optimize key links in the value chain and free producers to spend more time engaging new prospects and expanding existing relationships. Specifically, GenAI can:

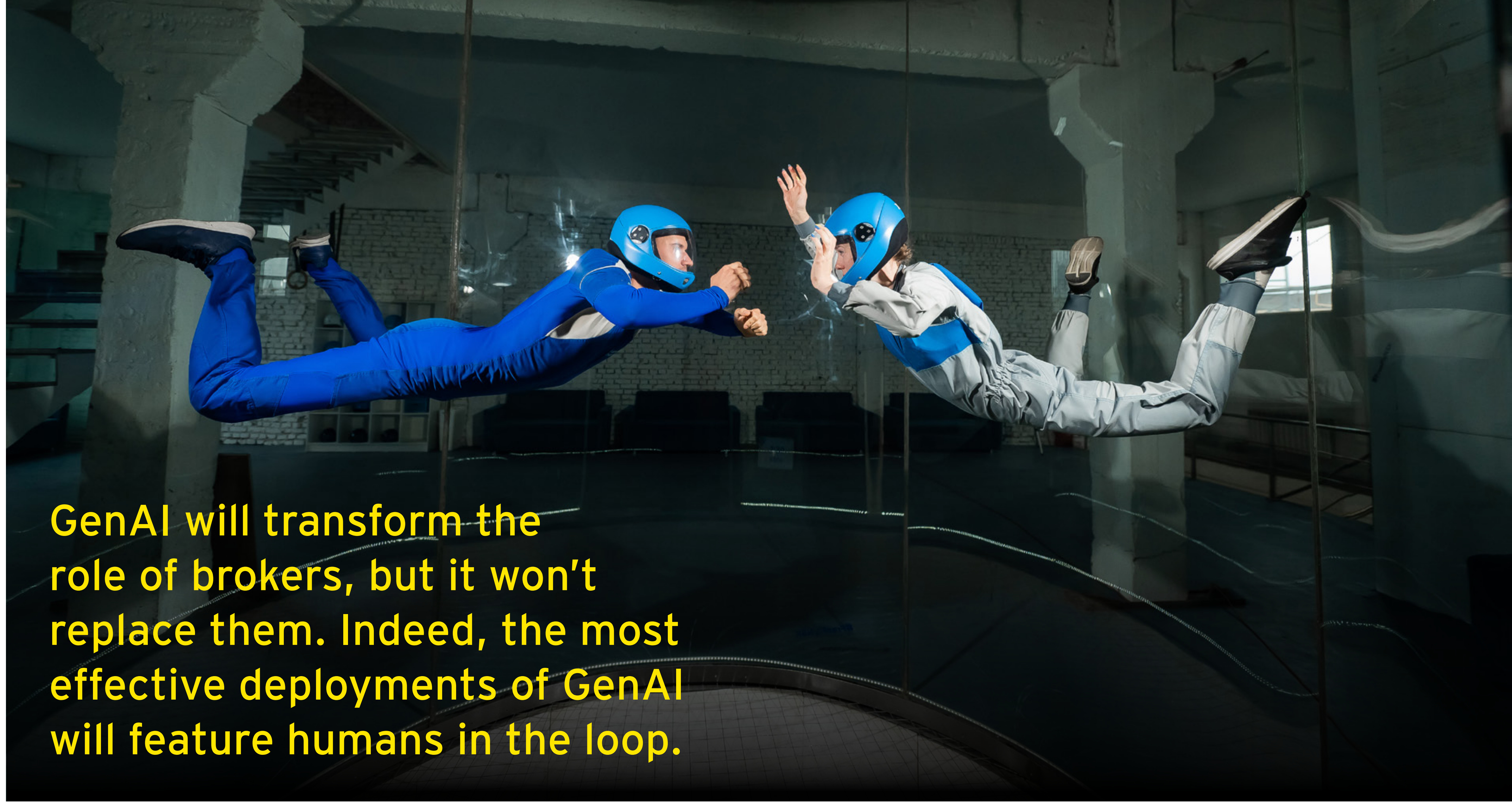
- Serve as "extra hands" to generate submissions that are tailored for all stakeholders – that is, reflecting client risks to fill gaps in carrier's offerings and suited to carriers' processes to make it easier and faster to assess and price risk accurately. Automating data capture will eliminate inefficient, low-value and unnecessary back-and-forth client communications. GenAI can also provide insights into the leads and opportunities most likely to convert, enabling brokers to boost their win rates by up to 40%.

- Promote better placement by improving the consumption of appetite changes and altering interaction models for more efficient communication with carriers.

- Auto-populate data and forms for key workflows to accelerate the management of claims, renewals and other core services processes. GenAI tools can function as copilots, presenting key information, which producers can enhance and refine to accelerate closures. They can also route incoming calls and routine service requests for tailored, real-time resolutions. The automatic creation of knowledge content will satisfy customers who prefer to use self-service portals.

- Provide insights into the types of clients to pursue via digital marketing campaigns and which channels to engage them. It can streamline the production and delivery of individualized content based on prospects' preferences and intent and where they are in the funnel.

- Accelerate quoting via complete, accurate and standardized data delivered in submission forms and increase precision in pricing for improved quote-to-bond ratios, which benefits all stakeholders. With no need to rekey data, renewals will also happen faster, boosting retention rates.



GenAI will transform the role of brokers, but it won't replace them. Indeed, the most effective deployments of GenAI will feature humans in the loop. Though basic tasks for initial submissions will be handled primarily by bots and copilots, producers or their staff will still review them and validate their accuracy. It's analogous as to how staffing services use GenAI to sort through massive numbers of resumes to find those that are best suited to specific jobs and companies, which are then routed to and reviewed by human resources professionals. Claims management processes will also be AI-enabled, but broker workflows will be integrated to keep producers informed of claims payments. Combining human savvy and AI's firepower will emerge as a leading practice among top performers and market leaders.

On the strategic front, brokers, advisors and other producers will have more detailed conversations with clients who expect tailored insurance programs and strategic risk management guidance, based on their sector and unique operating footprint, risk profiles and business strategies. With GenAI greatly reducing their administrative burdens, producers can focus on these high-value discussions. Further, they can increase their knowledge of discrete industries, types of coverages or exposures, to take advantage of the general trend toward increased broker specialization. The more brokers know about their clients' unique risks, the more empowered they will be to offer appropriate coverage extensions, alternative program design options, and packages of policies from multiple carriers, as needed.

02

It's not news that the commercial insurance industry faces a major talent shortage in the coming years. The skills gap for producers will be particularly glaring, largely because the role is undergoing such profound change. Fundamentally, producers will evolve to become trusted advisors, serving as strategic consultants as much as connectors between corporate clients and commercial insurance providers. The most successful and trusted producers will be embedded within their clients' organizations, engaging directly with senior leaders and business executives to help identify, model and devise strategies to manage enterprise risks.

The next phase of evolution will build on previous gains. In the past, brokerages sought to hire graduates with humanities degrees, because they typically had the baseline language skills to understand insurance contracts, including specific riders and terms and conditions. More recently, as data and technology became more central to the role, STEM and/or computer science backgrounds became the priority, though they were in high demand across industries and, thus, very expensive to hire.

With 400,000 open jobs for producers and 50% turnover in the next five years, producers will seek new forms of talent from non-traditional sources and embrace creative recruiting and retention strategies.

Today, brokers are looking for well-rounded individuals who combine these and other abilities, including:

- Tech-savvy, skilled with modern tools and emerging technologies that will be embedded within automated and AI-fueled sales and service workflows
- Data-fluent and able to interpret outputs from analytics tools and data models in understanding and prioritizing risk transfers
- Naturally curious, lifelong learners and interested in acquiring technical industry knowledge and staying ahead of key product, tech and market trends
- Boldness and creativity in problem solving and designing unique programs for holistic risk protection that fill client coverage gaps
- Strong communicators with relationship-building and sales skills

Training and development programs should concentrate on building skill sets to understand data and gain deep and detailed knowledge in specific market niches. Relationship building skills should feature prominently in leadership development programs.

Creative sourcing strategies will be part of the solution to the talent gap. Engaging with InsurTechs, more established tech companies and managed service providers can help brokers find talent when, where and how they need it. Partnering directly with traditional carriers may also be the right approach for some types of clients with unique profiles. These partnerships reflect the reality that commercial insurance distribution is increasingly a team sport.

Even as they recruit in new places, large brokerages will seek to transform the employee experience with new ways of working, more attractive compensation packages and more purposeful work. Creating a culture that values collaboration, creativity and risk taking can help attract younger workers and boost returns on talent investments. More flexible work arrangements and more inclusive work environments will also help brokerages engage and retain the talent they find.

03

The increased emphasis on client relationships and advisory services will fundamentally change compensation models for producers.

For decades, commercial insurance producers have been paid primarily via sales commissions. By 2030, compensation will look dramatically different. As all levels of the market evolve toward large commercial models, traditional commission-based compensation will be replaced by higher base salaries, standardized service-based fees and richer benefits packages. Performance-based bonuses and other incentives on top of salary and benefits will also be used to retain top talent.

These changes are a function of both the huge talent shortage and shifting market needs, including the shifting emphasis on strengthening customer relationships over generating new business. To put it another way, producers will seek to grow lifetime revenue via higher retention rates. Changing compensation models complements the change in producer priorities, from closing sales to developing tailored solutions and providing strategic advice.

Clients also stand to benefit. They can have greater confidence that brokers and advisors make recommendations based on client need, rather than based on their own financial interest. This is another example of increased transparency promoting trust. A similar dynamic has played out in wealth and asset management; investors have embraced low-cost index fund and fee-only service model, partly because they remove potential conflicts of interest on the part of their investment advisors.

Demographic shifts in the workforce will also contribute to the changes. Younger employees will be attracted to those firms that can provide financial stability, rather than unpredictable income. Their desire for mental and physical wellbeing, increased flexibility and purposeful work will also be reflected in compensation packages and the design of the employee experience.

The bottom line is that producers doing fundamentally different jobs should be – and will be – compensated, rewarded and recognized in different ways. And with the industry looking for new talent from new sources, new compensation models will be a critical tool for attracting and retaining skilled and productive workers.

04

Innovative new offerings – both products and services – will provide the protections clients need, help close the coverage gap and unlock growth for both producers and carriers.

Market megatrends, evolving risk profiles and widespread underinsurance are forcing a period of considerable innovation in commercial insurance. New types of policies will reflect the realities of 21st-century businesses, with new protections for risks related to cybercrime, climate change, globalized supply chains, increasingly digitized operations and the preponderance of intangible assets on most corporations' balance sheets. Today, many of these proliferating risks are simply not covered.

Brokers, advisors and other producers have a vital role to play, too, and will unlock growth by helping to develop new protections for emerging risks. They can capture client inputs and collaborate with carriers to define more proactive risk management approaches; rather than focusing on static coverages against generalized risks, tomorrow's offerings will more methodically identify, assess, prevent and mitigate risks that are more narrowly defined and quantified. Producers and carriers can add value by identifying "white space" risks and proactively developing specialized products to address them (e.g., workplace violence, sector-specific business interruption policies).

For larger clients, brokers can consult on more sophisticated risk transfer strategies. In some cases, brokers may advise on the development of captive insurance companies and the acquisition of reinsurance. ***See next page***

All stakeholders benefit from product innovation. More efficient placement and more precise pricing result from well-designed products. Brokers get stronger client relationships and carriers can identify profitable niches to grow their business. This is a major improvement over the old-school model of choosing the least expensive coverage option from a few generic proposals.

Soon, product innovation will become the rule, not the exception. In fact, we predict that 70% of insurers will proactively develop products to respond directly to customer needs, rather than moving reactively in light of client or broker requests or competitors' actions. New offerings will also help reduce the amount of uninsured losses, which are an increasing strain on public resources with governments more frequently needing to step to backstop companies after natural disasters, massive data breaches and other loss events.

Refreshing and rationalizing existing product portfolios will help carriers and producers cut operating, business development and retention costs by up to 30%.[3] When product portfolios are streamlined and easier to understand, producers will have a clearer idea of which carriers have the best products for which sectors and which types of companies. The net effect will be increased retention for both carriers and producers, even as the increased competition encourages specialization.

3. Source: EY analysis.

How producers can support captive insurance

Captive insurance, a sophisticated risk management strategy, has become increasingly popular among businesses looking to insure their own risks, tailor coverage for specific needs, and reduce their insurance costs. Producers have a role to play with captives, too. For instance, they can continue to help their clients innovate by assisting clients in identifying areas where establishing a captive makes sense to balance corporate risk.

As with traditional insurance models, the advent of GenAI has introduced new possibilities for captives to enhance the accuracy, efficiency and effectiveness of their risk assessment capabilities and the overall risk management strategies of their parent companies. In fact, GenAI has made captive insurance a viable option for more organizations, with its ability to analyze huge data sets, run complex risk simulations and monitor for changes in the risk landscape.

By understanding the data and creating a "captive insurance submission," captive managers can better understand and package a risk profile, just as traditional insurers apply commercial underwriting guidelines. AI enables captives to design and customize insurance policies to more precisely match the risk profile of individual companies. As risks change, policies can be dynamically adjusted based on real-time data to ensure continuous optimal coverage.

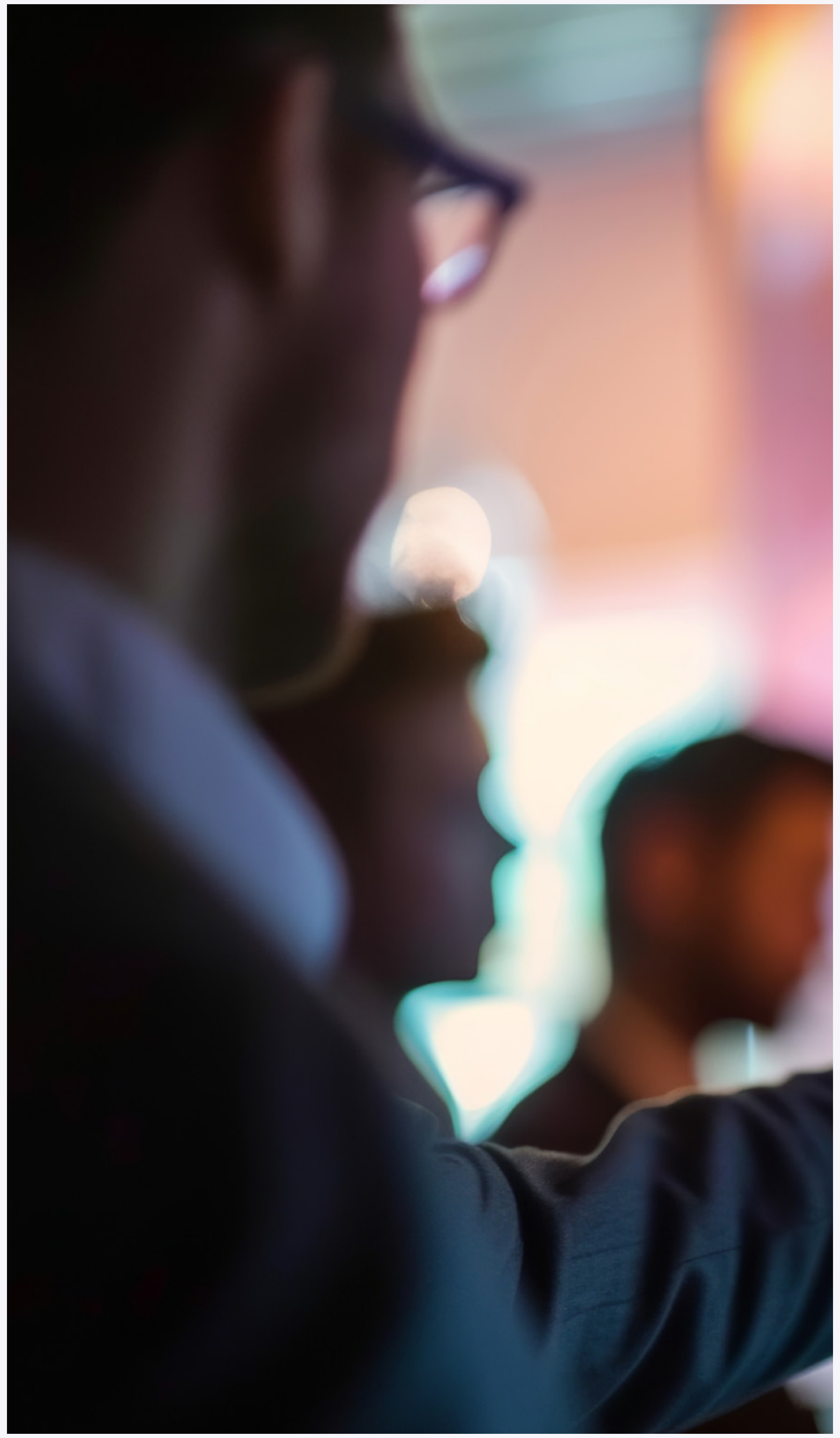
05

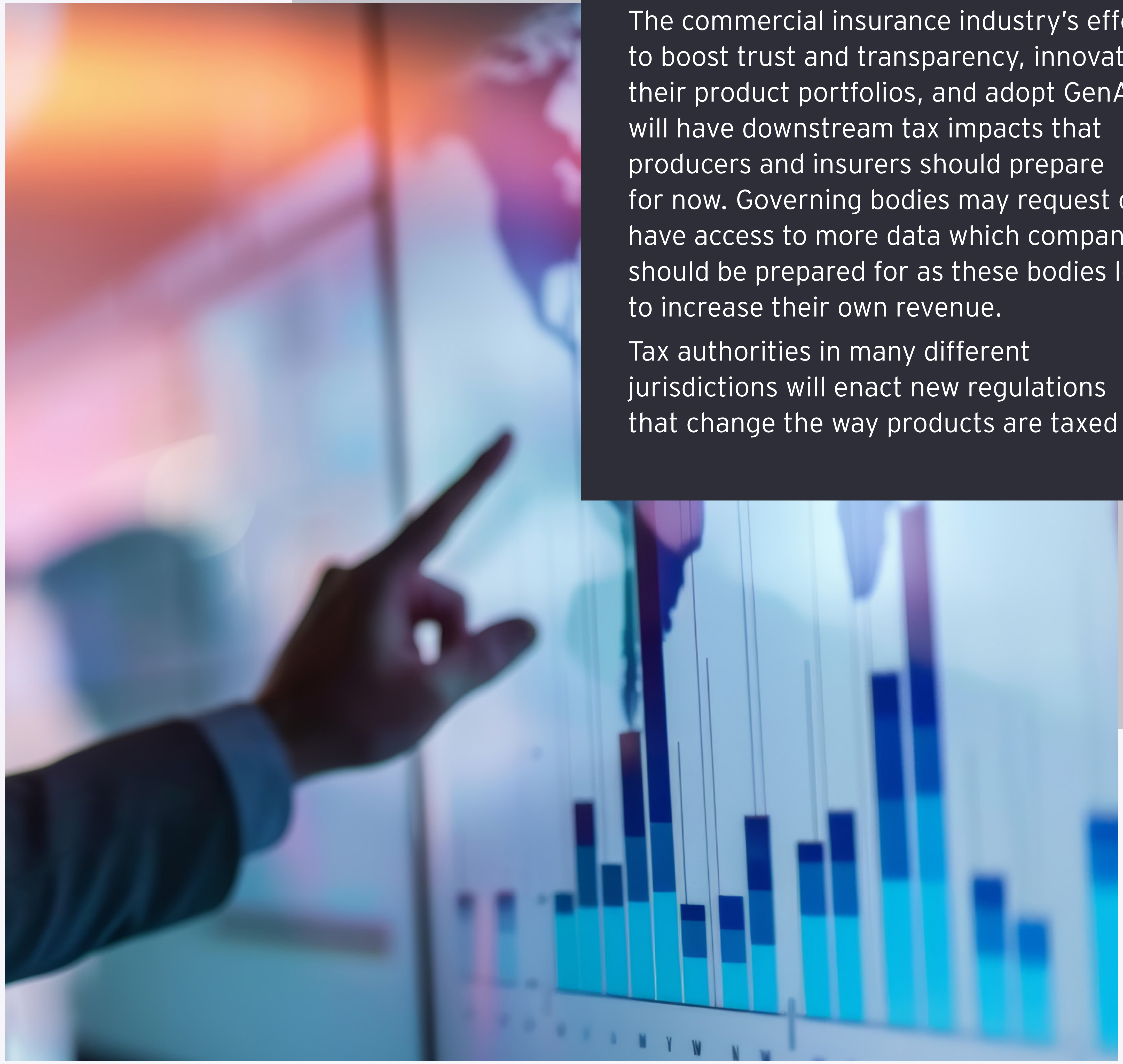
Intensifying regulatory scrutiny – and the resulting spike in compliance costs – will trigger a wave of consolidation and acquisitions.

As the insurance industry evolves, the regulatory landscape will, too.

The current trend toward broader oversight of more parts of the business – including data privacy, consumer protections, cyber security and operational resilience – will surely continue. Producers need to stay informed about ongoing developments. In many cases, significant investments in new technology and meaningful process changes will be necessary to achieve compliance.

Only large organizations will thrive in such a complex and expensive regulatory environment. Smaller brokers will struggle with rising costs and the difficulties of delivering the information regulators expect. The restrictions about how consumer policies are sold and serviced will likely be applied to commercial markets soon. The General Data Protection Regulation (GDPR), the UK Consumer Duty, the AI Act in Europe and similar legislation in other jurisdictions, the California Consumer Protection Act (CCPA), and rules from the New York Department of Financial Services will all require more detailed reporting. In some cases, authorities are looking for validation of specific outcomes (e.g., that products deliver the promised value to customers). Changing tax laws will present yet another challenge. ***See next page***





New tax challenges for commercial insurance companies and brokers

The commercial insurance industry's efforts to boost trust and transparency, innovate their product portfolios, and adopt GenAI will have downstream tax impacts that producers and insurers should prepare for now. Governing bodies may request or have access to more data which companies should be prepared for as these bodies look to increase their own revenue.

Tax authorities in many different jurisdictions will enact new regulations that change the way products are taxed and may even tax GenAI services. New compensation packages for producers will bring new implications from a taxability perspective. Increased M&A activity will create challenges for tax departments accounting for these complex transactions.

Whenever there are changes in product, profitability or process in any industry, there will be tax implications. Some of the impacts will be felt immediately, while others will develop over time as governing bodies adjust to the industry's new norms. But as commercial insurance companies and producers take action to optimize their operations and product offerings, they would be wise to consider the tax challenges and changes along the way.

How private equity will shape the future for producers

Private equity

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70%

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across the insurance brokerage landscape during the last five years.

Private equity (PE) has accounted for greater than 70% of the M&A transactions across the insurance brokerage landscape during the last five years. The pace of M&A has generated significant growth and scale for many mid-sized brokers that now compete in different ways with larger traditional insurance brokerage firms. The deal activity has also helped drive innovation, process improvement and increased operational efficiencies, as well as leveraging pricing power with their key carrier partners (based on their distribution networks and underwriting prowess).

As brokers continue to grow, they will be under pressure to generate the returns expected by PE investors. We expect the next wave of value creation to center on enhancing producer efficiency and productivity with technology and AI, which will lower back-office costs and increase the time spent on customer acquisition and other growth objectives. More entrepreneurial brokers will be able to preserve a culture of independence (which many producers seek) even as consolidation continues. PE-backed deals will account for a majority of M&A activity in the insurance distribution space, which will accelerate further change and innovation in legacy business models.

4. Source: EY analysis.

What insurers and producers can do today to prepare for the future:

Carriers and producers that are ready to start shaping their future today can **prioritize the following actions.**

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1 Technology and data

Increased connectivity among all stakeholders holds the key to delivering better outcomes across the industry. For producers, that means increasing investment in core systems. For carriers, one priority will be providing risk appetite and underwriting guidelines in a form easily consumable producers' systems in near real-time.

- Establish the necessary infrastructure to automate data feeds and promote collaboration through extensive data sharing.
- Harden technology platforms to protect client data against unexpected release by cyber criminals.
- Explore GenAI alternatives to improve the efficiency of submission processing by producers and underwriters.

2 Talent, people and culture

Tech-savvy talent and high-performance cultures will be difference makers for both carriers and producers in the age of AI.

- Conduct a thorough assessment of current skill sets and map them to future needs.
- Seek external partnerships that can provide access to scarce knowledge.
- Refine the organizational model to support new ways of working and facilitate collaboration.
- Closely monitor industry trends and track preferences for compensation, benefits and the overall employee experience.

3 Products and services

Innovation is increasingly a team sport in commercial insurance, with clients, producers and carriers likely to collaborate on tomorrow's most promising solutions, including on the development of captives for the largest corporations.

- Regularly review all offerings to keep the product portfolio up to date and rigorously cut products no longer attuned to market needs.
- Conduct regular market research and customer surveys to identify emerging needs and fuel the innovation pipeline.
- Embrace GenAI-enabled tools to scan the market for underserved segments and shifting risk appetites.

4 Regulatory and risk

Reporting and other requirements will only get more strenuous in the coming years but can prompt innovation when incentives are aligned.

- Look for opportunities to generate business value (e.g., more efficient processes) from necessary compliance investments.
- Engage with regulators on the development of public-private partnerships for climate, cyber and other macro risks too big for any one stakeholder group to solve on its own.

THE BOTTOM LINE:

The producer future is here today

Though the current commercial insurance landscape may seem turbulent, we believe the future is bright for those brokers and carriers that meet the moment with bold and creative action. Deploying the right technology in the right way can help them increase trust and transparency for stronger client relationships.

The path forward will not necessarily be straight or smooth. Climate, cyber and other emerging risks represent significant challenges, and will only grow more complex and threatening. Competition will only intensify. But AI-enabled and data-driven techniques for identifying and assessing exposures and more precisely pricing risk create opportunities for innovative products and solutions.

Those commercial insurance businesses that embrace the opportunities and make the necessary investments stand to unlock breakthrough growth by delivering unprecedented value to their clients. Looking ahead, it's a win-win-win for carriers, producers and their customers – those businesses looking for smarter and more customized protections against the unique risks they face today and will face in the future.

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