



## **Get your broker license and boost your internal capabilities**

Ongoing globalisation, emerging risks, fragmented insurance offerings and challenging regulatory environment. These trends, as well as continuing cost constraints in our multinational companies, do not really make it enjoyable to perform our job as risk (and insurance) managers these days. Well, we are unfortunately neither able to reverse these trends nor escape the cost constraints, but we should consider how to structure the job in a smarter way, rather than just working harder to deal with our challenges.

Why not establish an in-house insurance brokerage to steer commissions back to you or keep fees in-house, so you have the finance to enhance internal capabilities? You will say that it is just a make or buy decision, and that external service vendors' economies of scale, etc., work in their favour. But we disagree and would like you to think twice because:

- Only insiders have first-hand knowledge of their companies' risks and, if they speak the insurance language, they have the capability to raise the comfort level of underwriters!
- Whatever the underwriter agrees, the clause, premium rate, etc., are just for you. External brokers must offer the same terms and conditions to their other clients. If you were an underwriter, would you appreciate this loss of discretion?
- The majority of all insurance placements are still pretty much focused where your holding sits. This helps to generate a decent income stream to finance your sound team of experts.
- Nothing hinders you from focusing your in-house efforts on the important risk and insurance management tasks. Administration, frequency, claims and so on can continue to be outsourced.
- Even if you pay fees based on workload, you always pay (back) acquisition costs because external brokers have to compensate their huge sales forces. These significant costs can be disregarded in the case for your brokerage business.
- The most secure way to avoid contingent fees is: Be the broker yourself!

None of the above is to blame our external brokers. We continue to need their service in territories and markets (Lloyd's, for example) where the economics undoubtedly work in their favour, but the concept of in-house brokerage has worked successfully in Germany since the 1960s.