

**Broker networks:**

Meet the quiet, billionaire  
cousins you never  
knew you had.



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We help insurers and brokers in four areas: strategy, digital, M&A and risk management.

Our Partners all have deep executive and consulting experience in the industry. They understand that clients want advisors to deliver financial results, not just beautiful PowerPoint slides.

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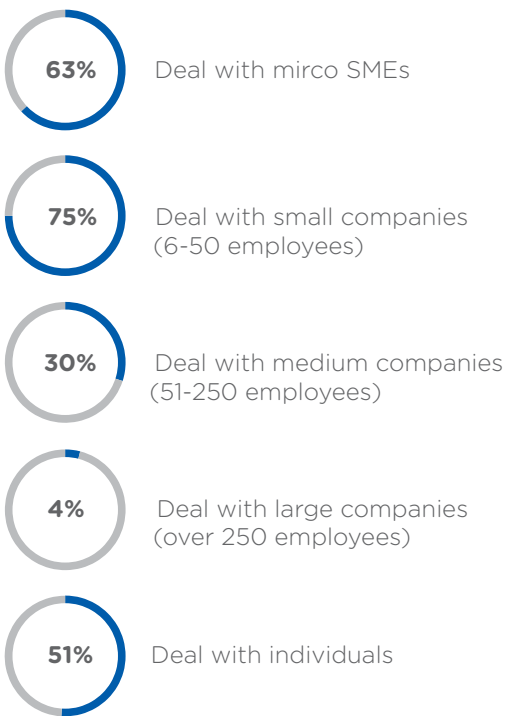
# Introduction

Broker networks are like the quiet, billionaire cousin you never knew you had. We estimate that members of UK networks control over £5bn of GWP, but you'll rarely read about networks in discussions about the industry.

Like your quiet cousin, networks are enigmatic. Brokers struggle to differentiate between them because they all offer similar services with similar marketing messages. Some insurers blow hot and cold as they question networks' ability to promote their interests to members.

Strangely given the size and therefore importance of networks in the insurance value chain, we are not aware of any literature that looks across the networks and deciphers their propositions for brokers and insurers.

Oxbow Partners decided to take on this challenge. We used an online questionnaire to find out brokers' opinions of their networks. We wanted to hear the inside view and share the results with the UK general insurance community to help everyone make better decisions.



85%

15%



Hold senior positions

Hold junior positions

## Who participated?

We distributed the questionnaire in as many channels as we could – our own contact base, Open GI's customers, friendly partners and social media, for example. We also asked all of the broker networks to distribute our questionnaire to their members but, despite our best efforts, only Broker Network and Marsh-owned Purple Partnership chose to do this.

For this reason, we have responses from members of all the networks but much greater depth for Broker Network and Purple. This has allowed us sometimes to break them out in our analysis. It goes without saying that we have in no way "massaged" the data to make these networks look good – it just so happened that their members were very happy with them.

In total, 105 brokers from 97 firms throughout the U.K. participated in the survey. 85% of respondents held a senior position at their organisation (e.g. CEO/MD, Chairman, Director).

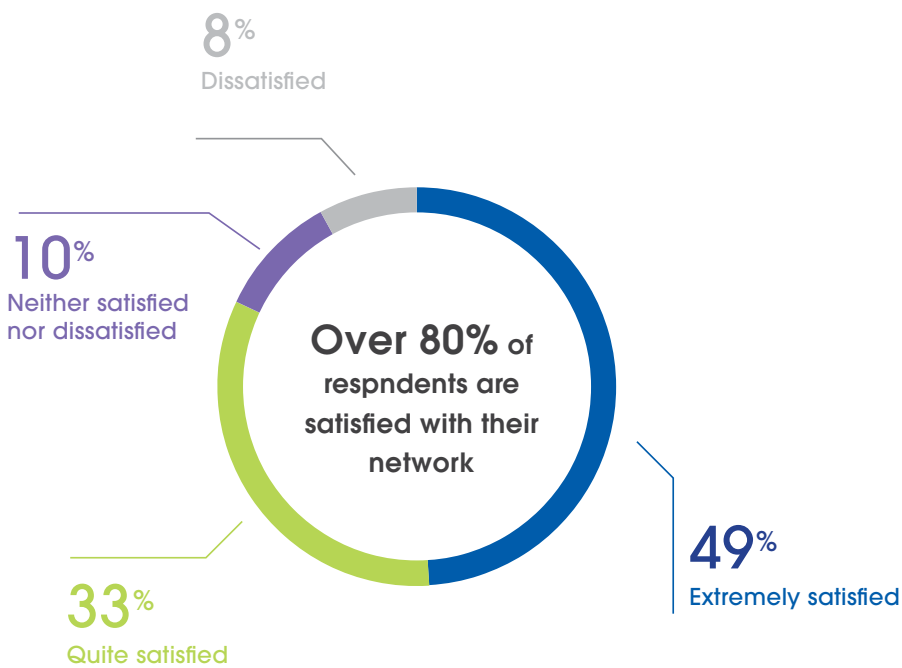
Most companies who responded dealt mainly with personal lines customers and SMEs.



## Executive summary

Our main finding is that brokers are generally very satisfied with their network and that networks are delivering their service well.

Over 80% of respondents said that they were extremely satisfied or quite satisfied with their network. A remarkable 74% of Purple members were “extremely satisfied”.



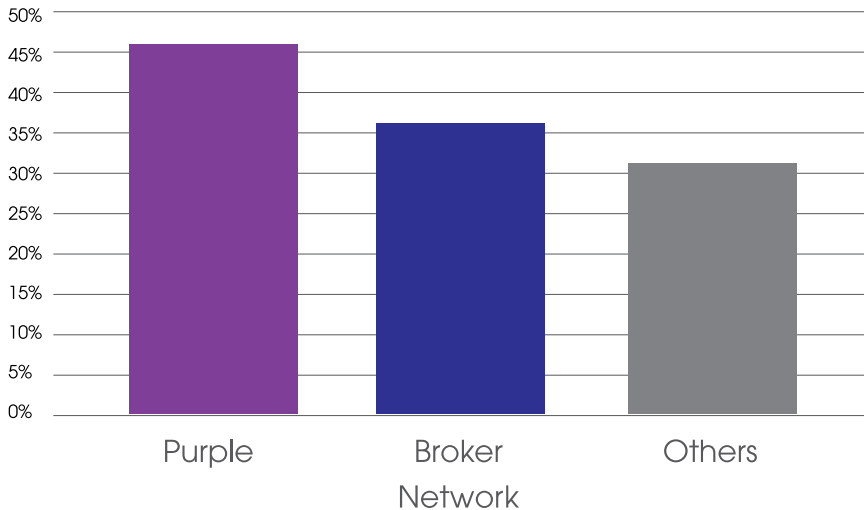
“I have been very satisfied with my network and the relationship being built between my network BDM and insurance underwriters. I am feeling very positive about the future.”  
Purple member

“Extremely happy with our membership with Broker Network. The compliance, marketing and BDM performance are especially good.”  
Broker Network member



Despite some of the disruption that has occurred in the networks space in the last 18 months – for example private equity buy-outs of Broker Network and Cobra, Marsh’s acquisition of Jelf (which owns Purple) – most respondents believed that their network is in better shape now than a year ago.

### Members who think their network is better now than a year ago



Only seven respondents were dissatisfied with their network. These were spread across four of the networks, suggesting some brokers had experienced problems but none of the networks were performing poorly in general.

Perhaps unsurprisingly, therefore, 89% of senior executives thought that they would be in a network in 5 years’ time: networks are here to stay.

### In the rest of this report we explore a number of questions about networks in more depth:

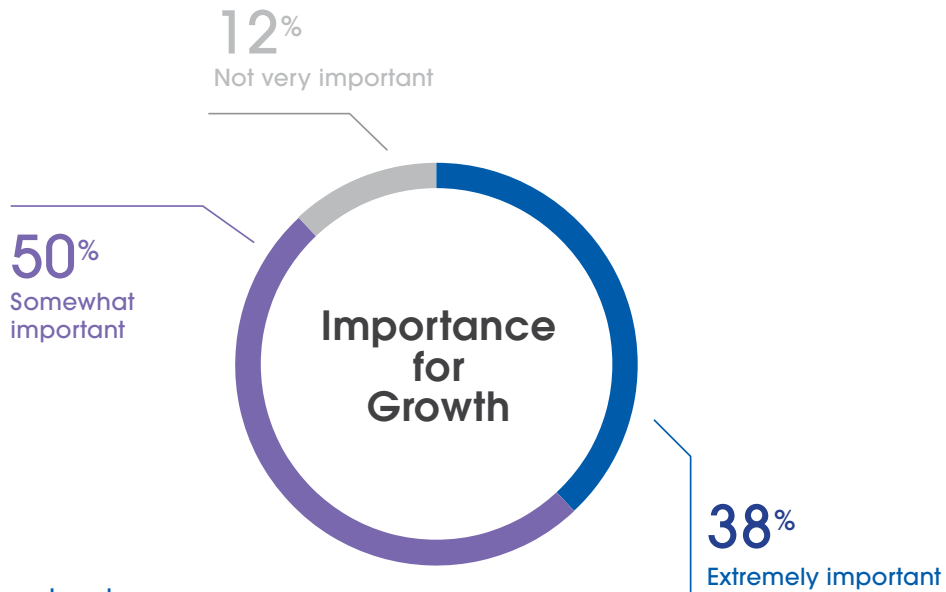
- How effective are networks as catalysts for growth?
- How good are networks in their role as outsourcing partners?
- How do networks give their members clout?
- What is the market response to the buy-out proposition?
- Do networks influence placement?

We finish with a number of “top tips” from brokers to their colleagues thinking of joining a network.



# Networks as catalysts for growth

We asked brokers how important their network was to achieve their growth targets. We were surprised that only 38% thought their network was extremely important in this regard – but the number increases to 88% if you include those who said “somewhat important”.



## Enhanced products

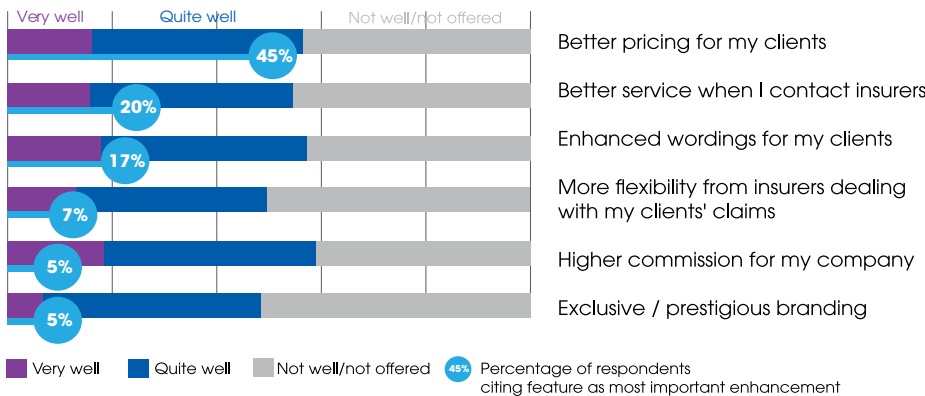
Many networks have developed “enhanced products” to support their members in the market. These are either agreed with a number of “partner insurers” or delivered by their own MGAs.

We asked brokers which enhancements were most important to them. Better pricing for clients was cited as the most important feature, perhaps unsurprisingly, by 45% of respondents. Better service for brokers by insurers was a distant second, with 20% of brokers putting it as their most important feature, and enhanced wordings was close behind.

Overall, brokers seem happy with the enhanced products delivered by their network.

Delivery is, however, an area where networks need to work. Only 36% of respondents thought that networks were doing “very well” at delivering the most important criterion – better pricing for clients.

## Quality of delivery of enhanced product features



That said, there were stark differences between networks. Purple was a stand-out performer with 57% of its members saying that the network’s products strongly differentiated their proposition and give them an edge over competitors. This compared to 32% overall.



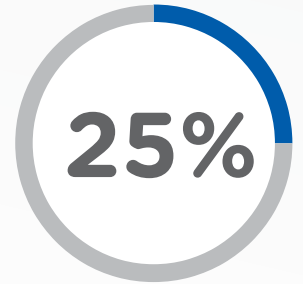
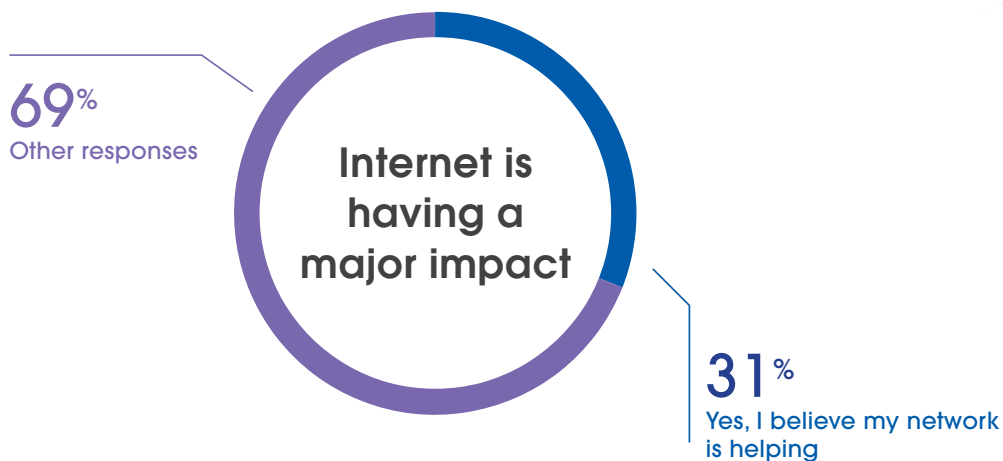
## The internet

We asked brokers to what extent the internet is changing the way their customers are researching and buying insurance. 25% said this was a major concern for them; unsurprisingly most of these brokers only arranged personal lines and smaller-end SME business.

64% thought that behaviour was changing but that it was not a major concern. One broker commented that his/her service would “never” be replaced by the web. Another commented that they wrote risks that were out of reach for internet distributors – but noted “can’t be complacent, though – things change.”

Only about a third of respondents who saw the internet having a big impact on their business thought that networks were helping them secure their business against this challenge.

Do you think your network is helping you secure your business against the threat of internet-based competition?



of brokers think the internet is a major concern for them

“Internet buying is dangerous in that clients do not understand the complexities.”  
Purple member



## What does this mean for networks?

Networks are sure to be disappointed that more members don't see them as critical to their growth. We feel that networks need to think hard about how they can help their members in this regard. An idea we had was that networks could source businesses and portfolios of policies in the M&A market on behalf of their members. Individual brokers are often too small to be credible counterparties in these kinds of transactions, but as part of a network proposition their attractiveness to sellers would be much higher. This way, networks could play a leading role in the consolidation of the industry for the benefit of their members.

The internet is also an area where networks can help their members defend or grow volume more effectively. We wonder whether networks should be playing a stronger role in helping their members generate leads on the internet – for example by building a stronger presence themselves and directing leads to their members. Digital marketing skills are hardly a key capability of most brokers and there would be real value from having a central team for this – not unlike the broking franchise models might provide

Enhanced products are a source of real value for many network members and we are aware that several networks are working hard to improve their exclusive product set. Based on the commentary in our survey, networks need to balance complex demands from members – for example, some want niche products to achieve differentiate themselves in the market whilst others just want cheaper mainstream products.

One theme that came up several times is how to find enhanced products. Several brokers noted that it was hard to find specific products on systems, suggesting some work on IT systems might be helpful – because respondents noted separately that networks are already good at offline communication.





# Networks as outsourcing partners

Outsourcing back-office services has been the traditional backbone of networks.

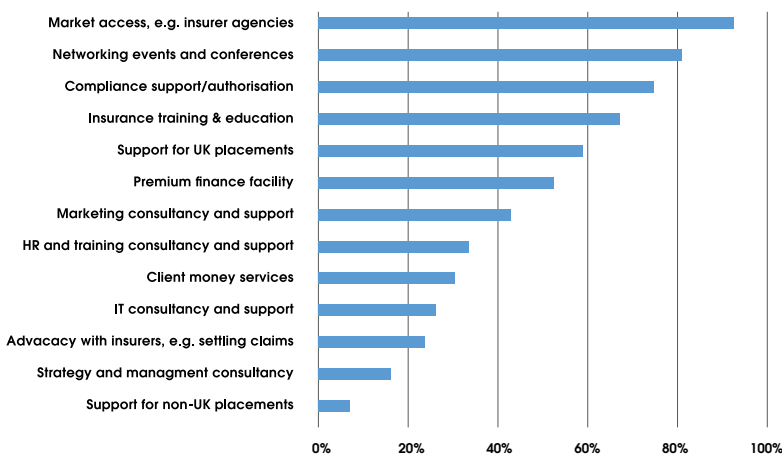
We investigated the network services brokers use, how important they are to them, and how well they are delivered by the networks. Given overall satisfaction levels, comments about service were generally positive.

“ We are very happy with the services provided by BNL and have no complaints! ”

Broker Network member

The main services used by brokers are market access (e.g. TOBAs), networking events and conferences and compliance support. We were surprised that compliance was only in third spot: 54% of brokers agreed with the statement that “the regulatory burden is now so extreme that no small, independent broker can survive without a network”.

## Network services used

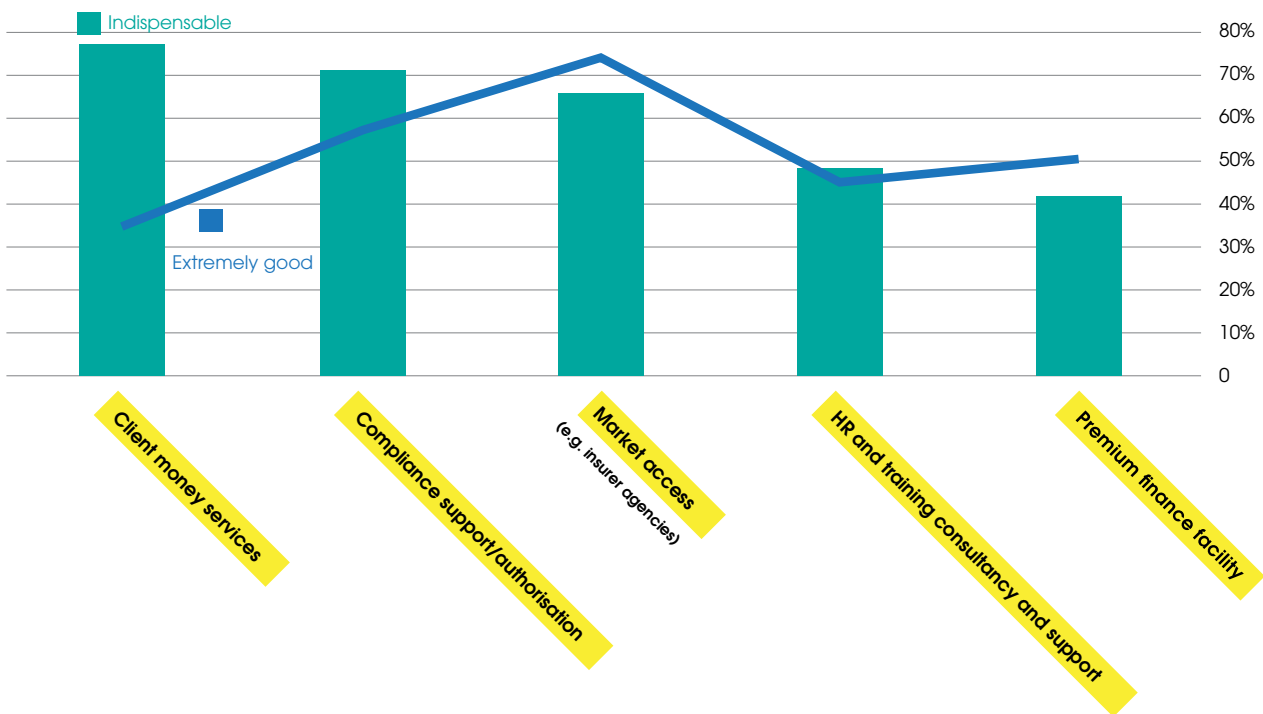


When it comes to delivery, networks are again doing a good job with, as ever, plenty of room for improvement.

We looked at the five services which were most important to their users – in other words, where users of the service would leave if it were no longer offered. Broadly speaking, these services were delivered well by the networks.



## Importance of service vs quality of delivery



### What does this mean for networks?

Whilst members appear to be happy with their services, there is plenty of opportunity to deliver services better. For example, only 25% of client money users thought that this service was delivered “extremely well”. It is important to invest in services that are valued by members – and we wonder if there are opportunity to cut the long list of services offered by some networks to deliver a smaller number of better services.



# Building clout through membership

Networks give smaller brokers clout in the marketplace. It is no wonder that 65% of respondents said market access (e.g. TOBAs) was an “indispensable” network service. But there are several different ways in which networks can give their members clout in the marketplace.

## Networking

All networks offer their members events and conferences at which to meet other like-minded brokers.

We asked senior respondents how their network felt. Given that most brokers have been part of their network for a long time and that 80% said they attend their network’s networking events and conferences, 72% described their network as a “commercial business partner”. We were surprised that more did not think it felt like a club.

Some members commented that it was helpful to mingle with other like-minded brokers. This allowed them to get insight into how their peers were solving common issues such as regulation. However, others described networking events as “a bit of a jolly”: only 20% of respondents said that networking events were “indispensable”.

## Advocacy

Some brokers had a slightly different take on the benefit of network membership. They wanted networks to be an advocate in an increasingly competitive and complicated marketplace. They felt let down by some of the traditional advocates in the industry, who were not protecting brokers sufficiently – and vulnerable to the continuous challenge of regulation.

“ I hardly utilise the services (and enhancements) of my network, but rather look to it as a legitimate representative which doesn’t leave its members impotent ”

Broker Network member

## What does this mean for networks?

Just because most members use networking events, networks need to ensure that these events meet the requirements of their members. There appear to be opportunities to do better.

Members want networks to be strong advocates on regulatory and competition issues. Networks should consider adding a government affairs officer to their staff, a role that they have not traditionally played.



## Broker acquisitions

Whilst most respondents in our survey thought they would be network members in 5 years' time, 40% of those who thought otherwise said it was because they would have sold their businesses. Broker exits are a perennial topic in the industry.

Some networks are now able to buy brokerages, allowing their principals an exit. For example, Broker Network launched this product in 2016.

Brokers appeared to be enthusiastic about their network offering this service – but some did urge caution. One broker was concerned, for example, that networks might end up competing against their members if they acquired businesses or, worse, that they would depress a member's performance in order to acquire them "on the cheap".

### What does this mean for networks?

Knowing the networks as we do, we do not see any risk of them acting in bad faith. However, the feedback does demonstrate the need for very clear communication and messaging.

“There may be an inherent interest by the network to deflate the value of a brokerage in order to get it for less.”

Broker Network member



## Do networks influence placement?

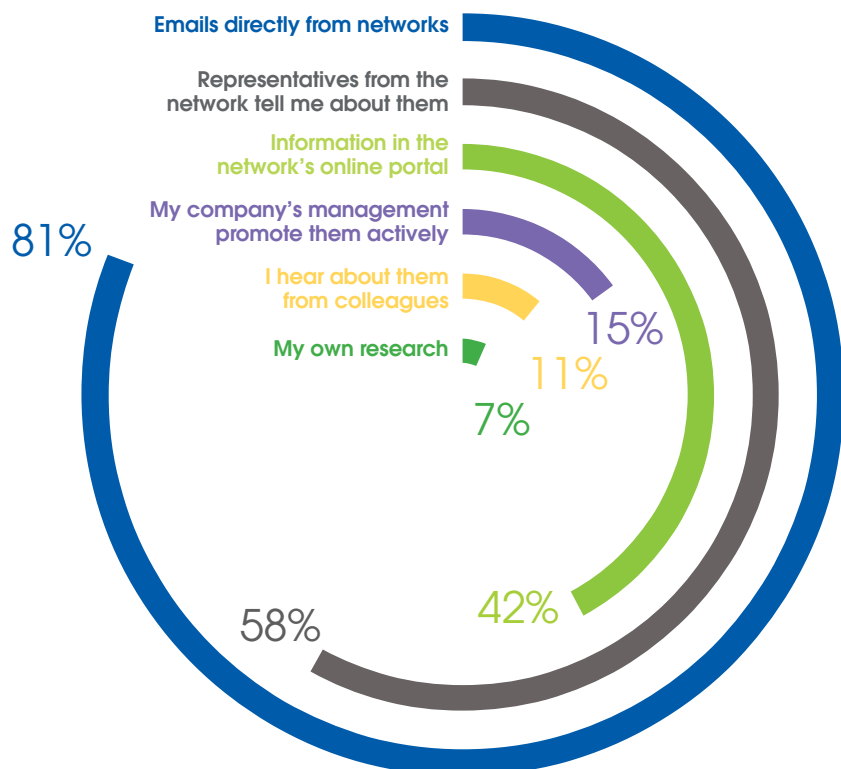
Influence is a hot topic amongst insurers when it comes to networks. To what extent do networks really promote partner insurers' products? Who should they be supporting?

As one insurer described it, "the network is effectively my outsourced salesforce. I'm happy to pay fees to the network for the work they do, but I need to see something come back from it."

We asked brokers where they found out about enhanced products and see evidence that networks do have effective ground operations that promote partner products. For example, nearly 56% of brokers stated they heard about them from network representatives while 79% cited emails from networks as a source of information. A further 40% of respondents said that they get information from the network's online portal.

It feels like insurers can rest assured that networks are promoting their products.

### How do you find out about enhanced products from partner insurers?





# Thinking of joining a network?

In this report we have provided some analysis about the quality of service that networks provide. We also asked existing members for their “top tip” for the 1,500 or so UK brokers who are not currently network members.

## Here’s what six respondents said

“ Choose one that matches your culture! ”

TEn member

“ It’s nice to have a support network, someone to go to when you’re unsure about something ”

Broker Network member

“ Ensure the independence of your business and decision-making authority are not being compromised ”

Willis Network member

“ You will be amazed at how much they can do for you, allowing you to run your business ”

Broker Network member

“ Consider how it helps to retain business ”

Compass member

“ We are a reasonably sized broker so could source many of these services ourselves, but having a network to do a lot of the background work and potentially provide extra enhancements (which we could not get ourselves) is beneficial ”

Purple member



## Conclusions

This report is good news for networks – certainly for Purple and Broker Network who encouraged their members to participate in the survey and for whom we therefore had enough data to draw robust conclusions at the network level. It is clear that these networks are providing a valuable service to their members and are an important part of many brokers' businesses.

Brokers who are members of a network appear to be in for the long term – we found that most are expecting to be members in 5 years' time and those who expect to have left will have done so for structural reasons, for example a take-over of their business.

Finally, this report suggests that insurers should continue to support networks. There is evidence that networks are good at disseminating information about partner insurer products to their members, and they are therefore fulfilling the role that insurers expect them to play.



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