Chapter VI
Business Integration in the Insurance Industry: The Intermediary Side of the Question

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ABSTRACT

The insurance business bases heavily on data, information and knowledge processing. Hence, entities in the business need great connectivity and articulation between themselves. Information and Communication Technologies and Information Systems can provide that connectivity, both intra- and inter-organizations, making it possible for participants to come closer and dialog better, reducing response times and costs, improving service to clients and, possibly, creating new business opportunities. In this chapter, we investigate, by means of a case study, how far the business of an intermediary integrates with other entities, using an electronic business platform built on Internet technologies. The conclusions drawn cannot be generalized to the whole industry. However, we firmly believe that they expose the problems faced by intermediaries and insurance companies in this industry all over the world when trying to integrate their business, and offer how the problems can be overcome so partners can fully benefit from the opportunities identified.
INTRODUCTION

Insurance intermediaries (insurance brokers and agents) are consultants operating independently from any insurance company, who are experts in providing services to their clients, obtaining the best solutions thanks to their vast knowledge of insurance companies’ product offerings, the way they conduct business and the reputation they have in the market. This way, intermediaries achieve the best products at the lowest cost (APROSE, 2005a, 2005b, 2005c).

Insurance mediation is a great value-adding activity, but also very complex, considering the insurance business demands great agility due to increasing competitive pressure and the accelerated environment in which the players move.

Since the insurance business is based on data (Saporito, 2004), information and knowledge, to operate in an effective and efficient way, intermediaries need to establish great connectivity and articulation with all entities in the business.

Electronic business can offer that connectivity, allowing parties to come closer and dialog better, reducing response time and, possibly, creating new business opportunities (Strazewski, 2001). This way, electronic business can help enhance the intermediary’s business model, both in Business-to-Business (B2B) and Business-to-Consumer (B2C) venues.

In B2B, intermediaries relate with:

• insurance companies; for example, managing policies they have collected and evaluating several insurance prices
• agents and banks; for example, acting as collection channels for new contracts and premium collection, respectively
• official entities; for example, providing information about their business.

In B2C, intermediaries relate with their clients, giving them all the necessary assistance in a customized and fast way, from the first contact and during the policy’s whole life cycle, offering the best solutions for their needs.

The question that raises is if, in spite of all the apparent and potential benefits, the Portuguese intermediaries are grasping all the advantages that electronic business can provide. What data is being exchanged electronically? What technologies are being used? What benefits exist? And What are the barriers that slow electronic business? These are some questions this chapter tries to answer, based in a case study done in 2005.

The main objectives are:

• characterize how business flows electronically in an insurance intermediary; namely, when connecting with business partners
• identify the main barriers to the adoption of electronic business
• identify the main advantages in adoption of electronic business
• discuss perspectives for the evolution of electronic business in this industry.

Considering the short scientific knowledge about the theme, in order to meet the proposed objectives, the study assumes an exploratory, descriptive and qualitative nature. It involves a Portuguese intermediary named Mediator (www.mediator.pt) and a Portuguese insurance company named Companhia de Seguros Tranquilidade (www.tranquilidade.pt) that have considerable electronic data integration between them.

Considering that a Portuguese software house named I2S Informática – Sistemas e Serviços (www.i2s.pt) provides the computer solution for the intermediary, allowing connection with the aforementioned insurance company, that software house was also studied.

Like several authors (Shim, Qureshi, Siegel, & Siegel, 2000; Norris & West, 2001), we will consider electronic commerce and electronic business as being equivalent, because the distinction is not relevant for this study. However, the term electronic business is preferred because, according