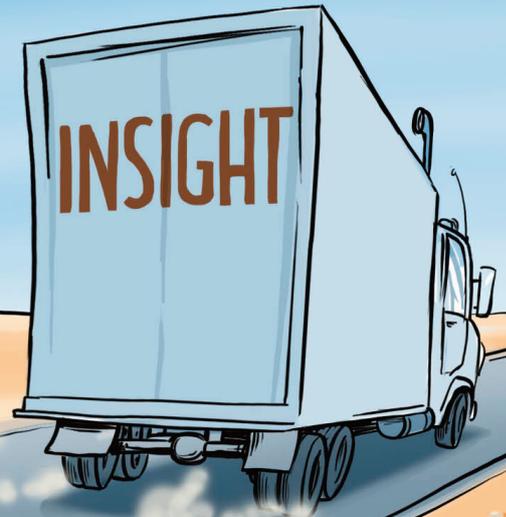


## STEADFAST'S LATEST CHALLENGE:

# Gaining Insight, keeping focus



**Steadfast says the development of its own broking system is the key to autonomy. Others wonder why they're bothering**

**By Bernice Han**

BY NOW, THE DETAILS SURROUNDING Steadfast Group's not-so-secret project known as the Insight Broking Platform will have been unveiled at its annual convention in April.

Much is at stake for the giant broker cluster, which has invested considerable time and resources to breathe new life into a broking management system that has been around since the mid-1990s.

It's not too farfetched to assume the industry will be watching with bated breath to see if Insight, now bankrolled by Steadfast, will finally gain traction in the market.

For the few broker groups that have attempted similar costly adventures, the returns would have been graded as somewhat below-par if you're an investor.

So the odds are certainly stacked against Steadfast. Just don't tell that to Managing Director and Chief Executive Robert Kelly, who is confident his company has cracked the code for a successful broking system.

"We don't fail in execution," Mr Kelly tells *Insurance News*. "We expect strong support for our technology initiative. The desire for this system comes from the [Steadfast] network."

The revamped Insight is the culmination of a two-year program that started almost immediately after Steadfast bought the system from NAQ Technology in 2014 at a "very decent price" that was hard to resist, Mr Kelly says.

Numerous alterations were made during the process as network members who were brought into the project to provide user input gave valuable feedback before the official rollout.

Mr Kelly says Insight, known in its development stages as eClipse, is essentially a system that the brokers have been demanding for the past five years, and his only regret is the length of time it has taken to make it happen.

"It's my fault it took so long to build, but it's not good, it's great.

"It's exactly what the network wanted," he says, adding "there will be a stampede to get into it" when they see what Insight brings to the table.

The major transformations made include the way the system communicates with users. It now boasts an intuitive user interface, meaning little or no training will be required to learn how to operate it.

"It's the Google of insurance broking systems," Mr Kelly says. "Insight is a cloud-based system. There are others out there at the moment, but this is a first for the industry in

that it is completely intuitive. Training is now a non-event for the users."

The system is capable of backing up automatically and users are spared the burden of having to worry about having reliable disaster recovery programs in place.

"Insight breaks new ground for the Australasian market. Nothing comes close to it."

Mr Kelly says brokers can expect annual running cost savings of 30-40% in their IT budgets by using the new platform.

"I think it's important for the growth of any business that you can contain cost and revolutionise the process. It's very important for Steadfast because it is a bespoke system only for [the use of] Steadfast network brokers," he says.

While he won't explicitly say so, it's apparent that Mr Kelly views Insight as a key part of his strategy to further expand the Steadfast family.

Under his watch, the ASX-listed company has grown to become one of the country's biggest broker cluster groups, offering a plethora of general insurance products.

It is now the largest group of its type with more than 300 fully owned, partly owned or aligned but independent brokers and 22 underwriting agencies.

Steadfast network brokers and the underwriting agencies generated billings of more than \$6 billion in 2014/15.

Its net profit grew 68% to \$42.1 million and gross written premium (GWP) placed by the network increased 8% to \$4.4 billion.



Mr Kelly expects Insight to provide an extra incentive for brokers to join the network.

“Along with other services that we provide, it will be conducive to those wanting to change and become a Steadfast broker, with all the efficiencies that Steadfast means to its broker network,” he says.

“It’s central to the core of how we go about doing business and it’s very, very important to us to see back-office efficiencies and reduced prices, while improving client-broker compliance and instruction execution.”

Corporate history is littered with a list of big-name titans that have flopped spectacularly when they tried venturing beyond their main realm of expertise.

As Ebix Australia Managing Director Leon d’Apice commented wryly in October 2010 when cluster group IBNA announced it was developing its own (ultimately unsuccessful) broker system: “What we have seen over the years is the IT road in this industry is littered with corpses.”

Nearly six years after getting into IT development, IBNA isn’t shedding any tears over the 2014 sale of 90% of its broker management system to UK-based insurance services company Xchanging.

The system had a troubled development after IBNA formed a joint venture with BrokerCentral developer InsuranceConnect in October 2010. The project to acquire and develop BrokerCentral was controversial among many IBNA members, who from the start

questioned the need for it.

Steadfast had previously looked at BrokerCentral but a few months before IBNA signed up backed away from negotiations to purchase it.

Over the next few years IBNA reputedly spent millions of dollars developing BrokerCentral. It ended the joint venture in November 2011, then six months later renamed the system BrokersIT and outsourced its development.

The system was sold to Xchanging in November 2014 for an undisclosed price.

IBNA President Gary Gribbin’s explanation for the sale tends to support the belief that in IT at least, sticking to your main game is infinitely safer.

“IBNA is a broking cluster group, not an IT or technology company,” he tells *Insurance News*. “We just didn’t have either the operating capacity or financial resources to carry it to market, so what we needed was someone who had all the technological skills and the resources and structure to do that.”

Xchanging has already invested in improvements to the system that leave Mr Gribbin in no doubt the decision to sell BrokersIT was the right one.

“There has been a huge amount of work done on the system,” he says. “A lot of coding work has now been completed.”

Mr Gribbin says there remains a “distinct possibility” that IBNA may increase its 10% holding in X-alt in the future.

*Insurance News* understands the sale agreement with Xchanging includes provi-



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– Steadfast Managing Director Robert Kelly

sions regarding the future use of the X-alt system by IBNA members.

Xchanging says it has attracted new customers since launching the system in April last year, but will not give *Insurance News* any figures.

“We are engaging with brokers, insurers and premium funders across Australia,” Head of Insurance Diego Ascani says. “The reception has been excellent and our momentum continues to grow.”

However, informed sources have told *Insurance News* the number of brokers to move across to X-alt so far is “very, very few”.

Despite the IBNA example and numerous other sagas of companies failing to build in-house IT systems, Mr Kelly has no time for industry critics who say Steadfast would be better off using the systems that already exist in the market and concentrating instead on its main insurance activities.

“They are idiots, and probably part of the IT legacy that holds back the whole development world. It’s not a distraction. It is core to our activities.”

Steadfast is no doubt taking a gamble getting into the broker system business, but Mr Kelly believes this is the only way to go if the company is to secure its future.

“The reality is the incumbent systems do a very good job, but we don’t want to have a third party controlling our destiny,” Mr Kelly tells *Insurance News*. “We want to be in charge of our own destiny.”

“The execution of data is the most crucial part of our business processes. You can’t operate without it. Data is king, and transaction and usage is paramount to cost containment.”

While Mr Kelly did not name who that third party is, there are no prizes for guessing he was referring to Ebix Australia.

Relations between the two companies can be described as cordial at best, or rocky if you prefer, after a highly publicised spat over an interface between Ebix’s broking systems and the Steadfast Virtual Underwriter (SVU) transaction platform.

Ebix Australia is a wholly owned subsidiary of US-listed Ebix, and dominates more than 80% of the Australian market, thanks to its three insurance broking systems – WinBEAT, eGlobal and CBS.

More than 10,000 insurance intermediaries log into an Ebix broking system each day – an 18% increase in the past five years.

And most are using Ebix’s Sunrise Exchange and iClose transaction platforms.

Sunrise Exchange is the industry’s leading platform. There are about 967 active connections to the platform, which sees an average of 8000 policies transacted daily.

It has the support of eight major insurers – AIG, Allianz, Calibre Commercial Insurance, CGU, National Transport Insurance, QBE, Vero and Zurich.

Overall gross written premium processed via Sunrise Exchange last year exceeded \$2.9 billion, and when combined with iClose, the figure was over \$3 billion.

But Steadfast wants to run its own complete system independent of the dominant Ebix offerings – a situation that has led to a protracted conflict between the two.

Top of the list is the long-running skirmish over Ebix’s commercial terms to build and maintain an interface between its broking systems and the SVU.

For the fourth consecutive year the com-

pany was not invited to the Steadfast Convention in April. Ebix had been a regular exhibitor prior to 2013.

Mr Kelly says the invitation is not extended as Ebix Australia is “not a strategic partner”.

However, he insists that doesn’t mean relations between the two companies are at a standstill.

“A really good relationship exists between Ebix and Steadfast Technologies. [Mr d’Apice] is a very professional guy and reliable with the products that he puts into the market. Ebix serves the industry well with the products they have developed.”

Mr d’Apice tells *Insurance News* he also sees the relationship as “healthy”, despite the breakdown in talks over the SVU interface.

“We differ on a number of matters but we still have a healthy respect for Steadfast and we do engage with them on other projects,” he says. “We still, to this day, work for Steadfast in terms of information-gathering. The relationship with them is professional, with open lines of communication.”

Mr d’Apice says the insurance technology specialist is always ready to meet any new challenges and competition.

“We always watch what is happening in the market and try to act appropriately,” Mr d’Apice tells *Insurance News*. “There has always been competition, which encourages us to develop and offer new and enhanced solutions to the market.”

“Competition is healthy. We are not daunted by it. We recognise that competition is a good thing in the market.”

For the moment, Mr d’Apice prefers to let the market be the judge of whether Insight is a better alternative to what his



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company offers, and he is quietly confident that history is on his side.

“A lot of new software products have been launched but failed miserably,” he says. “In terms of where we are sitting with a product like Insight, the jury is still out on whether it will be successful.”

Steadfast’s move to run its own broker system does not come as a surprise to Mr d’Apice, but he maintains this end of the business is better left to the specialists like Ebix to manage.

“It’s an expensive exercise to develop a broking system but equally important is the high cost to maintain a broking system,” he says. “Many underestimate the complexity of the ongoing system support requirements.”

“Historically, local and international brokers have developed broking systems but they have largely stopped doing that because of the challenges involved.”

The cost of maintaining the software running a system over its reasonable life can easily run up to five to 10 times the initial investment, he says.

Besides, mixing technology and insurance together is not always a surefire recipe for success, as Google’s recent closure of its insurance comparison website in the US and UK demonstrates.

“Technology companies don’t do well in insurance and typically, insurance companies don’t do well in technology. Google is a good illustration of the first point,” Mr d’Apice says.

“Software development is an expensive exercise and a business you need to concentrate on. Many corporates have shown they are not necessarily good in the software development arena.”

He says Ebix has done extremely well in Australia, and also in the US, because the company understands what clients need.

“The major international brokers including Aon, Marsh, Willis all have internal software development capabilities, yet they use our broking systems both in Australia and internationally,” Mr d’Apice says.

“They don’t do that just because they like us. Their decisions were made because we have got good solutions that address their requirements. They also know that building and maintaining systems is an expensive exercise. It can be a minefield.”

He says the company does not for one second take its success for granted and is already working on a fourth broking system called Ebix Evolution.

A test version of Evolution has already been released for a few of its larger clients to review.

“Their feedback has been very positive,” Mr d’Apice says. “We have been working on Evolution for the past 18 months.”

“It’s designed as a global project and backed by a multi-million dollar investment. We have to constantly reinvent our software products to remain relevant and that is what Ebix Evolution is all about.”

The Australian market remains an attractive proposition despite the drop in the number of brokers in the past 10-15 years.

A broking system is a must-have for every insurance broker in Australia and the latest Vero SME Insurance Index finding that the proportion of business owners using brokers has increased is good news for Ebix.

“There are businesses in the Asia-Pacific region who can survive without a broking

system, but you can’t operate without one in Australia,” he says.

“Broking systems provide the backbone for any business managing clients, transaction processing, assisting with compliance... I don’t think you will ever see broking systems made redundant.”

The way Mr d’Apice sees it, broking systems will take on greater importance as the industry evolves and brokers seek greater levels of efficiency.

“Over the years, broking systems have become more sophisticated in what they offer a broker, and for the future these levels of sophistication will increase in order to provide even more facilities for brokers,” he says.

“The future will see greater interconnectivity to third parties and external systems. Customer self-service and mobility solutions will also play an increasingly important role.”

The figures explain why Ebix guards its stranglehold of the market zealously and devotes more than 40% of Australian revenues on research and development. The company says the size of its R&D budget is confidential.

“We invest heavily in R&D to ensure that our broking systems remain market-leading solutions. This situation hasn’t changed since we commenced developing software for this market over 25 years ago,” Mr d’Apice says.

Australia accounts for around 2% of GWP globally but it plays an outsized role as a revenue source for Ebix and is the company’s biggest market outside of North America.

Of the \$US265.5 million earned last year, Australia’s contribution “is far more than