Navigating Channel Conflicts

The Evolving Power Structures in SME Insurance

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When was the last time you thought about insurance? While rarely top of mind, insurance plays a crucial role in modern society by providing the security that enables individuals, businesses, and economies to function and grow. However, due to its low customer engagement and intangible nature, many individuals and firms remain under-informed. Combined with the fact that insurance is fundamentally a trust-based product, this creates a persistent information and trust gap between buyers and providers.

It is precisely this gap that insurance brokers leverage in building their business models. By comparing multiple insurers' offers and advising customers on the most suitable option, brokers build trust and drive transactions. In the Swedish market, recent technological developments have enabled brokers to increasingly serve smaller companies while maintaining profitability. As a result, the small-to-medium enterprise segment has seen a significant shift toward broker-mediated distribution, away from traditional direct insurer relationships. This raises an important question: what happens to market dynamics and customer experience when intermediaries gain increasing influence within the insurance ecosystem?

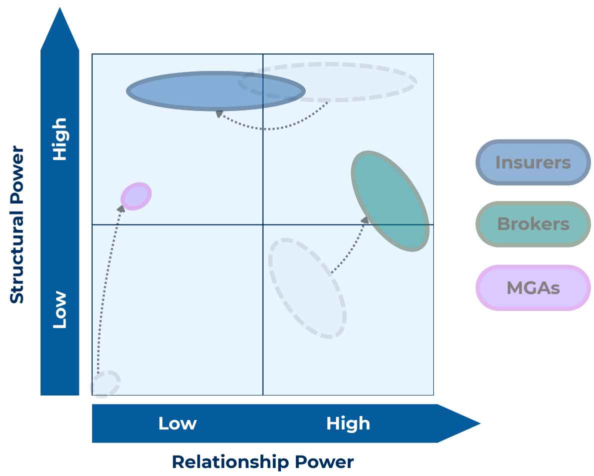
To address this, the study examines key market trends and their implications for Swedish insurers. It assesses how these developments affect insurers' power positions, dependencies, and strategic responses in an evolving market.

One of the most central findings is that customer ownership has largely shifted toward brokers. Brokers increasingly control the primary customer relationship through regular interaction and advisory roles, enabling them to significantly influence decision-making.

Second, the emergence of AI and digital technologies is reshaping market dynamics. While uncertainty remains regarding the pace and scope of disruption, it is clear that these technologies will significantly improve operational efficiency across the value chain. However, brokers may be particularly well positioned to benefit, as they can leverage digital platforms as scalable interfaces while spending more time with clients.

Third, brokers are expanding their role beyond traditional intermediation by integrating more deeply into the insurance value chain. If insurers do not adapt, they risk being reduced primarily to providers of risk capacity within the SME segment.

Taken together, the shifts in power across the dimensions, relationship and structural, is illustratad below.



The illustrated movements indicate a power shift towards brokers, and away from insurers. Consequently, insurers must now internally assess who they are, who they want to be in the future, and how they can get there.