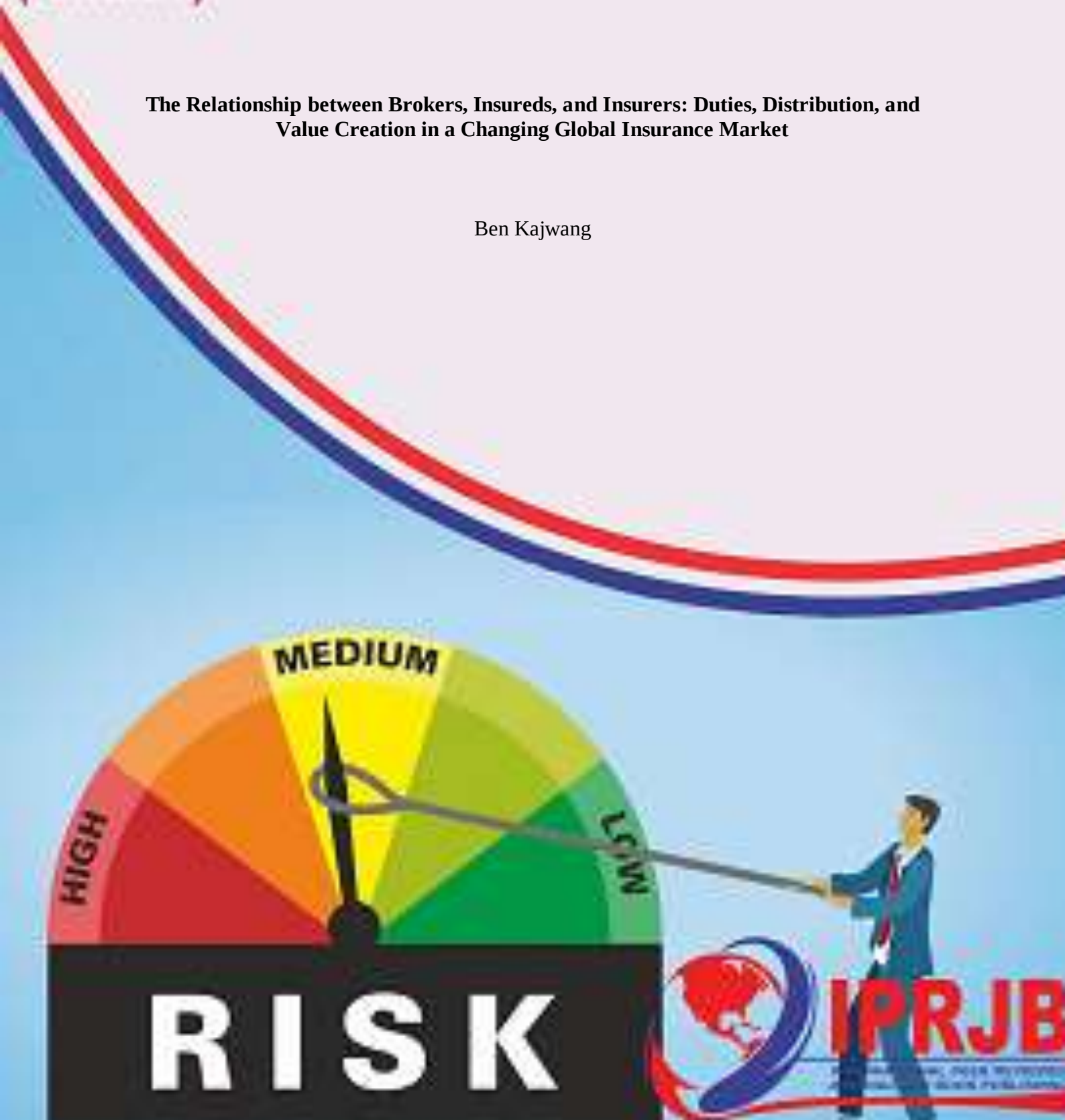


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The Relationship between Brokers, Insureds, and Insurers: Duties, Distribution, and Value Creation in a Changing Global Insurance Market

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The Relationship between Brokers, Insureds, and Insurers: Duties, Distribution, and Value Creation in a Changing Global Insurance Market



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Abstract

Purpose: This paper critically examines the relationships among insurance brokers, insureds, and insurers, focusing on professional duties, market distribution, contractual authority, and economic value creation.

Methodology: A qualitative literature review approach was adopted, synthesizing scholarly studies, legal frameworks, and international insurance market reports, primarily published between 2020 and 2025. The review was guided by Agency Theory and Stakeholder Theory, with evidence organised into five thematic areas.

Findings: Findings revealed that insurance intermediaries remained essential in reducing information asymmetry, facilitating risk transfer, and enhancing customer protection. However, dual agency, remuneration arrangements, and overlapping contractual obligations created potential conflicts of interest. Digitalization and alternative risk-financing mechanisms further transformed intermediary responsibilities, increasing the importance of professional competence and regulatory accountability.

Unique Contribution to Theory, Practice and Policy: Based on the reviewed literature, the paper informs intermediary governance and advisory practices and supports clearer contractual authority, remuneration transparency, and stronger consumer protection regulations in contemporary insurance markets.

Keywords: *Insurance Brokers, Insurance Agents, Dual Agency, Duty of Care, Distribution Channels, Captive Insurance; Protection Gap, Authority to Bind*

JEL Codes : G22, D82, K12, L14, G28

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INTRODUCTION

Insurance plays a critical role in economic development by facilitating risk transfer, protecting assets, promoting investment, and strengthening financial resilience (Swiss Re Institute, 2024). Its effectiveness, however, depends considerably on the relationships among insurance brokers, insureds, and insurers, which determine how insurance products are distributed, contractual obligations are fulfilled, and policyholders' interests are protected (Kajwang, 2013). Insurance brokers are professional intermediaries who facilitate the identification, negotiation, and placement of insurance coverage on behalf of clients, while insureds are individuals or organisations protected against specified risks by insurers in exchange for premiums (Practical Law, 2024). These relationships are anchored in agency theory, contractual obligations, fiduciary responsibilities, and the duty of care. Particularly important is dual agency, whereby brokers primarily represent insureds but may undertake authorized functions on behalf of insurers, creating overlapping professional and legal responsibilities. Understanding these relationships is essential for evaluating insurance distribution efficiency, intermediary accountability, and consumer protection.

Globally, insurance intermediation remains central to insurance market operations despite increasing digitalization and the emergence of alternative distribution channels. McKinsey & Company (2021) established that direct distribution accounted for approximately 6–7% of global insurance premiums, underscoring the continuing significance of brokers and agents. Moreover, the global captive insurance sector expanded to approximately 6,290 licensed captives by the end of 2024, reflecting growing demand for alternative risk-financing arrangements (Business Insurance, 2025). Nevertheless, Swiss Re Institute (2024) identified substantial global insurance protection gaps, demonstrating that insurance market expansion has not necessarily translated into adequate risk coverage. These developments highlight the evolving responsibilities of brokers in risk assessment, product selection, information disclosure, and professional advisory services.

Across Africa, insurance markets are characterised by considerable differences in penetration, distribution infrastructure, and consumer accessibility. The African Insurance Organisation (2025) reported insurance penetration of approximately 11.54% in South Africa and 7.41% in Namibia in 2024, illustrating significant regional variations in insurance market development. In many African economies, limited insurance awareness, affordability constraints, and information asymmetry continue to influence insurance uptake. Consequently, intermediaries play an important role in connecting consumers with insurers, although commission-based remuneration and overlapping agency obligations may generate conflicts of interest affecting transparency and professional independence (African Insurance Organisation, 2025).

In Kenya, insurance sector expansion has similarly raised questions concerning the effectiveness of intermediary relationships. The Insurance Regulatory Authority (2026) reported gross direct premiums of approximately KES 466.58 billion in 2025, while insurance penetration increased from 2.45% in 2024 to 2.63% in 2025. Despite this growth, relatively low penetration indicates continuing challenges in extending insurance protection. Although existing literature recognizes brokers' responsibilities in facilitating insurance transactions, uncertainties remain regarding the boundaries of their duties to insureds and insurers, particularly concerning disclosure, professional negligence, conflicts of interest, and authority to bind insurers (Kajwang, 2013; Insurance Regulatory Authority, 2026).

There is insufficient integration of legal, professional, and economic perspectives explaining how the obligations of brokers, insureds, and insurers interact within contemporary insurance markets. This lack of integration is problematic because it contributes to conflicting court rulings on broker negligence, leaves policyholders inadequately represented during claims disputes, creates regulatory ambiguity around commission disclosures and dual-agency arrangements, and weakens accountability mechanisms that should protect consumers while supporting efficient distribution (Jampol, 2011; Schwartz et al., 2023). Therefore, the purpose of this literature review paper is to critically synthesize existing theoretical, legal, and empirical literature concerning the relationships between insurance brokers, insureds, and insurers. Specifically, the review seeks to examine brokers' duties toward insureds, evaluate brokers' obligations toward insurers, and analyse insurers' responsibilities toward broker-represented insureds. Through this synthesis, the paper identifies conceptual and regulatory gaps and highlights implications for professional accountability, insurance distribution, and consumer protection.

LITERATURE REVIEW

Theoretical Framework

Agency Theory

Agency Theory was developed by Jensen and Meckling (1976) to explain contractual relationships in which a principal delegates responsibilities and decision-making authority to an agent. The theory assumes that principals and agents may pursue different objectives, possess unequal information, and respond to different financial incentives. These conditions create agency problems, particularly information asymmetry, moral hazard, conflicts of interest, and monitoring costs. Eisenhardt (1989) subsequently extended the theory by explaining how contractual arrangements, information systems, and monitoring mechanisms could reduce agency-related problems. The theory has been applied in corporate governance, financial services, and insurance markets to explain relationships involving delegated responsibilities and professional accountability.

In the insurance industry, Agency Theory explains the relationships among brokers, insureds, and insurers. Insurance brokers generally represent insureds when assessing risks, recommending policies, and negotiating insurance arrangements. However, brokers may also receive commissions from insurers or exercise authority delegated by insurance companies, creating potential conflicts between their professional obligations and financial incentives. Weston et al. (2022) established that insurer appointment requirements could create overlapping agency relationships and complicate brokerage independence. These findings demonstrated the relevance of Agency Theory in explaining dual agency, remuneration arrangements, contractual authority, and professional duties.

Nevertheless, Agency Theory has been criticized for emphasising self-interest and contractual monitoring while giving insufficient attention to trust, professional ethics, and cooperative relationships. Despite these limitations, the theory was considered appropriate for the present literature review because it explained how intermediary incentives, delegated authority, and information asymmetry influenced the allocation of responsibilities between brokers, insureds, and insurers. It particularly informed the themes concerning agency relationships, professional duties, contractual authority, and regulatory accountability.

Law of Agency

The Law of Agency provides the legal foundation for understanding the authority and liability of insurance intermediaries. Under the Law of Agency, an agent may possess express authority (explicitly granted by the principal), implied authority (reasonably necessary to carry out express authority), or ostensible (apparent) authority (where the principal's conduct leads a third party to reasonably believe that the agent has authority) (Practical Law, 2024; Schwartz et al., 2023). In insurance intermediation, these forms of authority determine whether a broker's actions bind the insured, the insurer, or both. Express authority arises from formal appointment or written instructions, while implied authority covers acts that are incidental to the broker's mandate, such as negotiating terms or collecting information. Ostensible authority becomes particularly significant when insurers allow brokers to hold themselves out as having binding powers, thereby creating potential liability for the insurer even in the absence of actual authority. The Law of Agency therefore clarifies the legal boundaries of dual agency and the circumstances under which brokers can create enforceable obligations between insureds and insurers.

Fiduciary Duty Theory

Fiduciary Duty Theory imposes elevated standards of loyalty, good faith, and utmost care on parties who undertake to act on behalf of others. In insurance, the principle of *uberrimae fidei* (utmost good faith) requires full disclosure of material facts by both insureds and insurers, while brokers, when acting as agents of the insured, owe duties of loyalty, avoidance of conflicts of interest, and prioritisation of the client's interests (Jampol, 2011; Practical Law, 2024). The duty of loyalty prohibits secret profits, undisclosed commissions, and self-dealing without the principal's fully informed consent. Where a fiduciary relationship is established, brokers must subordinate their own financial interests to those of the insured and disclose all material information relevant to the transaction. Fiduciary Duty Theory therefore provides the ethical and legal standard against which broker conduct is evaluated, particularly in cases involving dual agency, commission arrangements, and professional negligence. It complements Agency Theory by emphasising the higher standard of care that arises once a relationship of trust and confidence is formed.

Stakeholder Theory

Stakeholder Theory was developed by Freeman (1984) to explain how organisational performance depended on relationships with individuals and groups capable of influencing or being influenced by organisational activities. The theory assumes that organisations operate within interconnected stakeholder networks and that sustainable value creation requires consideration of multiple legitimate interests. Donaldson and Preston (1995) subsequently distinguished descriptive, instrumental, and normative dimensions of Stakeholder Theory, demonstrating its relevance to organisational behaviour, performance, and ethical responsibility. The theory has been applied across business management, financial services, and corporate governance to explain stakeholder cooperation, accountability, and long-term organisational sustainability.

Within insurance markets, the theory explains relationships among insureds, insurers, brokers, agents, regulators, reinsurers, investors, and other financial institutions. These stakeholders pursue different but interconnected interests. Insureds seek affordable premiums, adequate coverage, and reliable claims settlement, while insurers prioritise underwriting profitability, solvency, and sustainable business operations. Consequently, brokers facilitate interactions

between these parties through professional advice, information exchange, and insurance placement. Courbage and Nicolas (2021) established that customer experiences significantly influenced trust in insurance providers, while Eckert et al. (2022) demonstrated the importance of digital technologies in managing insurance customer relationships. These findings illustrated how stakeholder interactions influenced service quality and institutional performance.

However, the theory has been criticized for providing limited guidance on resolving conflicts between competing stakeholder interests and determining whose interests should receive priority. Despite these limitations, the theory was appropriate for the present literature review because it explained how cooperation, transparency, customer orientation, and responsible insurance distribution contributed to value creation. It particularly informed the themes concerning stakeholder relationships, customer satisfaction, insurance intermediation, market distribution, and alternative risk-financing arrangements within changing global insurance markets.

Empirical Review

Broker Fiduciary Duties and Disclosure Responsibilities to Insureds

Courbage and Nicolas (2021) investigated how previous experiences with insurance companies influenced customers' trust in insurance providers across seven industrialised countries. Using survey data from insurance consumers, the study compared the effects of positive and negative experiences on institutional trust. The findings established that more than half of the respondents reported negative experiences, and that negative experiences exerted a stronger influence on trust than positive ones. These results underline the importance of transparent disclosure and professional conduct by intermediaries, as breaches of expected standards of care and communication can significantly erode policyholder confidence.

Chege (2022) examined the influence of service assurance on customer satisfaction among 400 policyholders drawn from 19 composite insurance companies in Kenya. Applying a multilevel analytical approach, the study considered dimensions such as professional courtesy, customer confidence, transaction security, and adequacy of information. The findings demonstrated that service assurance characteristics were positively associated with customer satisfaction, reinforcing the view that brokers' fiduciary obligations—particularly the duty to provide clear, accurate, and complete information—directly affect policyholder welfare and confidence in the insurance relationship.

Jahnert and Schmeiser (2022) explored the relationship between customer satisfaction, measured through the Net Promoter Score, and insurance profitability at the individual customer level. The study highlighted that satisfaction and profitability represent distinct yet interconnected dimensions of insurance performance. This finding is relevant to fiduciary responsibilities because sustained customer satisfaction depends on intermediaries fulfilling their duties of care, loyalty, and disclosure rather than prioritizing short-term transactional gains.

Dual Agency, Insurer Appointments, and Conflicts of Interest

Weston et al. (2022) examined how insurer appointment requirements affected insurance brokers' independence, regulatory compliance, and relationships with insurers in the United States. Through a legal and regulatory analysis, the study established that mandatory appointment requirements could create overlapping agency relationships and impose administrative burdens on brokers who primarily represent policyholders. The authors

concluded that regulatory reform should reconsider unnecessary appointment requirements while retaining appropriate safeguards against intermediary misconduct. These findings illustrate the practical tensions inherent in dual agency arrangements.

Tong (2023) investigated the influence of insurance broker remuneration on pricing, intermediary incentives, and product quality in the United States health insurance market. Using an empirical economic approach, the study challenged the assumption that intermediary compensation necessarily harms policyholders in every circumstance. Instead, it suggested that remuneration structures can shape both pricing incentives and the efficiency of matching customers with appropriate products. The analysis highlights how commission-based arrangements, a common feature of dual agency, may generate conflicts of interest that require careful regulatory and professional management.

Eckert, Neunsinger, and Osterrieder (2022) reviewed the role of digital technologies in improving customer satisfaction management within insurance institutions. Although primarily focused on technological applications such as artificial intelligence and cloud computing, the study emphasised that effective digital tools must be embedded within customer-oriented organisational processes. This insight is relevant to dual agency contexts, where technology-mediated interactions can either mitigate or amplify conflicts of interest depending on the transparency and alignment of intermediary incentives.

Contractual Authority to Bind and Judicial Interpretations of Intermediary Conduct

Eling, Nuessle, and Staubli (2022) conducted a structured review of 113 academic and industry sources examining the influence of artificial intelligence on insurance operations, risk assessment, and insurability. While the study addressed operational efficiency and emerging risks, it also raised questions about the allocation of responsibility when automated or technology-assisted intermediaries make recommendations or facilitate placements. Such developments have implications for determining the scope of a broker's authority to bind and the legal consequences of intermediary conduct.

The International Association of Insurance Supervisors (IAIS, 2025) reported that monitored global insurance assets reached approximately USD 42 trillion by the end of 2024, an increase of about 3%. The report identified artificial intelligence governance, financial market volatility, and geopolitical developments as key supervisory concerns. These findings underscore the need for clear regulatory frameworks governing intermediary authority, particularly as digital distribution channels expand and the boundaries of contractual authority become less straightforward.

METHODOLOGY

The study adopted a qualitative literature review design to critically examine relationships among insurance brokers, insureds, and insurers, focusing on professional duties, contractual authority, market distribution, regulatory accountability, and economic value creation. The review was guided by Agency Theory and Stakeholder Theory and employed a structured literature identification, screening, eligibility assessment, and synthesis process. A total of 119 publications were initially identified through searches of Google Scholar, Scopus, Web of Science, ScienceDirect, and institutional repositories. Search terms included insurance intermediation, broker–insured–insurer relationships, dual agency, insurance distribution, intermediary duties, contractual authority, and insurance regulation. Priority was given to publications from 2020 to 2025, alongside foundational theoretical and legal sources.

The review applied a four-stage selection framework informed by PRISMA 2020 reporting principles (Page et al., 2021). Following identification, 37 duplicate or insufficiently relevant records were removed, leaving 82 publications for title and abstract screening. A further 34 publications were excluded because they lacked sufficient relevance to intermediary relationships, contractual obligations, or insurance market developments. Consequently, 48 full-text publications underwent eligibility assessment. Of these, 26 were excluded for limited methodological clarity, insufficient analytical depth, or inadequate alignment with the review objectives. The final synthesis therefore comprised 22 publications.

Eligible sources included peer-reviewed empirical studies, conceptual analyses, legal scholarship, and authoritative insurance market reports. Relevant information was extracted concerning study objectives, geographical context, methodology, findings, and implications. Thematic analysis was employed to identify recurring patterns, disagreements, and research gaps across five themes. Findings were interpreted through Agency Theory and Stakeholder Theory.

THEMATIC FINDINGS

Stakeholder Relationships, Customer Orientation, and Service Quality in Insurance Markets

Based on the reviewed literature, insurance markets are characterised by interconnected relationships among insurers, insureds, brokers, agents, regulators, reinsurers, and other financial institutions. Weston et al. (2022) established that insurance brokers occupied a distinctive position because they represented policyholders while maintaining contractual relationships with insurers. Their findings showed that these relationships created overlapping responsibilities, particularly where insurer appointment requirements influenced brokerage independence. The reviewed studies further established that customer satisfaction was closely associated with the quality of interactions among insurance stakeholders. Courbage and Nicolas (2021), using evidence from seven industrialised countries, found that previous insurance experiences significantly influenced customer trust. Their findings indicated that negative experiences had stronger effects on trust than positive experiences. Similarly, Jahnert and Schmeiser (2022) examined customer satisfaction and insurer profitability, demonstrating the importance of customer relationships in insurance business performance.

Regarding technological developments, Eckert et al. (2022) established that digital applications offered opportunities to improve customer communication, service responsiveness, and satisfaction management. However, their findings suggested that technological integration required appropriate organisational processes to achieve customer-oriented outcomes. In Kenya, Chege (2022) identified professional courtesy, customer confidence, transaction security, and adequate information as important dimensions of insurance service quality. IAIS, (2025) reinforced these findings and reported approximately USD 42 trillion in monitored insurance assets in 2024, highlighting the economic significance of insurance stakeholder relationships. Collectively, the reviewed literature established that customer satisfaction and service quality depended on coordinated stakeholder responsibilities. Nevertheless, existing studies provided limited evidence distinguishing brokers' influence on customer satisfaction from insurers' underwriting, claims administration, and service delivery performance.

Table 1: Stakeholders on the Insurance Market (Adapted from the Original 2013 Analysis)

Stakeholder Category	Role in Relation to the Insurer
Owners	Contribute capital; bear the risks associated with launching and operating insurance activities.
Managers	Contribute knowledge, qualifications, and managerial skills; make operational and strategic decisions.
Employees	Perform assigned tasks; participate in defined internal processes; contribute knowledge and qualifications.
Exclusive agents	Sell insurance on behalf of the insurer; participate in defined sales processes.
Private and institutional clients	Buyers of insurance products; end-users of insurance protection.
Insurance brokers and independent agents	Insurance intermediaries connecting insureds and insurers; place and negotiate coverage.
Reinsurers	Assume a portion of the insurer's underlying risk in exchange for a share of premium.
Banks (bancassurance)	Distribute insurance products through banking channels in cooperation with the insurer.
Regulators and supervisory authorities	Set and enforce conduct, capital, and market-integrity standards.
Competitors, consultants, research bodies, and the community	Shape the broader competitive, advisory, and social environment in which the insurer operates.

Insurance Intermediation, Market Distribution, and Economic Value Creation

Evidence from the literature held that insurance intermediation remained an important mechanism for facilitating insurance distribution, reducing information asymmetry, supporting risk management, and promoting economic resilience. For instance, OECD (2025) established that insurance markets contributed to economic activity through premium mobilization, claims settlement, investment management, and risk transfer. Its analysis of 67 jurisdictions reported that average insurance penetration increased from 5.3% in 2023 to 5.4% in 2024. These findings demonstrated continued insurance market development, although they did not directly measure the contribution of insurance intermediaries.

In addition, the reviewed studies established that intermediaries performed functions extending beyond insurance product distribution. Weston et al. (2022) found that brokers facilitated relationships between policyholders and insurers while operating within regulatory arrangements that influenced professional independence. Similarly, Eling et al. (2022) established that differences in information acquisition technologies affected insurance market competition and customer allocation. Their findings demonstrated the importance of information availability in determining insurance pricing and market efficiency. Regarding technological transformation, Eling et al. (2022) established that artificial intelligence influenced insurance distribution, underwriting, claims management, and risk assessment. The findings indicated that technological innovation could improve operational efficiency while

transforming traditional intermediary functions. Intermediaries potentially contributed to financial inclusion by improving insurance accessibility and communicating available risk protection options. However, the studies did not establish that increased brokerage activity automatically produced higher insurance penetration or stronger economic growth.

Insurance Intermediaries, Alternative Risk Financing, and Technological Transformation

Based on the reviewed literature, insurance intermediaries increasingly operated within markets characterised by alternative risk-financing arrangements, technological innovation, and changing organisational risk-management requirements. Business Insurance (2025), as reported in the original manuscript, estimated that approximately 6,290 licensed captive insurers operated worldwide at the end of 2024. Captive Review (2025) separately reported captive premiums exceeding USD 201 billion in 2023. These findings indicated growing interest in alternative risk financing, although differences in reporting periods and market definitions limited direct comparisons. Thus, the literature showed that organisations adopted such arrangements to improve control over retained risks, manage insurance expenditure, and address limitations in conventional insurance coverage.

Scholarly evidence further established that technological developments influenced insurance risk management. Eling et al. (2022) found that artificial intelligence affected underwriting, claims administration, risk classification, and insurance distribution. Their findings demonstrated that technological applications created opportunities for operational efficiency while introducing challenges concerning data governance, fairness, and insurability. Similarly, Eckert et al. (2022) established that digital applications influenced customer relationship management and insurance service delivery. The OECD (2025) additionally identified catastrophe exposures, cyber risks, and financial market volatility as important insurance sector vulnerabilities. Collectively, the reviewed literature established that alternative risk financing and technological innovation expanded the professional responsibilities of insurance intermediaries. Brokers increasingly required expertise in risk assessment, coverage design, and advisory services beyond conventional policy placement.

Agency Relationships, Dual Agency, and Professional Duties of Insurance Intermediaries

The reviewed literature confirmed that agency relationships were central to understanding the professional responsibilities of insurance brokers and agents toward insureds and insurers. Weston et al. (2022) established that insurance brokers generally represented policyholders, whereas agents typically acted under authority granted by insurers. However, their findings demonstrated that insurer appointment requirements could create overlapping agency relationships, complicating brokerage independence and professional accountability. The review further established that dual agency created potential conflicts between policyholder representation and insurer-related obligations. Weston et al. (2022) found that mandatory insurer appointments could impose administrative burdens while generating uncertainty concerning intermediary responsibilities. Their analysis suggested that professional liability arrangements and appropriate regulatory safeguards could provide alternative mechanisms for protecting policyholders.

Regarding remuneration arrangements, Tong (2023) findings suggested that remuneration arrangements did not necessarily disadvantage consumers, although their effects depended on market conditions and incentive structures. These findings demonstrated the importance of evaluating conflicts of interest within specific insurance distribution arrangements. On

professional competence and customer protection, Courbage and Nicolas (2021) established that negative insurance experiences significantly influenced customer trust. Similarly, Chege (2022) identified professional courtesy, adequate information, transaction security, and customer confidence as important dimensions of insurance service assurance in Kenya. Therefore, the reviewed literature established that brokers' primary responsibilities included appropriate advice, accurate communication, reasonable professional care, and compliance with contractual obligations.

Contractual Authority, Regulatory Accountability, and Insurer–Broker–Insured Obligations

Based on the reviewed literature, contractual authority and regulatory accountability were fundamental in determining the responsibilities of brokers, insureds, and insurers within insurance transactions. Weston et al. (2022) established that insurer appointment requirements influenced intermediary authority and created overlapping agency relationships. Their findings demonstrated that formal contractual arrangements affected brokerage independence, professional obligations, and consumer protection. Furthermore, the literature demonstrated that express, implied, and apparent authority are mechanisms through which intermediaries could act on behalf of insurers. According to Chege (2022), express authority arose through explicit authorization, while implied authority depended on circumstances associated with authorized activities. Apparent authority concerned situations where an insurer's representations reasonably created the impression that an intermediary possessed authority to act on its behalf. These distinctions established that brokerage relationships did not automatically confer authority to bind insurers.

Eling et al. (2022) further established that artificial intelligence influenced underwriting, insurance distribution, and operational decision-making. Their findings demonstrated that automated technologies increasingly performed functions traditionally undertaken through direct professional interactions. Similarly, Eckert et al. (2022) demonstrated those digital applications influenced customer communication and insurance organisational processes. These findings highlighted the importance of clearly defined responsibilities within technologically mediated insurance transactions. IAIS (2025) supported these observations by identifying artificial intelligence governance, financial market volatility, and emerging operational risks as important supervisory concerns. These developments reinforced the significance of institutional accountability and effective oversight.

Discussion: The Broker-Insured-Insurer Relationship in Today's Market

The relationship between brokers, insureds, and insurers remains fundamental to insurance market efficiency, financial protection, and economic value creation. Although digitalization has transformed insurance distribution, the continuing complexity of risk assessment and coverage selection reinforces the importance of professional intermediation. Insurance penetration across 67 jurisdictions increased from 5.3% in 2023 to 5.4% in 2024, indicating modest market expansion despite persistent protection challenges (OECD, 2025). However, market growth does not necessarily translate into adequate insurance coverage or improved policyholder outcomes. Brokers therefore remain important in connecting insurance demand with suitable products, addressing information asymmetry, and facilitating informed purchasing decisions. Their contribution should consequently be assessed through coverage suitability, advisory quality, and customer protection rather than distribution volumes alone.

In addition, technological transformation presents opportunities to strengthen these relationships while introducing additional professional responsibilities. Artificial intelligence and digital applications have improved information processing, underwriting, claims administration, and customer interactions, potentially reducing transaction costs and enhancing service responsiveness (Eling et al., 2022; Eckert et al., 2022). Nevertheless, automation cannot entirely substitute professional judgement, particularly where insurance arrangements involve complex exposures, exclusions, or specialized contractual requirements. Brokers must therefore adapt from predominantly transactional functions towards advisory roles involving technological competence, data interpretation, and risk communication. This transition also requires insurers to establish transparent digital processes that preserve accountability and enable insureds to understand coverage decisions.

Besides, the expansion of alternative risk-financing arrangements demonstrates the changing nature of insurance intermediation. Approximately 6,290 licensed captive insurers operated worldwide in 2024, while captive premiums reportedly exceeded USD 201 billion in 2023 (Business Insurance, 2025; Captive Review, 2025). Rather than necessarily displacing brokers, captive insurance creates opportunities for specialised advice concerning retained risks, programme structuring, and coordination between conventional and alternative insurance arrangements. However, these developments also increase the importance of professional independence because recommendations must reflect insureds' risk-management requirements rather than intermediaries' commercial incentives.

Agency relationships nevertheless remain a significant source of tension within insurance distribution. Brokers' responsibilities towards insureds may overlap with contractual obligations to insurers, particularly where appointment requirements, delegated authority, and remuneration arrangements influence professional conduct. Consequently, clear disclosure, appropriate advice, and transparent contractual authority are essential for managing conflicts of interest. Remuneration should be evaluated according to its effects on consumer outcomes rather than presumed inherently harmful (Tong, 2023). Equally, professional accountability remains important because negative insurance experiences undermine customer trust, while adequate information and service assurance strengthen policyholder confidence (Courbage & Nicolas, 2021; Chege, 2022). Ultimately, effective insurance relationships require clearly allocated responsibilities, regulatory oversight, and customer-centred professional conduct. As technological, financial, and operational risks evolve, insurers and intermediaries must strengthen governance while maintaining appropriate contractual safeguards.

CONCLUSION AND RECOMMENDATIONS

Conclusion

The legal and economic relationship between brokers, insureds, and insurers, as developed in 2013, remains substantially valid today, and current market data reinforce rather than undermine its central claims. Brokers continue to intermediate the majority of global commercial insurance premium; the broker's dual-agency position — owing duties to insured and insurer alike, while bearing a primary duty to the insured — continues to be tested and refined through case law on authority to bind; and the growth of alternative risk-transfer mechanisms such as captive insurance has broadened, rather than narrowed, the scope of intermediary expertise required in the market. Against a backdrop of a persistent and, in several lines, widening global protection gap, the broker's foundational duties — to understand the insured's business, assess its risks accurately, advise on proper coverage, and disclose gaps and

exclusions clearly — remain not merely a matter of professional or legal compliance, but a meaningful lever for closing the gap between the risk the world actually faces and the risk it has chosen, or been able, to insure.

Recommendations

Insurance regulatory authorities should strengthen regulatory frameworks by establishing clear guidelines defining the duties, contractual authority, and responsibilities of insurance brokers, agents, and insurers to minimise dual-agency conflicts and contractual disputes. Additionally, regulators should enforce transparency in brokerage remuneration by requiring intermediaries to disclose commissions, financial incentives, and potential conflicts of interest to promote professional independence and informed decision-making. Insurance companies and professional associations should also implement continuous professional development programmes focusing on risk assessment, artificial intelligence, cybersecurity, digital insurance technologies, and alternative risk financing to enhance intermediary competence and service delivery. Furthermore, brokers and insurers should strengthen consumer protection through comprehensive customer needs assessments, transparent policy information, regular coverage reviews, and insurance awareness programmes aimed at reducing underinsurance and improving customer trust. Finally, insurance regulators should establish digital governance guidelines governing automated underwriting and digital insurance transactions to strengthen accountability and policyholder protection.

About the Author

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