

# A shared vision

Morning Data's **Kirstin Duffield** chairs a discussion between a selection of London market luminaries on key technological issues facing Lloyd's brokers, coverholders, MGAs and underwriters...

## Do you think Lloyd's brokers consider the requirement for collecting risk-level data too onerous for coverholders? Is it a barrier to business?

### Chris Hobbs

I think sometimes we are afraid to ask or insist for fear of upsetting clients, but my view is it is better to address it head on than to leave it until it becomes too late. Brokers and their clients need to collect as much data as possible in order to fully understand the business and have that information in order to be able to discuss and negotiate with coverholders and underwriters on equal terms.

### Les Doel

This used to be the case, but improvements in data capture have made this less of an issue. Coverholders now fully appreciate that if they do not provide the level of data required by underwriters, they will not be given the necessary aggregate. They need to write the amounts of business that they wish to place in London.

### David Hall

Correctly managed by the Lloyd's broker, this shouldn't be overly complex or onerous for the respective coverholder. The key is also to have consistent data requests from all Lloyd's

syndicates to enable the coverholder to organise their systems to accommodate the risk level data requests. Not all independent small coverholders have the resources to continually be asked to change their systems to match individual syndicates' needs.

### Peter Montanaro

The Lloyd's market has a duty to its coverholders to think about the levels of data that we are asking for and to ensure that, where possible, it is consistent. Requests should be thought through properly, as it is disappointing when requests vary or are regularly changed.

### Mark Barwick

Insurers' commercial and regulatory pressures have seen an increase in the amount of granular data that coverholders are required to collect. The focus of the London market should be twofold: firstly, it has to communicate clearly what data it needs, in what format, and when; secondly, it has to establish means of reducing the data acquisition costs coverholders incur in collecting this data. The Acord standards for binding authority processing will help the industry meet these goals.

**Is there is a sufficiently joined-up approach at an operational level from managing agents and brokers to better enable the flow of this data?**

## Roundtable participants



**Chris Hobbs** is managing director of ES Risks Group



**Peter Montanaro** is head of Delegated Authorities, Lloyd's of London



**Les Doel** is Technical Section head at Croton Stokes Wilson Holden



**David Hall** is broking director at Endeavour Insurance Services



**Mark Barwick** is director of UK implementation, Acord Corporation



**Kirstin Duffield** is CEO of Morning Data

**Chris Hobbs**

Absolutely not. Certainly, when looking at brokers of our size there is little to no support or communication.

**David Hall**

On syndicated contracts there is invariably a mismatch between the data requests and the formats requested by the compliance needs of each syndicate. The brokers need to understand the coverholders' capabilities and manage the process. Current trading between managing agents and brokers does not give a sense of any joined-up approach. This also includes the auditing process.

**Peter Montanaro**

Brokers play an important part in explaining the reasons why data is required to the coverholders, but also in challenging the underwriters to help to find consistency whenever possible.

**Mark Barwick**

There is certainly scope for the market to work together to implement data standards – and experience in other areas suggests that unless the market has a common vision and does unite to achieve this goal then it will be difficult to achieve.

Acord have just issued a research paper looking at binding authorities and one of the conclusions reached is that the market should collaborate and form an implementation community dedicated to making this happen.

**How should the London market respond to the increased technological capabilities of overseas underwriting centres and their ability to attract traditional Lloyd's coverholders?**

**“Not all independent small coverholders have the resources to continually be asked to change their systems to match individual syndicates' needs”**

**Chris Hobbs**

It's worrying, especially given all the other demands Lloyd's makes. Lloyd's and its brokers should be going out to potential coverholders with a pre-prepared IT package and making it really easy for them to collect the data and to communicate it to us.

**Peter Montanaro**

Lloyd's has a duty to continually challenge the way that we do business. We need to work with all our stakeholders to make it as easy as possible for good business to come to Lloyd's. From a process perspective that means that dealing with Lloyd's should, as far as possible, be like dealing with a local carrier.

We are improving in this area as a market and there is a lot of engagement with coverholders by Lloyd's brokers and underwriters to provide better solutions for their business needs. I would question whether pre-prepared IT packages are always the answer. It can also be about flexibility and compatibility with coverholders' existing systems and processes.

**Mark Barwick**

It is important that London remains competitive with other centres of insurance. New standards and technologies such as XML can overcome geographical boundaries since it makes providing data to remote locations quicker, easier and cheaper.

The use of standards also

puts brokers and insurers on an even footing, wherever they are in the world, and instead allows brokers and insurers to differentiate their products and services on customer service and price, rather than who's best at processing spreadsheets.

**How do you feel the relationships between insurer and coverholder and insurer and broker can best support the free flow of data?**

**Chris Hobbs**

They should be completely transparent and if we can't trust each other on that level we shouldn't be working together.

**Les Doel**

By all parties being willing to appreciate that “one size does not fit all” and working together to find a solution that best fits the expectations of all.

**David Hall**

Consistent communications. Underwriters need to develop a consistent approach; brokers need to recognise their data needs and communicate clearly with their clients, while understanding the potential constraints in coverholder operations in producing the “need to have” versus the “nice to have” data.

**Peter Montanaro**

All stakeholders need to be honest with each other and acknowledge where business can be managed better. I see too many examples of people tip-toeing round the challenges, desperately trying not to upset anyone or desperately clinging to responsibilities that they mistakenly consider to be “adding value”. If only the coverholder, broker and underwriter could recognise that

they each play equally important roles and behave in that way, we could move forward a lot faster.

#### Mark Barwick

A common vision of the future would assist coverholders, brokers and insurers and give them an idea of the data flows they need to support this. The recent Acord research paper proposes the creation of a Target Operating Model for binding authorities to allow all parties to coordinate their investment decisions towards this common goal.

#### What can be done to ensure Lloyd's reporting standards are supported and accepted on the ground rather than remaining theoretical?

#### Chris Hobbs

Better communication of what they are at the individual SME broker level. We have to wear many hats and do many jobs in a day, and attending forums and presentations that are not tailored to my business is meaningless. Perhaps add a few extra points commission (possibly for year 1 and 2 only) as an incentive, to help fund the required data/IT guru.

#### Les Doel

The only logical answer is for Lloyd's to mandate use of the standards. Furthermore, nearly every syndicate has a different idea of what the standards should be. Class-specific standards are what is required – and for people to stick to them.

#### David Hall

Dialogue between underwriters, London brokers and service providers – including IT services. All parties that have a stakeholder position in the management of clients and markets should be involved. For this to be

achieved, Lloyd's needs to look at developing the right framework. This must firstly recognise the differences in the organisations involved as coverholders, in terms of: i) their size and maturity (in IT structure); and ii) recognition of the types of coverholder involved in the process, i.e. independent small to medium-size companies versus large owned companies that have the resources to throw at meeting the demands of the market.

#### Peter Montanaro

To some, reporting standards are the key to straight-through processing. Define the data requirements and then the system and processes should be easy. It is probably heresy to suggest such a thing and I may get lynched at the next AAMGA automation event, but are reporting standards really the answer?

For binder business, all the data needed must be on the original policy form, mustn't it? How is it that all the data needed is held at the time the policy is written but has gone by the time it gets to the underwriter? Are we not better off focusing our energies on developing systems that collect and read the forms and then transmitting all that data to the underwriter(s)?

#### Mark Barwick

The biggest contribution that Lloyd's could make to ensure standards are adopted and adhered to lies not around the standards themselves, but the technology used to deliver those standards.

If a process relies on human beings completing spreadsheets then there will always be errors in format, data omissions, incorrect code sets used and typographical errors made. If XML is used then transactions from a coverholder can be validated before they are sent to brokers to ensure these

elements are complete. This reduces queries and rework.

And while innovation in the terms and conditions of insurance is a positive force, innovation in the data required and the way it is processed offers far less value and leads to different processes for each trading partner a firm has. That doesn't mean the standards can never change, but it does mean that any change is discussed via the published Acord processes and is democratically voted on by all Acord members before becoming part of the standard.

#### Which classes of business would benefit from a similar effort to "standardise" the data? Should it just be Delegated Authority business?

#### Les Doel

In my opinion, standards should only be introduced in respect of Delegated Authority i.e. where the underwriters do not see details of all the insurances bound.

#### Peter Montanaro

New recruits and graduates are our great hope for the future. The problem is, we keep training them up in our "old ways" first. Once people are infected with a little knowledge, it becomes harder for them to come up with new solutions.

What I find continually frustrating is the amount of energy spent in our industry examining the way processes currently work and trying to tinker with them so that we can continue to "make do".

If today was Day One of the insurance industry, we would not create any process that is anything like the environment within which we [now] work. Give the graduates (or new recruits from outside the

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insurance industry) a clean piece of paper, don't tell them how we do things now, and tell them to design a process for managing insurance business using their knowledge and appreciation of current technology capabilities.

#### Mark Barwick

Typically, the type of transactions that benefit most from standardisation or automation are those where there are a large number of similar risks and/or the premium involved is relatively low, since processing costs are a larger percentage of the total premium. Binding authorities and other delegated underwriting vehicles therefore provide a good fit with these characteristics.

It is also worth noting that non-UK coverholders often have access to local markets as well as London security, so where these domestic insurers have implemented standards it is important that London does as well, to remain on a level playing

“Experience in other areas suggests that unless the market has a common vision [on data standards] and unites to realise this goal then it will be difficult to achieve”

field with the competition

**Do you feel there are sufficient digital skills available among new recruits/graduates to take the market into a digital trading/data exchange basis? And if not, what do you feel should be done to improve this?**

#### Chris Hobbs

Absolutely not, but most of us don't know what is absolutely required and it keeps changing so what are we supposed to invest in?

#### Les Doel

Most new staff have some degree of computer literacy, it is the application of that knowledge to the tasks that we require that is

the issue. Someone joining from school or university will have no idea of how a London broker operates. What is needed most is an increase in technical insurance knowledge as, without that, the London market will suffer – indeed, it is already suffering.

#### Mark Barwick

There is a mix of professional qualifications available already in the market aimed at the different sectors, from ACII for brokers and frontline staff to Acord Certified Expert for the IT guys.

But for many, e-trading is more a culture than a skill, and unless more existing senior staff can be persuaded to adopt it, it is unlikely that new entrants, in usually more junior positions, will be able to influence how the



## Kirstin Duffield

Morning Data considers that the answers to many of these issues and misunderstandings lie in the techie jargon needed to build IT solutions,

when the remit of the average SME director does not include IT specifications.

The gap the market has created is filled with individual consultants and IT programmers rather than people that can bridge the gap with industry understanding. The acronym “XML” is bandied around as the latest trendy word to use, just as frequently as the use of the word “cloud”.

Brokers need to be able to get on with securing and placing the business in the most efficient manner possible,

but to do this in companies that no longer have their own IT departments or IT directors means the broking directors now have to understand the jargon to feel confident of making informed decisions.

The issue is compounded by the fact that the specialist SME broker and the corresponding coverholder do not have endlessly deep pockets in terms of budgets.

The effort to get IT vendors to work together on moving data around where standards do exist means the broker can get on with what they know best and the vendor – with a good understanding of what is possible, as well as what the broker needs – can get on with supplying it.

However, IT is based around rules. They can be modified and bent, but not broken, yet, at the the same time,

cannot be so prescriptive as to take away the ability to be flexible and cater for niche business or stuff that doesn't fit the norm. After all, that is what the London market is so good at.

But when it comes down to data, then the rules need to apply. Common, recognised, class-specific data needs to be collected and passed down the chain in a format and to a standard that is agreed.

That should be mandated as a “minimum standard”, allowing for individual underwriter and broker relationships and agreements to augment that minimum standard if required.

Then, we can all get on with pushing the digital data component of London forward, and raising our collective market's profile back to the number one spot.