

# Sun, sand and start-ups



In an era of tightening margins a market-wide IT platform for the (re)insurance sector, open to all, is essential for existing companies and start-ups alike, says **Kirstin Duffield**

➤ **It is generally regarded that in wholesale broking in London the margins are getting tighter and the scope of duties increasing. Brokerage is down, whereas staffing (producing brokers), system, and new or ongoing regulatory costs are up. So what is the appeal of setting up new intermediaries?**

Whatever the model, we still exist in a relationship business. No matter who and where the client is – whether non-UK coverholder, UK entity or otherwise – nurturing and developing business relationships over many years is what the market is especially good at.

This means that clients will follow their brokers and loyalty is high. As such, personal service can override economies of scale. This means the intermediary in London will bend over backwards to make their client's life easier, fearing being too prescriptive or dictatorial about what they do or

the data they record and forward on.

One solution is to provide the agent with a system to input data and spit out documentation, record money and then silently ping the extensive and clean data to those that need it. Within the UK this is relatively unrestricted on a data protection basis, but if that data is flowing to India or other locations for processing this may cause considerable issues.

Who is responsible for ensuring that the solutions employed in joining up the flow of data are compliant with these regulatory requirements across the market – not just organisation by organisation?

Do managing general agencies (MGAs) need to know where their system is processing the data that they are using? Does use of the Cloud cause issues to some in the chain but not others? After all, there is no single IT or privacy policy for the international chain involved.

Assuming the location for the processing and housing of the data is compliant throughout the chain, will the agent be willing to use a supplied system to set up policies for a specific scheme or class when, as an organisation, they may do other classes or have other facilities provided by other underwriters/brokers? Logging onto multiple systems may not be appealing.

What will these systems provide, capturing all that lovely data? Well, for certain, each class will have an extensive list of fields to complete, as the underwriter demands more and more detail. But is this achievable? Will they provide protection class, roof shape and number of soft storeys for a US property risk, but not require those same fields for an Australian one?

Perhaps they will if there is a clear message about how it would benefit them to do so.

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Recent work by the Lloyd's/Acord-run Binding Authority Risk Bound working group (BARB – nicknamed Barbie) has begun to break the back of a single standard for all classes and all territories, but it requires buy-in from the underwriting community, not just syndicates, as an acceptable standard.

It also needs the wisdom of the brokers and coverholders to give a coalface view of reality. The competitive nature of the market coupled with the collaborative necessity for success means some parties may need to concede their bespoke formats.

What if a market-wide platform was made available for all players – Lloyd's and company markets, coverholders, MGAs, third-party administrators and brokers – with an open vendor integration pack for all software systems to connect to?

There are efforts being made that go some way towards this, but it is still a closed shop to those who are involved in specific contracts. The transfer of data within the market needs to be treated in the same way as the transfer of email – as a low-cost, open-source highway of transmission. The competitive aspect is what each party does with that data.

Getting to this stage requires consensus on terminology as well as format and structure. A central body has to have the responsibility of defining these terms. Acord is providing this as part of the BARB group's work. It now needs the open minds of market practitioners and acceptance by the underwriters at the box to promote the use of the standards. There is a great opportunity for representatives of all factions of the market to be involved in the programme to set these standards.

Some may ask why all classes and all territories need to be set

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as part of the same programme. The answer is that without this approach, the same will happen to this enhanced set as happened to ER3001 for US property. Take-up will be slow and individual underwriters will keep doing things their own way... so how is acceptance possible?

It's down to the vendors. Users will take the path of least resistance. This could mean, for example, that a button on their screen just “does it” – producing the required file and ideally sending it wherever it's needed.

This is a truly global issue, spanning hundreds of systems developed in multiple countries, and it needs to be solved by the software world together with the insurance world. Even if they are not communicating with each other, these systems need to communicate in a single language and format, with a central platform open to everyone.

Even within this utopia there are aspects that still pose difficulty between the availability of data at source and the need for that data at its destination. For example, the need to accurately record the tax that applies to each “item” on the risk – a location or a ship – means that someone needs to record each item on the schedule in a system that has fields that match the underwriter's requirements.

However, they also have to have access to an up-to-date list and behaviour pattern for each tax, for each territory and state or class.

Alas, until a central body provides a single source of this data, available to all systems to reference, this would appear quite a challenge – much in the same way a global database of wordings is not accessible by systems.

So why, with all these challenges, has this summer seen more start-ups, all looking for a model that is data-centric, has high efficiency levels and improved margins? The very nature of the companies looking to achieve this means they have tight cash flow to invest in the systems needed to achieve their goals. They need high levels of support and advice in the associated and peripheral areas around their business. They need to be sure the system they choose will support their model and their planned growth, and moreover they want it for the lowest price possible – a challenging prospect for any company looking to supply this market sector.

They need a collaborative model for development, a practical and scalable pricing structure that supports the early months and years, and a system that can offer the extensive flexibility to handle every combination of business that may arrive at their door, sourced from any kind of client, so that they can provide documentation, data flow and accounts with all the necessary reporting requirements.

This business is proving very appealing to the market and with the right solution the journey can be smooth and at the pace the MGA is prepared to take. We have seen first-hand the new business – from back office support brokers to start-ups – looking to break into new markets previously not found in London.

The common requirements are software that is efficiently priced, high quality, covering all classes and styles, flexible, fully hosted, London-compliant and well supported.



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