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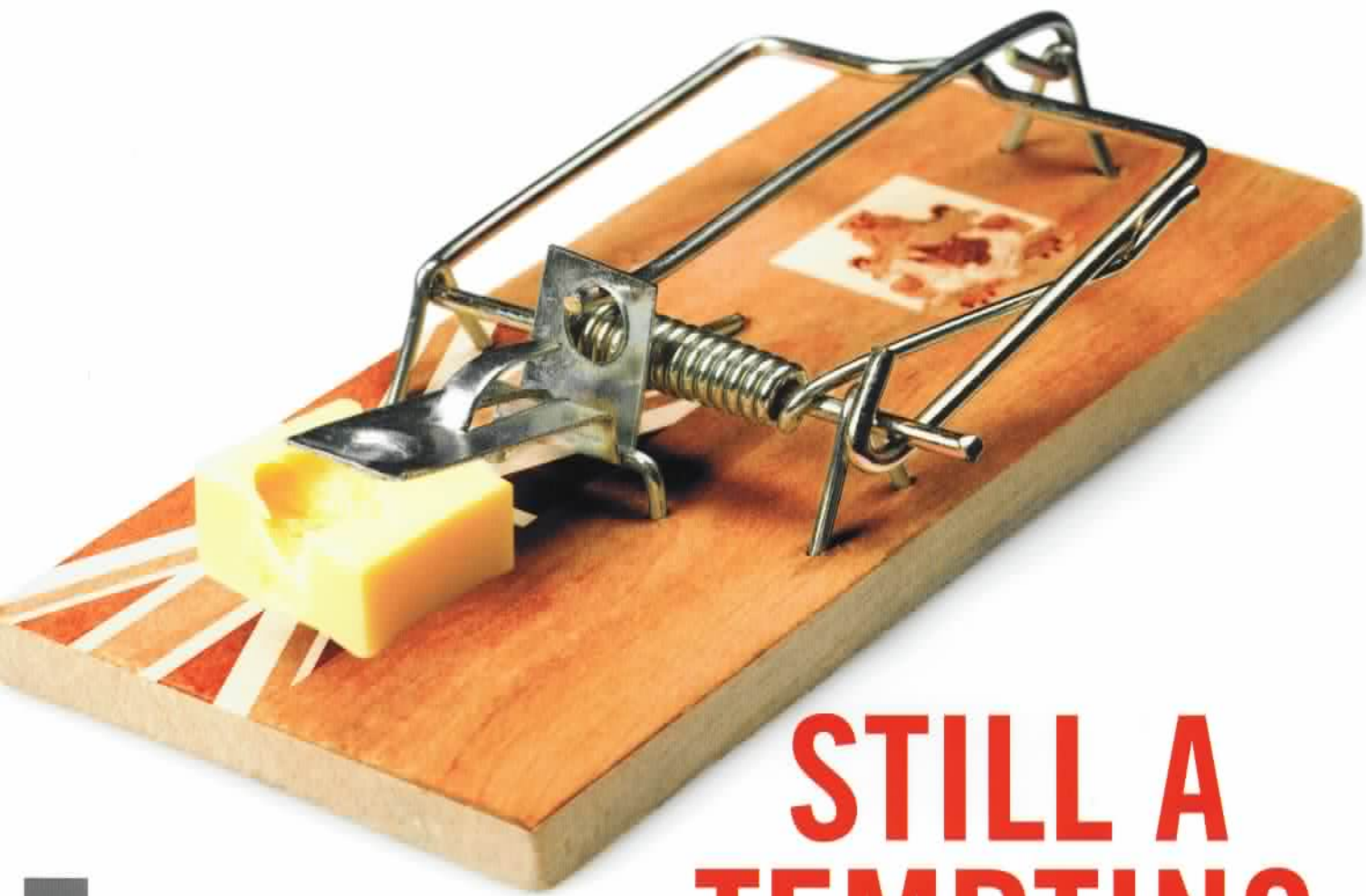
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STILL A TEMPTING MOUSETRAP

Competition is hot but Bermuda stays cool

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The great tech debate

One of the central elements of the London market's technology-based modernisation programme is introducing electronic endorsement placement. This aims to improve efficiency and eliminate some of the paper the London market is buried under by ending the anachronistic practice of conducting routine business face-to-face. Brokers and underwriters will be freed up to spend time on business more worthy of their attention.

The London Market Group (LMG) has spearheaded the initiative. The Acord standard has been adopted for exchanging electronic information, and all brokers and carriers will either need to adapt their systems to add this messaging facility or purchase a bolt-on message management tool (MMT).

A bespoke system – the more costly option – will allow full

integration with existing systems, facilitating the exchange of structured information. An off-the-shelf MMT, of which there are now four or five, will act more like an email inbox where the data needs to be transferred across after it is picked up.

A pilot scheme launches this summer for a limited number of lines with 11 brokers, 48 managing agencies and 18 carriers. The participating brokers place 53 percent of premium in the London market, and the expectation is that more will come on board. In 2011, the results will be reviewed and the next steps determined.

Fine in theory

It is very hard to find anyone who thinks that a system to electronically place endorsements is bad in theory, but there is much more scepticism about the LMG's

ability to put it into practice.

No matter what, IT projects and changes to long-established ways of working tend to hit cost overruns and delays. But the revelations in sister publication *The Insurance Insider* a month ago about widespread failings in the management of the LMG's flagship eAccounting project make it difficult for anyone to have real confidence in its ability to deliver on its promises. Project management failure, the legendary heel-dragging of London market veterans and the technophobia of smaller brokers places big question marks over the success of the project.

For the moment, though, the signs are good. Buy-in for the pilot has been strong and the project is within its budget and timelines. There is every chance that they will pull it off.

IQ takes a look at the revolution underway for broker processing and asks two leading technologists to outline their view of the near future

Tradition must make way for market efficiency

Genetic diversity creates a fit species, biodiversity a vigorous ecosystem and broker diversity a healthy London market. But is our diverse broker market under threat from the technological advances approaching this year? Will the modernisation of endorsement practice, underpinned by complex and expensive technology, force the smaller players to stay in the queue in a two-speed market?

The big push towards electronic endorsements over the Lloyd's Exchange goes into pilot this summer. Behind it lies a commitment made by most of the Lloyd's and IUA underwriters and, crucially, the "big three" brokers with their 45 percent market share.

But what of the rest? The 173 other firms who make up our diverse ecosystem would need to be enfranchised technologically. Many are very small and have not needed to be technologically advanced. At first glance this looks like a difficult job, but will it necessarily be so?

Small brokers will need two things, the first of which is business incentive. This, I believe, they may already have. The comment I hear most frequently from brokers these days is "we don't want to walk that around the market", waving disdainfully at a pile of endorsements.

What a waste

The consequence of doing every piece of business by walking the floor is to waste manpower on a grand scale. And there is no reason why the market should blindly follow tradition instead of trading it in for efficiency.

The second reason is access to low cost and uncomplicated

technology, which to date has been unavailable for all but the larger firms. At last, however, it is coming within the reach of all brokers through very accessible e-broking platforms running software as a service. Some are really getting quite inexpensive and not all of them now force transaction charges on unwilling underwriters. Things have become relatively simple, so it's just a matter of signing up and switching on.

Of course, integration for straight-through processing is the ultimate goal, but that will inevitably cost more and take time to wire up. And so, along with richer data and perhaps even full-cycle placing support, it can probably wait until the dust has settled and the IT people can catch up. Business leading IT: novel isn't it?

Only last year this push seemed uncertain and fraught with issues. But the technological choice for brokers has never been so wide or cost-effective. And so I believe our diversity can be maintained, helping the London market ecosystem to thrive.

Jeff Ward is a director of Lime-St.com



Big brokers lead way for small tech-savvy players

There is a natural tension in the London insurance market between large and smaller players. In this specialist subscription market, cooperation is pivotal as subscribers come in all shapes and sizes. They all have strong points of view and they all keep a careful eye on what everyone else is up to.

All eyes have been on the major carriers and brokers investing in modern technology to improve their business performance.

Where does this leave the increasingly technology-savvy smaller brokers?

Advances in technology appear to promise greater democratisation as, in theory, any broker regardless of size can handle any risk – and any carrier can take their share of it. But if they are going to be fit to compete in this new e-marketplace it is going to take more than the wave of an IT wand. To be truly enfranchised, such brokers need to have a fit-for-purpose operation, which raises questions about entry costs.

No silver bullet

Some argue that smaller brokers can trade on an equal footing with the larger firms by using a standalone browser-based application. In reality, there is no silver bullet in insurance technology, and this kind of application doesn't work well just by itself.

Before connecting up to the world you need to have your data in good order, which is something that some small brokers struggle with. In essence, data needs to be in the right kind of structure and the right kind of access needs to be available.

Buying a browser application is easy enough, but brokers shouldn't expect too much from it. Yes, they allow firms to communicate – but they will do nothing to address disparate systems and disordered data management. Without integrated systems brokers will have to take data from one system and rekey it into another – the very antithesis of straight-through processing.

So how should smaller brokers approach this challenge and what should they expect from new technology?

In essence, they need to approach things in exactly the same way as the bigger brokers. A business decision to upgrade technology has to be made and then data management needs to be rationalised. Only then can a new system be procured.

The best approach for businesses of this size is to bring in an outsourced provider. This will allow them to harness the expertise required to implement a solution, and will free up brokers to concentrate on their day job.

Michael Graham is sales and marketing director of Sequel

