ENDING THE 'PORTAL WARS'

Tim Rayner says the market needs to adopt a unified approach for MGAs to harness the power of real-time product distribution

The ability of insurers, brokers and coverholders to streamline their business processes is being hampered by the insistence of brokers and underwriters on using their own proprietary portals.

This continuing demand has been dubbed the "portal wars" and the market has to call a truce if it is to successfully deliver enhanced efficiencies in the transactional process.

This conflict represents a major obstacle to the market's ongoing efforts to reduce the much talked about acquisition costs in the delegated authority sector.

The sector's continued reliance on the use of spreadsheet-based bordereaux further impairs its ability to not only deliver operational efficiencies and reduce acquisition costs, but also to deploy and manage capacity more effectively.

There is also no such thing today as a "quote bordereau", as a result of which brokers and underwriters remain blind to what is being quoted against delegated authority facilities, what the hit rates are, and where potential coverage extensions could benefit their clients.

What is clearly required is a platform that enables all participants in the distribution chain to see a real-time view of what is being quoted, referred, declined, bound and the reasons for each occurrence from the underlying enterprise rules engine.

The use of a hub such as Sequel RuleBook has been proven to shorten the process from coverholder, broker and underwriter, and enable the insurance product owner to better manage the capacity available within the underwriting limits and layers.

It also allows these limits to be effectively grouped and managed collectively under a portfolio spanning multiple binders or facilities in today's market.

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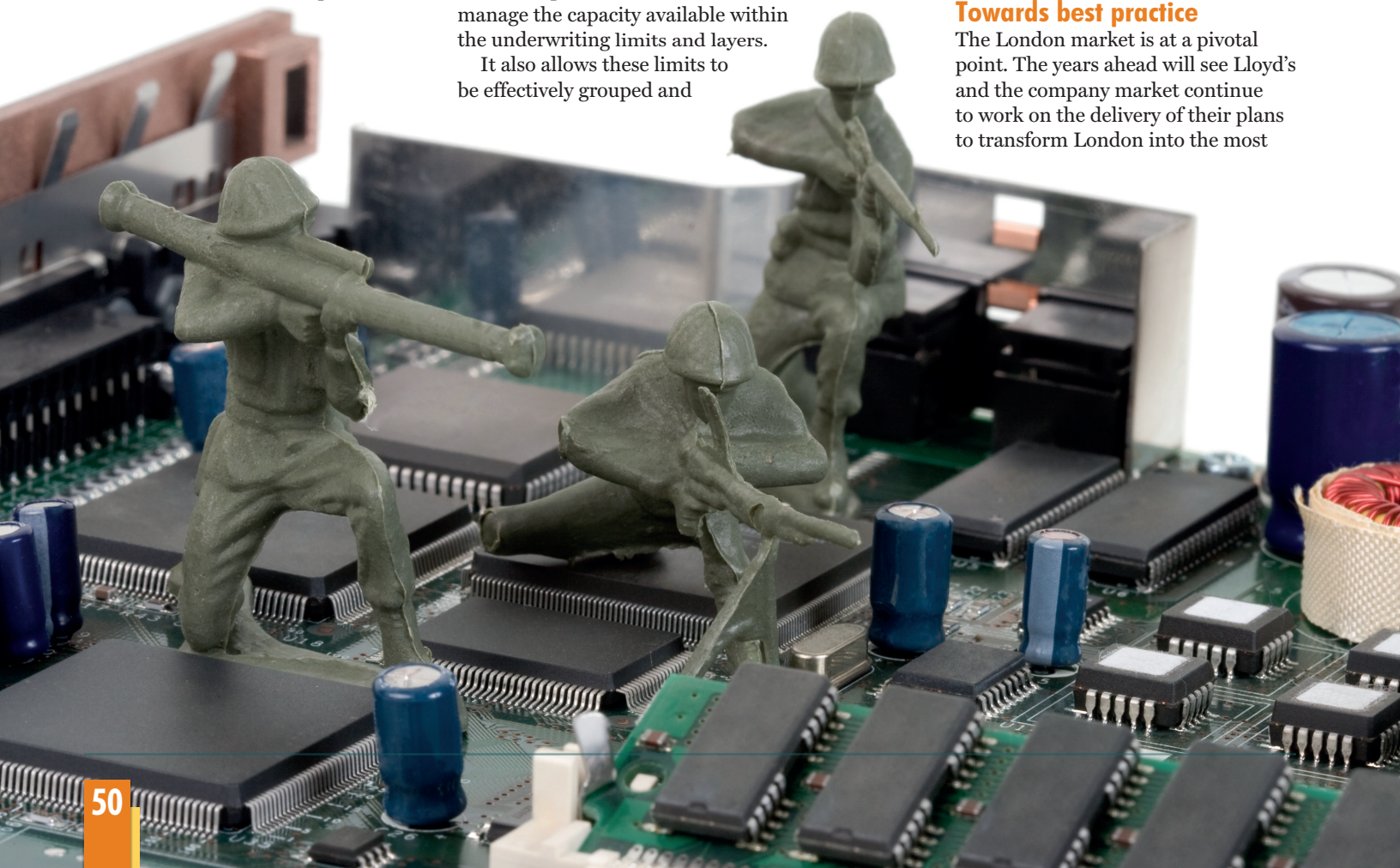
As a market we have the ability to utilise more of the capacity available with lower administrative and market overheads. This will drive greater operational agility and efficiency and provide greater opportunities for coverholders and MGAs to utilise the capacity they have been allocated by their providers.

Towards best practice

The London market is at a pivotal point. The years ahead will see Lloyd's and the company market continue to work on the delivery of their plans to transform London into the most



technologically advanced insurance and reinsurance market in the world.

What is clear is that any initiatives that the market looks to roll out to achieve those aims need to be created on an API-first basis. Sequel believes that the ability for users to access any hub, platform, or exchange via existing systems remains highly important.

Our hub has proved its ability to deal with complex and speciality risks, and as such, the transaction of simple and commoditised risks can very quickly and easily be configured on the platform.

Having started with complex business the move towards the processing of more simple transactions has naturally been a more simplified process. The lessons we have learned need to be adopted, as all too often solutions which have started with the simple risks have generally encountered difficulties when looking at more complex risks.

There can be little doubt that the risks that are placed into the London market are mainly highly specialised, complex and bespoke. At Sequel we can only speak from our own experience and the extensive expertise of our staff. This has seen real benefits delivered to our users, which include many leading brokers and underwriters.

One of the most tangible benefits to emerge from the hub is the creation and encouragement of better practices and adherence to underwriting guidelines, with all data validated at source.

It has also driven operational efficiencies and allows enhanced reporting, which enables brokers and underwriters to more effectively manage their production sources.

We are now seeing the benefits of technology assisting the underwriting process rather than retrospectively, after business has been bound.

Changing landscape

We are now at a point where underwriters face additional challenges. The market is beginning to harden but the risk landscape is changing. There are risks that are drastically different to those of the past.

In recent weeks the Prudential Regulation Authority has outlined its priorities for 2020, and that focus will include the insurance industry's approach to these new risks and the rising severity and frequency of natural catastrophes.

The regulator wants to be satisfied that underwriters are aware of the exposures they are assuming. In turn MGAs are set to be pressed to provide more granular information on their underwriting activities and the risks they have assumed on their capacity provider's behalf.

Without doubt, this will place additional pressure on all in the chain. Underwriters and MGAs will be required to ask themselves a simple question, "What is the impact on the business, and my exposure, if I write this risk?"

It is clear that the market will need to embed technology if it is to not only meet the challenges that it faces with the drive for efficiency and speed of placement but also to look to reduce the frictional costs that have long been seen as an obstacle to the market's efforts to drive new business. What we saw with the hub was that whilst the initial uptake allowed the London market underwriting community to distribute their insurance products and capacity, increasingly, we are now seeing broker and coverholder implementations.

Once on such platforms those in the market want more and will seek to push the limits to understand exactly how such a platform can deliver maximum benefit. We find clients are now looking beyond data capture to managing and utilising the data to improve underwriting and how they run their business.

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TIM RAYNER
is business development director of Sequel Business Solutions

Enhancing performance

What has been a plus for the system, and it returns to the core issue of the portal wars which are still being fought across the London market, is that it has the ability to build the front end for the broker or coverholder user.

It is a plus given that, for many coverholders, the insured will often fill in the required details. Systems need to enable the user to choose the option best for them be it integrating the hub with their own front end or utilising other technology offerings to create a bespoke front end.

When Lloyd's unveiled its Blueprint One document, it came with some ambitious targets, but also a recognition that while there may well be some quick wins, the bulk of the benefits will take time and a market consensus to deliver.

Two of the most talked about schemes within the Lloyd's blueprint are the complex and standard risk exchanges. We believe the hub is a very good fit with the Lloyd's risk exchange initiative. The delegated authority sector is ripe for the introduction of a standardised risk exchange as outlined by Lloyd's. The technology to create the solutions is already available and while the nature of the London market is such that there needs to be systems which are designed for the specific differences that a subscription market involves, these solutions can be established.

However, to do so firms need to recognise the solution cannot be a proprietary one. Platforms that allow all in the market, from MGAs to reinsurers, to access and transact business in a way which meets their own internal systems requirements and provides the ability to access and utilise the data will enhance their and the market's performance overall.