The new normal

If London wants to compete for high volume business, especially from untapped segments and geographies, it must embrace technology that puts its capacity at the distribution network's fingertips, says **Tim Rayner**

London may be a world leader in large and complex business, but the market needs to widen its audience and rebuild its footprint in the high volume space – and this is only possible by embracing new ways of trading.

There remains huge appetite for Lloyd's and London capacity from brokers and clients around the world who crave a wider choice than is often available in their local territories.

However, the traditional London approach of face-to-face meetings is not economically viable on low premium business, and the market has to move with the times. London must instead take its capacity directly to the desktops of participants in the distribution chain, wherever they may be in the world.

The race to trade online has seen brokers and insurers invest heavily in developing their own portals over the past 18 months. However, these "portal wars" have resulted in a proliferation of platforms, each with their own logins. Navigating sometimes dozens of systems for any given line of business can quickly lead to portal fatigue for users.

This issue is being addressed by tools such as Sequel's Rulebook Hub that harnesses application programming interface and Cloud technology to allow users to request and receive quotes from multiple capacity providers in real time within one central platform.

Real-time access to Lloyd's capacity brings underwriters closer to the risk while giving local brokers greater choice and a sense of ownership.

Most importantly, it brings huge benefits to clients who gain access to competitive, tailored coverage from markets that may have historically been out of reach. In the past, these clients would have waited weeks or months while their risk sat at the bottom of a pile on a desk at Lloyd's – if it made it to London at all.

Suddenly, clients on the other side of the world can view multiple London quotes within a couple of hours of engaging their local retail broker. This gives them access to high quality coverage, while visibility of market-wide quote and bind data also offers powerful benchmarking insights.

Improving efficiency

Automation of documentation and real-time data sharing bring huge efficiencies by removing double-keying from the paper chain, reducing human error and speeding up payment – all vital

steps as London strives to improve efficiency and reduce its cost base.

Some brokers believe the move to algorithmic, online quote and bind means they will have less to do. In fact, the opposite is true. Automating a large portion of high volume placement, which may account for 80 percent of volume but only 20 percent of revenue, for example, frees up brokers' time to focus and add value on large, complex, high margin business, to travel more and engage with clients more, improving client outcomes.

The same can be said on the underwriting side, where Lloyd's players are under continued pressure to improve efficiency and reduce their 40 percent cost base.

It is estimated that underwriting expenses could be reduced by up to 25 percent by reducing physical underwriting to just referrals on 10-15 percent of the portfolio, freeing underwriters to focus their expertise on the most challenging risks and even target more marginal lines of business that may not previously have been economically viable.

Most insurer CEOs and CUOs now see embracing technology, including algorithmic underwriting, as a necessity going forward, particularly as the market evolves – and they are right. If London fails to adopt a new approach it will be very quickly left behind.

Algorithmic syndicates launched by the likes of Brit and Beazley with support from Google are exciting initiatives. Combined with Lloyd's lead and follow strategy, this is how we should be trading in the medium term rather than waiting for the long term.

The power of data

Data enrichment is also key because enabling better decision-making improves efficiency at every step of the chain.

Brokers and underwriters have access to vast quantities of data, and it is incumbent on them to use data more efficiently. That includes taking advantage of the vast datasets and modelling capabilities available from third-party providers like Verisk which, in combination with portal technology, can be structured, overlaid and integrated to provide a powerful, holistic view of risk and exposure data in real time.

Rather than making decisions weeks or months behind the risk curve, capacity providers can now monitor and adapt to exposures as they develop, view risks within the context of their portfolios and ensure alignment with group risk appetite.

Meanwhile, live quote feeds allow them to monitor hit ratios and gauge traction in various product lines, segments or geographies, empowering them to fine tune coverage, pricing and risk selection in accordance with performance and risk appetite in close to real time. In the past, these decisions would have been made long after the horse had bolted.

Bringing this all together should improve efficiency and reduce costs across the market and help London differentiate itself from local markets. Most importantly, this all benefits clients, who welcome the improved choice, speed and efficiency now on offer.

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Tim Rayner is head of business development at Sequel

New era, new culture

We are, indeed, on the cusp of a new and exciting era for the insurance market, and the Covid-19 lockdown has undoubtedly brought some of these outcomes to the table quicker. It has been suggested that London's evolution may have been hastened by as much as three years as a result of the market being forced to adopt agile working and online placement.

The market was by no means prepared for such an abrupt change in how business is done, but after an initial period of uncertainty, it transitioned from physical to online transacting quickly and smoothly. It was, in essence, business as usual at 1 June renewals, with the use of PPL increasing significantly during lockdown.

London must adapt and evolve with these changes, not fear them. Some insurers are attempting to differentiate themselves on their tech, particularly in the MGA space, so it is only natural that they may see the portal approach as something of a threat to their USPs.

However, when they begin to understand the benefits this new way of working can bring to their distribution, in particular the opportunity to target untapped segments or geographies, they too get excited.

When normality returns, London cannot afford to return to its old ways. Blue sky conversations – from opportunities to target untapped segments or geographies three months ago to agile working, technology and the use of big data – are now real discussions about implementation. We should feel empowered to push the foot to the floor and drive these changes through.

The new normal is, after all, a more modern and dynamic London market that serves the distribution chain and clients much more efficiently – and technology has already proven to be at the heart of our new and improved way of doing business.