

## eOpportunities – A New Dawn?



One year on and with a wider roll-out that commenced last October, **Ms Helen Sainsbury** of **Trace Isys** looks at the impact of London's eEndorsement, the lessons learnt and the fundamental question: "where do we go from here?"

The world's leading insurance market, London, has thrived for over 300 years on providing innovative solutions for specialist risks for clients worldwide, including in the rapidly expanding Asian market. However, within such an icon of tradition, change comes slowly and as a result the introduction of technology was never going to be easy.

Challenging working practices that had been in place for so many years was certainly not for the faint hearted, but those involved in London's eEndorsement pilot threw down the gauntlet and set out to do just that.

### The launch

To set the scene, last October, forming part of its modernisation programme, London embarked on a pilot to investigate how technology could be utilised to improve the efficiencies of agreeing endorsements within its Insurance Market. Renowned for its ability to facilitate rapid, face-to-face placing negotiations that enable large, complex insurance contracts to be placed at a competitive price, the aim was to improve operational efficiencies whilst still preserving all the advantages of London's unique approach.

Despite the inevitable level of scepticism that surrounds any technological transformation, market commitment to the pilot was significant with all managing agents, over 80% of the broker market and 26 companies supporting the approach. Focusing on marine hull, cargo, liability and war business, participants electronically exchanged structured risk information using ACORD data messaging – a global messaging protocol.

### Making a difference

So what impact have these new technologies had on an industry steeped in tradition and driven by relationships? The pilot that concluded at the end of last year clearly demonstrated that a move towards the electronic agreement of endorsements could deliver real benefits to the processing of endorsements within the London market. As identified by Ernst & Young in their independent benefits review, one of the key advantages was the improved use of skills within insurance organisations. It was estimated that large carriers, who typically spend 25 person hours per day agreeing and processing simple endorsements, could reduce the time spent by more than 20%, freeing up valuable resources.

Reduced error rates, increased transparency and improved turnaround times were also cited as clear benefits; the fastest recorded agreement being 15 seconds for a simple endorsement written by 100% market and transactions involving multiple market participants regularly being completely within 20 minutes – a significant improvement on the traditional and often lengthy practice of walking the endorsement consecutively round the market. All this has resulted in an enhanced service to clients, crucial in today's competitive market place.

### Job done?

It all sounds extremely rosy – with such strong drivers, surely an easy win for technology? However, the picture is not quite that clear cut. Whilst the pilot identified clear tangible benefits, it also identified a direct correlation between integrated technology and the realisation of these benefits.

Integration must be at the core of this brave new era of technology; the more – the better.

However, in the early days of eEndorsements, when there was much scepticism about its longevity, the most logical first step for many companies was a stand-alone messaging application - a low-cost, low-risk entry into the messaging arena. But, rather than providing the springboard that had been anticipated, many companies found it had quite the opposite effect. Using a stand-alone platform inevitably means that data needs to be re-keyed into this system, adding an extra layer of process to current endorsement activities. Effort per endorsement is therefore increased, negatively impacting turn-around times, error-rates and client service – the very things that the pilot was seeking to improve.

We therefore find ourselves in a vicious cycle where significant volumes are required to really maximise the benefits of electronic messaging. However, these volumes cannot be achieved without integration and companies are unwilling to invest in integration, without first experiencing the benefits.

### Integration, integration, integration...

Is such trepidation around integration really justified? Most messaging service providers will have 'out-of-the-box' data transformation tools that will enable the transfer of data from one system to another. It all sounds very simple – and in some cases it is. If the core system holds information that is complete and recorded in a consistent and timely manner, it can be easily transformed into the required messaging format to provide streamlined straight-through processing without the need for any manual intervention or rekeying.

However, unfortunately this is rarely the case. The core system often does not hold all the information required; it may be recorded inconsistently across different business units and it may still be in a backlog of paperwork waiting to be loaded onto the system, when needed. Add to that the fact that many companies run multiple core systems, the legacy of years of mergers and acquisitions, often using out-dated technology that does not lend itself to easy integration – all of a sudden it does not sound quite so simple. Messaging integration becomes just another piece of a very large and costly global technology jigsaw, put on-hold whilst organisations wade through more pressing items on their IT agenda.

However daunting it may be, integration is and will continue to be the corner stone of e-success; a precursor to the wider take-up of eTrading within the insurance community. As well as leading to increased turn-around times, reduced error rates and improved client service, connecting messaging data to financial systems and reporting tools will result in improved credit control, capital allocation and management information.

### Winning over the deal-makers

Integration aside, the pilot has certainly proved that technology is the easy bit; server infrastructure, network capacity, connectivity issues are the easy problems to solve. Much more challenging, but just as vital to the success of this project is winning the hearts and minds of the deal-makers;

the brokers and underwriters who take centre stage in the negotiation process.

Changing traditions that have been in place for over 300 years, since the days of Edward Lloyd's coffeehouse in 1688, is no mean feat. Unsurprisingly, it was found that sponsorship from senior management was crucial to achieving staff buy-in. Clear support, interest and commitment from the highest level were key to the project's success and sustainability within an organisation.

### Messaging going mobile

And the new secret weapon in the war against the London Market luddites appears to be the iPad. With its sleek, stylish good looks the allure of the iPad is certainly a winner

in terms of promoting the use of technology within the London Market. Replacing the bundles of files in the leather sliptcase, this portable electronic sliptcase is being trialled by a number of leading Lloyd's brokers.

However, efficiencies will not be improved by simply dishing out this fashionable new gadget. The iPad is a blank slate, built with applications in mind and therefore to really exploit this new technology, business apps are needed to provide mobile access to data held on the broker's own network.

Without this, documents will need to be manually transferred to and from the iPad adding yet another layer of process and additional complexities in terms of document versioning.

To overcome these issues, Trace Isys is currently rolling out a new iPad app which allows users to connect to our messaging platform providing instant access to the whole placement history, including all risk information and supporting documents. Changes can be made on the fly, information emailed to the underwriter immediately and queries addressed without having to return to the office for additional material. The iPad will not only help charm the die-hard traditionalists, it will lead to the faster closing of transactions, significantly speeding up the agreement process.

### Competing in the new era

As we enter this new era, it is impossible to achieve the volume, speed and service levels required by today's trading environment without the operational agility and efficiency that technology provides. Integrated systems and mobile capability are the essential next steps in driving forward the market's modernisation programme, providing organisations with instant access to real-time business information and the ability to connect worldwide markets.

In short therefore, technological advance is not optional; and not something, even in the current economic climate, that can be put on hold. As London's eEndorsement pilot has illustrated, this is something that has clear benefits, warrants investment and is imperative in enabling the London market to continue to operate competitively at a global level. 

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