

# THE Review

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## LONDON 2010

What Britain's new coalition government means for the world's oldest re/insurance hub and how the Market can stay ahead of the pack



# Picking up the pace

London is in the throes of shedding its technologically challenged image and transforming itself into a hotbed for IT re/insurance initiatives. Sarah Ahmad reports on what's new for market modernisation in 2010 and what's slowing it down

"After some time out of the UK, I was disappointed to return to London recently and see people walking around still with bundles of paper in their arms."

So said former Aon Global chairman Dennis Mahoney, at a recent London Market insurance conference.

Mr Mahoney is of course not alone among London's leading lights in hoping that the pace of modernisation would speed up.

Nonetheless, according to Christopher Croft, head of the London Market Group Secretariat, the body charged with overseeing the London's reform projects, good progress is being made.

He highlights the fact that a year on from its initial implementation Electronic Claims Filing, developed to process all claims arriving in the London Market in an electronic format, has proved to be twice as fast as paper.

And the Market is now in the final stages of implementing the ECF2 system which aims to improve the ease of using ECF, he says.

ECF2 will update several of the features of ECF and also introduce new aspects to the project.

The updated system is due to go live on

August 16. However certain components have already been launched for initial testing. These include the document file viewer, which was launched in May.

## TRANSFORMATIONAL

Max Pell, managing director, XIS/XCS, the body responsible for London Market processing, describes the document file viewer as 'transformational for the London Market'.

The document file viewer allows the user to view all documents associated to a claim as one document making it easier and more efficient to look at claims data. The document file viewer also includes a search function which Mr Pell says will make it easier and more efficient to search through claims documents.

Meanwhile the first stage of the e-Account process is due to go live in the fourth quarter of this year.

The London Market Reform Group's e-Accounts project aims to implement the full use of structured ACORD standard, messages for settling accounts. The work is being led by the e-Accounting Steering Group, which is made up of broker representatives with at least one customer each from the major software suppliers in the market. The target is to achieve a goal of 40 firms using e-Accounting by the fourth quarter of 2011.

The second stage of e-Account is scheduled to go live in 2011 and involves the splitting of information for Lloyd's. This is currently part of the broker's role. Following this the next step for e-Accounts will be to work closely with market groups in order to involve participation from members of the market, says Mr Pell.

Mr Croft is confident that these new market initiatives will be instrumental in assisting companies to deal with the

demands of the Solvency II directive to be introduced in 2013.

He says: "The basis for Solvency II is all about clean data, auditable data and traceable data. And that is what market modernisation is helping to deliver. And that is critical in a company's ability to meet Solvency II requirements."

Meanwhile modelling firm Risk Management Solutions (RMS) is due to launch more software enabling London Market insurers to boost analysis time and improve performance.

According to Paul VanderMarck, chief products officer at RMS the software works by using a company's existing hardware and consolidating it under a grid system. In doing so clients are able to apply much larger amounts of hardware against a single analysis."

## COST CONCERNS

However in the current economic climate, cost remains a big issue for companies in the London Market. And implementing this array of new technological initiatives does not come free of charge.

Julian Mancell Smith, managing director of technology firm Trace Isys says: "Everyone is looking at cost of these initiatives and the benefits they will accrue for taking on those expenses."



While personal technology is evolving rapidly are London's reinsurance IT initiatives moving as fast?

The LMG's plans for market reform focus on efficiency in the fundamentals of business processes

Nonetheless companies now more than ever are under significant financial pressure and these new initiatives need to be justified.

Sue Langley, director of market operations and North America, Lloyd's says: "People have to look at market modernisation in terms of the long term benefits cost wise. They need to think about the bigger picture."

- THE BRIEF
- ▶ Updated claims filing system to go live in August
  - ▶ Second stage of e-Account project ready to go live in 2011
  - ▶ Hopes for Facebook style communication platform for London Market
  - ▶ Some degree of scepticism to market reform - although attitudes changing
  - ▶ Lack of single approach has held back Market's IT program

## COHESIVE APPROACH NEEDED

The fact that there is no single approach to the development of IT initiatives across the market, has held back progress to some extent.

Rob Pearson, account manager at Trace Isys says that while some companies see the benefit of technology and implementing it there are others who are more sceptical.

He adds: "I think the thing here is rather than the market saying these things are mandatory, they've said that those that can get involved and want to get involved can start their own initiatives in some cases."

Mr Mancell Smith says the fact that many companies have a variety of different technology arrangements with trading partners also complicates matters.

"We've been over time involved in a number of 'peer to peer' initiatives, which is where individual companies have said to their trading partners we want to streamline our dealings with you.

"But that 'peer to peer' approach is quite complicated. Once it starts spreading out, everyone has their own arrangements and own standards, it's obviously quite difficult to contain in terms of growth."

Mr Pearson adds: "If the market were to do it in a central sense that would cut costs."

Despite the success of A&S and ECF there remains some degree of scepticism in a market, where bundles of paper are still a common sight.

The cynical attitude of some in the marketplace towards reform has diminished dramatically in recent years, says Ms Langley.

But last month she added that the launch of the pilot scheme for endorsements at the Lloyd's Exchange for June 1 (*see box*), may spark a few more cynical comments.

She says: "Scepticism is diminishing (overall) but as we prepare to launch the pilot scheme we're seeing some sceptical comments. But we've experienced this with every initiative. For example the response to ECF was sceptical when it was first launched but that has gone now. And I am sure scepticism towards the launch of the Lloyd's Exchange pilot for endorsements will go away I am sure."

## PLACEMENT FOCUS

Looking forward the key focus for the market reform programme will be the placement process.

The LMA has established working parties to look at more efficient ways for the market to be looking at placing, accounting and settlements, claims and facilities and binder business.

Mr Croft adds: "Solvency II relies on audit trails and quality of data. So with endorsements and placements being processed electronically, you are removing the re-keying of data into the system and eliminating the possibility of error. That is the basis of information that will feed into others in the market, providing a necessary foundation. Some companies are already ready to do this."

Meanwhile John Masters, technology director, insurance business at Xchanging says he would like to pilot a social networking type system within the London Market.


## FACEBOOK INSPIRATION

"We would like to see some sort of central system for communicating, something on the lines of Facebook

"The purpose would be to enhance relationships within the market but not to replace the face to face way business is done."

The LMG's Mr Croft admits that although there are no specific plans for this to happen at the moment he can envisage this being the route that the Market follows in five years time.

"Social networking is the email of this generation and I expect that in around five years time that sort of thing will be in every working environment. I expect that is the way the world is going.

"In the future it may play a part in the Market but it will not be in replacement to the way that business is done face to face in the Market." 



John Masters



Julian Mancell Smith



Paul VanderMarck



Could the London Market have a Facebook-style communication system?



## Strong response to Lloyd's Exchange endorsement pilot

The Lloyd's Exchange pilot scheme for endorsements shot off to a flying start earlier this month, with 100% sign up from the Market's managing agents.

In the weeks leading up to the launch Sue Langley, director of market operations and North America, Lloyd's described it as a 'critical and hectic' time for the Exchange, which was initially a little slow to generate interest among the Market.

She says: "This is a great achievement, especially when you think that when we launched the Lloyd's Exchange pilot in May 2009 we were discussing whether we would have to pull the plug on the whole thing when we reviewed take up from the market in April 2010.

"The decision was based on market connection being above 20%. In April we had more than that so we decided to carry on."

But Max Pell managing director of XIS/XCS is keen for the Lloyd's Exchange to move forward at a much quicker rate.

He says: "I hope in 2011 people will start to invest more [in the Exchange]. But at the moment the priority is getting the Market connected and testing the Exchange."

"The end game is to move and settle as much into the electronic process as possible. The key is to move many parties in one direction."

But he admits that the initiative has to be made at a pace that everyone can keep up with.

Ms Langley retorts: "One of the reasons we decided on a slow roll out of the market initiatives is due to one, the cost of implementation but also to allow people to get their head around new technologies."

The next stage for the Lloyd's Exchange will be for brokers to connect. So far around 60% of brokers in the London market are connected and 83% have committed to test and connect to the Exchange, says Ms Langley.

She adds: "There is evidence people are using the exchange, but we're focusing on one class at a time to help drive the uptake."

Mrs Langley hopes that the Exchange will assist with the overall reporting structure within Lloyd's, and says the Exchange will help the back office to report to Lloyd's.

"If you look at the market as a three tiered cake; for the top layer you need a standard way into the subscription market of Lloyd's, and that standard way is the Exchange.

"The bottom layer is the data coming into Lloyd's, and the middle layer is the back office functions."

And what some companies such as Beazley, have done is to integrate the Exchange into their back office.

Ms Langley doesn't expect others to take this approach in the current climate but hopes this will be the way of the future.