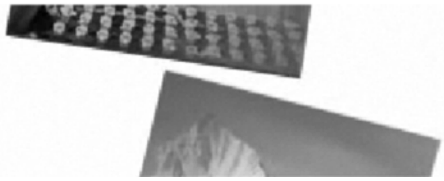

Keeping up momentum

Q&A: Richard Ward

Posted On: Aug. 30, 2009 6:00 AM CST

Richard Ward joined Lloyd's of London as chief executive officer in April 2006 from the London-based International Petroleum Exchange, now known as ICE Futures, where he also was CEO. Mr. Ward joined when Lloyd's was under pressure from regulators and others to modernize its business processes. Three years on, Lloyd's has surprised many with the way it handled the financial crisis, delivered a significantly improved service for brokers and policyholders, and the returns it has produced for investors. International Editor Adrian Ladbury asked Mr. Ward how this has been managed and how the momentum can be maintained.

Q: Lloyd's appears to be enjoying a very positive period at a time when Lloyd's traditionally does worse than the wider market. What has changed?

Over the last three years Lloyd's insurers have made big progress moving from a paper-based business to a technology-based business. Technology was used before, of course, but it has now really moved from paper to technology for the transfer of risk. The placement process has not changed so much. Meetings can be held in the underwriting room, the office or even the pub, but the supporting process is all technology-based.

Q: How was this transformation made possible?

We used the Market Reform Group to drive the process (the MRG, which includes leading figures in the market, was created in 2006 to help drive the reform process in areas such as contract certainty). I made that happen and it was my key goal when I arrived at Lloyd's. We were very fortunate in that two-thirds of the business underwritten in London goes through Lloyd's and so if we make a decision, generally the market follows suit. We in the corporation worked very closely with the leading figures on the MRG.

Q: What are the key strengths of the market?

A firm foundation was in place before I arrived. The Franchise Board structure had been created in 2003 by which the market was much more formally managed. We had a performance directorate, common standards were being adopted for underwriting, claims, risk management and corporate governance. The key was to get that embedded. We had introduced a system whereby business plans were formally approved and discipline in this regard has been key. The capital-setting standards introduced in conjunction with the Financial Services Authority were part of that and that helps us to collect the data needed to properly measure the businesses. This is key because we now have real performance data that is collected on a reliable real-time basis.

Q: Is Lloyd's an easier place for customers to do business with because of the reforms?

We try to make sure the processes are as efficient as possible from the point of view of the managing agents and the brokers. We need to make sure that it is as easy to do business with Lloyd's as the company market in the wider London market. The brokers need to find it as easy to work with us as any insurance company. The

Lloyd's Exchange (an electronic messaging hub) has an important role to play because it creates core standards that deliver efficiency and a common interface. We have adopted the ACORD standards so that it becomes more standardized, open and transparent.

Q: What are the big challenges looking forward?

Obviously, the current economic environment is not easy. Insurance is a nondiscretionary purchase, but companies are under pressure to cut costs. We are hearing of strong rate increases in some areas like Gulf of Mexico wind coverage. Some customers have decided to self-insure more and because of this I think some insurance companies will find it hard to achieve premium increases. But rates do need to increase to restore profitability, particularly in hard-hit lines like aviation.

Q: Lloyd's has invested a lot of time and effort into expansion in new markets and continues to market itself strongly in the U.S., but what about the mainland European market, which is so much closer? Have you given up on Europe?

We are also looking at Europe. We have recently added licenses such as the new offices in Poland, Ireland and Sweden and we are looking at the Netherlands. Therefore, we have not abandoned Europe—far from it, but remember these are mature markets with established regulatory frameworks. It is different to Brazil, which recently underwent deregulation and we needed to protect our business there and added the reinsurer status.
