

Inside this month:

At the end of summer, the future by Summers. Aon's CIO sets out his thoughts on where next for the modernisation initiatives.

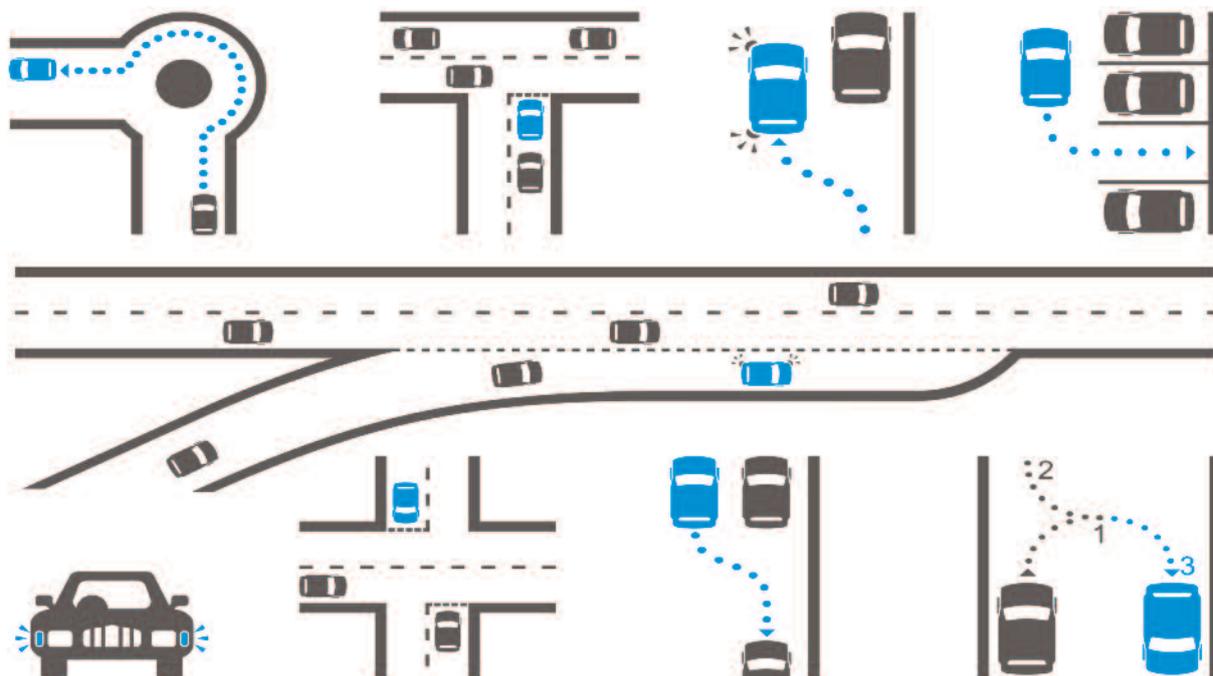
LMG



the LMG

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newsletter



How to drive modernisation: discuss.

There is nothing like kicking off the autumn with a new challenge. For our modernisation programme this comes in the form of Ian Summers's article on the inside pages of this month's newsletter. Ian provides a fundamental reappraisal of the criteria by which we should be judging our past performance; and upon which we should be driving our future efforts. As Ian argues, only through a relentless pursuit of improved client service in our operations can London hope to maintain and enhance its place in the global insurance industry.

Judged by this measure, Ian suggests our progress thus far – ECF; eAccounts; contract certainty – has delivered some benefit but has had a tendency to fall short of what might

have been achieved. Continuing down this path could only be detrimental to London's future prospects. What is needed is a recommitment to a client driven vision of the market and the infrastructure required to deliver it. Ian sets out some compelling thoughts on what these might be. Hopefully this can become the foundation for a productive debate on how the next generation of modernisation initiatives should be structured. That should be a challenging and invigorating autumn for all of us.

Elsewhere, we continue to see encouraging expansion in the volumes of electronic endorsements with July another record month. And, as attendees at the September Forum will hear, the non-bureau accounting project goes from strength to strength.

New live partnerships are up and running with more planned to go live this year and early next. All of which goes to show that our model of collaboration towards common goals will long endure. All this with a reinvigorated vision of what these goals should be, along the lines of the Summers doctrine – and we can, collectively, preserve our future.

A final reminder that this year's Insurance Technology Congress takes place on 9th and 10th October at the Grange Tower Bridge. The ideas discussed above, along with many others, will be up for debate by a host of modernisation stars including the aforementioned Summers; Stephen Riley; Simon Squires; Justin Emrich; Mark Chapman and many, many more. Full details are available at: www.itcevent.com.

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Let the custom

Ian Summers

*Chief Information Officer,
Aon Risk Solutions and
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It is a basic fact of any industry that if there are no clients there is no business. Without someone willing to pay for the thing, no product has any value. It is remarkable, therefore, how much time we in our market, in this newsletter and at our many, many meetings, manage to spend discussing all sorts of aspects of our business and our processes without ever mentioning the one set of people that really matter – our customers. I think we are standing at a pretty important point in the modernisation process. We are pretty close to finally, hopefully, beginning to finish what we've started. We have made a foray into electronic endorsements. Someone somewhere may have an idea as to what it is that Project Darwin is going to deliver. All of that needs to be drawn together into a coherent strategy for the next three years. A strategy that will ensure we actually deliver something worthwhile. And that means that we must concentrate first, foremost, last and everywhere in between on delivering better customer service so that we can maintain better customer loyalty.

Even if we do discuss our customers, we tend to do so in pretty glib terms. "Let's put the client first" we might say, but with no real appreciation of what we mean by that. So that should be a starting point for developing the ideas we need. The best way to appreciate what the client might want is to consider what it is they might be prepared to pay for. I would suggest that clients want better, faster access to markets with a good level of security. Where they have business placed for them they want to know about it straight away, not sometime over the following month. Above all else they want claims paid as quickly as possible. And whilst anything is going on that affects their policy they would like to be able to track progress online rather than by having had to track someone down first. Give them that and they could be happy to sign a cheque. Give them that and make it a lower cheque because driving cost out of the process has delivered a better price for the product and we could really be onto something.

So if that is what our customers want, how well have we done in delivering that in our modernisation efforts over the years. Let us have a look.

ECF did well as we embedded the first iteration of the software. You will all be bored to tears by the stats about improved end to end transaction times but it is fair to say our clients noticed. But it was 2010 when those began to emerge. Two years later and things have got no better. We have implemented ECF2 but I would argue that has concentrated too much on internal enhancements (quicker to access, smarter-looking documentation) without any commitment to actually use these to deliver further improvements to the metrics that ought to be driving what we do.

eAccounts Release 1 is live and being used by 10 brokers. I know that last month this journal carried a very positive story from Ropner on their experience with eAccounts. That is great and it shows the potential. But until all brokers are able to use the new way of working to the extent that Ropner can, we are not going to get very far towards a more efficient, cheaper process that our clients could enjoy. That needs release 2 and its additional functionality – and that is something we do not now anticipate starting to use until 2013.



er drive



Let's not forget contract certainty. This was a major step forward in client service and one where London genuinely led the world. Whereas previously insureds could be left without any evidence that they held any insurance for months or even years, we achieved the issuance of contract documentation within 30 days of inception. Which was great. But only by comparison with what went before. It is nowhere near good enough. And yet we have not moved on.

The endorsements initiative has made a good start and proved the potential for technology support for the front office process. But we have started at the back of that process. To deliver a real improvement to the client experience we need to extend to full placing. I do not see the potential for significant client benefit until we do.

So thus far we probably score about a B – not bad but room for considerable improvement. And it is only by progressing towards an A* that we are going to ensure the ongoing future of the market. To get there we need to understand what being client centric means – and then use that to drive our decision making process. Consider these questions and answer them genuinely for us as a market:

- Do we really know and understand who our clients are?
- Do we ask them what they value?
- Does this drive our decisions on which initiatives to pursue?
- Do we measure our performance as it relates to client service delivery?

I am not sure we could really claim anything other than four “no’s”. If this was the X Factor we would already be off the stage crying on Dermot’s shoulder.

So to move to the next level we need to talk to our clients, survey them, engage with them, however you want to put it. Let us let them tell us what they want – rather than making it up and hoping for the best. Then once we have established that let us devise methods of delivering those

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improvements and measure our ability to manage that.

And let us also commit to a few other principles: to genuine continuous improvement - that we don't just improve a bit and then stop, but carry on delivering more. That we ensure that London continues to lead the world in process improvement by

exploiting our unique ability to come together and collaborate over common areas of our processes. But that we recognise that this is not about London vs Zurich or London vs Bermuda. This is about being an efficient, effective player within a global industry. So that means no more tweaks to suit obscure reporting requirements that no-one can quite define. And let us lose any obsession with lowest cost processing for the sake of it and commit to best service delivery.

Because if we don't, don't think there won't be consequences. This is a cut throat business – probably more so than at any stage since 1688. You improve to survive; if you don't improve you don't. At broking houses we genuinely see business leaking away from London to other centres because of the difficulty of servicing it here. We see more of our clients seeking to self-insure if they do not receive value. We see that alternative risk transfer mechanisms are on the rise again. And what is more it is our job to push our clients in these directions if that is in their best interests.

So how do we drive the improvements we need to stop those consequences coming to pass? Picking up on my hypothesis earlier, and based on what

I know from Aon, I think there are four keys to client loyalty. We need to deliver the best possible product at the best possible price. We need to provide contract documentation at inception, if not before. We need to provide much better visibility of, particularly, the claims process and prompt claims payment. And by prompt

I mean prompt by the client's definition, not 30 days after that.

To achieve all that I think we need to set out a vision for the next three years in modernisation. We had one of these a few years back under MRG and it helped drive that first wave of improvement – contract certainty; ECF etc. We have not done well at keeping it fresh, but let me have a go. How about this:

- A market with renewed infrastructure supporting better collaboration and automating transactions. Leading to reduced costs for all but most importantly:**
- **improving the product and reducing the price for our clients;**
 - **improving the turnaround of client contract confirmation; and**
 - **speeding up claims payments.**

And to get there I think we will need:

Brokers and Underwriters working face to face - for negotiating product and price - then closing the business electronically

Do all that and the genuine talent we have in this market will be free to demonstrate that to the world. But we can only do this if all sections of the market come together in a common structure that allows us all to have the right input into achieving this vision. Now is not the time, nor has there ever been a time, to go off on parochial flights of fancy. We must ensure that the oversight of the end to end process remains a genuine cross market, democratic process.

on a central market placing utility (which I would say should be the Qatarlyst platform, properly managed and governed by

the market) which keeps a full audit trail, and one version of the truth for placement and endorsements.

That should get us a better product at a better price.

Client confirmation of cover produced automatically from the broker's system using the data from the central utility, with the premium debit automated at this stage.

That should get us contract documentation at inception (and reduced processing costs that should further drive down the price).

Automated settlement to a proper global standard, via the Exchange, and linking to a central net settlement banking solution (which could be Sorrento). Complimented by a similarly automated claims process where possible, with full transparency on progress to the client and the same commitment to globally compliant processing of the payment.

That should reduce cost and thus price, and deliver as fast as possible, claims payment. It will also open

London up to business that we miss out on because it just costs too much to process it here.

And, to keep us honest, we need to measure how we are doing on these things. We need to establish the points in the process that matter to our clients, set ourselves some service targets around reaching those; establish how well each firm does against the market benchmark; and tell our clients about all that. In other words deliver proper competitive pressure on all of us to perform.

Do all that and the genuine talent we have in this market will be free to demonstrate that to the world. But we can only do this if all sections of the market come together in a common structure that allows us all to have the right input into achieving this vision. Now is not the time, nor has there ever been a time, to go off on parochial flights of fancy. Of course there will be areas of the transaction in London that are more the preserve of the insurer rather than the broker – or vice versa – and special circumstances may dictate a special approach to these for a while. But we must ensure that the oversight of the end to end process – and the need to ensure the primacy of client service that must drive our approach to improving it – remains a genuine cross market, democratic process. We need to continue to collaborate if we are to continue to compete. Let's get on with it.



Events...

Dates for your diary

The LMG Forum sessions are designed to provide an update on the progress of the modernisation programme and give more detailed information on particular projects or aspects of the process. All sessions start at 9:15am at Willis Auditorium, Lime St.

- Thursday 27th September**
- Wednesday 31st October**
- Wednesday 28th November**

Only those who pre-register will gain admittance. Online booking is available via www.londonmarketgroup.co.uk Places are reserved on a first come first served basis.

ACORD Club dates:

ACORD Club provides an update on the latest technological innovations in the market. The venue for this is Balls Brothers, Minster Court. All sessions start at 11am. Dates coming up are:

- Thursday 27th September**
- Thursday 25th October**
- Thursday 29th November**

For more details on upcoming speakers, visit the ACORD website (www.acord.org) or email Melanie Harding (mharding@acord.org)