

# Overcoming the obstacles to achieve a new London Market operating model

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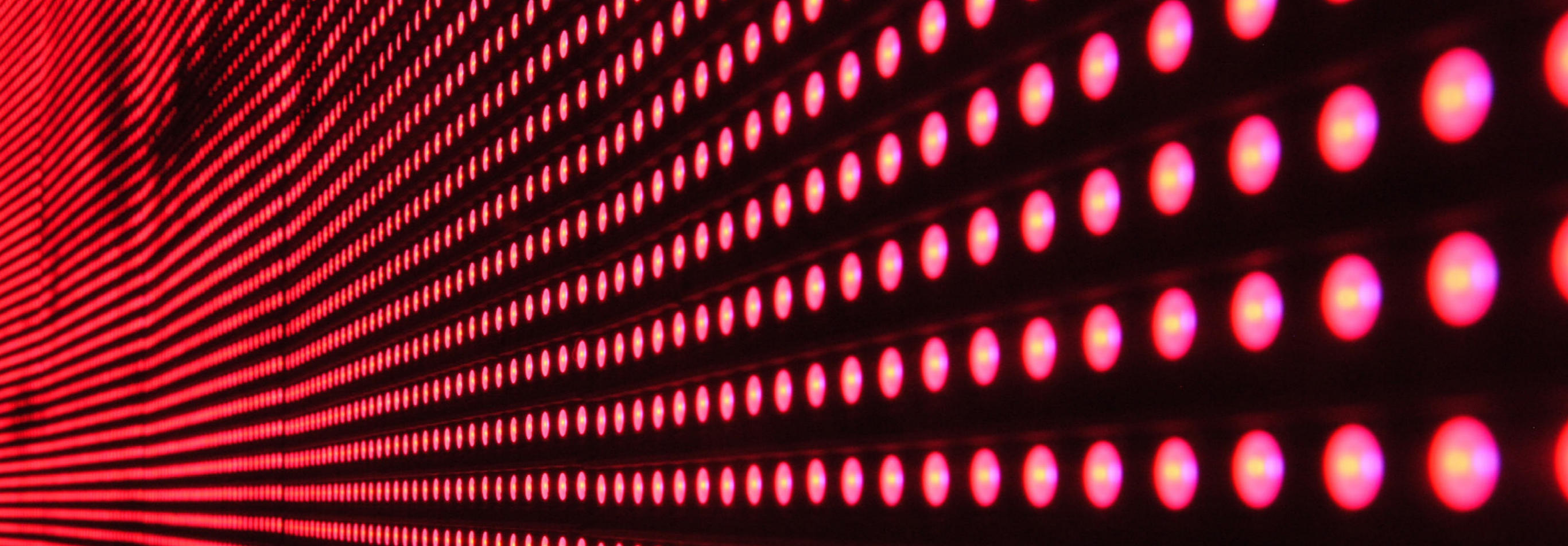
# Introduction

The series of London market webinars and virtual roundtables TIN and WNS have hosted in 2020-2021 have highlighted some of the key challenges the London market faces in its drive for transformation, both within individual companies as well as at a market level.

The TOM before them, and now The Future at Lloyd's and the Blueprint initiatives have initiated a transformation in 'the way London works' towards a digitally enabled future with data quite literally at its core (or 'spine' to use the Blue Print's own terminology). Before COVID the market was at a tipping point of transformation driven by the universally accepted need to modernise to compete – the crisis has accelerated that process and proved that London market brokers and insurers can embrace digital to transform their organisations and operating models, and opened the eyes of naysayers to the 'art of the possible'. In many ways C19 has in fact underscored the value of the central vision of the Blueprint Two: which is based on a digital marketplace driven by data. However, the fact that London has managed to deliver its core offering remotely throughout the pandemic should not be mistaken for a success for centrally driven market reform. Individual firms made it a success because they had no choice and because resilience and the ability to react to a crisis are as hardwired into the market as relationships, experience and the visceral understanding of risk – other, more often lauded features of the London market we should also seek to preserve.

The winners in 'the new normal' will be the companies (large and small), that can successfully reimagine and reengineer their operations and business models to align with a digital-ready future. NOW is the time to embrace change...or risk being left behind. Retail insurance has seen a shift from policy-centric to customer-centric operating models, and this shift is starting to happen in London as the focus moves to customer outcomes rather than internal or broker to carrier processes, and in order to achieve that laser focus on customer outcomes operating models will have to be transformed.

So, what are the obstacles standing in the way, and how are organisations going about tackling them?



# Dealing with data: ownership, standards and data quality

The London Market has always been driven by data, and the Lloyd's Blueprint Two has highlighted its central role in delivering a fully digitised market. The challenge is now to leverage enhanced computing power, increasingly sophisticated analytics and advances in automation to open the door to new opportunities to streamline operations, improve underwriting ratios and enhance the client experience.

**T**he London Market is yet to truly harness the power of data, and has poorly captured and utilised data across all functions for too long, but especially in claims where swathes of insight have been left buried in transactional data. Furthermore, in many organisations disparate data sets in different formats on multiple legacy systems have often stifled attempts to apply new analytical capabilities. You cannot unlock the power of data to gain greater insights, transform operations and enhance the client experience if your data is inaccessible and / or not in a format that can be leveraged. We have plenty of data, what is needed is good, clean data that can be shared across the organisation (and across the market!). Without that foundation, the whole edifice comes crumbling down.

In this context the focus in Blueprint Two on consolidating data into one single reference point as part of a 'digital spine' is encouraging for the future of the market. Lloyd's moving to a data first method of operating, as opposed to a document centric approach, via the creation of 'Core Data Records' is certainly a step in the right direction. This should enable Lloyd's to introduce a truly digital marketplace



which can ultimately remove the laborious manual data extraction and validation process associated with placement, along with the duplication of effort and errors that are typical. Companies will need to align their approach to underwriting to embrace this 'Data First' way of working, and as the process standards are introduced they will need to redesign how underwriting teams operate to take advantage of this more efficient way of working.

There are 3 key areas to focus on with data: data ownership, data standards and data quality, and the Blueprint seeks to address all 3. There are significant challenges around all of them, particularly in a market with such a large number of stakeholders and such a complex value chain. As a market we need to move on from questions over who owns the data or has access to it and focus on creating competitive advantage with what we do with data, and find new ways to deliver value to the customer. For example, if you can add value for the client when they share their data with you as well as use it to process their policy you will build loyalty and engagement- report back to the client and share your insights with them, so the customer experiences and sees the value of sharing their data with you at first hand.

An aerial photograph of London at sunset. The sky is filled with vibrant orange, red, and purple clouds. The city is illuminated with warm lights from buildings and streetlights. The River Thames flows through the center of the city, with several bridges visible. The Shard, a prominent skyscraper, stands out on the left side of the image. The overall scene captures the transition from day to night in a major metropolitan area.

# Untangling legacy technology

London has long bemoaned the drag legacy technology has on the page of transformation. However, Lloyd's appears to be forcing a burning platform on the market. Whilst Lloyd's has recognised that legacy processes may continue for the short term, it anticipates that new business will utilise the new processes quickly. Lloyd's has confirmed that it has no intention to migrate legacy systems and processes to the new systems for any line or book of business, historic or otherwise.

The technology challenge is to develop dynamic and scalable digital platforms to enable the data-driven digital business of the future, platforms that improve the customer experience, deliver efficiencies and create an environment for future innovations to flourish. The end goal has to be applying advanced analytics to extract deeper meaning from existing data in order to drive better business decision making and improve underwriting, and to streamline operations through the effective deployment of RPA capabilities in order to eradicate rekeying, duplication and errors.

At present, for too many players 'digital transformation' simply equates to the

digitisation or automation of existing or current processes. This will not cut it. Automating the outdated processes that left London vulnerable to more agile and fleet footed competition from emerging markets abroad will also not solve the problem – both transactional and operational processes need to be modernised across the entire value chain if we are to meet the challenge.

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**IF LLOYD'S CANNOT TRANSFORM QUICKLY, EFFICIENTLY AND AT AN ACCEPTABLE COST TO MARKET PARTICIPANTS, THOSE PARTICIPANTS WILL QUESTION THE VALUE OF PARTICIPATING IN THE MARKET AT ALL.**

A key factor in the successful market wide adoption of these transformative technologies will be compatibility between

companies moving quickly with their digital transformations, and a centre that struggles to execute fast enough to be compatible with every stakeholder in the supply chain. Many see this potential divergence in the market as a threat to the success of modernisation. A divergence between Lloyd's and the companies market, with the latter being unwilling to contract with the former, but also a divergence between individual firms and the market as a whole. If Lloyd's cannot transform quickly, efficiently and at an acceptable cost to market participants, those participants will question the value of participating in the market at all. If their own investment in digital leaves them faster and more efficient than the market, why should they then also fund a modernisation agenda that becomes about enabling that market to catch up? In this context ease of adoption, both at the outset and on an ongoing basis is key: for example clearly defining the way in which insurers interface with the digital spine is essential if they are to have the confidence they will always be able to work with the spine, and to continue their investments in the technology that integrates with it. And cost: will market participants see sufficient return from their investment in market modernisation to make contributing to its (escalating) costs worthwhile?



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# Understanding & transforming legacy culture

Many of the operational challenges facing the market are essentially about people and their skillsets - but also their mindsets

**T**here is a lack of real transformational experience in many parts of the London market. And in some of the dustier corners of EC3 there is still an engrained inertia and resistance to change, born out of many years spent being highly profitable with the current way of working. Legacy cultures and mindsets are as much an obstacle as legacy technologies. Changing people's mindsets and the London Market culture is a challenge that has to be overcome if the market is to fully embrace the modernisation of Lloyd's and the market generally. We need to embrace change, and have the willingness to question core assumptions underpinning market dynamics and practices, and organisational structures and processes – or in simple terms the way things are done in London.

Tackling any one of the above challenges in isolation will not deliver the transformation required. As always, people and process need to change in alignment with the technology, and across the market companies large and small are being forced to reappraise both operating and business models. Some are start-ups such as Convex, McGill & Partners and the Lloyd's 'syndicates in a box', with innovative business models and



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unencumbered by these legacy technology, but the established players are going through their own business transformations and embracing the kind of 'disruptive' and innovative thinking that is more traditionally associated with the startup mindset.

The challenge for London is now to build on the enforced digital transformation that the crisis has driven, and to maintain the momentum. Senior people across the sector, from companies large and small, from all parts of the value chain, practitioners and suppliers alike, Lloyd's and companies market alike, need to buy into this process if it is going to succeed. There is a renewed appetite for change, and it is an opportunity that London should grasp. Blueprint Two has a major role to play in the modernisation agenda of London, but the challenge moving forward is to realise the potential for transformative change in the market, and capitalise on the momentum created by the drive for market modernisation and the response to the pandemic - and leverage this renewed drive for change to address some of the issues outlined above, that in one way or another we have been discussing for the last 10 years or more.



# Access the recordings

You can access the recordings of the 2 webinars on The Insurance Network website;



## Creating a business model for the future London Market

Thinking like a start-up to build agility, drive innovation and create sustainable competitive advantage

The TOM and the Lloyd's modernisation Blue Print and FAL initiatives have initiated the transformation of 'the way London works' from a paper based tradition to a digitally enabled future. The COVID crisis has accelerated that process and proved that London market brokers and insurers can embrace digital to transform their organisations and operating models, and opened the eyes of naysayers to the 'art of the possible'.

Start-ups such as Convex, McGill & Partners and the Lloyd's 'syndicates in a box', with innovative business models and unencumbered by legacy technology are already emerging. The market is at a tipping point – the winners in 'the new normal' will be the companies (large and small), that can



## Leveraging analytics to drive growth & profitability

Unlocking the power of data to gain greater insights, transform operations and enhance the client experience

The London market has always been driven by data, and the Lloyd's Blueprint Two has highlighted its central role in delivering a fully digitised market. The challenge is now to leverage enhanced computing power, increasingly sophisticated analytics and advances in automation to open the door to new opportunities to streamline operations, improve underwriting ratios and enhance the client experience.

However, in many organisations disparate data sets in different formats on multiple legacy systems have often stifled attempts to apply new analytical capabilities.



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Visit [www.TIN.events](http://www.TIN.events)  
Contact: 020 7070 0270  
Email: [info@tin.events](mailto:info@tin.events)

# WNS



Adrian Guttridge  
Senior Vice President - Insurance  
WNS Global Services (UK & Europe)  
Email: [Adrian.Guttridge@wns.com](mailto:Adrian.Guttridge@wns.com)



Akhilesh Ayer  
Head of Research & Analytics  
WNS Global Services  
Email: [Akhilesh.Ayer@wns.com](mailto:Akhilesh.Ayer@wns.com)