



Previously on the Future Process project...

*At the LMG Forum in January, Tim Carroll set out his plans to take forward the Future Process project. This will build on the output from a cross-market Working Group formed in 2009. This group were set the challenge of investigating what might be the next wave of modernisation work in London. In a world where more and more data is exchanged via structured messages, what will be the implications for our approach to processing? And what, if any, central services and infrastructure will we need to retain? Their conclusions are the starting point for Tim's work in 2010 and beyond. So we asked a key member of the Working Party, **Joe Dainty, Head of Business Practice at QBE**, to give us an insight into what those conclusions were.*

In his talk at last month's forum, Tim Carroll characterised our modernisation efforts thus far, whilst laudable, as having been aimed at "making us better at what we were doing already". I would agree with that. What we have not done was the exercise which said, "starting with a blank sheet of paper, what would we design in terms of business process; and how much more efficient could this make us?" The Future Process Working Group was the start of doing that thinking. We brought together a properly representative cross market group. I was joined by Danny Tyler from the Company Market; we had Linda Stannard and Jonathan Ibbot from the Managing Agency community; and Ian Summers and Colin Grint represented the brokers. All supported by representatives of the executive from each Association, the MRO (as it was then) and facilitated by the Market Operations team in Lloyd's. So no voice went unheard!

There had been some work going on in this area within Lloyd's prior to the group coming together – and this had been discussed with the Heads of Associations in a series of workshops. So our initial task was to validate the conclusions from that. One of their key comments was that there was a need to spell out the principles and assumptions that were going to underpin any discussion of future process models. Principal amongst these was the belief, shared by all, that the days of a one-size-fits-all approach to London business had to end. What might make sense for subscription risks would not necessarily be

the right answer for singleton business. Beyond that, we wanted to enshrine the concept that choice of service provider for insurers was a valid ambition; but that there would be instances, especially on subscription business, where this may have to be subjugated to the more compelling need to deliver customer service. So, for example, the ability for clients to receive only one set of contractual documentation, rather than one from each insurer on the risk, would drive us towards retaining some common processing in the centre.

We also identified some high level common ground. Much of this, one would hope, was obvious. But it was important to record it to give a proper framework to the discussions. So we agreed that any future process model should support both face to face and entirely electronic trading; that it should

aim to deliver benefit to all practitioner firms; and that it must be aimed at preserving the benefits that a subscription market delivers. Fundamental to all this would be the use of ACORD messages to support all processes throughout the risk lifecycle.

With these important foundations in place, we embarked on the work to construct a vision of the future. This involved the Group going through the process maps that the Lloyd's team had drawn up with a view to confirming they represented our view, as practitioners, of how things might work and then drilling down into some more detail. Only by testing the proposals with realistic business scenarios could we judge their appropriateness as a vision of the future.

As I have already touched upon, an early conclusion was a requirement for



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some continued common processing. The Group identified a specific need for a single core central function to deliver and manage the infrastructure that controls the process flows and, in particular, the mechanisms to enable subscription business to operate efficiently. This would allow us to deliver the single documentation example I set out earlier. It would also ensure, for instance, that the client received a single invoice and coordinated claims settlement. What is important to note though is that we were talking about common infrastructure – not necessarily common service provision across that infrastructure. This is a clear distinction from what happens today, and an opportunity to deliver a model that allows choice but within the necessary framework to deliver client service. Potentially, therefore, the best of both worlds.

Given that this pointed towards the fact that new central infrastructure could be required to support subscription business, we concluded it would be sensible to explore fast tracking a new model for 100% business as a first implementation.

Which brings us to an area which is clearly going to be a significant challenge for this work – moving from the theoretical to the practical. The Group recognised that, despite the practitioner involvement and our focus on realism, it would be very easy to produce new models that looked good on paper – but

the key would be to ensure they were actually workable in a competitive market place. We also need to ensure that we are creating an environment that will allow service providers to flourish. Any approach to central services must ensure that there is a viable business model

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available to the supplier of that service. But at the same time we need to ensure that there is sufficient revenue potentially available to attract alternative suppliers of non-core services if we are to provide the conditions for choice to grow.

Again, to a certain degree, these are questions that would be easier to answer for 100% business than they would be for subscription. This reinforced the earlier conclusion that this might be an area we should look to progress first.

Implementation was also an area where the group was convinced that we would need Xchanging's help if we are to get it right. Whatever our conclusions on how the new world should look, navigating the right path there from our existing state is going to be critical to the success of the model. Xchanging has vital knowledge and experience that we will need to help us here. Engaging with

them at the right time and at the right level will be crucial. I know this is something Tim has on his agenda as he leads us forward.

The Working Group sat over the summer of 2009 and we made our report to LMG at its October meeting.

During that time we did delve down into some detail. But the overriding consensus was that, whilst we were in a position to recommend some of the framework that should shape the future world; there was a need to do deeper analysis than time had allowed to specify properly all the structure that would need to be in place to make that world work. So our recommendation to LMG was that it took this further analysis forward as a key part of its 2010 work-plan. This recommendation was warmly endorsed and I am delighted that Tim has agreed to be the sponsor of this project.

JP Morgan once said: "the first step to getting somewhere is to decide you are not going to stay where you are". The work we took forward last year was part of the process the market needed to go through to reach that decision. We have embarked on a piece of work that will undoubtedly fundamentally alter the way in which we do things in London – but only once the necessary thought has been put in to ensure that it is change for the better and not for the sake of it. I wish Tim all the best in guiding us through the remainder of this process.



Events...

Dates for your diary

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

Wednesday February 24th
Wednesday March 17th
Wednesday April 21st

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 February 25th
Wednesday March 24th
Thursday April 29th

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