

FINAL PUSH

The credit crunch could be the force that finally brings about the electronic reform of the London Market, argues **Richard Garnett**

Celebrations in EC3 due to price rises (there are reports of some lines being up 30%) have been muted by problems on the other side of the balance sheet and a drive towards cutting excess expenditure. Bizarrely, these cost cutting drives might actually be the push that finally spurs Lloyd's of London in particular – and the London Market in general – towards much talked about electronic reform.

The technology is there, the costs have come down, the solutions are simpler and interoperable, and many of the technical problems related to information sharing in Lloyd's have been, or are being, ironed out. But, most importantly, finance departments are seeing that reform can save money. Smaller companies can cut back on tens of thousands of pounds, larger ones save hundreds of thousands.

While trying not to sound too much like Mayor of London Boris Johnston, there is a great opportunity here. There is an opportunity for people to look at their own systems, how they are processing, where there is room for improvement, and make changes.

By using new systems, companies can save a considerable amount of time and money (and paper) whilst delivering a significantly enhanced and faster service. If companies continue to use paper, then it has to be stored somewhere and taken care of – which of course, costs vast sums of money. Conversely, most companies only utilise around 40-50% of their electronic storage capacity and as demand for storage increases, the costs decrease.

Sunken infrastructure costs can be overlooked when reviewing processes, but can amount to a great deal of expenditure over the lifespan of a policy.

Plans are in place to combat the technical problems with sharing information that have beset Lloyd's and the London Market. Firstly, part of the complexity of sharing information has been resolved with the adoption of ACORD XML messaging standards which enable different companies with different systems to share information by both using the same shared "language".

Secondly, the Lloyd's Exchange, recently awarded to IBM, will allow inter-connectivity between multiple parties without having to create huge

numbers of peer to peer connections. In other words; rather than being on a contract with six other parties and having to create six new direct connections, the Lloyd's Exchange will enable interested parties to make one connection (to the Exchange) and from there be able to connect to all the other parties.

We all know that Lloyd's is all about evolution, not revolution. And there is still a slight hangover from the ill-fated Kinnect project. But it is now time for change.

And in the US, Managing General Agents and captives are generally using technology which is substantially behind what is available. They'll need to play catch up as well, as the drive towards streamlining is not simply a fad driven by techies wanting the latest thing to play with – there are substantial money savings to be made by the adoption of these systems. At the moment, in the US, a large amount of claims handling is still done on paper and with Excel – but these manual systems are utilising antiquated methodologies which involve a significant amount of manual intervention, duplicate data, duplicated effort, and wasted resources.

Technology, systems and processes exist now which allow people to work from home, and this flexible working in turn can also save money. People can work for you, accessing information from anywhere in the world. This does not simply benefit the CFO who can see outsourcing reducing costs, but it enables home workers around London, and it means that if we are hit by another blizzard then work does not need to grind to a complete halt and existing knowledge can be utilised in a much more effective manner.

While the general economic climate means people don't want to jump in to big projects, I think there will be a huge shift in 2009 with a lot more people taking up Electronic Claims Filing (ECF) and electronic messaging, both here at home and abroad.

Simply put, by using new systems, a company can save significant sums of money, and 2009 may be the year that Lloyd's goes electronic – all thanks to the credit crunch.

Richard Garnett is managing director of Yellowbox, the insurance communications hub

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Richard Garnett,
Managing Director,
Yellowbox



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