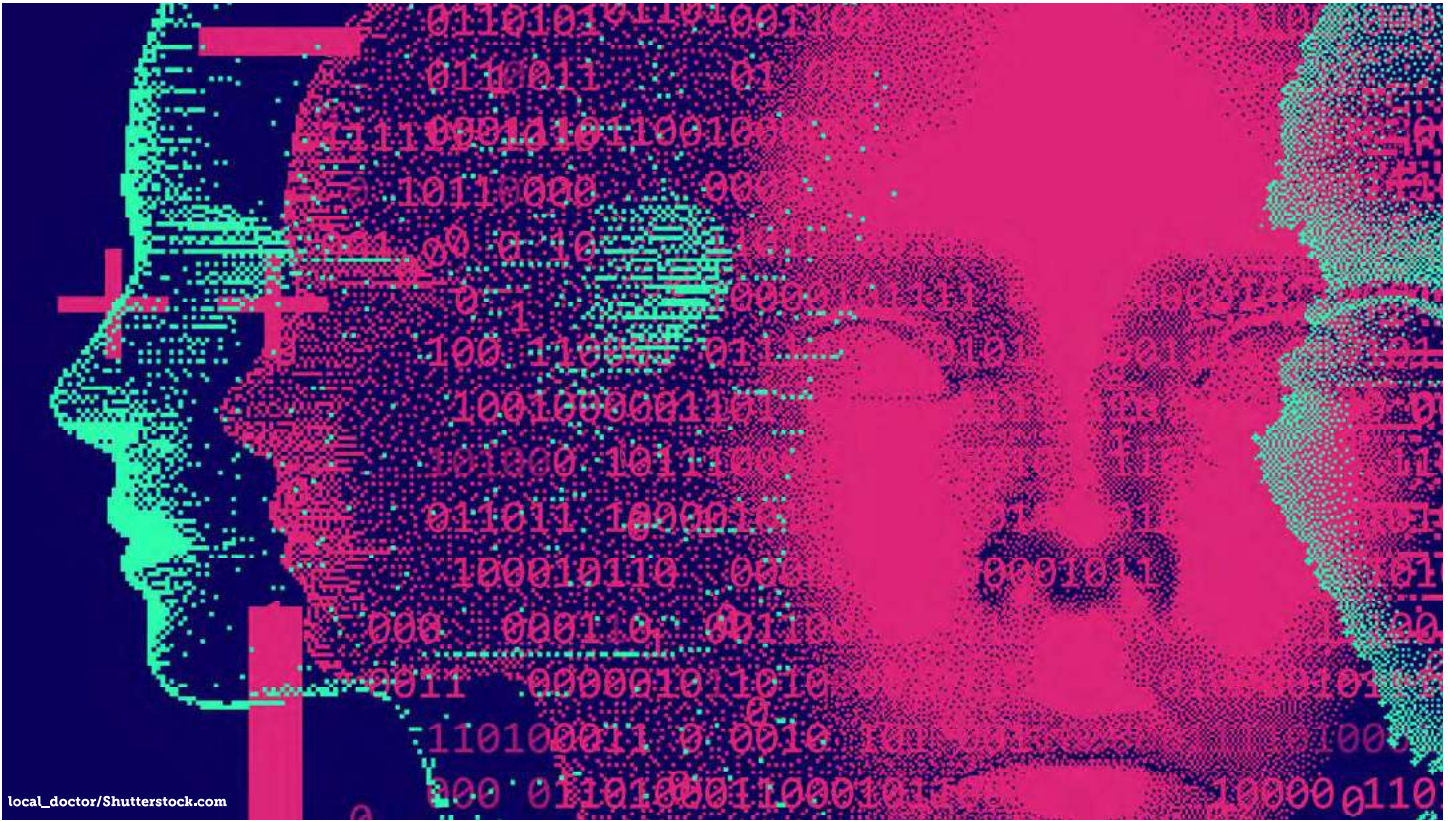


# ANALYSIS



## Face-to-face interaction is still critical to Lloyd's success as a digital market

Post-Covid, Lloyd's needs to pull the market back into the physical Underwriting Room, but it must shift the focus from transactional underwriting to innovation and product creation



Rasaad Jamie  
Global markets editor

The emphasis of the Future at Lloyd's Blueprint Two programme is very much focused on the creation of a digital and data-led market to make Lloyd's more efficient, connected and scalable.

Under Blueprint One, the strategy was to invest in primary central processing platforms for everyone in the market to adhere to. Blueprint Two, commentators say, prioritises the need for Lloyd's to stay agile and keep pace with evolving technologies to facilitate the most efficient flow of data between brokers and carriers across both Lloyd's and the companies market.

This is seen by some in the mar-

ket as the beginning of a recognition that most of the companies in the Lloyd's market operate in the wider London insurance market, often in larger, global insurance groups. But Blueprint Two, much more so than Blueprint One, raises the question of what digitalisation means for the future of Lloyd's as a market, with its own distinct culture and traditions, within the global insurance market.

One of the central emblems of the Lloyd's culture – the Underwriting Room – is only open on Wednesdays at present because of the coronavirus pandemic. This raises the question of the role of a physical underwriting room in an increasingly digital marketplace with a rising number of brokers and underwriters who are becoming more comfortable with remote working.

And, as the vaccine is being

rolled out, what is the long-term future of the Underwriting Room if, as envisaged, the measures outlined under Blueprint Two drive an exponential increase in the pace of the digitalisation of the market?

### Shift to virtual

Nobody is in any doubt the shift towards virtual underwriting rooms across the global insurance market, not just at Lloyd's, is accelerating, especially given the pressure to operate within global time zones. This trend is also extending to the claims arena, where 24/7 service is required.

But, for many, the physical underwriting room is unlikely to entirely disappear, despite the fact the past nine or 10 months have proved business can continue and deals can be still done in a virtual world, using technologies such as Zoom and Microsoft

Teams. It is also despite the fact risk placement platforms, such as PPL and Whitespace, have also come into their own, with a massively accelerated increase in usage, which the powers that be at Lloyd's could only have dreamed of pre-pandemic.

"In five years' time, we will look back at this as the catalyst that enabled the insurance market to finally catch up with the times," Ben Potts, UK managing director at Novidea, says.

"But the fact is most people in the Lloyd's market are social creatures and old habits die hard. There are many brokers and underwriters who prefer to conduct business and negotiations face to face when they can," Potts adds.

Ben Rose the co-founder and president of Riskbook, a reinsurance trading platform approved by Lloyd's, says this commitment to face-to-face negotiation is evi-

**'A post-Covid commitment to some form of a regular physical interaction whether formal or casual will be crucial to generating ideas to cater for increasingly complex risks facing both insureds and our industry'**

Mark Gregory  
Axis



# ANALYSIS

denced by the current long waiting list for the best spots on the ground floor of the Underwriting Room, despite the fact rent at Lloyd's is very expensive and despite the financial pressures on syndicates to reduce costs. "For many in the market, it can seem short-termist to sacrifice boxes if, indeed, a vaccine is on the way to save the day," Rose adds.

But an all-digital marketplace is inevitable, Rose says. Footfall, he argues, is only one of many benefits of being a syndicate at Lloyd's. "And, with the help of Blueprint Two, we should see that gradually transitioning towards digital footfall any way," he adds.

Paul Templar, chief executive of Vipr, a provider of delegated authority solutions to brokers and underwriters in the Lloyd's market, agrees. Virtual communication, he says, will, in time, replace face-to-face interaction. The market has become more used to conducting business remotely via virtual conferences and video calls and this is now becoming the norm, he adds. "But Lloyd's has built its reputation on face-to-face interactions and, more often than not, it's the side conversations that actually drive business along. There is more work to be done on virtual communications before that can be easily replaced. It will take time, but it is achievable," Templar says.

## Driving innovation

For others, maintaining some form of a physical presence, particularly the personal interaction between broker and underwriter on more complex risks, will remain an important part of how the London market operates. The argument here is that while electronic trading will, undoubtedly, re-engineer certain processes, people will still value face-to-face interaction – particularly when it comes to the more challenging or nuanced conversations. For example, building up trust in new business relationships.

Face-to-face interaction is regarded as particularly important in terms of facilitating the exchange of ideas and driving innovation. Commentators also point to the benefits of in-person interactions in the Underwriting Room or in insurers' broker lounges, which have proven over many years to be an excellent forum for establishing close relationships between professionals and for fostering the development of deal-makers, problem-solvers and insurance industry professionals generally.

"Exchanging ideas and

thoughts on innovation can be extremely challenging in a pre-set 30-minute meeting versus an in-person catch up or unplanned and social interactions," Mark Gregory, chief executive of the international division at Axis Insurance and chief executive of Axis Managing Agency, says.

"Remote work has certainly proven itself capable in reacting to situations at hand and ensuring we talk to our partners. But a post-Covid commitment to some form of a regular physical interaction, whether formal or casual, will be crucial to generating ideas and catering for increasingly complex risks facing both insureds and our industry," he adds.

Lloyd's virtual underwriting room, which has been in operation for some months now, has proven highly effective in removing a lot of routine administration and the need to meet in person. While it will have a place in the market post-Covid, it will not completely replace face-to-face discussions, Paul Bermingham, managing director of Advent Insurance Management, says.

"Core to the value of Lloyd's is its expertise and being able to

meet to work through complex issues in person is still the option of choice for many experts. Lloyd's also fosters a community that supports lasting relationships. This important to fostering emerging leaders in the market and attracting new talent into the industry," Bermingham adds.

## Hybrid approach

The need to be physically present in the underwriting room in the future is likely to vary from role to role, according to James Willison, managing director of insurance technology firm WCL. "Certainly, there will be some roles, such as administrative, which can be conducted remotely. Moving forward, I believe there will still be an underwriting room, but with subtle changes to incorporate a hybrid of a physical and virtual working environment," Willison says.

The success of Lloyd's as a market will depend, to a large degree, on how strategically this hybrid working environment is mobilised. There will always be a place for face-to-face underwriting, Karen Stanford, operations and transformation lead at

GreenKite Associates, says. "However, the challenge for Lloyd's is that all underwriting used to be done face-to-face in the Underwriting Room, rather than just using this method for those complex matters that require it. The Underwriting Room was overdue a makeover and the market has been forced to do things differently."

Working remotely is not the end of the underwriting room, Stanford argues. "It's the start of the evolution of a 300-year tradition and reinventing it to ensure that it is fit for the 21st century. It is essential to take the best of the existing model and revolutionise with digital support to ensure Lloyd's maintains its ability to

place the most complex risks and serve its customers," she adds.

To ensure its survival as a global market, Lloyd's needs to make a subtle, but critical, change to the priorities of the underwriting environment, according to Ian Summers, the chief executive of Sequel. "I am a great believer that to truly innovate you need to bring people together. Lloyd's therefore still needs to continue to lead and pull the market back into the room.

"However, it needs to tweak the focus from transactional underwriting in the room to innovation and product creation. Lloyd's must be seen as the centre of risk innovation and the place to come for answers," Summers says. ■

**'It is essential to take the best of the existing model and revolutionise with digital support to ensure Lloyd's maintains its ability to place the most complex risks and serve its customers'**

**Karen Stanford**  
GreenKite Associates

