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Data governance is crucial in honing London's competitive edge

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Efforts to modernise the market, however ambitious, will ultimately fail without confidence in the accuracy of the underlying data

Nick Mair
Atticus DQPro

Much is written about the London market's urgent need to modernise legacy systems and embrace technology. The rationale is clear: unsustainable expense ratios gnaw at carriers' profitability, while more agile digitally-enabled competitors with lower cost of capital are seeking to increase their market share.

Launching a new carrier last month, Stephen Catlin bemoaned the industry's "grotesquely inefficient" processes and distribution, determining successful re/insurers need to do things differently.

We hear much talk of making the channels that bring business into the market shorter and more efficient via further disintermediation and of pressure from product-focused insurtechs harnessing artificial intelligence (AI) and advanced data analytics to make themselves more relevant than incumbents and to better understand and respond to risk.

This is headline-grabbing stuff, no doubt. But while the nuts and bolts of underlying data confidence are perhaps perceived as less glamorous, a focus on the data fundamentals will be the critical element in making successful market modernisation possible, in whatever form it takes. The carriers underwriting successfully in 2019 and beyond will be the ones best informed by high-quality and well-governed risk data.

"The Future at Lloyd's", unveiled on May 1, in many ways has this challenge at its heart. Of the six new initiatives in Lloyd's chief executive John Neal's strategy – from a proposed new risk exchange with flexible capital to deploy to a next-generation claims service within a modern ecosystem of service providers – all require good data at their core, letting insurers move quickly and confidently.

Data underpins everything

Strong data lies at the root of almost all the other great technology projects already under way in the market: the expanding Lloyd's electronic placing platform; the companies pioneering various blockchain initiatives; and the many projects at individual broking and underwriting firms to increase automation, explore AI and implement predictive analytics.

Without having disciplined data governance and strong data controls in place automatically checking the quality of data coming in from the myriad of different sources and systems around the world, all of those industry projects will fail to fulfil their promise or, at worst, fail or slide into irrelevance. As the cliché goes, if you put rubbish in, you get rubbish out, increasing back-office inefficiency and operational risk.

For underwriters and business leaders, reliable data represents the basis for taking critical decisions on a daily basis.

Front line decision-makers are only as good as the data at their fingertips. Bad data leads to nervous underwriting decisions and feeds directly into the negative results statements that have become all too common among non-life insurers in recent years.

Too many carriers have previously neglected to invest in the basics of their data collection or, if they have tried, many have struggled to harness their data in a meaningful way. This is an anathema to effective data controls and the results can be highly dysfunctional.

Even basic data is frequently unavailable to the carrier and insight-rich data is sometimes not absorbed into systems in a reusable way. Most insurers still use manual and ad-hoc processes for data transformation, leading to inefficiency and inaccuracy.

Operations teams are wasting time and adding to inefficiency by manually inputting and reinputting data into an unwieldy mess of spreadsheets, legacy systems and other software that were not designed with integration in mind.

Potential for error is high. Duplication is abundant marketwide. Unchecked, errors in the data can also lead to misreporting for an audit or reporting requirements for Lloyd's or other supervisory authorities.

In this context, data governance might seem like unglamorous nuts-and-bolts detail, but it is fast becoming critical to the underwriting process of the future.

Business intelligence

Speed is often vital for success. A common precursor to moving quickly but prudently is the possession of strong business intelligence to inspire the confidence to take bold decisions, manage risks sensibly and seize opportunities fast. Time saved through agility, risks averted by robust process, and pricing benefits from better data are among the most obvious benefits.

One non-life insurer reported taking three weeks to prepare for a data audit, but with new automation and data confidence technology in place has reduced that to just 30 minutes.

Pricing is in the balance for insurance carriers in today's market. Capacity deployed by a hungry market can quickly turn hard prices soft. This reality is at the core of the new Lloyd's strategy announced at the start of this month.

Knowing when you can charge slightly more for a risk is crucial intelligence and the benefits to pricing of equipping underwriters with better information can be clear to see. Correcting the errors within the policy system data of one specialty insurer, a DQPro client, resulted in a ratings jump from -15.5% to +2.6% for one class of business the carrier reported.

Automating unglamorous back office controls and directly linking them to the front end of the business in this way is critical to the joined-up, streamlined London market of the future.

Increasing automation is part of the insurance industry's cost-saving agenda: replacing slow and inconsistent manual checks with quicker and more reliable process automation. Chief executives want to redirect their headcount towards the operational tasks that differentiate the business.

Automated data checks are part of that shift, freeing up staff from repetitive jobs. With the right systems in place, dozens of salaried positions can be saved and headcount can be refocused on skilled roles that truly help take the business forward.

Data confidence will be crucial to the "Future at Lloyd's" strategy. A culture of "right first time" and for business-side ownership of data can only be a force for good, improving the quality of information available to underwriters and decision-makers across the business. Data confidence can provide firmer foundations for almost every technology initiative under way in the market.

Now more than ever, in an intensely competitive market context, data confidence in taking decisions provides the difference between failure and success. ■

Nick Mair is co-founder of Atticus DQPro

Moving the market closer to the claimant

Technology, combined with the right vision, can make a frustration-free claims experience a reality for London market customers

Paul Bermingham
Advent Insurance Management

London and Lloyd's do rather well with large and complex claims. No other market and very few individual insurers rival London's performance when it comes to large losses and catastrophe events. Surge plans, catastrophe response teams and money transfers are implemented swiftly.

More generally, once a claim has arrived in London the management cycle may be seen by some as comparatively efficient. Systems like electronic claims filing (ECF) are beginning to bring technological efficiency to the internal processes for handling claims in our broker-driven subscription market, thereby reducing costs for intermediaries and carriers. Recent progress has been laudable.

Ask a customer, however, and the picture is different. London's performance lags well behind.

Elsewhere, when a small business owner calls their broker with, say, a cyber or burglary claim, the broker contacts the carrier's claims team, settlement begins and in some cases a payment is despatched the same day. Some claims are reported directly through websites. A few insurers have even introduced mobile apps that allow direct claims reporting by insureds themselves.

For a London market insured, in contrast, that call to the broker is usually followed by many days' delay. They see little of the "action" that then occurs, but they certainly notice how long it takes. The retail broker often first contacts a coverholder/wholesaler, which in turn refers the claim to a Lloyd's broker. It then gets on to London's systems, often after several days. Another few days are granted for the carrier to respond, then more days for central settlement and the broker to get it paid. The frustrated customer has probably chased the broker multiple times, only to be told their claim is in the works... "still".

London needs a system that allows individual insureds, coverholders or those representing them a near-instantaneous channel to report claims directly

Most insurers manage that same process on the phone inside five minutes. For the large volumes of small business and retail insurances underwritten at Lloyd's, that is the benchmark to beat. Our market has a multi-nodal distribution chain, which many innovators are attempting to shorten. For claims, we almost always follow that same chain in the reverse direction – sometimes even adding to it with third-party claims administrators. We have all embraced the idea of moving closer to the buying customer. It is time to move even closer to our claimants.

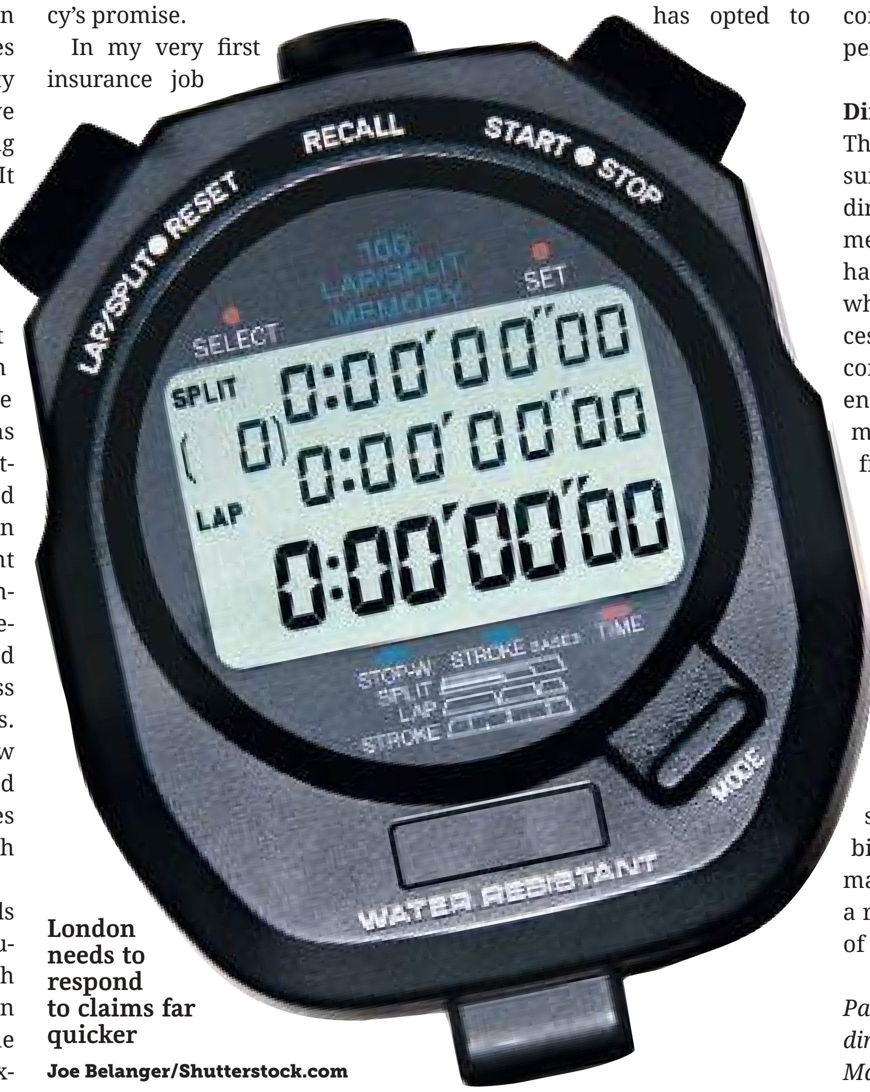
Easier, better, faster, cheaper

As the London Matters report stressed years ago, London needs to be a more attractive place to do business. That means it needs to be easier, better, faster and cheaper for brokers and customers to deal with London – especially at the all-important claims end of our business. Internal market process improvements are not enough. We need a radical new approach to less complex and lower-value claims. We need systems that allow genuine claims to be resolved quickly and problematical ones weeded out and resolved through other means.

Lloyd's describes how it intends to tackle the challenge in "The Future at Lloyd's" prospectus, which invites us to "imagine a world in which a claim is paid before the customer realises they have experienced loss". It advocates a customer-centric approach, with proactive communication and the use of artificial intelligence to allow smaller claims to be processed within "unparalleled response times". This is a very sensible goal indeed. Internal processes may be good and improving, but for customers modernisation demands world-leading claimtech here at the epicentre of the global insurance sector, technology that kicks in when the moment of truth has arrived to test any insurance policy's promise.

In my very first insurance job (and I will not confess how long ago that was), I worked for one of the first UK direct writers. The claims process worked incredibly well, because the person with the claim simply telephoned an individual with the authority to settle it. They received an indicative answer then and there for many claims, with payment soon to follow. Supporting documentation came later.

London needs a system that allows individual insureds, coverholders or those representing them a near-instantaneous channel to report claims directly. They should have the option to do so using an online form, over the phone or by filing their claim through an app, maybe helped through the process by a chat-bot. The next step, before any human intervention begins (unless the customer has opted to call, of course), should be automatic policy validation, fraud checks, and screening for sanctions. When these instant and invisible processes are cleared, the claim should arrive within seconds on to the agenda of a handler who can make a decision within minutes. The settlement conversation can then begin. Automated settlement is the obvious next step.



London needs to respond to claims far quicker

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When claims exceed specified thresholds or if automated checks flag problems, the claim would be ready to be allocated to a specialist at the risk carrier. Interventions could even be handled by a shared market or outsourced team of, for example, fraud specialists. In short, claims service excellence for London must begin with the development of a near-effortless entry point for claim-making customers that incorporates all the routine checks performed laboriously at present.

Direct claim reporting for all

The most advanced consumer insurers have already implemented direct claim reporting and settlement. Some speciality carriers have also rolled out such systems, which remove costs from the process, but also give those carriers a competitive leg up by making the entire claims experience much more attractive – and much less frustrating – for customers.

As London looks to the future, we must aspire to achieve claims leadership through visionary claimtech that truly delivers for all claimants.

I know many in this market will say this is difficult – if not impossible – to achieve. I disagree.

Technology has moved on significantly and this, combined with the right vision and market expertise, can make this a reality within 12 months. Some of us are already working on it. ■

Paul Bermingham is managing director of Advent Insurance Management