Looking to the future:

The London Market must place the customer at the heart of its modernization process…or risk failure

This article is based on the discussion at our recent breakfast seminar "Looking to the Future: what are the pros and cons of Lloyd's modernisation proposals?" hosted by Gracechurch Consulting on July 4 at Warnford Court in London. The session was attended by senior individuals from of a range of stakeholders including London Market trade bodies, Lloyd's Insurers, London Brokers and a US-based InsurTech firm. The discussion was held under Chatham House rules so only the general feedback is represented here.

Our independent research consistently shows that **people** are the most important factor impacting performance. Report-after-report shows that technology is not a driver of performance, rather an enabler and we are beginning to record evidence of badly introduced tech that actually damages the insurance value proposition. In the insurance marketplace, tech's application is still vaguely described and little understood, even though it is hailed as the potential saviour of a desperately inefficient market.

The recent Lloyd's-led debate around "modernisation" tends to focus on technology as a cost-saver rather than a wider transformation. There has been relatively little discussion of the human aspects of the market's future and especially customers and employees. This seems to be contrary to our research and other evidence from leading consultants, for example, McKinsey, who show that digital transformations mostly fail due to people factors such as cultural resistance and ingrained behaviours (McKinsey Digital Survey 2016).

This disparity between the public and private viewpoints was confirmed by our round-table guests. The discussion, which started by considering the Risk Exchange proposal, quickly turned to the perceived and frustrating lack of market interest in, or understanding of, customer value in the commercial insurance value chain. The consensus was that tech will fail to deliver unless there is clear purpose, a customer proposition and set of values that all parts of the market can buy into.

Discussion inevitably focused on defining who the actual client is and there was strong consensus that the Market needs to create an end-to-end value-adding client experience. Precision regarding whose life you want to make better and how these fit into any given player's growth strategy, including Lloyd's, are seen as essential. The Group even set an ambition for the London Market to resist commoditization and transform into 'the Harrods of insurance' (*surely, Waitrose? Ed...)* Regardless, a well-defined and understood business strategy was agreed as a vital starting point.

The need for a focus on the customer was seen as being particularly important in a new world where value will have to be increasingly found beyond just insurance. This will be particularly the case for new intangible risks like cyber or corporate reputation where there is an opportunity to offer added-value complementary services such as crisis management support. This applies too in emerging markets, for example Latin America, where insurance market penetration is low and value growth can be found if delivered efficiently and cost-effectively.

Building strong, distinctive global brands and value propositions was also viewed as an important part of this transformation, enabling the customer to easily navigate this complex global marketplace. In this context, Lloyd's as the leading global insurance brand, needs to carefully consider how to leverage and build its strong global brand.

Technology is viewed as an essential enabler to support a seamless customer experience. The future scenario the Group discussed was one in which human expertise (enabled by strong collaboration between brokers and underwriters) combines with tech to transform customer value while automating non-value creating routine transactions.

Returning to the Risk Exchange, it was clear that the Group, (like the Buzz Report respondents) needed to know much more about the specifics of how this would support and fit with a bright new future for the London Market. In fact, there were some doubts raised about the effectiveness of this as a method of reducing costs, someone even describing it as potentially a "Wizard of Oz" scenario of style over substance.

There was hope that Lloyd's might look to build a radical "Uber-style solution" rooted in its business strategy, starting with the customer and agnostic of existing processes.

At a minimum the Group hoped that Lloyd's would adopt the following necessary principles in the development of the Risk Exchange and technology in general:

- Focus on progression and not perfection
- Involve all relevant stakeholders in tech development and clearly communicate a new narrative
- Don't over-commoditise the market and force price-competition
- Make sure RE applies to risks that are truly standard
- You have to innovate to win: dealing with inefficiencies and reducing cost through great tech only levels the playing field with other markets
- Do whatever it takes to make the market *look modern*
- Find the sweet-spot between tech and people: free up time for future leaders to concentrate on partnerships, innovative risk expertise and customer focus

Take out

I am encouraged by the opinion leaders' sensible understanding that the winners in this market will be those who best understand and service the customer well – innovation will be the icing on the cake.

I believe this important "mood change" will propel the market down a customer-centric path, the only question being; how long will it take us to get there? To a great extent if the market can begin to look modern it will act modern and eventually be modern.

If Lloyd's can pull this off, then a truly great brand will flourish again; if not there are many waiting to take its place.

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