LOOKING TO THE FUTURE - HOW THE TRADITIONAL LLOYD'S MARKET IS DIGITALISING

Last year, Lloyd's of London made announcements that they would be taking a tougher stance on loss-making syndicates. A number of syndicates have been put into runoff over the past year, and remaining Lloyd's syndicates have had to take action to demonstrate how they will improve performance, increase profitable business and develop new revenue streams. As a result we have noticed a hardening of the market with syndicates making changes to their appetites and requirements, including increasing their minimum premiums and becoming stricter on the information required in order to quote and/or bind a risk.

As part of this initiative, syndicates have also been asked to reduce their operating expenses, which together with the above, has led to the modernising of many of the markets processes, including a renewed focus on electronic trading with the introduction of the PPL (Placing Platform Limited). PPL is a core component of the London Market's Target Operating Model, or LM TOM, which aims to make it easier to transact insurance in the London market. It is an electronic placing platform which enables brokers and insurers to quote, negotiate, bind and endorse business electronically, removing paper from the process and creating a more efficient process. Clear digital information flows and audit trails are created for internal compliance and in the event of a claim the full trail can be easily retrieved.

PPL's target is for 100% of risks to be placed electronically through the platform by the end of this year. While Lloyd's syndicates are mandated to reach the PPL targets, participation by the London company market is not mandated and will not receive financial incentives or fines*. Nevertheless, the International Underwriting Association (IUA) members that participate in PPL electronic placements have risen from 29% of in-scope risks during the third quarter, to 41% in the fourth quarter of 2018*.

An article from the Insurance Journal in February this year confirmed that the adoption of PPL has exceeded its quarterly targets and named the top five syndicates that accepted risks on the platform during the fourth quarter were*:

- Beazley Syndicate 3623
- Hiscox Syndicate 3624
- Aegis Syndicate 1225
- RenaissanceRe Syndicate1458
- Asta Syndicate 5886

Shirine Khoury-Haq, Chief Operating Officer at Lloyd's said,

> **"The fact that both volumes and adoption have risen significantly is great news for the market as a whole... All of this is hard proof that, as a market, we are committed to making London an easier place to do business with simpler and more efficient processes, reinforcing our position as a global hub for re/insurance.*"**

Meanwhile, **Bronek Masojada**, Chair of the PPL Board, also commented on the results,

> **"This is another very strong set of numbers, demonstrating that all parts of the market have really committed time and energy to electronic placement...2019 will see PPL investing resources in continually improving the functionality of the platform and helping market practitioners to get the best from it.* "**

While there has been a mixed response from London brokers around the use of PPL, Alesco's view of the developments and the move towards the platform has been more positive. For the Latin American insurance market, it is possible that PPL will in fact open up more of the London market – providing more options for clients in the region.

Katie Burge, Associate Partner for Latin American Property at Alesco commented,

"We have found that more business is staying within the Latin American region, as a result of competition from overseas and regional markets, treaty reinsurance capacity or local coinsurance. The introduction of PPL however, may pave the way for smaller risks to re-enter Lloyd's , while larger, more complex risks can continue to be negotiated face-to-face but supported with PPL. The introduction of this more efficient and economic process could enable syndicates to reduce their minimum premium requirements going forward , thus opening up an opportunity for Lloyd's to compete for otherwise previously locally retained business."

*https://www.insurancejournal.com/news/international/2019/02/07/517074.htm

ABOUT ALESCO

Alesco is a specialist insurance and risk management business founded in 2008 by a team of experienced professionals to provide the wide range of risk-management services and insurance solutions which are fundamental for protecting organisations in an ever-changing world. We work closely with underwriters in the London markets, in key global insurance centres, and with local broking partners in 150 countries.

ALESCO

67 Lombard Street
London
EC3V 9LJ

Tel: +44 (0)20 7204 8999

www.alescorms.com
twitter.com/AlescoRMS
linkedin.com/company/alesco-risk-management-services