

BUSINESS DEVELOPMENT

LEADERSHIP & INNOVATION

It's a Three Way Street.

The special relationship between carriers, brokers and clients will continue to be central to the success of the London insurance market.

The insurance industry infamously thrives on gossip, and the ongoing speculation and news about mergers and acquisitions (M&A) involving brokers and carriers is a constant source of interest for the London Market. M&A might be a hot topic in the City of London, but what is often overlooked or regarded as an after-thought is the impact that this might have on the most important player in the market – the client.

The specialist insurance industry is unique. It has historically been built upon close and trusted three-way relationships between carriers, brokers and clients, and it is at its most valuable when it operates in this way. No matter who comes and goes in the M&A merry-go-round, clients are looking to be reassured that the industry will continue to provide them with the complex risk solutions that will allow them to keep transacting business through these current uncertain economic and political times.

In my opinion, the finely balanced tripartite relationship between carriers, brokers and clients will undoubtedly evolve, as each party has to address multiple challenges. The high catastrophe losses of the past two years have severely eroded the bottom line for many property & casualty (P&C) insurers and reinsurers, forcing them to carefully examine their portfolios, and in many cases withdraw from lines that are not profitable. With fewer carriers in the market, insurer and reinsurer panels will shrink, meaning that brokers will have less choice when trying to place coverage for clients.

The range of choice available at Lloyd's is also diminishing. The Corporation of Lloyd's has taken action to try to eradicate some of the well-documented inefficiencies in the market, introducing a drive towards digital trading that will make it quicker and cheaper to transact business – and making the process more accurate. Lloyd's is determined to move the market towards paperless underwriting and weed out those lines of business which are not profitable – and it has threatened to refuse to approve the business plans of syndicates which are under-performing, and which cannot demonstrate a clear path that will take loss-making lines into profit.

Above all, brokers and clients need to know that their insurance partners will be there for them in the long run.

New technology will undoubtedly radically reshape the way we do business in the next few years. A slew of technological developments such as Artificial Intelligence (AI), robotics, machine learning, blockchain, and the Internet of Things (IoT) will have a profound impact on the industry in ways that no one can accurately predict.

The industry will increasingly run on data – and more importantly reliable data – which all three parties in the transaction will need to share in a transparent and secure fashion. One of the challenges for the industry will be finding new ways of sharing this data so that risk can be priced accurately, the correct capacity is deployed, and the end clients are given adequate coverage to allow them to carry on doing business in an increasingly complex world.



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As data sharing becomes increasingly automated, rather than diminish the role of insurance professionals, it will actually increase the importance of the jobs they perform. Freed from much of the time-consuming and tedious work around inputting and recording of data, insurance professionals will be able to devote more of the working day to the real high-value tasks of meeting face-to-face with brokers and their clients to get a deeper understanding of their risks, and then advise them about the correct solutions for their business.

What can insurance carriers do to remain relevant to both brokers and clients in this evolving business landscape? With capacity and choice reducing, brokers will increasingly turn to multi-line carriers – those that are able to underwrite a broad range of risks for their clients.

They will also be looking for carriers which have the technical skills to create robust insurance products for clients, as well as those which have excellent claims departments that will deliver high levels of customer satisfaction to their clients. If a claim is disputed, the close relationship between the parties will make it easier to have those face-to-face discussions to try to resolve matters.

Reciprocal relationships will benefit all parties and help to ensure that the London Market maintains its position as a leading global insurance hub. Above all, brokers and clients need to know that their insurance partners will be there for them in the long run. This will be key to keeping this unique three-way relationship strong in these uncertain and ever-changing times.

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