



# LLOYD'S & THE LONDON MARKET: COVID-19 — JUMP-STARTING A TECH REVOLUTION IN THE LONDON MARKET

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COVID-19 has forced the insurance sector to take a long hard look at how it uses technology. Handing over back office functions is allowing firms to tackle what they do best – pricing and underwriting.

When historians come to write about the COVID-19 pandemic of 2020, as well as recording the terrible human toll and the economic damage, they will discuss how it jump-started unprecedented digital transformation and technical innovation in most businesses.

One sector where it would be particularly apparent is insurance. Long known as the sleeping giant of financial services, it's widely accepted that insurance has been slow to adapt and align with new technology. I can remember back in the late 1980s, when business leaders in the London Market struggled to implement a system called Electronic Placing Support. Many underwriters wouldn't even turn on a computer to access it. Fast-forward to 2020 and the market is still in the midst of implementing Placing Platform Limited — some 30 plus years later. Everyone said “face-to-face” was the only way to trade. 2020 has changed that.

## Trading face-to-face

Now, with the Lloyd's building largely empty, like much of the city, people are questioning the centuries-old idea that the only way to do business here is to trade face-to-face. But how have attitudes to technology changed? WNS

partnered with Post to undertake a survey to assess the appetite for change, especially to align with new technology, the need for younger talent, and the ability to service the rapidly shifting needs of customers.

The findings of the survey carried out among key players in the London Market reveal continuing slow adoption of technology and a lack of preparedness for digital disruption. Less than a fifth are “very confident” that they can meet the Lloyd's / London Market modernisation requirements and adapt to customer needs. In fact, interestingly, many are still asking the question, “who is the customer? The broker or the policyholder?”.

## Handling change

Only 40 percent of the respondents rated their businesses four or five out of five for agility. In other words, around 60 percent were struggling to handle change. Slightly less, 39 percent, told us about being on an analytics implementation journey while only 8 percent to 9 percent were using robotic process automation and artificial intelligence to drive efficiency. This is staggeringly low when compared to other industries, for example, retail, where 60 percent to 70 percent of businesses are extensively using RPA and AI.

“The London Market has fewer employees with digital and analytics skills compared to other sectors, including personal lines insurance,” according to London Matters 2020, the latest edition of the London Market Group's influential report. Apart from having an impact on areas such as business agility, resilience and profitability, cutting-edge technology can act as a catalyst to appeal to talented young people. It has the power to re-define a career as an aspirational one.

Seventeen percent of employees were over 50 years old in 2014, according to the London Matters 2020 report. Today that figure is 26 percent. Only 4 percent of graduates leaving university in 2018 were considering insurance as

a career. In short, the talent issue needs immediate attention. The industry needs to develop and emphasise its tech credentials to attract millennials and the younger talent pool. The report notes: “By broadening their skill sets and providing the right training to further develop their careers, the London Market could improve prospects for its current workforce, and at the same time make the market more resilient to the forthcoming challenges it will undoubtedly face.”

However, the good news is that a growing number of firms are embracing new technology and operating models. Some are start-ups while others are established players going through and embracing business transformation with disruptive thinking. Their overarching vision is to focus on what they do best — pricing risk, underwriting and handling complex claims, and to work with transformation partners to drive the required change.

Another significant challenge ascertained through the survey is the struggle faced by firms around leveraging data effectively. An overwhelming majority saw potential in using their data to drive business growth and differentiation. In my opinion, this is where insurers should focus their efforts as this will set apart the future winners and losers. Underpinning this opportunity though, is the need for good, clean data. Just follow a policy around the market and count how many times and in how many organisations the same policy data is captured. It's still staggeringly inefficient.

## Areas of expertise

Firms tell us that pricing and underwriting is what they do best. Their ‘back-room’, on the other hand, is not a thing that they excel at, they admit – and why should they? It's not their area of expertise.

Peter Drucker, the founder of modern management, and Jack Welch, the celebrated Chief Executive Officer (CEO) of GE, believed

that businesses should stick to what they do best and let someone else do the rest. “Your back-room is somebody else's front-room,” as Welch put it. With the opportunities provided by new business process technology, the mantra is even more relevant today.

“The claims process at Lloyd's of London market needs an overhaul,” one firm said recently – and many people would agree.

For many years, the key issue with the insurance sector and digital transformation has been culture. Brokers and underwriters have always maintained the importance of getting in the queue and placing business in-person. It's taken COVID-19 to change that culture. A growing number of underwriters and brokers are realising that with technology, there's really no need for them to be sitting in the Lloyd's building.

Technology means that the business of insurance can be carried out remotely and efficiently. Not only will this cut costs and reduce errors, but it will allow firms to focus on servicing their clients and business growth, while attracting talent into an exciting, diverse and forward-looking business.





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