Technology and the future of Lloyd's

Over the last five years, there has been significant investment by the London Market Group, Lloyd's and organisations within the market to consider how to make it easier to do business with the London market and enable the London market to grow and adapt to changes in the global insurance market.

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Technology for the London market

Although not necessarily a pioneer of digital transformation, the commercial and specialty insurance industry is not immune from the need to find ways to optimise the cost of operation, reduce friction in transactions or offer increased value to its customers.

In 2014, the London Market Group (LMG) and the Boston Consulting Group (BCG) co-authored the *London Matters* paper highlighting the importance of the London market to global insurance but also emphasising the need for investment in transforming processes and infrastructure to make it easier to do business. Off the back of this paper, a market-sponsored initiative was introduced to analyse and transform the operating model for commercial and specialty insurance written in the London Market – this initiative is called the London Market Target Operating Model (LMTOM) programme.

LMTOM has already delivered several projects to improve the efficiency of placing business, audit and compliance. The most recent focuses on how delegated business is underwritten and managed throughout the insurance lifecycle. These projects incorporate the use of technology to ensure data quality, enhance data distribution across the market, automate manual processes, create and leverage digital insurance assets, and reduce transactional friction in doing business in the London market.

In addition to the LMTOM initiatives, there continues to be significant investment across the insurance industry in both personal lines and commercial & speciality insurance. These range from cost optimisation initiatives using Robotic Process Automation (RPA), which automate repetitive and prescriptive administrative tasks, through to using Artificial Intelligence (AI) and advanced analytics to enable risk prevention and minimise indemnity losses when an event occurs.

Other innovations in insurance

Two other technologies that are anticipated to be materially disruptive forces in the insurance industry are distribute ledger technology (often referred to as blockchain – see page 8) and the Internet of Things (IoT).

Examples of the potential that these technologies have to disrupt commercial and specialty insurance include:

- the ability for blockchain to remove the need for a central market administration for placement, claims and reserves – effectively the role of the Lloyd's Bureau digitally (and often automatically) across the market participants
- sensors and real-time monitoring of commercial assets (eg planes, oil rigs, ships, commercial property), allowing insurers and risk management service providers to identify events before or as they happen and avoid or minimise claims. This could force insurers, brokers and adjusters to consider new risk prevention services to supplement the traditional insurance products and services in order to preserve revenues and market share in a landscape where claims volumes reduce and, as a result, so do premiums.

Cyber risk

One final impact to consider, which will be relevant to all industries, is the increasing emergence of cyber risk. This ranges from business continuity risks through to ransomware and even espionage. The challenge for insurers will be to create products that can indemnify this risk to businesses, but crucially to advise the insured on how to protect against cyber threats and effectively respond to them when they occur.