

## Binding to Processing in a Heartbeat

Once an insurance policy is bound, and the 'deal is done', the middle and back office policy processing activities swing into action. Broadly speaking, this entails sifting through reams of policy documentation, entering data into various platforms, correcting errors and reconciling mis-matches en route.

### **A First Thought Experiment - Processing before Binding**

Just imagine for a moment if a large part of these administrative activities could be accurately completed by the time the policy is bound. While it might appear as if this is simply an act of shunting activities forwards, there is scope here, not only for significantly greater efficiencies and cost savings, but also for a transformative improvement in overall responsiveness and client servicing.

### **But...**

It also raises the simple question: 'what does this mean for the broker - does this mean that they are going to be pulled away from plying their trade and landed with a heap of admin?' The answer in short is 'no' - provided however, that they are willing to embrace the central component of next-generation, digital insurance technologies - computable contracts. In fact, computable contracting will enable brokers to hone their existing skills and take on a few more, while being even more productive.

### **Computable Contracts**

So, what are 'computable contracts'? In simple terms, they are digital contracts that can be read by computers as well as humans. And, to be readable by a computer essentially means building in structure and logic from the outset.

As we know, the policies of today are for the most part expressed using a set of 'digitally dumb', text-based documents, from which data is drawn out and then entered and reentered into various platforms across the insurance value chain. The policies of tomorrow, however, will be rendered in a form so that they are 'digitally active' from the outset. Policies will become a kind of 'digital blueprint', sitting very much at the heart of the insurance ecosystem, governing operations and feeding (and being fed by) the various platforms, which themselves are likely to evolve significantly or simply disappear.

### **You all use high-level computer code today!**

Now, just to allay any fears that may be lurking - creating computable contracts does not mean writing code. All around us, there is a quiet computer science revolution going on: the emergence of 'low code' and 'no code' platforms. These allow non-programmers to program without code. For those of you who are familiar with website building, the plethora of website building platforms that require no coding whatsoever serves as a good example. Excel spreadsheets provide another: when we set up a spreadsheet to undertake various calculations, we are in fact programming in a kind of no/low-code environment. Therefore, with the 'low code' revolution blowing wind in our sails, we can all do this!

Again, let us now imagine a broker creating a contract on a tablet. Undertaken over a period of time as the deal matures, and using a variety of user-centric, information entry approaches (such as drag-and-drop selection), the contract can be crafted as a 'rich, digital object' - 'rich' in terms of the scope of data and rules provided, and a 'digital object' rather than a 'dumb' text-based document (either as a hard or soft copy).

## Defining the Data - Intelligently

“Hang on a moment...”, a chorus of voices might scream in unison, “we struggle to get ten data points for PPL entry, so you can forget about the hundreds of data points that are actually required for the entire contract. This is precisely why we need the post-binding processing!”

This mindset is borne out of drawing the data points out of text-based documents (sometimes even with AI, but that’s another story). Many of these data points could in practice be generated on a semi-automated basis using various types of wizards, as well as a bit of behind-the-scenes coding magic. Using intelligent selection based on precedents, rules-based approaches, and semi-automated validation procedures, a small set of data points can be used to create a cascade of many more. So, rather than using AI to trawl through large bodies of text, AI could in fact be used in a more predictive and intelligent mode to help with the creation of computable contracts.

## Contract Creation is a Collaborative Endeavour

But it is not just the broker who will get to play with these new toys: just as we already do with collaborative workspace applications such as Microsoft Teams, computable contract builders will facilitate the co-creation of the contract by the broker, the insurer, the client and other service providers. Clearly, it will be important to define access control and change management procedures, much as the MRC and GUA might seek to achieve today. And, in fact, this new collaborative workspace will allow for much greater transparency as well as more accurate record keeping for who has added/changed what and when.

## Why Now?

“But aren’t we doing enough already? Look at PPL, Zoom, Whitespace and the Virtual Room, as well as the fact that we have continued to conduct our business successfully throughout the lockdown. Why do we need computable contracts?” chorus the voices again. Four simple answers: **one**, it will significantly enhance broking and underwriting skills, and perhaps more importantly, client satisfaction: **two**, because the cost base in the London insurance market is way too high, and to maintain long-term competitiveness, there is a general recognition that things must change; **three**, because the technology already exists - we currently use similar or related digital innovations in other areas of our lives, whether it is for social networking, selecting a product online from a range of alternatives, or building a simple website; and **four**, because it will happen anyway - the question here is whether the London Market is a leader or a follower.

## A Second Thought Experiment - From UMR to URL...

Let us start to draw this post to a close with a second thought experiment. Rather than a UMR (unique market reference), imagine all London-based insurance contracts (in the first instance) with their own ‘URL’ on a private network with a Google-type search engine. The degree of integration and aggregation afforded by this idea will hugely impact strategic decision-making (e.g. for capital allocation) and will open the doors to a wide range of market innovations. This is an exciting thought, as it shows that computable contracting could provide the basis for replumbing the foundations of the insurance industry.

## A Practical Next Step

Lofty visions, highfalutin words, but what about practical next steps. Throughout these blog posts, Axiome Partners will outline some key aspects of the proof of concept projects that we are working on. One of these is the importance of contract deconstruction - pulling contracts apart and redesigning them so that they can

be made computable. In essence this is a paper-based exercise and emphasises an important principle: fundamental redesign should always precede digital automation. Many of the processes in the insurance industry are not a fundamental requirement, but more a reflection of the 'shape' of the data. Through reshaping the data with both structure and intelligence, many of these processes will become simpler and may well disappear altogether.

**Next Time**

AI-based, machine learning and the identification of hidden patterns in large data sets is very much the 'soupe du jour' in many areas of commerce. There is, however, a growing realisation that the emerging practice of 'information architecture' (by 'knowledge engineers') will be equally transformative. By building in structure and intelligence into contracts from the outset, a powerful digital tool has been created. This is a far cry from today, where insurance contracts are pretty much an administrative afterthought.

In the next installment, we will look at what innovations may be unleashed by computable contracting in the insurance sector. A third installment will look at 'aggregation in a heartbeat'. And then a fourth will envision a future for standards to help make it all happen.

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