

Data Standards for a Future London Insurance Market

Consider this: despite the valiant efforts of many for more than a hundred years, and despite being the most successful constructed human language in the history of mankind, Esperanto has never become the world's lingua franca, but remains an engaging hobby for some 100,000 speakers worldwide.

And how is it that the standards associated with the World Wide Web (e.g. for addressing, messaging and expression) were successfully established in what feels like the blink of an eye?

Exploring the answers to these questions helps us to understand why we are where we are with regard to data standards in the London insurance market. Comprehensive answers to these questions would of course be long and detailed to do them proper justice, but to get to the heart of the matter, and at the risk of oversimplification, there are two factors that count: incentive and momentum.

First, Incentive

Even if Esperanto has thousands of speakers worldwide, it remains a superfluous undertaking in terms of being able to communicate widely. Why? Because English won out: English is essential for expanding your business, international travel, or simply speaking to people within an international community. In other words, and for many reasons, there has never been a strong *incentive* for learning Esperanto for day-to-day living and working.

Second, Momentum

With the emergence of the Internet, you had two choices: join the fray, 'go on line' and profit from doing so, or remain an 'analogue entity' and lose out on taking part in this burgeoning phenomenon. Bolstered by a network effect, the growth of Internet use has been exponential, and it is this growth that has provided the *momentum*.

In London's insurance market, you do not have to venture far before you hear something like 'we need better data in order to move the market forward', possibly a euphemism for the clear and long overdue need for a step change in efficiency and cost reduction in the market. This is our *incentive*.

So, what can we do in order to help the London insurance market to establish modern, intelligent, digital standards? If the incentive is there (at least for some), what about momentum?

Expanding our Understanding of Standards

Perhaps a good starting point is to establish a better understanding of what we actually mean by standards. The standards of 1970s, when ACORD were formed, developed to stop the proliferation of application forms, have moved on considerably, often out of sight of many of the market protagonists. Digital standards need to consider not only their form, but also how to link data with other data in order to create data structures. And then you have to process data, and to do so, you need logical instructions, better known as rules or algorithms. So, in short, we need to be thinking about data, structures *and* algorithms.

But digital standards go further still, and beyond these basic elements, to encompass broader concepts - larger 'digital objects' if you like. In insurance, we are essentially talking about three fundamental aggregate objects: namely, the **risk placement**, the **loss event** and the **policy** that provides the cover against loss for a price. And all three of these broader concepts are expressed with data, the relationships between the data, and the rules governing the processing of the data.

Think Lego

It follows therefore that digital standards must also operate at an aggregated level. The way to do this is to adopt modular approaches - standard building blocks that underpin the creation of an infinite array of combinations. So, from a contract perspective, we will see greater use of standard text blocks with metadata i.e. rules that determine when something can and cannot be used and how it fits with other elements of the contract. Indeed, it is here that the Lego approach offers a useful analogy: standard shapes (or form) together with standards for joining these shapes that can be used to create the most complex of structures.

Digital standards are as much about underpinning creation as they are about dictating form. And it is this maxim that will help the London market to develop standards that embrace its complexity, rather than trying to eliminate or squeeze out the complexity through oversimplification.

Back to Incentive and Momentum

As we have seen in Blueprint 2, Lloyd's will mandate that all placements must be accompanied by a core data record (with around 35 data points, and which may be enriched). This will create necessity (if not quite an **incentive**). The fear here is brokers and underwriters will simply create 'bolt-on' solutions to their existing IT systems to create the core data record. This is not a digital vision, and this will not achieve the step change we seek.

The vision will be achieved by focusing on the digital representation of the 'creative part' of the process i.e. the underwriting, the placement process as well as putting the wordings together. With the systems and platforms we use today, we have managed to relegate the contract to the role of an administrative afterthought. We operate around the contract. Only when the contract itself is expressed as a digital object that sits at the heart of the value chain will the momentum be unleashed. And once the momentum builds, the scope for innovation is almost unlimited.

In Short

London should be leading the future of insurance. It has the history, the volume, and the skills to make it happen. It should be driving the adoption of digital standards, but they must be conceptually more expansive than currently envisioned, perhaps better expressed as intelligent standards.

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