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Don't forget the client

Our clients come first and we must work with regulators to ensure that this principle is not lost.

Our market is undergoing one of the most significant periods of transformation since Lloyd's launched its mid-1990s Reconstruction and Renewal project. The changes then were to address a series of crises that primarily affected the Lloyd's Market; nearly twenty years later we are experiencing a structural shift in our industry as a result of the escalation of regulatory burden, the increase and breadth of sources of capital, the shifting marketing tactics of global brokers, and changes in distribution channels.

Understanding our clients

Markets and brokers have several different and conflicting challenges; it is crucial that in addressing these issues that we do not lose sight of the reason we all exist and the one thing we all have in common – the service of our clients.

Our clients value our understanding and appreciation of their individual industries, first-class security, reasonable pricing, market longevity and resilience, process efficiency and delivering on the promise to pay on valid claims.

While increased regulation protects our clients and is thus a benefit, when regulation is escalated to the point that the burden of compliance distracts us from our clients, it becomes detrimental. Where the burden drives the lower quartiles of the broking and underwriting markets to search for more robust and better-capitalised partners, it is promoting a strong and healthy market. But I believe we are in danger of paying too high a cost for regulation – not only in terms of money, but also in terms of the many working hours now dedicated to regulatory framework compliance; our clients come first and we must work with regulators to ensure that this principle is not lost.

Although new sources of capital are a concern for those interested in maintaining the status quo, the growth of this alternative financial resource is a positive development for our market. Despite accusations of 'hot money', this does not appear to be either unsophisticated or short term. A strong, well-capitalised market is in the best interests of our clients, so it is crucial that no barriers prevent these resources supporting our industry.

The move by global brokers to adopt quota share placement arrangements has been the subject of much commentary, particularly because these have moved from more opportunistic markets to more established global insurance companies. While there are many examples of clients realising meaningful benefits from scale-based schemes, this particular trend will result in a move away from term-setting and custodianship by specialised industry experts to the inevitably conflicted, broker-controlled quota share arrangements becoming more commonplace today. The result will be an incongruous relationship between brokers and markets, one that is deeply flawed and not in the long-term best interests of our clients.

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Accessibility

Change continues in our ever-evolving distribution model. Distribution is an emotive topic, and one that tends to be rife with self-interest, by both brokers and underwriters. My view is that an easily accessible Lloyd's and London Market with strong expertise and service is the best way to ensure the high standards for which it is renowned. If this expertise is diffused to local markets, it is crucial that we protect the brand by insisting on the high levels of knowledge and transparency that are the lynchpins of this marketplace.

The convergence of the factors I have described is set to have a widespread impact on the landscape – the promotion of modernisation and efficiency throughout the business, merger and acquisition activity and the diffusion of both sources of capital and access to markets. Where we are acting in the best interests of our clients, all of these are positive; where we are not, we put at risk 326 years of the service standards and culture of excellence that have been at the heart of the Lloyd's and London markets.