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It's not just about the underwriting...

To that question, the London insurance market would not be a bad answer, and the reason is because we understand risk. And we don't just understand it – we measure it, we analyse it, we respect it.

Underwriters in London like assuming risk and we are not frightened by losses. The market thrives on eye-catching, and occasionally, eye-watering, risks such as satellites and aviation products, and exposures to earthquake, hurricane and war and that most volatile tinder box of all, the US legal system. It all rests on a willingness to insure the new, the large and the difficult.

Innovation is just one of the hallmarks of the London market. It is a characteristic which sits naturally and comfortably alongside those other features that make London such an attractive place in which to conduct insurance and reinsurance business – subscription; the accessibility of the underwriter and the claims adjuster; the ability to create and maintain long-term relationships; the desire to understand the nature of the clients' business and their particular coverage needs; and the drive to identify and mitigate emerging risks. These are all the familiar traits of any London market insurer or broker, but they become no less challenging in a landscape dominated by the need to balance innovative enthusiasm against the volatility of underwriting results.

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The cornerstone of the London market must surely continue to be face-to-face negotiation between the underwriter (the representative of a capital provider who wants exceptional returns but not by taking exceptional risk) and the broker (the representative of a client who wants to be relieved of exceptional risk but not at exceptional terms), but no less important is the role of the claims adjuster. Whether the policy has a wording made familiar by decades of use or a wording created to address a new or emerging risk, it is the claims adjuster who must apply calmness, integrity and expertise at the very moment at which the policyholder becomes most intimately interested in the product on which he has been spending all those premiums and fees.

Adjusters

The life of the adjuster is no more settled than that of the underwriter. In Lloyd's alone, claims schemes come and go faster than the ups and downs of the insurance cycle. Amid pilots and programmes and minimum standards the adjuster still plays his part alongside the underwriter. Before buying any cover, potential clients will increasingly want to meet not only the underwriter but also the person at the forefront of responding to any claim. This is absolutely as it should be, but in this world of the ever-faster delivery of service, with its ever more responsive range of products, has enough attention been given to ensuring the proper level of adjusting manpower, knowledge and experience? Innovation at the front end is pretty worthless if there is anything deficient at the back end.

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If necessity is the mother of invention, who breeds innovation?

In recent years, several seasoned adjusters have retired and one of the impacts of recent claims schemes has been a reduction in the number of claims brokers. The ecstasy brought about by the much-trumpeted reduction in the number of brokers staggering around the market with unwieldy piles of files must be counterbalanced by the sober reflection that, while the numbers of paper files may have reduced, the numbers of claims have not. In a market that grows (particularly one that grows in an era of unprecedented catastrophe losses) claims will increase. As insurers develop new and innovative products and coverages, the old ones do not just fade away. Nearly every innovation adds to the volume and complexity of the London market offering and we would overlook the concomitant increase in the volume and complexity of the resultant claims at our peril.

Encouraging signs

This is not to suggest that all is gloom and doom. There are many encouraging signs to point to the market's thoughtful response to the challenge of matching claims adjusting resources to underwriters' unquenchable thirst for innovation.

The Corporation of Lloyd's has launched a programme specifically to hire and train graduates into claims adjusting as a career. The Lloyd's Market Association (LMA) has established a claims committee in its own right and no longer as part of the former combined underwriting and claims committee. Indeed, there have been anecdotal hints that the claims committee functions even more vigorously than its underwriting counterpart! Over the past two years, the board of the LMA, a body made up of members who collectively represent half of the Lloyd's market capacity, has included directors of claims from managing agencies. The design and implementation of the electronic claims file has been presided over by the Associations' Administration Committee (AAC) and the London Market Group (LMG). The application by Lloyd's of minimum standards to claims as well as underwriting, with the accompanying introduction of a regime to monitor managing agencies' claims performance alongside underwriting performance, is yet further evidence of the drive towards a matching professionalism.

Self-evidently, there is a lot going on throughout the London market and at all levels. There can be no denying that innovation in underwriting will work only if claims has the same input to the current market-wide drive to ensure that London is as efficient and attractive a place in which to do business as any other international centre.

But even though the market is taking practical steps to raise claims adjusting standards to the same level as underwriting standards, is there a matching philosophical conviction that claims adjusting is on a par with underwriting? Within the specialist London market we will leave no stone unturned in the quest to make our market, our subscription market, our brokered market, our innovative market the most respected and professional in the world. That is the backdrop against which we must all ensure that claims adjusting, culturally as well as functionally, is no less attractive than underwriting.

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