Our face-to-face future

LIIBA
London & International Insurance Brokers Association

Foreword.

Ever since that fateful day in March 2020 when the Prime Minister-before-the-Prime-Minister-before-last ordered us back to our homes, people have been pondering the future trading model in the London market. After 332 years of relationship-based, face-to-face trading we were forced to find new ways of working. And thanks to typical London resilience and ingenuity, not to mention the admirable support of PPL and the other electronic trading platforms, we managed to continue providing a world class service to our clients.

However, after creating a new online approach, we now need to recognise the benefits of a more traditional face-to-face model that is often labelled as inefficient or antiquated. Whilst the new electronic model enabled us to service our clients during lockdown, we did so on mostly renewal with new business at a premium given the inability to travel to see new opportunities and a challenging capacity constraint.

London does what it does because it is a marketplace. It is the only location in the world where you window-shop for corporate insurance. And it is the only place where deals are done by more than just a cold analysis of a proposal. Where brokers, more than anywhere else, are true intermediaries. Yes, ultimately, they are there to get the best deal for their client; but they identify that the key to achieving this is ensuring that the underwriter fully understands the detail of the risk being presented. Because long term, sustainable relationships with solvent insurers are as much in the client's interest as of anybody else.

Relationships are at the core of this approach to trading. Our trading floor is the underlying foundation of that model. It was this belief that led me to devise *Back to the Room Day* before Christmas last year. And, whilst that had considerable success bringing so many people in on the day, it has not been the prelude to a general return. However, not to be deterred, I rallied the LIIBA board to do something more to preserve the future of the London market.

> We fervently believe that face-to-face trading, and the Room in particular, are the cornerstones of our market. However, while they are the identifiable USPs of the trading floor, our general inaction has led to a new era in which attending the Room is the exception not the rule. The floor is the tool that allows the independent wholesale broker to be able to compete with our global brethren in terms of access and speed of service. If you stand in a queue an underwriter must see you. You can't be triaged out by an algorithm. The floor supports new entrants to the market and gives them a chance. The concept of 'utmost good faith' still exists and a Lloyd's broker enables an underwriter to see multiple appropriate submissions by filtering the flow and highlighting the positive and negative of the risk.

If carriers want to be beholden to 4–5 mega-brokers sitting behind computer screens firing out 'quote as attached' messages, then fine. The personal interaction and sense of community will fade away and we can all move to cheaper locations to carry on our work. Underwriters can service all the electronic submissions that they receive daily, sifting for the real risks lurking in the megabytes of data provided. But if we still see London as a vibrant competitive marketplace, as the global centre of excellence for specialty insurance that delivers client outcomes like no other, then we need to do something to revive and renew the framework that supports that. Which is how we alighted on the work that we are presenting to you in this report.

> I accept, given my age and tenure, that I am not a key demographic, and it doesn't really matter what I think about how insurance should be traded in 10-, 15- or 20-years' time. We understood that we had to seek the opinion of those who will be doing that trading. So, over the course of a few weeks around Easter, we gathered four workshops, involving over 50 younger brokers from across the LIIBA membership. And the message was stark. They want to trade face-to-face; they want to build the relationships that would underpin that; and they would like to do this in a Room restored to its position as a true trading floor where decisions are made. Above all else, the message to Lloyd's is that the Room can still be the fulcrum of its competitive advantage, as long as it delivers the right conditions to see it function as it should.

So, I commend to you the opinions found in the next few pages. While, most probably, you will have heard these messages before, their power derives from the fact that this is the next generation of traders telling us what they want; why they believe this scenario will enable them to deliver for their clients; and, accordingly, develop London's position in the global insurance industry.

I hope these opinions and concerns can be part of a conversation. Inescapably, they only reflect the broker view. We accept that, for instance, part of the challenge of decision making in the Room is due to compliance. But we think that, through constructive collaboration with Lloyd's Market Association (LMA) and Lloyd's itself, we can find a consensus that delivers the trading environment our contributors crave. And we aren't forgetting the company market. The International Underwriting Association (IUA) very much needs to be part of this discussion as well.

So, enjoy what you are about to read. It is the output from four of the most lively and invigorating debates I have taken part in. The report is the future of the market defining the future of the market. Now let us play our role and help the participants get there.

Jason Collins
Head Global Broking at Tysers
Board Member
London & International Insurance Brokers' Association (LIIBA)

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Introduction.

LIIBA has been at the forefront of the debate as to how the London market should operate in the changed working environment accelerated by lockdowns. We have discussed the issue extensively at our Board and, in March 2021, published our *10 key principles for future of trading in London*. This reflected the fact that, around the Board table, the primacy of face-to-face trading was something we very much wanted to preserve.

However, our Board was also very conscious that theirs was not the generation that should be the main influence on the discussion. If we are looking at how trading may take place in 10,15 or 20 years' time, we needed to consult those people who would still be trading. And so, we decided to gather a group of younger brokers to take up the cause.

Approach.

We asked firms represented on our Board to nominate suitable candidates to be part of these discussions. Initially we envisaged one workshop of around 12—15 participants. So, the first insight we gained was the sheer level of interest this topic generates. By the time nominations had stopped, we had organised four sessions involving 55 people from across the membership. The attendees worked across multiple lines of business including those involved in cyber who confessed to have never printed off a slip in their lives; and those involved in merger and acquisition activity – somewhat distanced from classic London market business.[1]

The workshops were free flowing discussions. What follows is the very consistent themes that emerged from across the sessions.

[1] A full list of participants is listed in appendix 1

London is a marketplace, not a hub.

Participants were unanimous in their desire to see London continue as a relationship-based community. In a survey completed before the workshops, 97% of respondents said that they would like their work life to be at least 50% in-person with half saying they wanted it to be predominantly face-to-face. Whilst many find 'admin Friday' a useful way to catch up with organisational tasks, one said that she would leave the industry if she was no longer expected to meet people – a sentiment applauded by others in that session.

It is this community spirit that leads London to be the only true marketplace. The only place in the world where you can go window shopping for insurance. A place where it is still possible (although examples are dwindling as we shall see) to start the day with an empty slip and finish it with a completed order just by touring the market.

> The absolute bedrock of this approach to trading is trust. A broker lives and dies by their word. Their role, as intermediary, is to ensure they get the right deal for their client. But that is done by ensuring that the insurer has a complete understanding of the risk on which they can base their decision. Because clients benefit from long-term, sustainable relationships with solvent insurers. So, any broker uncovered as not ensuring this level of comprehension in their insurer trading partners would lose the trust of the community and struggle to trade effectively again.

Equally insurers that make verbal commitments have to stand by them. Not keeping your word is likely to undermine trust just as much. One participant cited an insurer who would communicate via WhatsApp but invoked its settings to delete messages after a certain period. This underwriter was viewed with increasing suspicion but their broker partners.

But participants accepted that not all London market business could or should be traded this way. Generally, they saw London as now servicing three main tranches of business.

- Ultra-complex global programmes. These will never lend themselves to day-to-day, face-to-face trading. They will necessitate pre-arranged set piece meetings between broker and potential lead underwriter usually with both sets of lawyers, client and their lawyer and, possibly, potential reinsurers. At a rough estimate this might cater for 20% of business placed in London today.

- Commoditised or other simple business – often run through facilities. It makes sense to process this tranche of business remotely as little discussion around individual transactions is required. General consensus was this could amount to 30% of market business.

This leaves around half the market – in the region of $60bn per annum in Gross Written Premium (GWP). This is business that has found its way out of domestic markets – usually due to its complexity and/or a lack of suitable capacity. It will be business that requires, at least in part, a bespoke, negotiated solution. That is far better delivered by face-to-face negotiation within the community of trust that London has developed over centuries.

Room or lounge: which is best?

Over the past few years, a number of London market insurers have developed their own broker lounges in their offices away from the Lloyd's building. These have come to be seen as a rival for the Room delivering, in some instances, a more luxurious and welcoming microclimate. But are they an effective replacement or is a trading floor still key to London's function as a marketplace?

It is fair to say that broker lounges were not especially popular amongst the workshop participants. The general complaint was that they tended to be granted 15-minute appointments. By the time they had cleared security and the underwriter had played ersatz barista, there was little if no time left for discussion. And then the process begins again with a walk to the next office and a repeat of the process. This is something that is now noticeably more time consuming since far fewer buildings in EC3 allow access to all Lloyd's pass holders than use to be the case.

Some also felt that going to the underwriter's office meant that the negotiation was being carried out on their terms. The issue of who is in control of the negotiation at any point is an important one – and we will see more aspects of this later.

In contrast the Room provides access to multiple insurers at one time via a security process that entails tapping your badge down to open the gate. It also brings you into a gathering of other traders allowing you an opportunity to network and develop the trading relationships of the future whilst resolving today's client's needs. And, whilst walking between underwriters that you may have decided beforehand to visit, there is always the possibility of finding new potential sources of capital either for the risk you are showcasing that day or for ones in the future.

For the independent wholesale broker, as well, the Room remains a vital point of access to the underwriters. You stand in a queue and when you get to the front, they have to see you. You cannot be triaged away by an algorithm or trumped by a larger broker (although there are signs this may be starting to happen – see below).

The power of the Room was also highlighted by the number of participants that had experienced insurers offering better terms if they came to see them. Having the broker, bound by their bond of trust, come to present the risk is still a valued way of getting to the right client outcome.

But the Room only really delivers on that promise if it is a true trading floor. Over recent years that has been eroded somewhat. In part this is because brokers feel that decision makers are no longer present at the box. This is partly because the underwriting staff in the Room are not being sufficiently empowered. But also because underwriters have developed a habit of 'taking it away'. When this happens, it is much more likely that the underwriter will change their mind. One of the most universally held opinions since lockdowns started is that underwriters find it easier to say no online.

Alongside decision taking, the main issue raised about the Room is underwriter presence. The general consensus was that underwriters are at the box, at best, Tuesday, Wednesday and Thursday mornings only. Some insurers produce attendance rotas which are circulated to brokers on Sundays each week but the experience is that these are often not lived up to. Brokers can also be frustrated when they have been queuing for some time only for an underwriter to announce at five-to-one that they are going to lunch and will not be back – thus putting the broker back at square one the next day that underwriter is in the Room. Equally, brokers in the queue are annoyed when a representative of a (usually) larger broker turns up and announces they have an appointment and are prioritised over those that have been waiting.

To a degree market dynamics are addressing these issues. One participant noted that in their line of business there were five or six underwriters who were prepared to bind at the box. They saw markedly increased traffic over other insurers. Equally several said that if the underwriter they had gone to see was not there in the Room they would take the business elsewhere, although this is not always practical if the preferred insurer is a valued lead in that class. And most participants recognised that current experience is, in part, driven by the hard market. Underwriters know that brokers are struggling for capacity and will seek them out. However, many noted that they would remember who had helped and who hadn't as market conditions started to loosen.

And it is not just within London where competitive threats may lurk. Many participants noted a growth in the number of underwriters who wanted them to pre-submit information on the risk – either via one of the placement platforms such as PPL or via email. Some saw this as against the ethos of London and that it eroded the market's unique offering. As one said: "I moved a whole chunk of my marine book to Norway during lockdown because they would respond to my emails."

A by-product of this malaise is the potential damage it is doing to the reputation of the market as a whole. Participants said they were now reluctant to bring clients on visits to the Room if there was a danger that they would be bringing them to an empty space. "It is embarrassing if there are more underwriters in Leadenhall market than there are at the box".

Equally clients and producers are beginning to pick up on changing working patterns. Several cited instances when overseas contacts had said things like "none of you lot are in on Fridays anymore are you?" It is hard to maintain the image of a world-leading, vibrant wholesale financial services sector if it only vibes three mornings a week.

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Getting the vibe back: a way forward for trading in London.

Despite some of the negative comments, the overall message coming out from the workshops was as follows. Face-to-face, relationship-based trading was something all saw as integral to London continuing to be able to deliver client outcomes other centres cannot. And the Room can remain a significant competitive advantage if we can restore its status as a genuine trading floor.

Everyone recognised that part of the challenge is the increased regulatory requirements insurers are subject to makes trading in the Room more challenging. A lot of the time the need to "take it away" is because modelling and aggregate management needs to be completed before a final decision can be made. Currently participants were against the idea of prior submitting information on a risk before going to see an underwriter. They feel that it allows the underwriter the chance to draw conclusions on the nature of the risk before they have had the chance to guide them through it. But if prior submission allowed for necessary compliance tasks to be carried out before meeting, this could be an acceptable pay-off that would help return the Room to its rightful place.

As one participant noted, communities need a focal point – like a school or a church. In the London insurance market that focal point always has been and should be the Underwriting Room. A vibrant Room attracts talent. It is an exciting, invigorating place to do business. And it fosters innovation – as one put it it provides a 'gathering of first-time buyers' to try new ideas out on.

> None of this is likely to come to pass if firms in London – both broker and insurer – manage their businesses in order to minimise the operational cost of each individual transaction. A lot of what happens in the Room is "alive time" – time spent not on pursuing an outcome to any specific contract but on developing wider capabilities. It is the place where relationships that can become the foundation of a successful career are developed – "a shortcut to a network". It is the place where vital market intelligence can be gathered. The fact that broker X is sat at the box with underwriter Y can be a key insight into market conditions. And yet much of this, to an operations analyst, might be deemed to be wasted time to be managed away in the interests of efficiency. That approach would manage away the existence of the London marketplace in short order.

Desire to be an active player in a Room restored to its heyday was matched by disinterest in using technology to negotiate. In our survey 50% of participants cited an inability to pick up on body language as the biggest challenge of remote trading. Equally the inefficiency of remote negotiation was questioned: "Why have a chain of messages when you could have a two-minute conversation?" And, given the issues around precision in wording that Covid, cyber and war in Ukraine have highlighted, the comment that “trading remotely can mean the underwriter’s intent gets misconstrued” should not be lightly dismissed.

Part of the point of the community is that it provides a learning experience and traders get better over time. “I don’t just want to have my risk rejected, I want to know why the underwriter doesn’t want to write it and what might change their mind”.

None of which should be seen as anything approaching resistance to a role for technology in the modern marketplace. All participants saw the value of electronic platforms as a vital support for trading. But they need to occupy the right space – there to support the conclusion of the deal and ensure its safe passage to fulfilment once done. Not there to usurp the primacy of the face-to-face negotiation.

London is in safe hands.

These were the collective thoughts of a generation that is gripped by the prospect of building a career in insurance. “We are all insurance nerds,” one noted. It was a sentiment reflected in the survey we asked them to complete before coming to the workshops. These showed that 75% of participants think insurance provides interesting work and an appealing variety of roles; 72% like the sense of community that London delivers; 61% believe it is an industry that delivers social good – an aspect of our work that is especially appealing to the diverse talent pools we wish to attract to insurance but is a secret we keep hidden from them all too well. And 58% believe it is an industry that values young people and wants to develop them to succeed.

So, this report gives us an opportunity to deliver on that last promise. In the course of this report we have highlighted areas where we think there is scope to collaborate with the other two market associations and Lloyd’s to develop the right trading ecosystem for the future. But we also want this report to trigger conversations with the rest of the community on other ideas we might pursue.

The workshops were a refreshing confirmation that our market will be in safe hands. A group of natural-born traders thinking in depth about the way in which we can organise ourselves to continue to be the global centre of excellence for specialty insurance. Discussions that have set out a pathway to the marketplace of the future. It is time to get moving.

Appendix: list of participants.

The following brokers took part in the workshops:

Brad Barker, Paragon
Walter Baxter, Amwins Global Risks
Olivia Bellingham, BMS
Tom Bisgood, Aon
Bella Boothright, Howden
Hugo Botting, Howden
Harry Braysher, Miller
Charlie Burrells, AJG
Chris Campbell, BMS
James Cater, Amwins Global Risks
Marcus Christie, BMS
Laura Clothier, Shepherd Global
Emeka Cole, UIB
Izzy Connelly, Paragon
Harrison David, Aon
James Davidson, Paragon
Eleanor Day, Ed Broking
Hector Fortune, BMS
Jim Gevaux, Amwins Global Risks
James Green, Amwins Global Risks
Patrick Groeneveld-Meijer, BPL
Toby Hanington, Howden
Shona Healy, Amwins Global Risks
Harriet Hill, Amwins Global Risks
Tom Jewers, BMS
Megan Kiely, AJG
Rhys Lockyer, BMS
Alex Maclean, Ed Broking
Benjamin Marfo, BMS
James McInnes, Amwins Global Risks
James McIntosh, BMS
Callum Mckie, McGill & Partners
Adam Moy, Tysers
Will Nichols, McGill & Partners
Peter Nyonyintono, BMS
Jason Osman, Amwins Global Risks
Ariane Patel, BMS
Hugo Pearson-Wood, BMS
Katie Pembroke, Ed Broking
Emily Pettitt, Howden
Angus Plumbly, BPL
Ellie Poland, Ballantyne Brokers

Poppy Richardson-Golding, HKNA
Anna Standage, McGill & Partners
Alex Stylianoi, Amwins Global Risks
George Vaughan-Barratt, Ed Broking
Emily Weighton, BMS
Pandora Yates, BPL

In addition, the sessions were hosted by LIIBA board members Jason Collins; Ian Gormley and Heather Clarkson along with Christopher Croft and Geraldine Wright from LIIBA Executive.