

More praises sung from Canary Wharf

In her speech to the HM Treasury Insurance Summit on 7th November, Sarah Wilson, Insurance Sector leader at FSA, reiterated the regulator's support for the contract certainty work and the work of the Market Reform Group in general - citing it as a clear example of where the FSA's new approach of principles based regulation was already bearing fruit.

Wilson said: "...regulation has a role where there is a market failure. As a part of principles-based regulation, we have however found on a number of occasions that it is possible for the regulator to promote a market solution – with benefits all round in terms of reaching a required standard in a cost-effective manner. In this context, the market's achievement in reaching and exceeding its target of 85% contract certainty by the end of 2006 is testimony to how a collaborative approach between market participants can lead to the right outcome for the industry, customers and regulators alike. The market has made further progress during 2007 in continuing to meet and exceed this target – a sign that the change that the market introduced was cultural and long-lasting. (Of course, well run firms will now have systems in place to ensure that contract certainty is an automatic part of the business process, and it will remain a supervisory priority for us to check that this is the case and act where it is not.)

Contract certainty has acted as one catalyst for change and the efforts of the Market Reform Group to modernise and drive through efficiency are to be commended. Where regulatory interest is relevant, we continue to encourage market-driven approaches which achieve the right outcomes while limiting industry compliance costs."

Welcome support, although firms should note the "of course"...

Electronic Policies

Xchanging now provide a service to produce an electronic version of signed policies. The new offering, utilising standard Adobe pdf tools, meets the necessary security and formatting requirements.

The service was successfully piloted over the summer and is now available for live use. Already more than 900 policies have been issued in the new format.

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Keeping a clear focus on the future



Dan Glaser, Managing Director of AIG, concluded his term as an IUA representative on the Market Reform Group in September, after more than two years sterling service. In this article, he reflects on the achievements the market has made in that time and looks forward to the progress to come.

I began on MRG under the chairmanship of Nick Prettejohn and leave as Dane prepares to hand over the baton to Steve Matanle to take the market forward into 2008 and beyond. These facts alone demonstrate to me how far the market has come in my time on the Group. But it is not just the evolution of the chair that reflects this progression. The market has shown over the past five years that it has the capacity to change – and change for the better – and this is a quality it needs to build on as we seek to fulfil the MRG vision.

"We overcame a fundamental market dilemma by displaying some of London's fundamental strengths."

I know the success of contract certainty has been trumpeted consistently across the market. We should not underestimate this major achievement. We have come together to collaborate on an essential change to our existing practices and delivered a significant improvement in the way in which we serve our customers. It was a classic example of a fundamental market dilemma – that the change would benefit the market as a whole but no one firm had an incentive to start the process. And we overcame that by displaying some of the fundamental strengths of London – the ability to communicate; to innovate; and to be pragmatic in delivery.

And we will soon be able to say the same thing about the legacy challenge – when we conclude the exercise this will also be a significant achievement.

But, as Dane said last month, we still have some way to go before we can confidently view London as the market of choice for global insurance. And we have to accept that we have some heavy slugging still to do. The issues we now have to address may well prove more problematic and sticky. We will not have the direct regulatory pressure that helped focus minds on the contract certainty challenge, and it may well prove that there are no easy solutions to the questions we need to ask.

So how should we approach this future? What are the guiding principles that will help us focus change activity where it is needed; and prevent us from committing needless expenditure and effort travelling up blind alleys?

Dates for your diary

The Market Reform Forum sessions are designed to provide an update on the progress of the reform programme and give more detailed information on particular project or aspect of the process.

Forthcoming dates are provided below. Full details on the topics, locations and time for each one will be published prior to the session.

Thursday 29th November - 9.15am Tower Room, LUC

Thursday 20th December

Places can be booked by emailing mro@marketreform.co.uk. Places are reserved on a first come first served basis.

Beginner's sessions

We are planning further half day sessions for those people who need to get up to speed with the reform programme. To register interest in attending one of these, please email mro@marketreform.co.uk

IT Club dates:

Thursday 13th December - 11.00am Balls Brothers, Minster Court

Thursday 31st January

Thursday 28th February

To book a place on either of the above please contact Mel Harding, ACORD, by emailing mharding@acord.org

To me there is one overriding factor that we need to keep constantly at the forefront of our minds - WWCW – What Would the Customer Want? We need to ensure that the customer is always at the table when we discuss how the market should operate and how processes should adapt. We need to ensure we think like the customer whenever we discuss the way our businesses should evolve. We need to ensure that everything we do is driven by the desire to serve the customer more efficiently. Ongoing change in London, the continuous improvement that is necessary to deliver and maintain a world class market, must achieve a reduction in the cost of customer service if it is to achieve anything. Our customers pay for our inefficiencies: that must be the central reason why reform takes place – not for the market, but for the customer; because without the customer there is no market.

So we need to grow efficiency in order to grow customer service – and only by doing that can we grow London's capability as a centre for global insurance.

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And to grow efficiency we need to embrace transparency. It has always seemed to me that an efficient process is by definition a transparent process. A process which is clear, simple, and auditable; and understood by all the parties involved will always be the best value method for getting things done. We should not, as a market, seek to buck against this. Furthermore, we need to accept that there is no such thing as staging posts along the road to full transparency. You either get clearer about the way in which you conduct business or you risk slipping back into the practices of the past.. And we have yet to reach what I would see as the “tipping point” - the level of maturity in our approach that would ensure we do not risk backsliding. This will only come when all our customers fully understand how we transact business; fully understand what it is they are buying; fully understand the value each party to the process adds; and fully understand how each party is remunerated – and this includes making it clear that it is the customer that pays commission not the underwriter.

The rewards for this can be huge. I said in a speech I made in January that “by continuing to improve its value proposition and by becoming more efficient, the London market has a tremendous opportunity to widen its competitive advantage.” That remains the case today and will continue to remain the case - companies, organisations and even whole markets will always either innovate and improve, or rest on their laurels and deteriorate. There is and never will be a steady state. What I can say now, that I could only hint at in January, is that we have shown we can do it – Contract Certainty should be celebrated and stands as a model for the rest of the world. Once we have concluded the clean up of our legacy we can focus fully on the timeliness and accuracy of our existing business. We can focus on WWCW and further improvements in terms of electronic placing; remote endorsement agreement; and more efficient processing of premiums and claims that this will dictate.

I was one of the early members of the MRG and feel I have done my stint – it is time for others to have a go. But I leave MRG on a high note. We have built the foundations of the market of choice. I will now look forward to supporting the work that Steve Matanle and his colleagues will lead us in – to take this forward to the next level.