Seeing the light

Effective management of risk level data is the Holy Grail of insurance industry reporting, but who should carry out data collection and how should they implement it, asks **Kirstin Duffield**

In March 2012 the coverholder reporting standards were issued by Lloyd's, together with a flyer and a set of Excel spreadsheet templates for ELTO, premium, claims and property exposure, under the natty name of ER3001.

Various systems will hold data at differing levels, and reporting in one format is not just a case of the choice of columns, as it could determine how a financial transaction is held within these systems.

But the slicing and dicing of the financial information is a piece of cake compared to that of the risk level data. It's a phrase used in almost every underwriter discussion, it's something they want more of, and it is the duty of the broker to go out and get it.

But who should be responsible for the collection, checking and transmission of this data – and is it a market requirement to consider an individual underwriter's personal opinion on what should be included?

Large commercial risks surveyed by professionals with detailed proposal forms, placed directly into London by a broker, should really be a walk in the park. The broker's system should be able to capture a depth of data suitable and adequate to service the need of the underwriter.

A slip should be produced from that data, augmented with contract information and made available in a format that both the underwriter and the underwriter's systems can read. However, without a central, simple minimum standard set of rules, the possible permutations are still sizeable.

Does the broker provide an indication first – have they collected the risk level data by this stage, and is there time in the workflow? If not then when they produce a quote, should they have all the details by this stage? Is the slip then produced with all that data in it or just a subset sufficient for the underwriter to calculate a rate?

The answer is probably "yes" to all three. But at least they have a set of fields in their system that allows them to put the data in and print it out – or one hopes so. However this problem escalates fast when bulk movement of data comes into play. It seems there is a never-ending demand for more and more data, mostly centred on property risks, but the number of pieces of data we need to collect in other classes is also growing.

Format and content

In layman's terms, we appreciate that data has format and content. In the early 20th century Sir Ernest Debenham, grandson of William Debenham, founder of the British department store, tested the economic viability of the long distance transportation of pasteurised milk.

He took a dozen bottles of prime produce from his herd and sent it by the chosen transmission methods, road, rail and sea, to Rhodesia. Six were opened and tasted to ensure the delivery was a success, both in terms of the format (the bottles were intact) and content (the milk was still drinkable). The remaining six were returned and the same test was performed.

The first email message sent in 1971 by Ray Tomlinson was sent in much the same way. The transmission was a series of connected computers, the format was an agreed syntax, and the

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content, "QWERTYUIOP", was deciphered upon arrival.

Underwriters need as much information as they can to be able to accurately price insurance. And that information needs to be collected at the point of original sale. In the case of US property that is the agent passing data to a coverholder, who passes it to the broker, who passes it to the underwriter.

A conservative estimate taken from 70 Lloyd's brokers suggests that they use 20 different systems, collecting data from around 850 US MGAs, using a mixture of one of the 30 or so larger systems and a plethora of more bespoke or even homespun systems – and they in turn represent local agents, with even more system options.

So if this data is required, but a definitive list is not agreed and published by the ultimate recipients for all classes in a collective agreement, is there any likelihood the requirement will ever be met?

Even if the data was agreed and flowed without issue, the discussion of what to do in the case of a rejection still remains unresolved. Programmers always want to know what happens when the success criteria is not met.

We have witnessed brokers receive a spreadsheet bordereaux, spend hours pivot tabling it and eyeballing the data against their memory and knowledge of the various contracts and then in the event they do discover an issue, call up the coverholder to discuss the issue and then change the data!

Surely the data must be reissued with the necessary changes performed at the source, but is this practical if the source is two systems down the line?

A standard approach

This is where the move to an agree standard comes in. Acord is not the new kid on the block, but in servicing the insurance and related industries it facilitates the development of open consensus data standards. So why do we still have a problem?

> **"A good start would be for the underwriters who have all said they agree to support what has been issued – ERN3001 for US property – to stand by that support"**

We have the transmission platform, the internet, and we have the format, .csv, which files rows and columns of data, much like our trusty friend the spreadsheet. We also have .xml, which provides exceptional data handling and the ability to break down the ambiguity of natural language, the element of human error and the ability to put meaning to data to create information.

This, together with a central organisation to provide the rules about the content of the data to be transmitted, provides an excellent framework to transmit the data the underwriters need.

So why is it still seen as a distant dream in some cases and adequate for the few odd exceptions who have significant budgets? Is the answer to filter out brokers who can't meet technological requirements, thus reducing the niche diversity of the market we know and love?

Maybe they are the very brokers who offer the best service to the client and the greatest flexibility, and are able to understand unusual markets.

If data must be collected at source, what methods exist to maintain the quality of parties with delegated authority without creating onerous obstacles, whilst still providing clear parameters to operate within and guidelines on the data to be collected?

Success is gained with simplicity, transparency and collaboration – three elements that are still not particularly prolific in this market.

So how are the myriad systems – all of which are supposedly able to communicate with the same data at the same level of granularity – to be supplied with data in the same format with good quality content?

A good start would be for the underwriters who have all said they agree to support what has been issued – ER3001 for US property – to stand by that support, so brokers can have confidence the investment needed to deliver that can be undertaken.

Secondly, even if there is some agreement still required, issue a basic standard for all other main classes where binders are in place requiring bordereaux submission – UK property, direct yacht, marine, aviation, motor – or any class with a schedule of items and specifics of different data. It is always nice to know what the direction of the path is even if we don't know what it is made of quite yet.

Thirdly, underwriters could make real incentives for brokers to supply this data in the agreed formats and thus save them a fortune in unscrambling a plethora of different format submissions. This may in turn deliver the underwriters the data they want, support the efficient brokers and coverholders who are able to deliver and increase the capacity they can write, and provide good value premiums.

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