VIEWPOINT

Third-party vendors are crucial to Lloyd's digital vision

How Lloyd's leverages the expertise and entrepreneurialism of third-party vendors will define the success of Blueprint Two

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Best-of-breed third-party system vendors have been promoting the benefits of validated, standardised data for many years now.

Many managing agents, brokers, managing general agents (MGAs) and delegated claims administrators (DCAs) transacting delegated authority business are already seeing massive productivity gains from having the ability to validate, process and analyse their bordereaux data more efficiently, so when Lloyd's announced in March it believed Blueprint Two could save the London market more than the £800m ($1.12bn) initially predicted, we could see ways this could be achievable.

Multiple parties spend significant time reprocessing and re-keying the same data; by cutting this duplicated effort to almost zero, the market can save countless hours every week. This efficiency gain is precisely one of the reasons market-wide savings from Blueprint Two have the potential to exceed Lloyd's initial estimates significantly.

Third-party systems integration, whether that is a vendor system or an in-house built system, will be the key to the future success of Lloyd's and the delivery of the promises of Blueprint two. There is so much innovation the community can bring to the table for the market's future success as a whole. In the long run, this will help Lloyd's to retain its global leadership status in a fast-changing and hyper-competitive environment.

Adding value

By sticking to what it does best, Lloyd's can add real value to the community without adding in the additional costs of IT to the levy, which will, in turn, help to further drive down operational costs within the market.

Third-party systems have the potential to help Lloyd's beat its initial Blueprint Two cost saving targets

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This approach is beneficial for Lloyd's, too, to accelerate the digital process. It allows Lloyd's to leverage existing technologies that already do most of the work, thus avoiding the expense of building its solutions in-house.

However, there are a few details that still need ironing out in the months ahead. How Lloyd's chooses to do this will have an impact on how successful Blueprint Two will be. For example, standardising data formats is essential. As the London Market Association has said: "Simple questions such as the way a year is recorded – with two digits or four – must be agreed and answered. We don't care which option is selected, only that everyone agrees so we can have an efficient and effective way of transferring data."

Business-critical data

Any central solution should focus on the business-critical data required for that system's needs. Lloyd's must be mindful it is not overly prescriptive when setting data standards for its systems and retains a degree of realism as to what is possible. Not only could this be a barrier to adoption, but it could also hamper the innovation from the third-party vendors Lloyd's will need to stay on the cutting edge in the years ahead.

The market participants need data specific to their own needs, which might be over and above what is required by market standards. Where data standards and central systems are overly prescriptive, there is a danger of stifling the entrepreneurial nature of the market and creating a "one size fits all" marketplace.

Systems such as Vipr's can translate data supplied by MGAs and DCAs into the required standards, removing the costs associated with changing source systems. We already see this produce massive cost savings among those parties, while simultaneously eliminating the barriers to entry.

Once Lloyd's publishes its application programming interfaces, Vipr and other best-of-breed third-party system providers will be able to feed data directly into a central repository. Lloyd's must fully commit to these integrations and openness will be the key to success.

Lloyd's must share with the market both the format of data required and any rules surrounding the validation of that data. In that way, we will see much saved time, ensuring the required quality and validity of information is passed to Lloyd's systems, thereby eliminating the number of errors along the way and the inherent need to reprocess data.

In short, Blueprint Two demonstrates Lloyd's commitment to listening to the market while building a collaborative ecosystem for the benefit of all parties. The vision is the right one and we are ready to react to the changing needs of the market. ■

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