

U.S. DEBUT

New CEO Ward Promises Transformation At Lloyd's

BY SAM FRIEDMAN
NEW YORK

IN HIS FIRST PUBLIC ADDRESS to a U.S. audience, Lloyd's Chief Executive Officer Richard Ward guaranteed a transformation in the world's oldest insurance market by year's end—promising greater

nology," he said, adding that "fear will be the driver for change, given the threat of competition coming from Bermuda right now, then closer to home from Dublin, and before long probably from Dubai or somewhere else without our legacy issues."

However, streamlining the market's operations and cutting costs with new technology "doesn't mean closing the underwriting room," he said, emphasizing that face-to-face meetings with syndicates to shop risks will not intentionally be phased out anytime soon.



“If you recognize that holding onto traditional ways puts you at risk of becoming irrelevant—that you’ll be gone—that fear will drive whatever changes are necessary.”

Lloyd's CEO Richard Ward

contract certainty, electronic processing of all new claims and direct access for outside brokers.

"If we don't achieve these goals by the close of 2007, I might be looking for another job," he quipped in a speech here last week before the New York Chapter of the Risk and Insurance Management Society and the Association of Professional Insurance Women.

Mr. Ward—who said he spent a good deal of his first year in office learning the ropes by working with underwriters, brokers and "the unsung heroes" in claims—guaranteed that Lloyd's under his stewardship will rid itself of the "two jumbo jets" full of paperwork "clogging up the process" to improve turnaround time, product quality and the expense of doing business.

While expressing admiration for the financial strength, brand reputation and quality of "human capital" at Lloyd's, he said he is "less impressed with the processes that support the market. We haven't fundamentally changed the way we do business in 100 years."

"This business has not embraced tech-

"But all the functions supporting the underwriting room could benefit by going electronic," he said. "We want to get human hands out of the process as much as possible."

When asked when clients would see a real difference in how Lloyd's does business, he said "you already do, in that we're delivering 90 percent" of contracts to buyers within a month of the policy's inception, promising to continue to improve on delivery time as the year progresses.

However, by year's end he also vowed that "all new claims will be processed electronically. Our goal is to build a system offering electronic documentation in a single repository offering global access."

In addition, he promised to "open up the brokerage system" to allow buyer representatives from around the world to directly approach

Lloyd's for quotes.

He said "it is not an appropriate structure" to limit access to underwriters to a group of London-based intermediaries. "If Lloyd's brokers add value, people will pay for their services, but we can't build artificial fences to protect broker relationships with clients."

He recalled hearing similar laments in his prior job as CEO for the London-based International Petroleum Exchange, where "there used to be a pit with people shouting at one another all day long to do business," but which today conducts all its trades electronically.

"The disintermediation cry went up when we closed the pit," he said. "It was a tough transition, but those who adapted have survived and prospered." He noted that the market—now called ICE Futures—traded 100 million barrels of oil daily when

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P-C Rate Drop Hits Double-Digits

A COMPOSITE RATE INDEX FOR PROPERTY-CASUALTY insurance showed that premiums on average fell 10 percent in February—a month in which there were no rate increases in any line of coverage.

"Barring a catastrophic wind season or other natural catastrophe, 2007 will be a tough year [for insurers], with rate decreases continuing throughout the year," said Richard Kerr, chairman and chief executive officer of MarketScout, a Dallas-based online insurance exchange which produces the monthly "Market Barometer."

"As is true with the stock market, the insurance market will correct itself at some point," he added. "It's coming, just not anytime soon."

By coverage class, February rates fell for general liability by 11 percent, workers' compensation by 10 percent, commercial property by 9 percent, and business interruption by 8 percent.

According to MarketScout, rates fell 7 percent for small accounts, 9 percent for medium-sized buyers, and 11 percent for large firms. By industry class, rates dropped 11 percent for manufacturing and energy.

