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## Lloyd's failing to embrace modern technology – claim

By Mairi Mallon in Monte Carlo

MONTE CARLO – Lloyd's of London's failure to get to grips with modern technology means that it is losing out on business to Bermuda. In fact an unwillingness to take on new systems means that processing business in London through a broker costs 15 percent of a transaction, while the same transaction is ten percent in Bermuda, according to chairman and chief executive of Aon UK, Dennis Mahoney – a huge cost to customers.

Speaking at the Les Rendez-Vous de Monte Carlo, the reinsurance industry's largest and oldest conference, Mr. Mahoney berated the companies in London for failing to seize the opportunity to modernise time and time again.

"It is no surprise that people shift their business down to Bermuda," he told a breakfast meeting sponsored by The Review called "What price an electronic London?"

"Rather than funnel it through London, you will funnel it through Bermuda." At the same meeting Rupert Swallow, re/insurance broker Benfield head of global operations said that London had already lost out because of its attitude to technology.

"9/11 was a seminal moment in the property and catastrophe market," he said. "It was when hedge funds started investing and moved to domiciles that were more favourable to them and we need to redress this."

At the meeting Mr. Mahoney said that he remembered that back in 1985 there was a proposal to make Lloyd's electronic, and back then the projected cost was \$1 billion. He had no idea how much a system like that would cost today.

But he said that what Lloyd's and the other insurers based in London needed to do was catch up with rest of the world by embracing technology which would cut costs and make Lloyd's and the London market competitive once again.

Mr. Mahoney's company has just taken up a new "easy to use" trading system developed by London technology company RI3K called V3.

It will be rolled out not only in Aon UK but through all the Aon offices around the world and will allow contracts to be not only reviewed but completed on-line.

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Greg Dobie, editor of The Review, a leading reinsurance industry publication, and moderator of the panel, said after the meeting: "There has been a tremendous amount of progress made in the area of electronic trading in the past six months both on a peer-to-peer and a platform basis. There is certainly a feeling that things are finally progressing in the London market."

Mr. Mahoney said he is delighted with the new product, he is hopeful that others will follow and become fully electronic – but it is far from a sure thing.

Despite being housed in a spectacular modern building, Lloyd's is filled with old-fashioned working methods and attempts at modernisation have been shunned by most of the companies that work under its banner.

Mr. Mahoney said: "One of the things I always do with clients in London is I take them to Lloyd's, and they are always impressed by how modern it is, all that glass and metal. And then they see all the boys and girls carrying huge piles of paper. Some just laugh, and others say: 'I'm paying for all of that'."

One of the most spectacular failures was earlier this year when a £75 million electronic trading system being developed by Lloyd's called Kinnect had to be abandoned after brokers failed to support it.

Now RI3K claim that they have a system that "does what Kinnect was supposed to do".

"It is the holy grail," said Alex Letts, chief executive of RI3K, who says he is now sure that London is finally ready to embrace technology such as the one his company has developed.

"It is a marvellous, modern service that makes their day easier and more productive."

Mr. Mahoney said it was imperative that the London market bucked up and took on the new technology that was now out there.

"It is not just about the frictional cost which is passed on to the customer, it is about a quality of service. There is also a reputational cost to the London market. It is about the ability to pay out quickly and our error and omissions costs are too high."

Mr. Mahoney said that he hoped that the London market would now become electronic – but a spanner could be put in the works because of "petty jealousies" that exist between the brokers and within Lloyd's itself.

**Ends**