

Winning hearts and minds

Qatarlyst's **Robin Merttens** asks what comes after the Endorsements Pilot?

The marine Endorsements Pilot, which seeks to ensure all marine endorsements are transacted electronically, has been deemed a success. And the market, through the auspices of the London Market Group, has decided to extend the pilot through the rest of the year into three new classes: property, professional indemnity and specie. It sounds simple enough, but in reality there is plenty to do and think about.

For brokers and carriers already involved in the pilot, further extension means more users to train and more hearts and minds to win.

There are also technical issues to reflect upon. The main conclusion of an independent benefits review by Ernst & Young was that the key benefits of electronic trading of endorsements come from integration – the sooner you integrate, the sooner benefits accrue. Internal buy-in is simpler to achieve, it's easier to secure further investment and the ball starts rolling.

So, one assumes that players will be reflecting on when to invest in their integration. Right now, you can count the brokers and carriers genuinely integrated to the Lloyd's market Exchange service (with data flowing in/from their back offices) on one hand.

The London market has decided that it needs both further improvements and message types (multi-section and conditional acceptance), which will raise new complexities. The development of these will fall to the service providers – as there is no sign that the market feels inclined to contribute to costs.

Robin Merttens is market place director for Qatarlyst

Without integrations the benefits case is limited, which in turn limits the number of participants prepared to pay for services. Much, therefore, depends on the attitude of service providers' shareholders to the extent of their largesse. They are being asked to provide both a considerable amount of expertise and speculative capital right now, with their ability to recoup still some way off. Clearly it will help to have deep pockets.

Providers of back office systems are presumably preparing for the forthcoming flood of integration business. For some this will be easy as they are accustomed to integrations and have been sending data for years. But several have never passed off data to others before and the community

building so there is enough confidence in the edifice to justify investment in integrations.

If this analysis is right then getting carriers and brokers to integrate is the key. Once companies see other businesses investing in the initiative, confidence in E-endorsements will grow and form the basis of an evolution into placements too. Such investment will mark the point at which we all know that e-trading is cemented into our future. What more can be done to get us to this point?

The brokers, particularly the big brokers hold the key. As soon as the community sees the big brokers all committing to strategic rather than tactical solutions, they will know the time has come.

The progressives in the carrier

“WITHOUT INTEGRATIONS IT WILL BE DIFFICULT TO SUSTAIN SUPPORT FOR THE INITIATIVE BEYOND 2012”

will be hoping that they have both the ability and the technology to get up and running and stay that way.

Lloyd's and the Lloyd's Market Association are due great credit for getting the marine Endorsements initiative off the ground, but let's not fool ourselves – we are still in the early stages and the proper foundations are still not in place. Brokers and carriers are participating at the moment because the market has a strong sense of civic responsibility – they are taking part because their peers are and because they don't want to let the side down.

Without integrations to underpin the business case, it will be difficult to sustain support for the initiative beyond 2012. Market bodies and the larger brokers and carriers must keep the momentum

community can show leadership and provide encouragement to the brokers, particularly to many small brokers that still seem to believe that e-endorsements might wither on the vine.

The service providers have to do their best to make it easy and cost effective to integrate – that is a function of the quality and readiness of the technology and the willingness to subsidise

The Lloyd's Market Association and the market bodies have to enforce the need for civic responsibility and ensure that it lasts long enough to get the market through to genuine and indisputable cost benefit.

Most importantly of all, brokers and carriers need to ensure that they give integration a top priority for 2012 and budget and plan accordingly.