



FINANCIAL SERVICES INDUSTRY

BLUEPRINT II: ASSESSING LONDON'S INSURANCE MARKET ON ITS DIGITALISATION JOURNEY

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BLUEPRINT II – WHERE LONDON’S INSURANCE MARKET IS AT IN THE DIGITALISATION JOURNEY

London Market players will need to start shifting towards digitalisation in 2024, moving away from using decades-old technology to new solutions, in part catalysed under the Blueprint II programme.

Phase I of the programme is expected to go live later this year, a critical milestone that will focus the industry’s efforts and lay the foundation for digitalisation. While the programme has pushed out the Phase I Go-Live date, it nevertheless remains close to launch for the London insurance market. It is therefore advantageous for firms to prepare for this major step in the transition process.

In the current market cycle, the cost burden for commercial and specialty insurance firms in the London market is expected to increase at or above inflation, impacting margins. Digitalisation will be a key lever in addressing the cost challenge, with Blueprint II instrumental in providing those core services for the market.

The standardisation that accompanies the digitalisation of core services creates a growth opportunity for participants to trade globally and augment risk data with external data sources. It will also bring the capital modelling of **managing agents** closer to real-time, aligned with the business being underwritten. Delivering on this change will bring the market up to speed with not just the banking industry, but also wider insurance sub-sectors such as retail. It will also create the much-needed foundation for London’s future as a global specialty risk market, combining digital capabilities with insurance technical excellence.





CURRENT STATE OF PLAY ACROSS THE INDUSTRY

The industry has been working towards Phase I go-live for the past five years, with significant design change, communication and alignment efforts. Challenges should be expected in the context of a major change to the entire market, but Phase I remains foundational in establishing that the future is digital.

Stakeholders in London's insurance market are in various stages of digital transition, with significantly differing levels of maturity in their approach to readiness, strategic mindset and initiatives. Based on our conversations with key industry bodies and market players, we have identified three archetypes of managing agents and Brokers in the market - leaders, followers and laggards.

A

Leaders

Leaders have defined their strategic ambitions clearly in relation to Blueprint II and more broadly around digital. They are actively investing in their strategic design, business model and how digital services and market standards create a platform for growth. Several firms are already working within market ecosystems of digital trading through initiatives such as Ruschlikon – an ACORD facilitated group focussed on reducing operational cost and enhancing client service and are driving the agenda for their vendors too. Less than 15% of the players fall in this category and include a mix of medium to large managing agents and brokers.

B

Followers

Followers are also engaged with the market, with a programme for Blueprint II set up internally, often with the participation and engagement of the Board. They have completed an assessment of the impact on their business and have a view on how they will implement Phase I Blueprint II services. They continue to work on governance to manage any downstream risks. Their technology vendors are partially ready, but internally are not managing this third-party dependency as rigorously as we, or indeed the regulators, would expect. Strategically, firms in this category are not investing in broader digital and ecosystem opportunities, potentially at the risk of lagging the market. We estimate that 50%-60% of firms fall into this category.

C

Laggards

This group comprises of participants whose engagement is mostly limited to tracking market developments on the digitalisation programme via events and updates, although a few of them have a team in place to focus on Blueprint II. They do not have a strategy and executable plan for Phase I. Several players do not believe that this digital programme is coming soon, but sitting back and waiting is a high-risk strategy as there will be no option to stick with the status quo.



WHAT FIRMS SHOULD BE DOING

While we appreciate the complexity of delivering against the vision and the evolving timeline of Blueprint II Phase I, we believe that the programme provides enough line-of-sight for firms to get ready and not having a proactive approach puts firms on a backfoot. To maximise value realisation from the forthcoming changes, here are four areas we recommend firms should focus on:



1. Review and assess your business ambitions and strategy, including what it means to compete in a data-led marketplace. Understand how Blueprint II, can help drive growth and reduce expenses in the long run, and support the delivery of your digital strategy. Consider opportunities for competitive advantage through the ability to leverage data digitally for new innovations. For instance, how underwriter expertise and experience can be augmented with the best risk insight on an ongoing basis. This starts to become possible, at scale, using elements of the core data record to provide you with certainty of integration requirements within an ecosystem strategy.



2. Ready yourself to adopt the new infrastructure and services from Phase I through diligent process baselining and engagement with technology partners. As a first step, the maturity of your testing and training capability maturity will be tested multiple times over the coming years. Assess whether this is fit for purpose and aligned to supporting your business' cost management, strategy activation and business adoption.



3. Assess your business cost base and operating model, overlaying the potential benefits of Blueprint II, to ensure effective cost management and embed relevant future strategic capabilities. To that end, mobilise a set of initiatives that will incrementally deliver these benefits and embed new ways of working within the organisation.



4. Have clear governance in place that demonstrates that your firm has understood and challenged various aspects of Blueprint II and taken the necessary steps to adopt Phase I services when they go live. The additional time being allowed to support testing underlines the responsibility that boards have in managing their operational resilience and governance.

2024 remains a significant year for the London market's digital drive, with opportunities to make huge strides in digitalisation and build a competitive edge.

HOW A&M CAN HELP

A&M is a leading global consultancy whose senior teams will deploy their vast industry expertise and capability to deliver concrete results by working closely with you. We are the first stop for private equity firms seeking to understand the leading value providers in the London market and we're unencumbered by audit conflicts or downstream implementation work. We can share ownership of results with you and focus on delivery.

We can assist you with:



Business model development as you seek to maximise shareholder value through your digital journey



Providing the capability needed to ensure all your business benefits are achieved



Your digital transformation journey as you optimise your operational model



Project management to ensure you are fully prepared to meet the Blueprint II cutoff



Ensuring your third-party vendors are fully aligned and have a credible plan to meet your needs as a high priority, by leveraging our membership with ACORD

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