

# The perfect IT solution

With legacy systems the scourge of the industry, **Tim Page** says that technology has evolved sophisticated solutions to old problems...

**F**rom the perspective of the IT professional, the industrial and commercial insurance market is a fascinating mix of contradictions. There is a desire for change and many attempts have been made to alter the way we operate, for instance EPS, WIN, Blue Mountain and so forth. However, in spite of the levels of investment, the structure of the market's governance, the competing forces and the lack of a central investment strategy mean that a cycle of "continuous failure" seems to have been created.

The complexity of market processing – made so by the highly tailored insurance products delivered to clients – requires significant systems investment. This in turn has led to a multiplicity of systems and generations of systems with a longevity way beyond the norm of up to 30 years and more.

We also have to deal with business tails of up to 40 or 50 years, records that need to be retained for 80 years, a mixture of fixed data and unformatted text, syndication, and predetermined roles for each participant in the risk that are difficult to change.

Having said that, change is needed, and it is possible. However, unless you are a totally new entrant with a new risk transfer mechanism, you have to accommodate the legacy of yesterday's underwriting, yesterday's ways of doing business and yesterday's investment.

So the question is: how do we to create IT solutions that allow us to break this cycle?

Dreaming for a moment, we would love to work in a market where IT-friendly insurance products prevailed, allowing risks to be managed and handled at a highly granular level, enabling much more flexible pricing and delivery models.

Ideally, we would also want strong market governance, led by economic interest that raised the barriers of entry not from a capital perspective but from a technology capability basis, i.e. "you can't trade unless you trade this way".

We would also look for the flexibility to change where and how processing is done to suit the needs of the day, coupled with a single body that set and managed the implementation of standards to support this new way of working.

Finally we would also want IT teams that could innovate and quickly create low cost solutions that demonstrate real value to the business.

If only! The two saddest words in life. This won't happen in a hurry. But is there a way where can get better without having to wipe the slate clean and abandon our legacy responsibility?

Just publishing a set of standards and expecting them to meet automatically the needs of the most sophisticated and the most antiquated participants will not do the job in itself.

We desperately need to leverage

the standards that do exist, but we have to do more to accelerate their take-up. So just what would this ideal solution do? Quite simply, it would maintain a simple, central, shared record of risk, claims, transactions and associated documents, a sort of "skeleton" that allows the users who have access to their view of the structure, to populate as they see fit, or better, as they have agreed with their counterparties.

The skeleton would only require sufficient reference data content to enable it to be recognised by all the other participants on the risk and a simple number of flags that signified the type of transaction and the current status, allowing them to get the message types they need.

Access to this central skeleton would of course be secure, and users would leverage web-based technology to access it using standard interfaces, allowing easy connection and rapid take-up of the solution.

Also, when standards change the best solutions must be committed to moving with the market and accommodating those changes.

We are not talking about a large centralised hub here, although they clearly cannot work without centralised governance. We are talking about a very "skinny" referencing and routing solution that exists only to meet the needs of the participants and is designed to be simple and flexible to connect to.

In summary, the days of "big IT" are probably over and fast, agile solutions that leverage the benefits that global connectivity offers must be the way forward. And as soon as there is widespread adoption to common standards the promised land will surely follow.

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