



FRictionless DATA: MAXIMISING THE BENEFITS OF KI & ALGORITHMIC SYNDICATES

2021

Algorithmically driven follow syndicates are starting to emerge, with an important role to play in supporting the placement of risks into the Lloyd's market.

Since the launch of Ki in 2020, the importance of creating simple but comprehensive ways for brokers to get information into and out of an automated syndicate has become recognised as one of the essential drivers to success.

In this Live Chat, InsTech London brings together senior leaders from Ki, its broking partners and those supporting the strategic roll out of advanced data applications across the London Market.

Matthew Grant

InsTech London Co-founder & Partner

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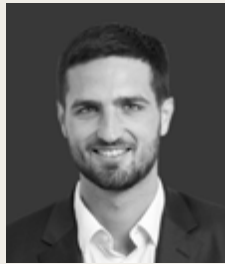


[Ki Insurance](#)

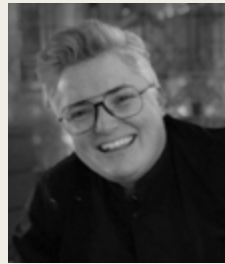
Speakers



Dan Hearsom
Ki Insurance
Managing
Director



Alex Wilson
Ki Insurance
Business
Development
and Strategy



Louise Smith
Lloyd's
Former Chief
Digital Officer



Jonathan Prinn
Corant Global
Chief Digital
Officer



Clyde Bernstein
Willis Towers
Watson
Head of Broking
(GB)

Dan, could you introduce Ki Syndicate?

DH: Ki was the first digital algorithmic syndicate in Lloyd's. The syndicate does not set the terms, the price or the conditions for policy. It offers brokers what Lloyd's has done for over 300 years: follow capacity. But Ki does this quickly and with certainty.

The model is simple. Ki offers a line in a matter of seconds. It has 31 algorithms across 31 classes of business and can return a quote within ten seconds. Brokers can access it through our proprietary digital platform, built with Google, or via integrations with broker platforms.

A priority is getting follow capacity to the broker as quickly as possible.

Do the algorithms rely on artificial intelligence?

DH: Artificial intelligence and machine learning form part of the algorithm. The algorithm evolves daily as it digests more data. The Ki business has over 40 people now, over half of whom are algorithmic scientists, machine learning and artificial intelligence specialists and software developers.

How does the algorithm work?

AW: The algorithms were trained on 20 years of historic policy and claims data from our partnership with Brit. The algorithms ingest data from brokers and return a line size or quote. We have algorithms built for every class of business we write. Each algorithm has several components, including a signal generation component and a portfolio allocation component.

The signal generation component objectively assesses risk. It is intended to avoid human bias and evaluate each risk on its merit before making a recommendation. The portfolio allocation component then does the final decision-making. This component connects the algorithm with the market expertise of the portfolio underwriting team. When developing the algorithmic parameters, the team codifies Ki's business objectives into the algorithm. The algorithm looks at the objective assessment and optimises based on the desired business outcomes.

How do algorithmic syndicates fit into the Future at Lloyd's?

LS: Blueprint Two, launched on 5 November 2020, is about data transformation: creating the architecture for complete, accurate, immediate and transparent data workflows for placement and claims. Ki Syndicate is relevant to this, and Lloyd's supports its team.

It is essential as we continue the Lloyd's connected, collaborative marketplace to achieve straight-through processing and transparency and remove inaccuracies, rekeying and room for error.

Algorithmic syndicates and data transformation will also help attract new talent into the marketplace. That includes designers to create the front-end user experience, data engineers, people who run business rules, and more to create an open data architecture.

What are the principal benefits of data transformation?

LS: The first steps are to make the data complete and accurate, which minimises the manual effort, and to automate the rest as much as possible. That creates a Core Data Record which can be automatically enriched with third party data. It also provides transparency for the claims process. That removes the need for repair and query loops, so processes move from weeks and months to seconds and minutes.

Customers will still want to speak to people, but those conversations will be backed by the certainty provided by the data workflows. Over time, this should become an open architecture.

How do the approaches of other Lloyd's syndicates compare?

LS: Lloyd's is a varied marketplace. Some organisations are ahead with automation and are exploring open data. Others are at the very start. The Future at Lloyd's supports organisations wherever they are on that journey. Different organisations will move at different paces, but we must ensure that all continue to move forward.

How is Lloyd's ensuring that accurate data is flowing through the market?

LS: Even good data transformations will always have exceptions; 100% automation will never be reached. Lloyd's is thinking through the process of intervention for handling exceptions in more specialist lines of business.

Jonathan, could you describe the TradEd application and how Ki is involved?

JP: Ed Broking was founded in 2016, was sold to BGC Partners in 2019 and is now joining the Ardonagh Group. The TradEd application is currently used by the Ed Group globally. We built an API to connect TradEd with Ki Syndicate.

An API is like a waiter communicating a message from the customer to the kitchen and bringing back what was asked. But those ordering need to have the menu. In this context the menu is the Core Data Record or a structured slip.

The TradEd application captures about 700 data points in a standardised way on each risk it places. As brokers use the TradEd application for quoting business, they can choose to add Ki to the trading screen. This triggers the Ki algorithm, and brokers receive a quote in real time directly into our application.

TradEd has created this integration for Ki and others.

Clyde, how is Willis Towers Watson integrating with Ki?

CB: Willis Towers Watson has built a similar connection with Ki in our trading platform. Our API now integrates with all Ki's lines of business. We use that insight for the benefit of client advice or market proposition. It also empowers our brokers in the trade negotiation of risk.

From working with Ki, we have learnt about how to integrate structured data. The advantages demonstrated from getting an instant response from an insurer is a reminder of the weaknesses in a conventional underwriting submission. Fixing those weaknesses will help the market to modernise by receiving accurate data at the start.

This also provides value for the client. Efficiency is one benefit, but as we move forward, integrating structured data can unlock opportunities to innovate, such as simplifying complex contracts and accessing different forms of capital to meet client needs.

What platform design aspects are important for brokers?

CB: Ease of use is a critical component in developing these applications. The objectives are to reduce workload and make systems more connected.

Brokers have CRM (customer relationship management) systems to manage prospects and sales. We already have data on prospects when we pitch for their business. We do not believe that data should be inputted again into the platform used to negotiate risk.

We must consider the future role of the broker. Broker platforms are an opportunity to attract new talent, people who have grown up with technology. Brokers can move from platforms being optional to being compulsory but it will take time. It is not going to be acceptable to customers that 97% of a contract is completed with physical paperwork and 3% with technology platforms.

In the past some insurers have relied on rate hardening (i.e. the opportunity to generate more income as insurance rates increase) to increase historical pricing. At other times insurers can be too reliant on investment returns to neutralise weak underwriting. Brokers will find and embrace the insurers that are creating online markets because these are cheaper, quicker and more innovative, benefitting everyone. We believe that will drive the shift in the insurance industry towards the adoption of algorithms.

Dan, what has been the broker market's reaction to Ki?

DH: Ki is only working with a few London Market brokers, either through the platform or integration with broker platforms. But the feedback has been phenomenal.

Many of our partner brokers are examining their digital strategies, both through broker trading screens like those used by Willis and Ed, and using the platforms of syndicates like Ki. These make the process more efficient and make better use of data.

We have put digital on the radar of our partner brokers' executives. We have done two broker integrations, with more to come in 2022. Working with Lloyd's, we believe we have raised the bar on how digital syndicates should operate.

The goal of what we are doing with Ki is to bring efficiency to the London Market and make London a place where global networks come to do business and new capital, from companies such as Blackstone, comes into the marketplace.

Lou, what happens for organisations with legacy systems that cannot integrate with APIs?

LS: Lloyd's is working on a starting point to help organisations that cannot move to APIs today, which we are concept testing with brokers in the market to receive feedback. It must be useable; we do not want to add more steps into the process. We are also working with third-party placing platforms.

How scalable is this peer-to-peer approach across a market with 400 trading partners?

LS: Because every organisation will adopt at different stages, we must consider how to create something that everyone can connect to. We are working on transition services, which will help organisations adopt at a pace that will work for them.

We are also working on a second version of the Lloyd's Interactive Guide, which sets out the key actions organisations need to take to get ready for the digital marketplace.

Where should people go to find out more about data transformation at Lloyd's?

LS: We publish everything on the [Future at Lloyd's website](#). We have put the first version of the Core Data Record on the website. It covers North American property, but most of it is extensible to other classes of businesses. We are on track to have data standards in place for all lines of business by the end of 2021.

The Future at Lloyd's also hosts webinars and panels. The next version of the Interactive Guide will focus on the specific measures that are being implemented and when, and what organisations need to do.

Alex, what challenges has Ki faced as an algorithmic syndicate?

AW: Our main challenge is the lack of structured data within the market. We have built a metaphorical Ferrari, but we are restricted to a 20-miles-per-hour zone.

We are working closely with Lloyd's to overcome that problem. Structured slips and the Core Data Record will enable actuarial and algorithmic models to develop over time. The other solution is directly integrating with partner brokers, which avoids rekeying and inefficiency.

Jonathan, does insurance need more standards?

JP: Insurance does need more standards. But we should recognise what areas of business are fairly standardised already. Many people tell me it is impossible to do large and complex business algorithmically because there are no standards. But an excess layer for example has very few variables: limit, premium, commission and supplements, with the rest of the data included in the underlying coverages.

We need a pragmatic approach to standards. Standards usually grow upwards from organisations using them, rather than being mandated from on high. We are beginning to see that in the insurance industry.

What is your view on legacy systems?

JP: Ed Broking came from Cooper Gay, a name which we retired. That organisation had huge legacy issues, which we fixed in 24 months.

The insurance industry must realise it can make significant changes to its ways of working. Imagine sitting in a February 2020 board meeting and proposing that Lloyd's should be shut and everyone should work from home, only seeing clients through video with less than a week's notice. It would have sounded absurd, but then it happened.

As an industry we have demonstrated that we can change. Pragmatic steps can be taken towards data transformation which are not as hard as people like to think.

Clyde, could predictive analytics and machine learning allow a shift from annual insurance contracts to more flexible timescales?

CB: The industry is moving in that direction. Structured data can enable algorithmic syndicates like Ki and make underwriters more informed by augmenting that data with other available information. One result could be new approaches to ceding or retaining risk.

Insurance has an annual process, spending 90 days to reach the cover note, the document that indicates a client is covered. If insurance capital can be accessed more quickly, the industry can transact more efficiently.

One example is the North Atlantic Hurricane Season. In April and May, forecasts predict how many storms there will be. A client at that point might want to top up its limit, or retain more risk, because the index for that coverage will move in six months' time. This can be achieved with an efficient platform that connects risks quickly to capital.

Alex, how do you track and avoid biases within the algorithms?

AW: Alan Tua, Ki's portfolio director who oversees the algorithm, is developing an ethical and cultural framework for the algorithm. This should address some of the biases inherent with algorithms because of the data they are trained on.

While there is no underwriter in the loop adjusting quotes, we have a dedicated portfolio management team within Ki that investigates the algorithm's line sizes and quotes and compares them to what a human underwriter would do. Then they can adjust the algorithm accordingly.

Any final thoughts from the panel?

JP: Algorithms are often seen as a way to access new capacity. I believe algorithms will be more pertinent in the renewal process. Most brokers have retention ratios of over 80%. That represents many thousands of transactions, a part of which is unchanged renewals. Algorithms could remove the 90-day renewal process by automatically checking the market and benchmarking the risk against data sets.

Also, as primary markets go online there could be a secondary market enabling clients to buy additional coverages when they need it for hurricanes or other perils.

CB: Algorithmic syndicates such as Ki present an opportunity to address fundamental issues in the insurance industry: inefficiency, high cost, product relevance and the promise to pay. Digitisation can help fix those issues. The industry risks being threatened as being irrelevant to the changing risk landscape. These innovative approaches can find solutions to tomorrow's risks in an efficient way that delivers on insurance's promise: that it will pay a claim.

DH: We have renewals for Q1 2022 on the Ki platform now. Soon brokers can look at our platform to see Q1 renewals, which we think is a game-changer. Ki is looking to grow significantly in 2022 and expand the number of brokers we work with.

[View original recording here](#)



InsTech London identifies and promotes the use of the best technology, data and analytics within insurance and risk-management around the world. Our network of over 17,000 people works for insurers, brokers, consultants, investors and technology companies from start-ups to the established global enterprises. We have been supported by over 200 companies since founding in 2015.



Ki is the first fully digital and algorithmically-driven Lloyd's of London syndicate offering instant capacity, accessible anywhere, at any time. Since the launch of Ki in 2020, the importance of creating simple but comprehensive ways for brokers to get information into and out of an automated syndicate has become recognised as one of the essential drivers to success.

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