

Blueprint Two: Exploring the Right **Digital Strategy** for Carriers & Brokers

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A [global survey](#) by Forrester Consulting, commissioned by WNS, revealed that an accelerated shift to digital business was one of the top three priorities for surveyed insurers (79 percent) in the immediate future.

Blueprint Two represents a truly momentous shift in the [London insurance market](#). With plans to go live at the end of Q2 2024, Blueprint Two will pave the way for a digitally enabled insurance marketplace. Carriers and brokers operating in the London insurance market must have a comprehensive digital strategy that allows them to transform in line with Blueprint Two.

However, with legacy platforms and siloed functional operations, implementing 'data-first' and 'Straight-through Processing' (STP) strategies will require significant work. Consider the additional complexities brought in by Blueprint Two, and the initiative requires the replacement of the bureau services integral to enabling data-first and STP methodologies.

This paper draws on our extensive experience as a digital transformation partner to highlight the crucial factors that carriers and brokers should consider while designing and implementing a digital strategy that supports business growth, reduces servicing costs and aligns with the [Blueprint Two](#) directive.



Get Your Approach Right

Many insurers are considering digital and automation to expand their business and decrease servicing costs. There are numerous examples of how new InsurTech companies in the personal lines sector, such as Lemonade¹, have revolutionised the traditional engagement and servicing model for a particular customer and product type. In commercial insurance, we are seeing a similar approach with fully automated follow-line players such as Ki Insurance and Nephila.

When devising a digital strategy, due attention must be given to data, digital technologies, people and processes. All these components must work in tandem to drive a seamless customer experience and lower operational costs. To aid our clients in this regard, we utilise a proven digital transformation framework.

Select Your Technology

The final step should be to select the technologies - once there is clarity on what to move to digital and why, then select IT

Plan Transition

Simplify first, then standardise and automate. Decommission legacy IT and right size and right shore teams. Include all costs and pre-work in the plan

Efficiency and Effectiveness

Analyse what operations and services could and should move onto a digital basis. If there are too many manual interventions or referrals, benefits will be small, and client satisfaction low

Operational Resilience and Digital Reporting

Incorporate these areas into your plans to ensure that there are controls in place and the detailed reporting to understand what is happening in the new digital solution and operations

Customer Journey

Design interactions with your customers in mind - what do they want to do, and how easy and informed can you make these interactions

Responsiveness

The digital world is faster, and expectations are for an immediate response. Consider key simple activities as areas for STP servicing

Flexibility

Customisation and choice add complexity and cost to a digital design; however, this is an area to differentiate your products and services

Skilled Resources

With automation and STP, there are always transactions and customers that need support, and your staff need to be trained to be skilled in the new digital world

Figure 1: Digital Transformation Framework

¹<https://www.forbes.com/sites/afdelaziz/2020/03/09/the-power-of-purpose-how-lemonade-is-disrupting-insurance-with-goodness-and-a-new-foundation/?sh=4516e1657288>

Identify the Critical Components of Your Digital Solution

The Blueprint Two initiative provides helpful guides and playbooks to explain the upcoming changes and their impact on all stakeholders involved across the various market transactions. *Below is an illustration of the main components that show how the bureau will interact with the market stakeholders through a new Digital Gateway.*

Overview of the Main Bureau Components – Available by Q2 2024

IPOS and ICOS will be the new service for premium and claims settling, for both open market and delegated authority. They will replace the existing premium and claims services, LIDS, CLASS and ECF (XIS, XCS)

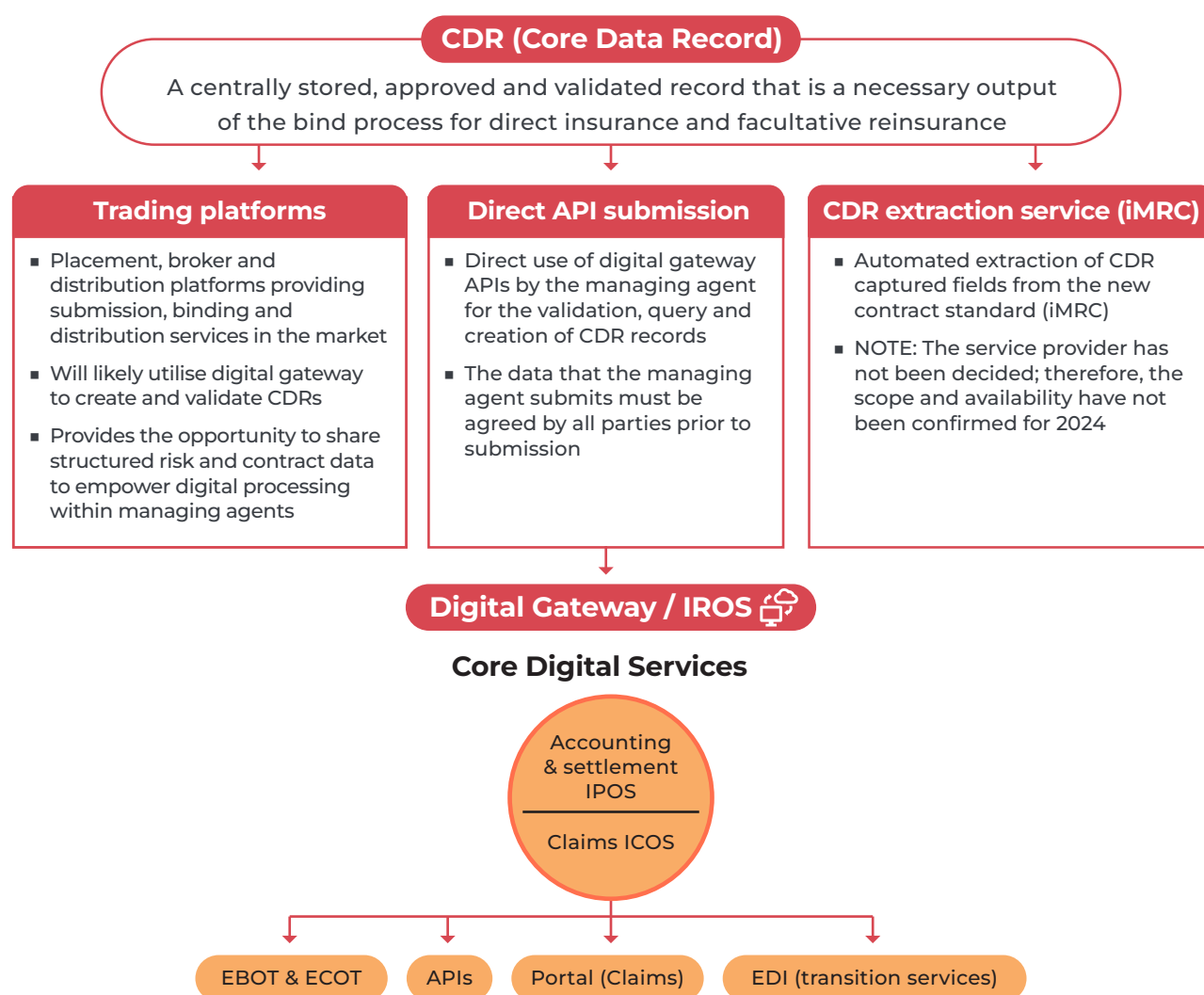


Figure 2: The New Digital Gateway

Source: The LMG Data Council is defining the standard process roles and responsibilities for the creation, review and acceptance of CDR and submission to the Digital Gateway

- Move to global standard ACORD messaging
 - Separation of Technical and Financial Accounting
 - Significant change in method, process and messaging from the previous EDI (e.g., USM/SCM) messaging
- Orchestration APIs to submit, validate, view, query and agree / reject a technical account, a claim movement or a financial account for settlement
- ICOS will have a portal access in addition to APIs for the purpose of orchestrating claims
- Transition Services • Standard EDI messages (e.g. USM / SCM) with content changes • Any company-specific customisation of current EDI messages will be lost
- IROS is an optional Risk message – beneficial if this is provided as makes it easier for IPOS and ICOS. Without it, the Digital Gateway is the mechanism to create and confirm the CDR

The following table presents the essential questions that carriers and brokers must consider when implementing a digital solution:

Broker:

- Do you intend to submit bureau business through an eTrading platform (which must be recognised for this market)? You need to decide whether to use the system as the final step at the bind stage or before loading data for the placement
- Will you pass data directly via Application Programming Interface (API) from your Policy Administration System (PAS), and will this be for the pre-bind stage or only at the bind stage?
- Will you send a document (the Market Reform Contract (MRC v3) format will be the standard) at the pre-bind stage or only at the bind stage? *Please note that this route may incur additional processing charges; who will be responsible for paying for them is not yet clear*
- You will need to set up access to the portal

Carrier:

- Will you receive Electronic Back Office Transactions (EBOT) and Electronic Claims Office Transactions (ECOT) ACORD messages directly into your PAS or a digital workbench? Alternatively, will you continue to receive Electronic Data Interchange (EDI) messages into your PAS, albeit with some message changes?
- Will you use eTrading platforms to submit written line details and request soft Core Data Record (CDR) details? *This will ultimately depend on your brokers' choice of solution*
- If you have more than one PAS, you must decide on a solution for each PAS and business (noting there may be restrictions on different solutions being provided to a carrier)
- If you have a PAS vendor, they may determine the options available for their platform
- *Should you choose the transition services, they will be provided at an increased price and switched off in the future. At that time, you will need to have the capability to receive EBOT and ECOT ACORD messages.*
- Lastly, you will need to set up access to the portal

Note: Currently, digital bureau solutions for binder business, treaty reinsurance and claims agreement operations have yet to be fully defined. These may introduce additional elements to the bureau's solutions.

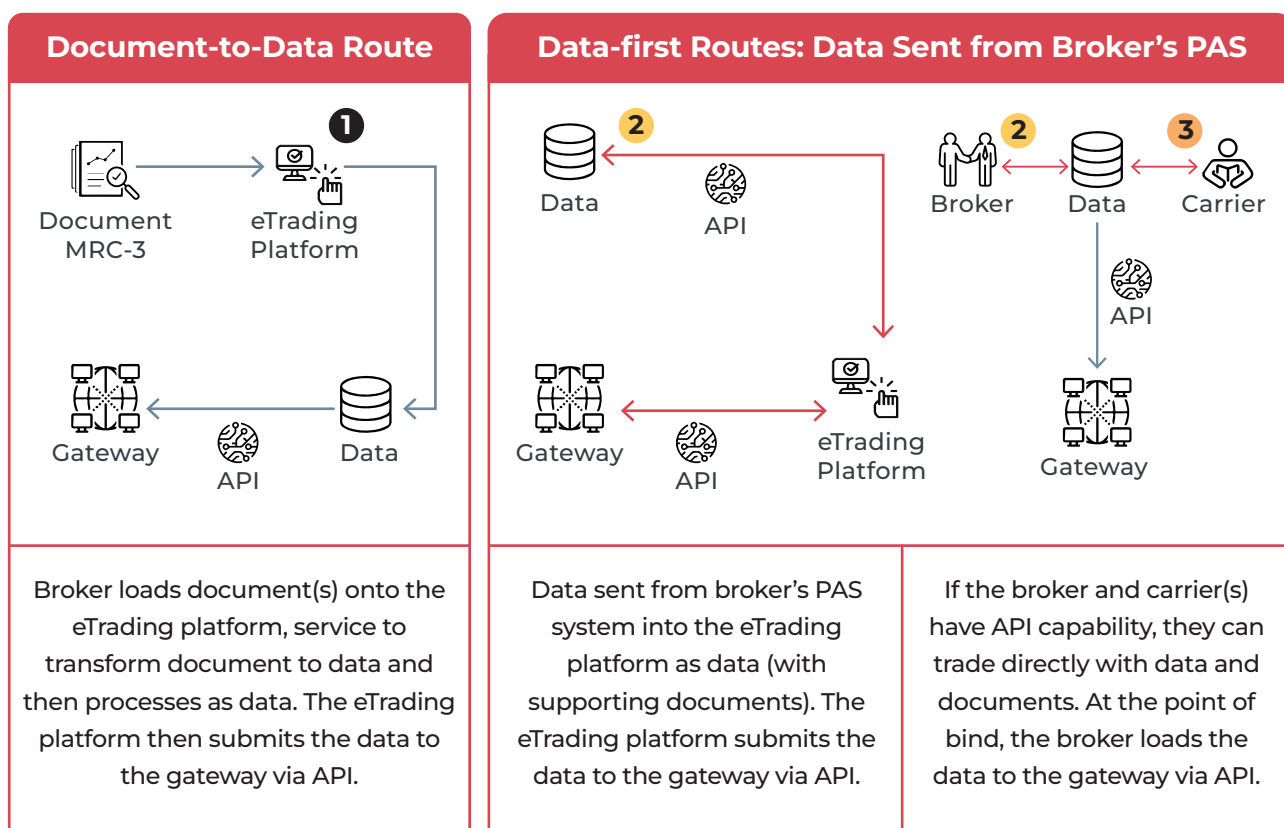
Go Data-first or Continue with Documents? Decide the Path Ahead

The primary consideration for Blueprint Two lies in whether to embrace a data-first approach now or adopt the transition stage and continue with documents. If the former is chosen, brokers would be required to considerably modify their IT systems and processes. Admittedly, this may seem a daunting task initially. Still, the benefits of reduced data queries and validation issues from both eTrading platforms and the bureau should make it a worthy consideration.

For carriers to move to a data-first approach, they would need a [data extraction](#) tool to extract data before the final bind stage for brokers who continue with document-based placement. Additionally, carriers should consider extracting additional data if it is in the MRC or within the supporting schedules but not provided in the CDR or ACORD messages.



Process, Roles & Responsibilities (PRR) Consultation – Key Points of CDR Assembly



The CDR is submitted at the broker bind stage (broker action) to the digital gateway via API, where the CDR is validated and confirmed and then sent via API / ACORD / EDI message to stakeholders as the confirmed CDR.

Key:

- **1** There may be a third-party service to convert the MRC-3 document to data using OCR / AI / ML or this could be a capability of the eTrading platform

- **2 3** The broker / carrier may have their own OCR / AI / ML capability to extract data from documents into their PAS to reduce data keying activities

Figure 3: Document-to-Data vs. Data-first Route

Note: Owing to the constraints of the CDR, which is designed to authenticate data required for bureau transactions, complex business categories and contracts will continue to require associated documents to fully process the business.

Before carriers and brokers determine the correct digital strategy, they should evaluate the potential implications on their operations, processing and controls. This is crucial in ensuring the successful implementation of the changes.

Broker:

- The CDR is a crucial dataset the bureau requires to process financial transactions and validate claims. Initially, during the bind stage, the bureau may have more queries that brokers will need to resolve. Therefore, it's essential to prepare adequate support for this stage
- Since financial transactions and claims will be verified against the CDR, there are expected to be fewer queries for these transactions. The items will be processed faster, presenting an opportunity for STP and reducing resources needed to deal with queries
- For endorsements, the proposed solution is to resend the entire record to 'replace' the current policy from the period stated in the endorsement. This is an altered process and will need more data than what is currently required
- Since Blueprint Two only requires the CDR for bureau processing during the bind stage, brokers must consider what approach to take for submissions and quotes and determine the point at which to produce and make available the MRC-3 slip containing the CDR data
- The only interaction with the bureau will be through the portal. Teams that usually call or e-mail will need to use the portal, and it may need to be 'integrated' with internal workflow systems to ensure items are not missed or delayed
- **Adequate controls are necessary** in this area.
- Carriers have been asked if they require a 'soft CDR', which is a copy of the data before the final bind step. This could be a popular option, and brokers may be requested to create the MRC-3 slip during placement or use placement platforms that generate it from entered data

Key messages:

- The bureau will exclusively accept a CDR via API and not accept document submissions
- The submission of a CDR can only occur during the bind stage from a broker. The carrier-written line / stamp(s) must be included to complete the submission

Carrier:

- Will the CDR provide adequate data fields to create a policy record in your PAS? If so, will all your brokers be data-first? If not, could you adjust your policy data entry process to simplify data requirements or utilise an Optical Character Recognition (OCR) / AI / Machine Learning (ML) tool to extract data from documents for complete data entry?
- EBOT / ECOT will be verified against CDR, resulting in fewer errors and minimal intervention for direct loading into the PAS
- With the changes for CDR, continuing with EDI should result in fewer errors and messaging corrections. However, controls for messaging corrections and loading will still be necessary
- The MRC-3 slip is now more formatted, and specific fields will be extracted for the CDR. There is an opportunity to extract additional data for your own use, or platform providers may offer additional fields (potentially with additional costs), which could enhance data insights
- Endorsements will be sent as a complete record, and there is a requirement to determine an efficient way to process them
- The portal will be the only interaction approach with the bureau. Teams that currently call or e-mail must use the portal, which may need to be integrated with internal workflow systems to ensure that items are not missed or delayed.

Robust controls are essential here

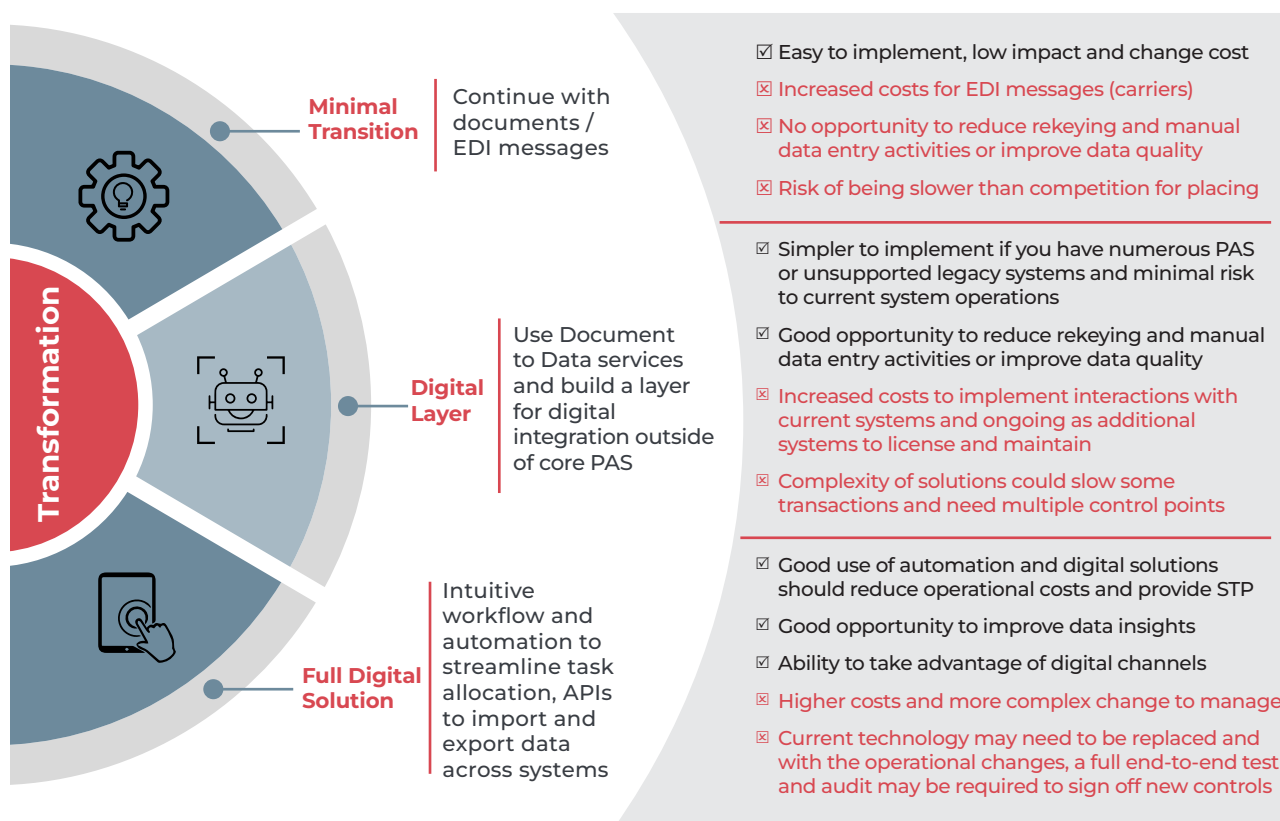
- The bureau will add the 'B' fields for the CDR
- The broker is also required to add the tax, payment and other Lloyd's required values to enable financial transactions to be processed (replacing LPANs) – noting that the placement platforms are not set up to handle this financial information

Note: Consider quote management, and be aware that the renewal and endorsements processes are not yet clear.

Analyse the Technology Options for a Blueprint Two-aligned Digital Strategy

With the information provided at this time, there is sufficient detail to assess which option for transformation would work most effectively for your organisation. There are always pros and cons with any change, but with the bureau changes in progress, 'doing nothing' is now not an option.

Three primary options are available: minimal transition, digital layer and the full digital solution. Each option has benefits and drawbacks, and careful consideration is required to determine which option best suits your organisational needs.



Key messages:

- Business process re-engineering should be considered, as certain existing complexities and specialised processes can be eliminated to streamline the transformation required

- Many organisations have more than one business unit and system, and the digital transformations may need to differ to deliver the best solution

Implement the Digital Strategy Effectively

After selecting a digital strategy, integrating it alongside everyday business operations is the most significant hurdle. One of the main reasons digital transformations fail is that functional experts are unable to allocate the necessary time from regular business operations to define requirements, select and test solutions, and resolve data issues, all of which are crucial activities required for a successful transformation initiative. Furthermore, after implementing new digital operations, businesses may encounter ongoing challenges in processing transactions for older business processes. The pre-digital transactions may not be able to be processed using the new digital framework or could require review, setup and rework activities before processing.

To overcome these challenges, it's important to effectively separate pre-digital business from

digital business. This separation enables the design of new digital solutions without compromises arising from the consideration of legacy data. A digital-only approach reduces solution complexity and allows for optimal operations designed for digital ways of working.

Given WNS' experience and expertise in digital transformation and business process management, we can enable a business to concentrate on its new digital operations by providing a fully managed service for the pre-digital business. *This fully managed service will allow a broker or carrier to move their resources onto the new digital solutions, focusing on new business opportunities and achieving the benefits of faster, data-driven digital operations.*




Conclusion

Every business operating in the London Market must explore the available options, evaluate their specific requirements and subsequently make their own decisions. However, one thing is certain: to deliver the improved customer experience, greater operational efficiencies with enhanced resilience and processing speed that Blueprint Two promises, brokers and carriers must implement a digital solution. The right strategy and implementation approach will enable them to stay ahead of the competition and achieve sustainable success.

If you want to know how WNS can help you design and implement your Blueprint Two / digital transformation journey, [contact us here](#).





About WNS

WNS (Holdings) Limited (NYSE: WNS) is a leading Business Process Management (BPM) company. WNS combines deep industry knowledge with technology, analytics, and process expertise to co-create innovative, digitally led transformational solutions with over 400 clients across various industries. WNS delivers an entire spectrum of BPM solutions including industry-specific offerings, customer experience services, finance and accounting, human resources, procurement, and research and analytics to re-imagine the digital future of businesses. As of March 31, 2023, WNS had 59,755 professionals across 64 delivery centers worldwide including facilities in Canada, China, Costa Rica, India, Malaysia, the Philippines, Poland, Romania, South Africa, Sri Lanka, Turkey, the United Kingdom, and the United States.

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