



Overcoming the barriers to digital transformation in the London Market



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Executive summary

The London Market is an interconnected ecosystem of firms that form a global centre for specialty insurance. It is widely recognised and articulated that change is required for it to stay pre-eminent, none more so than in the Lloyd's [Blueprint Two programme](#).

We have recently run a market research programme to understand the state of play across the market for the implementation of that change. We found that, almost unanimously, firms are either about to or are in the process of changing. However, there is material uncertainty around the benefits of change, the market's ability to deliver that change and the trust in vendors responsible for key aspects of its delivery.

From our survey we have found that 92% of firms have struggled to identify the benefits of delivering change. We have investigated the underlying causes for this, but the inability to provide a compelling reason for change, seems to have reduced scope, budgets and confidence.

That lack of confidence has been expressed in the ability of both the internal teams and third-party providers to deliver and the reduced expectations of the business. Yet we know material change is required and that the adoption of new ways of working will be beneficial to every part of the ecosystem.

So, what's holding us back? Is it the risk averse nature of the market – the fact that nobody wants to be first? Is it “the closed loop” of insisting that only people with experience of the London Market can work with the London Market, given that 71% of firms see this as the most important requirement of a third party?

What is clear is that we need to find a new way to implement change. From our research, we set out the barriers that the market sees as constraining its ability to change. Further to which we outline key next steps, for everyone in the market to assess and implement, to take themselves and this unique ecosystem forward.



Matt Jarman
Client Partner, Cognizant Insurance UK&I

An abstract graphic on the left side of the slide features a series of overlapping, glowing light trails in various colors including yellow, red, blue, and white. These trails form a circular, swirling pattern against a dark background, creating a sense of motion and energy. The graphic is set within a dark blue triangular shape that points towards the center of the slide.

Committed to transformation

Among the London Market insurance companies surveyed, there is an almost unanimous commitment to change. These initiatives are seen as a way of managing key existing issues and transforming for the future, such as reinventing and modernising their brand for the digital age (69%) or establishing better ways of working (61%).

Figure 1: Top objectives of strategic change

What are the objectives of your organisation's strategic change?



Response base: 100

Confidence declines as change progresses

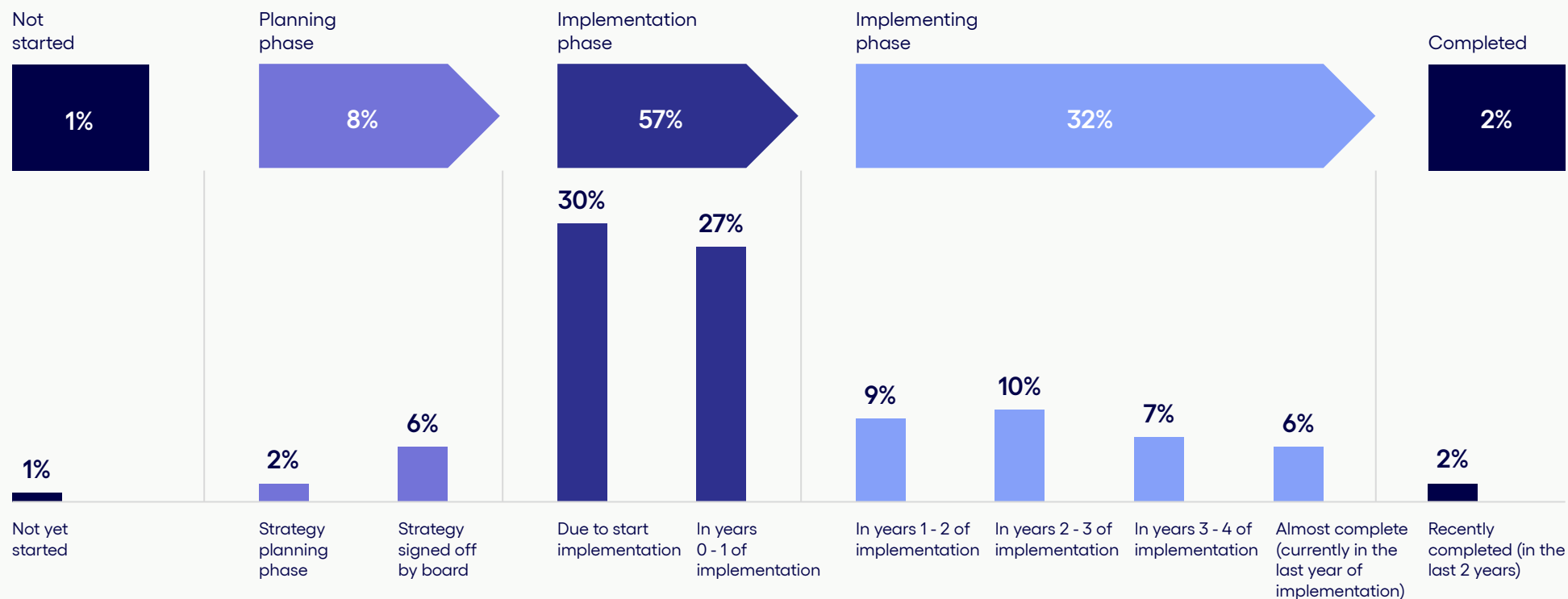
There is a clear negative correlation between how far insurers have progressed with their transformation efforts, and how confident they are about completing change in a timely manner.

Those still in the planning phase are more optimistic about completing strategic change within two years; 74% of these firms believe most of the work will be done within one year and the benefits will be realised in the second year. By contrast, only 48% of those already implementing change plans believe that their work will be done next year – and 25% believe the benefits will not materialise until after 2024.



Figure 2: Current status of strategic business change

What is the current status of your company's strategic change?



Response base: 100

Most companies have been making progress for some time: 57% have completed their planning phase and will start implementing their initiatives in the next 12 months. One third (32%) are implementing change, and are, on average, 2.8 years into the process.

However, companies become less optimistic about initiatives' completion dates and when benefits of change will be realised as implementation gets underway – indicating the challenges they quickly encounter.

The background features a dark blue and black area on the left filled with numerous glowing fiber optic lines in shades of blue and green, radiating from the bottom left towards the top right. This area is separated by a diagonal line from a solid dark blue area on the top right, and a light blue-to-green gradient area on the bottom right.

Barriers to change

London Market insurance companies are running into roadblocks in their strategic change programmes from the planning stage onwards. There are four overarching challenges identified in this research that must be overcome to enable meaningful transformation.

Challenge one

Inability to define benefits

By far the most common barrier for organisations undergoing strategic change is an inability to understand and define the benefits of those initiatives (92%). The vast majority of companies report being unable to understand or define the benefits of the changes proposed, suggesting a relatively early stage understanding of the most recent technology and its impacts.

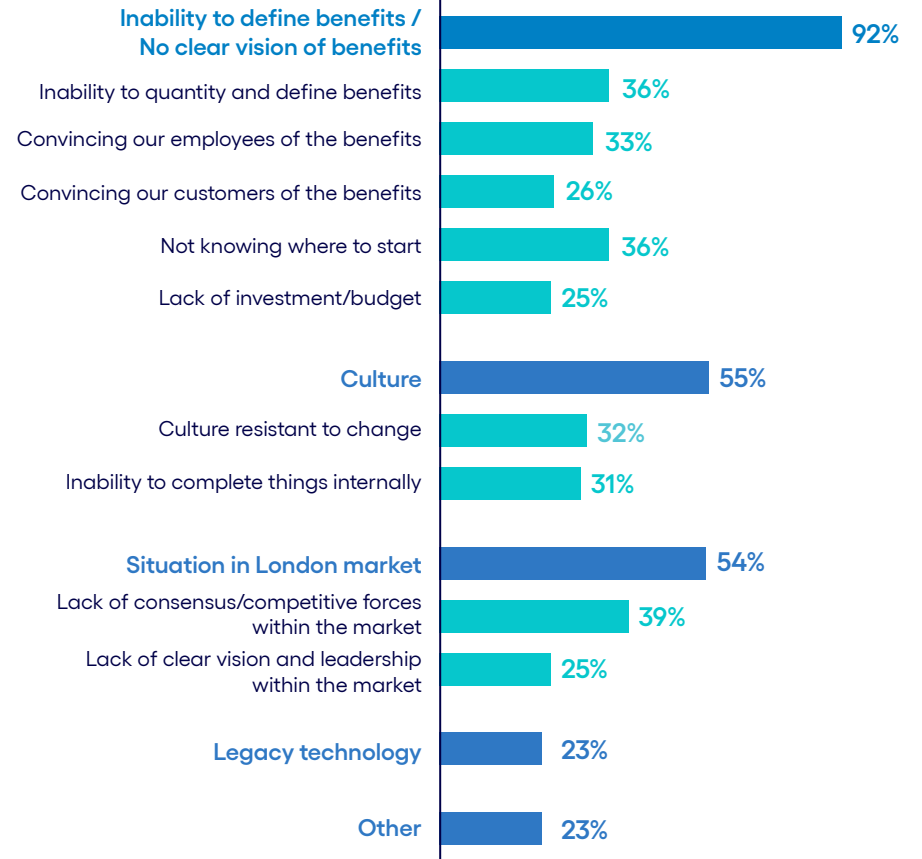
This is unsurprising given the complexity of many of the changes. The outcome should be to create a more secure, stable, and adaptable operating model: the long-term change that the company will need to stay relevant and profitable, rather than a simple cost/benefit advantage.

However, without articulating a compelling case for change, companies then struggle to set up projects for success.

“92% of companies struggle to understand and define the benefits of change”

Figure 3: Top 3 barriers to strategic change

If your organisation is already undergoing strategic change, what were the three top barriers to strategic change for your organisation?

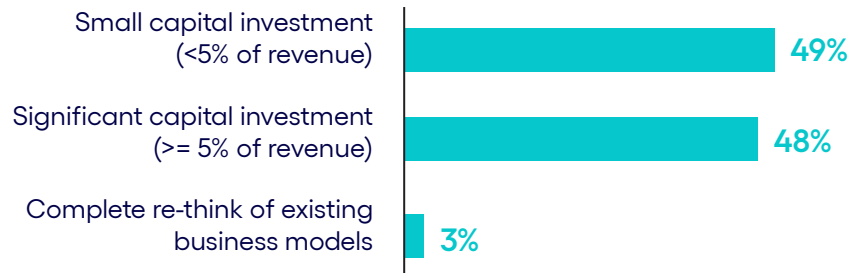


Response base: 100

This inability to provide a compelling reason for change in turn limits budgets. While 48% of insurers have ringfenced 5% of their revenue or more for strategic change initiatives, the other 49% plan a capital investment of less than 5%, which may not be enough to enable a truly transformational change.

Figure 4: Investment committed to meet strategic change objectives

How much investment do you think is required to meet these strategic change objectives?



Response base: 100

Budget precludes transformational change

Transforming incumbent businesses is a complex task involving changing technology, processes and culture. Most insurers have complex legacy technology systems in place, which slow operations and can complicate change processes. Change initiatives with small budgets (<5% of revenue) are only likely to address small scale IT problems – without delivering the transformational change required.

Challenge two: Setting the right direction

Creating the right foundations for change is a problem for insurance companies: 36% say they do not know where to start with strategic change, while 25% are hindered by a lack of investment and budget.

Without a compelling reason for change, the scope, budgets and confidence in initiatives are all reduced. They then struggle to convince employees of benefits down the line: impacting the company culture and increasing resistance to change.

“36% of companies do not know where to start”



Challenge three: Programme delivery

Once change programmes are established, there is uncertainty in the company's ability to deliver that change and the trust in vendors responsible for key aspects of its delivery. A third (31%) point to an inability to complete things internally as a key barrier, while 31% highlight a lack of in-house skills as their biggest IT pain point for strategic change.

There are also shortfalls in the levels of external technology support that insurance firms can access. Two fifths (42%) say their greatest IT barrier is vendor – and this rises as companies move from the planning to implementation phase.

Lacking a clear narrative for the benefits of change and a strong team to deliver those initiatives, confidence is damaged; at 58% of firms, respondents are not confident in their C-suite team's ability to implement a modern IT architecture that can keep pace with changes in the market.

“58% of firms are not confident they can maintain a modern IT architecture – while 42% say their technology vendor is their biggest IT barrier”

Building true technology partnerships

The nature of the relationship between insurance companies and technology providers is a key problem for delivering change. Companies tend to adopt a transactional approach to securing external IT support, specifying the scope of the technology to be provided, without strategic input and true partnership from the provider. In fact, when selecting a vendor, only 28% of insurers prioritise someone that can add value to the whole process.

This results in vendors delivering one-off technology packages, rather than outcome-centric programmes. As a result, changes will often be small – and their benefits limited.

With the exception of the CTO, C-suite board members are not tech experts and cannot possibly be expected to know what the right solution is or be able to design one. Therefore, technology experts need to be included from the start to either provide consultancy services or through a partnership agreement.



Challenge four: Embracing cultural change

As initiatives progress, insurance companies face the broader barrier of culture resistance to change – which rises from 51% during the planning phase to 57% post-implementation. A third of companies cannot convince employees of the benefits (33%) – which grows to become the biggest single issue post-implementation (39%).

This culture challenge reflects the issue of not being able to define benefits upfront and, therefore, create a narrative that brings people along for the journey.

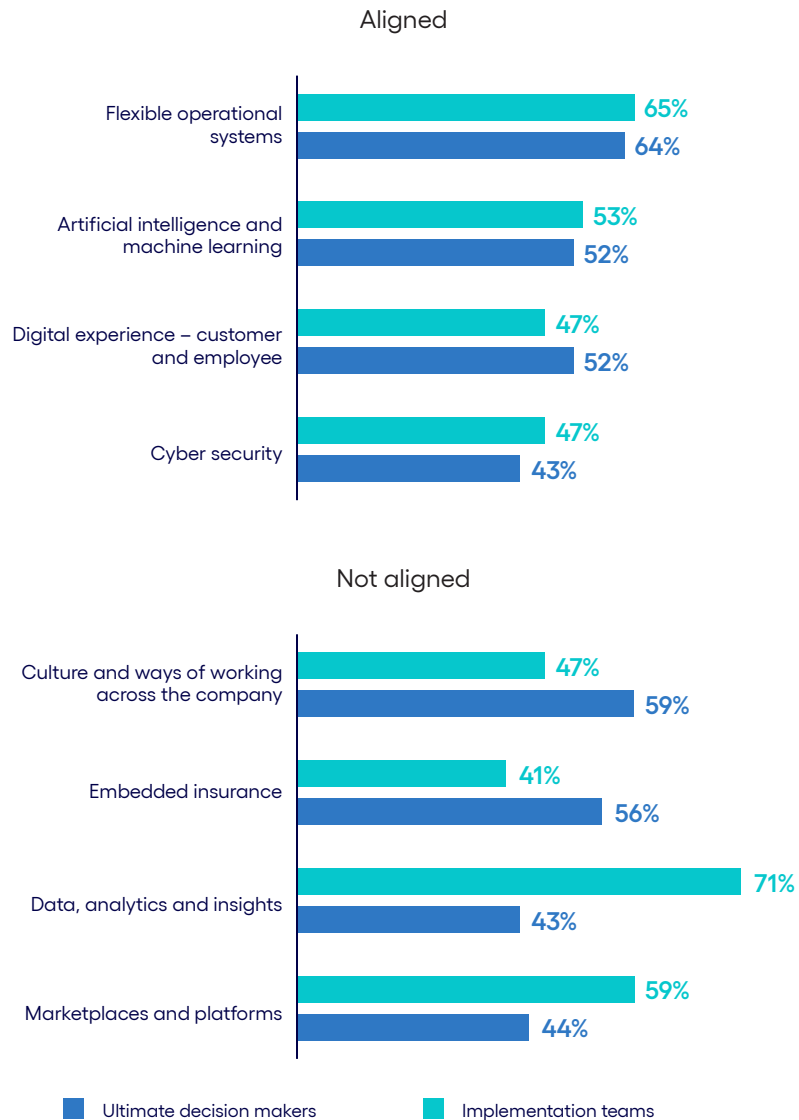
“Being unable to convince employees of the benefits of change is the biggest single issue facing companies post-implementation”



Internal disconnects

Figure 5: Top five innovation areas needed to meet strategic goals

What do you see as the top five innovation areas your business must have in order to meet its strategic goals? Rank top 5



Response base: 100

Challenges in planning and delivering strategic change are resulting in internal disconnects at London Market insurance companies, dividing the leaders that plan change programmes from the teams that implement them.

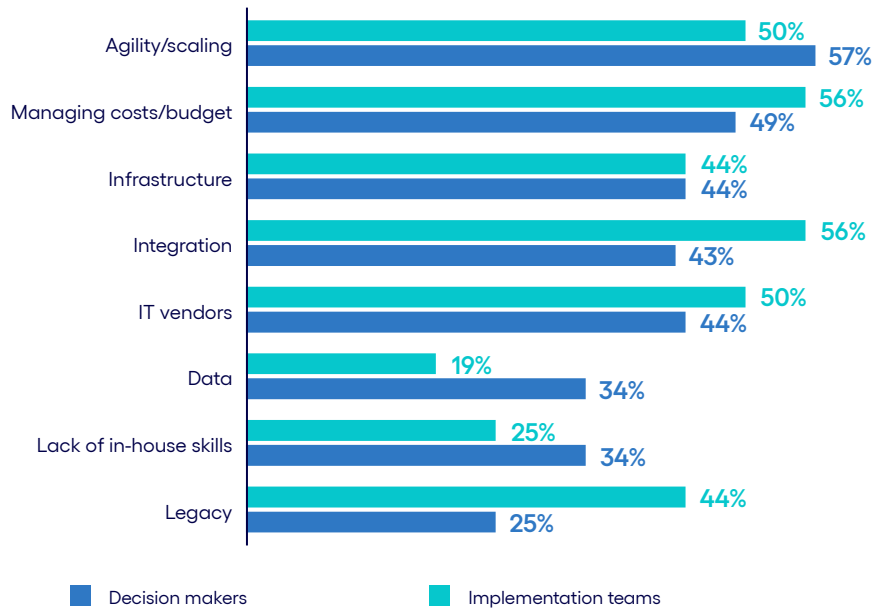
This begins with beliefs about where change is most needed; while teams are aligned on the need to prioritise innovation in some areas, like flexible operational systems, there are disparities over the importance of transformation in company culture and the use of data.

These stakeholders also have different perspectives on key challenges once implementation programmes are underway, such as the greatest technology pain point that has blocked initiatives. Implementation teams are more concerned about legacy systems (44% vs. 25%), while decision makers are more likely to be concerned about a lack of in-house skills (25% vs. 34%).



Figure 6: Biggest IT challenges hindering strategic change (level of seniority)

In the last 2 years what have been your biggest IT/tech pain points in relation to your strategic change?



Response base: 100

“Six-in-ten leaders aren’t confident they can maintain a modern IT architecture that will keep pace with changes in the market”

This lack of alignment is damaging confidence in the success of strategic initiatives. Seven-in-ten leaders who are ultimately responsible for strategic change are not completely confident they can make it successful in the next three to five years (71%). Meanwhile, 58% of firms are not confident in their ability to maintain a modern IT architecture that is capable of keeping pace with changes in the market. This will further limit the scope of transformation programmes.

The need for consensus

Meaningful and effective innovation requires a team to be in agreement on the objectives of the programme and the details of the delivery. However, with leaders at insurance companies struggling to articulate the benefits of change, communicating the purpose and objectives of programmes is a clear problem.

Frequent leadership changes may also be playing a role, given the multiple C-suite appointments in the London Market over the past five years. Each new CEO/CTO will have their own vision and want to build their own legacy. This can put previously agreed transformation plans in jeopardy, create uncertainty for the company’s future and reduce employees’ confidence in the abilities of management teams.



Supplier trust and partnership

Delivering change is difficult given the situation, and technology vendors are struggling to meet the expectations of insurance companies. One third of firms in the planning phase of their strategic change say their IT vendor is their biggest technology pain point (32%). Confidence then worsens during the implementation phase (rising to 42%).

Perhaps as a result, companies believe that it is more efficient and cost effective to deliver 62% of their IT services internally. This is despite the perceived lack of in-house skills, which 31% highlight as a key IT pain point for strategic change.

“42% of insurance companies in the implementation phase say their IT vendor is their biggest pain point”

A closed loop

Part of the issue may be in how insurance companies select and then engage IT vendors. Firms have preferred suppliers, that have often been serving the market for many years. Seven-in-ten report that having London Market experience is the most important factor when selecting a supplier (71%). Similarly, the next most important factor in choosing a supplier is demonstrable experience of delivering a comparable solution (49%).

While experience in the insurance market is of course valuable, this may be constraining companies’ ability to draw on technology partners’ transferable knowledge from other industries – in turn, limiting the scope of their change initiatives.

Figure 7: Most important factors in third party provider selection

What are the most important factors when selecting a third-party provider? Rank top 5



Response base: 100



Recommendations

It is unequivocal that there is an appetite for change across London Market companies. However, from the very beginning, insurance firms are consistently running into hurdles that are preventing change initiatives from delivering. Furthermore, the ambitions of many companies' change programmes seem limited to process-focused adjustments, rather than the complete transformation needed to deliver meaningful results.

A critical point is the nature of insurance companies' relationships with technology providers, who are often engaged on a functional basis and limited to delivering smaller scale digitalisation projects. Consequently, IT providers are unable to draw on their experience in other industries and advise on the technology that will deliver the outcomes insurance firms need. In turn, the problems reported by insurance companies, including being unable to define the benefits of change, a lack of in-house capabilities, and the disconnect between leaders and implementation teams, become more serious with time.

It is time for insurance companies to consider mirroring the strengths of the London Market ecosystem in their relationships with technology vendors. Approach technology vendors as partners, not just providers and trust their experience in technology, guided by your experience of insurance. We have identified three next steps for everyone in the market to assess and implement.



Next Step

What	Why	How
<p>Change the model: Step outside of your comfort zone and engage technology providers as partners</p>	<p>External technology insight and guidance will enable your leadership team to access learnings about successful innovation and the application of technology, which can be applied to your strategic planning, enabling the firm to truly transform</p>	<p>Partner with technology vendors who can bring innovation and digital natives to change initiatives.</p> <p>Choose to work with vendors experienced in both the London Market and other sectors, who can translate their expertise from other industries into the success of your programme.</p>
<p>Broaden your aspirations: Be more ambitious about your company's transformation goals, or risk being overtaken by competition</p>	<p>It's clear that change is needed – and modern transformation is not only limited to IT, but the operations, people management and strategy of the business as a whole.</p>	<p>Ensure that change programmes encompass long term priorities instead of focusing on short term gains to create a business ready for the future.</p> <p>Start with what you need: the ability to change quickly, reduction in costly technical debt, adoption of modern data first architectures that will leverage the Lloyd's blueprint capabilities as they're delivered and enable your company to be easier to work with in the meantime.</p>
<p>Engage your employees: Focus on people and culture to ensure that change is truly effective</p>	<p>Your people are the best place to find innovation and ideas that will power the business forward. Likewise, in the right circumstances people can become change champions and early adopters of new ways of working, powering the company's transformation.</p>	<p>Work with your employees to identify and implement the changes that you need.</p> <p>Define the benefits of change and outline the direction of initiatives from the very beginning to help more people to buy into plans, rather than resisting them.</p> <p>Remember that internal disconnects stifle innovation and delay projects – so appreciate the importance of your company culture and use it as an enabler.</p>

London Market insurance companies have a remarkable opportunity to use technology to prepare for the future. By working with technology providers as true partners and creating ambitious

change programmes, insurance firms can achieve meaningful transformation, get ahead of the competition and keep this unique ecosystem at the forefront of global insurance.



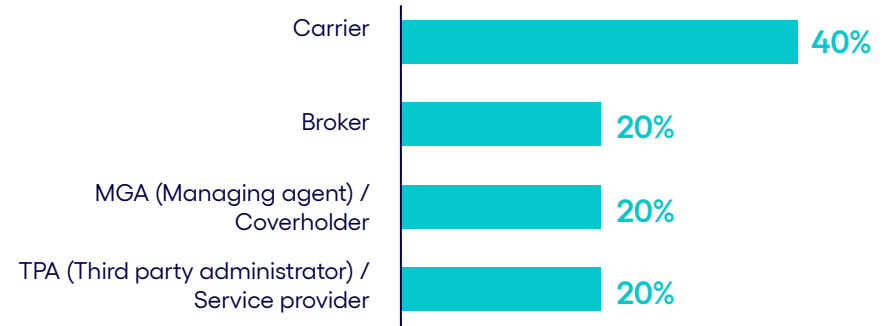
Methodology

Cognizant commissioned Coleman Parkes to design and conduct a study of 100 senior decision makers in charge of business change in London Market focused insurance companies. The survey was conducted between April and May 2022 using a phone to web methodology.

The respondents were split by their accountability for strategic change, with one third responsible for overall group strategy (34%), half responsible for division or function level strategy (56%) and a tenth responsible for the strategy's implementation (10%).

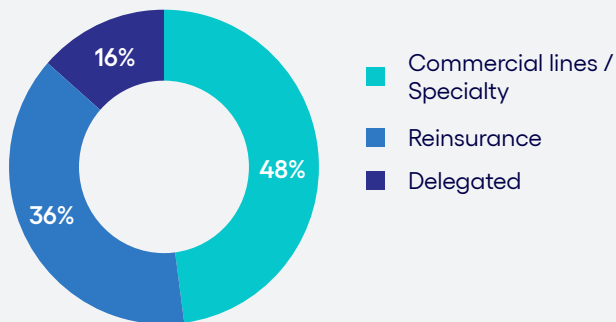
Every respondent came from a company with gross written premium of over £20M, with an average of £174M across the businesses. They represent a range of insurance company types, with 40% from carriers and 20% respectively from brokers, managing agents/coverholders and third-party administrators (TPAs).

Type of insurance firm

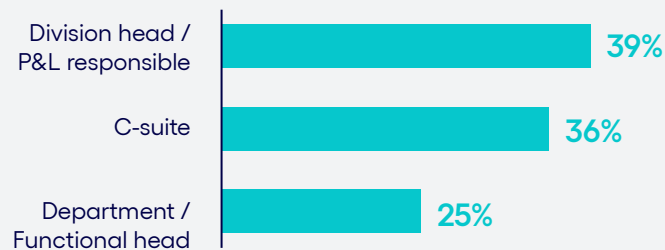


Response base: 100

Main sector focus

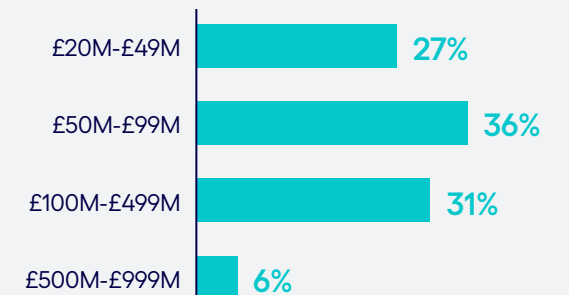


Job role



(Percentages may not equal 100% due to rounding)

Gross written premium



Average: £174M

About the author



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Matt joined Cognizant at the end of 2021, taking responsibility for London Market portfolio. He is passionate about helping the London Market change, facilitated by the adoption of technology.

Matt has spent his career delivering complex technology programmes across a variety of industries and clients. His ethos of working in partnership to deliver a practical and successful strategy has been honed over that time.

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