

How Lloyd's is coming face to face with the modern age



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Like a poker player reading his opponent, one [Lloyd's of London](#) underwriter reckoned he could tell when a particular insurance broker was lying. The giveaway was that the broker would press his index finger against his thumb as he spoke. His tic was a red light to negotiations: underwriters don't want to insure something if they don't have reliable information.

The Lloyd's insurance market is one of the last bastions of face-to-face business in the City. In Lord Rogers' stainless-steel monument in Lime Street - the City's "Inside-Out Building" - brokers still pass the "slips", the documents with details of the terms of insurance agreements, to underwriters seated at boxes and then perch on stools to negotiate.

Lloyd's workers proclaim the benefits of doing business in person. Despite attempts to modernise the market, they have clung on to many of its traditions too. The building's tail-coated staff are still referred to as "waiters", a hangover from Lloyd's 17th-century birth in a coffee shop. Back then, Lloyd's insured ships. Now the market is best known for its mega payouts after global disasters, from [Hurricane Katrina](#) to 9/11.

The loss book, which gives details of these big blows, claims centre stage in the underwriting room. It is still filled in: the latest entry is from a week ago when a cargo vessel from [Panama](#) sank off [the Philippines](#).

The room's Lutine Bell doesn't clang to reveal the fate of ships any more, however - only to mark the Remembrance Day silence. For those two minutes, one underwriter describes the atmosphere as



"eerie", because the room is usually buzzing with the sounds of deals being done face-to-face. But in the internet age - and with [Bermuda](#) snapping at its heels - can the cost of doing business in person be justified?

An Aston University study is set to give the answer, subjecting Lloyd's workers and their Bermuda counterparts to a year-long fly-on-the-wall investigation. The study, which is part-funded by the Government's Economic and Social Research Council, will look at the effect that doing negotiations in person has on the pricing of insurance and where it gets placed, compared with communicating electronically - the Bermuda way.

Lloyd's workers reel off the benefits of face-to-face discussions. "The best way to build up trust is face to face," says Bronek Masojada, the chief executive of insurer [Hiscox](#) which operates in both London and Bermuda.

On the floor at Lloyd's, one of the company's top underwriters adds between talks with brokers: "Nothing beats looking someone in the eye: you can judge a lot by their reactions. And sometimes in the general chit-chat with brokers, you get that crucial bit of information that's not in the slips."

He reckons that there are a number of disastrous deals that would have been underwritten over email, but the killer question asked in person stopped them being signed.

The underwriter sitting in the next box chips in: "It is easier to say no and send a broker away happy in person - an email can't convey tone."

Brokers also see benefits. "We are lazy beasts - if we can do all our business within 10 square metres, we will," one admits. If an underwriter moved from Lloyd's to Bermuda, would he continue to ask them for quotes? "You wouldn't have that day-to-day interaction - so it would definitely cut back the slips I'd send their way."

Black screens are placed over computer monitors to prevent brokers from seeing the cover that is being offered to the competition. But working in a market, where you can watch what others are doing, obviously has its benefits too. "You can see who the brokers are going to - and if it's not to you, you can ask them why," one underwriter says.

Lloyd's used to have a reputation for some of the booziest lunches in the City. They may be a thing of the past, but Hiscox's Masojada maintains that the benefits of being able to socialise easily with clients and industry contacts remain: "No relationship ever got started over a Perrier water." That is particularly true for insuring industries such as art, where the experts are concentrated in the global capitals.

Bermuda's insurers try to compensate for their lack of day-to-day interaction. They all decamped to Monte Carlo last week, not for an exciting jaunt in the land of casinos and the super-rich, but to boost their contact books. Video conferencing is also starting to help.

Bermuda benefits from its proximity to the [US](#), and it is said to be cheaper and more efficient to do business there. The Monte Carlo trip doesn't come with a small price tag, particularly if clients go too, but doing business in London is expensive, with hefty tax and rent bills. Many Lloyd's insurers have

already moved their domicile abroad. But Professor Paula Jarzabkowski, who is leading the Aston University study, says Bermuda is not always more efficient: "You get immediate access at Lloyd's - you just walk across the room."

An underwriter agrees: "It can be so much faster to get a question answered in person rather than trawl through documents or ring up." A handicap is that Lloyd's underwriters are tied to their benches for at least four hours a day, for the morning and afternoon sessions. "You may have plenty of things to do back in the office, but a big part of the service is just to be here," another underwriter says.

Time-intensive that may be, but workers at Lloyd's are confident that negotiating face-to-face beats electronic hands down. In a year, they believe they will have the proof.