Lloyd's Wordings Hackathon: 29-30 June 2021

Product Simplification
28 September 2021

Contents

1 Wordings Hackathon overview

1.1 Event Summary

The Wordings Hackathon was an online event held over one and a half days on 29 and 30 June 2021, to look at **the effectiveness of product documentation** and part of Lloyd's ongoing commitment to simplify insurance products and support better customer outcomes.

The wordings explored at the Hackathon were **UK Commercial Micro-Small and Medium Enterprise (SME) Combined insurance policies that included a Business Interruption (BI) section** This not only mirrored the real-world problems faced by customers in the last year in the wake of the COVID-19 pandemic, but also tackled a section of the market that is buying a complicated product without necessarily being a sophisticated buyer. Anonymised policy wordings were used for the purposes of the event.

The key findings of the event confirm that the presentation and content of insurance documentation in this sector directly impacts the end customer's comprehension. This, in turn, can lead to an expectation gap between the coverage insurers believe they have sold, and the coverage customers believe they have bought.

The insights collated from the event are outlined in more detail in section 3 of this report (**Wordings Hackathon output and best Team pitches**) and in appendix 4.2 (**Policy wording appraisal**) however, below we summarise the key findings based on the feedback from participants at the event, as well as the most effective Hackathon pitch ideas. These form the basis of our recommended approach to insurance product simplification.

1.2 Key findings of Hackathon

Based on the selection of UK Commercial Micro-SME Combined insurance policies reviewed, key findings were as follows:

Item	Finding	Description
1	**Policies are complex and unsuitable for the intended customer**	The majority of policy wordings reviewed by participants at the Hackathon were considered to be unclear and key aspects unable to be easily explained. Although participants agreed most policies had clear definitions sections, overall policies were poorly structured and difficult to navigate.
2	**Technical 'jargon' is commonly used in these policies**	Hackathon participants highlighted that the majority of policy wordings reviewed at the Hackathon had many key words, phrases and/or language constructions that were difficult to understand. Additionally there are many instances of long sentences with not enough explanation in relation to difficult clauses and/or conditions.
3	**Improvements to the presentation and format of policies is required**	Nearly all Hackathon participants had negative first impressions of the policy wordings and found the visual impact of documents unappealing. Comments gathered from participants mentioned factors such as the overwhelming size of the documents, missing contents pages and a lack of signposting that contributed to their negative responses.

In total, 52 people took part across 8 teams at the Hackathon, including experts and coordinators to steer participants and assist with the technology and materials used for the event.

Over the course of the Hackathon, participants were asked to interrogate a policy wording and recreate a claims scenario through role play.

The challenge of the Hackathon was to "…**demonstrate how you would simplify the understanding of the policy for the end user to improve clarity and remove ambiguity**"

There were three awards categories:

- Best simplification of wording language

- Best adaption to wording presentation/structure

- Most innovative recommendation

Five expert judges awarded prizes to the winning teams:

Julia Graham - CEO at Airmic

James Daley - Managing Director at Fairer Finance

Peter Spires - General Counsel at Lloyd's

Patrick Davison - Deputy Director of Underwriting, Lloyd's Market Association

Tim Johnson - Partner at Browne Jacobson LLP

1.3 Best Hackathon pitch ideas and recommended approach to simplification

The aim of the Wordings Hackathon was to highlight the issue of insurance product complexity in the Lloyd's market and to engage with key stakeholders and market practitioners, particularly in the UK Commercial Micro-Small and Medium Enterprise (SME) sector and in relation to Business Interruption (BI) sections of cover.

However, the insights gained by discussing the 5 policies selected for review at the Hackathon and the innovative suggestions from the teams that participated could be applied to any insurance product sold to UK customers, whether these are targeted at the consumer or commercial market.

Key findings included:

- Clauses in policy wordings are often unnecessarily complex and can be simplified by methodically noting what the intention of each individual section of coverage is in an existing product and then re-drafting in plain English as concisely as possible. The most effective way to improve customer outcomes is to clearly convey the insurance cover to policyholders in a language they understand, moreover in short, easy to understand sentences.

- Many teams highlighted that signposting, the use of colour coding and easily recognisable icons can vastly improve the visual impact of policy wordings which can generate positive first impressions.

- A common thread in the best Hackathon pitch ideas for product simplification all revolved around the use of digital contracts with hyperlinks, 'hover over' definitions and tailored documents that do not include sections of cover that are not applicable to the policyholder. Whilst not every person in the UK would want or, more importantly, be able to receive a digital contract instead of a hard copy paper version, dynamic contracts are clearly the easiest way to present complex insurance products to policyholders.

- Other common themes included BI calculator / examples of workings (mentioned by three teams) and tailored policy wordings which considered the removal of sections of cover that the policyholder has not opted for

- Finally, several teams opted to re-write policies from scratch rather than adapting original policy wordings allowing for improved presentation and fresh, innovative features

2 Promoting simplification in the Lloyd's market

2.1 Purpose of the Wordings Hackathon

The Wordings Hackathon was part of Lloyd's Product Simplification Programme, focused on taking action in the insurance industry to help customers better understand their insurance products in response to the challenges that COVID-19 has presented. This follows on from our commitments set out in our "Building simpler insurance products to better protect customers" report published in October 2020 and the "Futureset Systemic Risk Masterclass: Simplifying insurance products" Webinar held in March 2021.

In April/May of 2021 Lloyd's conducted an initial review of UK Consumer, Micro and SME insurance policies across various different products as a first step in assessing the effectiveness of insurance documentation, which subsequently informed what type of product should be the focus of a **Thematic Wordings Review** in late June 2021. The outcome of the initial review was that Commercial Micro-SME combined policies that include a BI section were a logical choice given the complexity of multi-sectioned insurance policies, and the concept of BI coverage in particular, sold to a customer more akin to a 'consumer'.

In order to directly engage with the market for this Thematic Review, Lloyd's opted to conduct a **Wordings Hackathon** where we invited teams of 5 participants to apply from individual Managing Agents and/or Coverholders and/or Brokers to the event, as well as some Law students from Queen Mary University London and some Lloyd's graduates to include some alternative perspectives.

2.2 Policy wordings selected for the event

A total of 5 homogenous policies corresponding to **Commercial Micro-SME combined policies including a BI section** were selected at random from readily available data at Lloyd's.

Managing Agents who owned the products in question were then approached for their consent to use at the Hackathon.

Each original policy wording selected for the event was anonymised, removing all of the policyholder details, the Insurer(s) and Coverholder name(s) and any contact details, replacing them with fictional ones.

Fictitious claims scenarios were then produced, and animated videos were created for participants to watch to bring these to life.

2.3 Wordings Hackathon challenge and reference materials

The Hackathon challenge statement for 2021 was: "Policy wordings are complex. Working with your team of colleagues, demonstrate how you would simplify the understanding of the policy for the end user in a variety of roles and scenarios to improve clarity and remove ambiguity."

Each Hackathon team was asked to consider a series of questions including the following:

- Does your team concur with the view of the Insurer, or do they interpret the policy using the policyholder's viewpoint?
- Were there any words, phrases or sections of the Policy wording your team struggled to understand?
- How long (time) did it take your team to find the relevant part of the wording they needed to look at?
- How would your team improve the wording?

Teams were also provided with a slide deck of the fictitious claim scenario for their allocated policy, scene setting for role play and some worksheets to note down their impressions of the policy and what the best way of simplifying the cover would be, paying particular attention to the BI aspect.

The results of the participants' work at the Hackathon was a 7.5 minute pitch from each team which included a policy overview, identifiable areas of complexity/ambiguity, proposed changes, any new or additional suggestions to format and/or presentation and any other simplification ideas in general.

2.4 'Check my policy' App
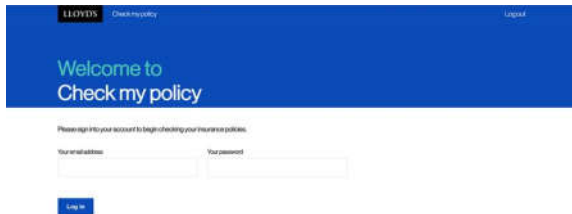
Over a period of 8 weeks in the run-up to the Wordings Hackathon, Lloyd's worked with expert.ai to create a prototype AI App entitled **Check my Policy** intended to help policyholders quickly find key information in their insurance policy wording.

Given the short time frame in which the prototype was built, specifically for the Hackathon event, the scope / purpose of the AI App in its current form is predominantly focused on 'Business Interruption' coverage using a list of basic questions that could be applicable to any of the insurance policies reviewed at the Hackathon.
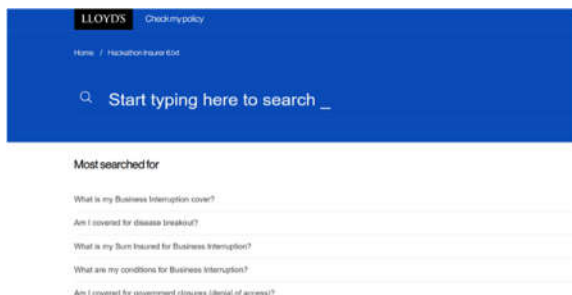
The objective of the web-based app was to help a user navigate through a document to find relevant sections of cover and/or answer any particular questions they may have about an insurance policy. It will not give a 'Yes' or 'No' answer but will bring together all the necessary information to get a better understanding of an insurance product.

Many features of the app are still in development; however, the purpose of the prototype was to demonstrate the capability of an AI tool to search for key information in an uploaded insurance policy wording.

After an initial consultation with the Hackathon participants in the form of a survey post-event, results of those who responded showed that:

➢ **67%** of participants that used the CMP app thought it was a good concept

➢ **56%** of participants that used the CMP app said they would consider using this tool personally if it was freely available

➢ **78%** of participants that used the CMP app said that, if it was offered free to use, they thought policyholders would use it

➢ **78%** of participants that used the CMP app said they thought it was a positive step by Lloyd's in relation to Product Simplification

➢ **78%** of participants that used the CMP app said they thought Lloyd's should continue to develop the Check my Policy App tool

The above feedback demonstrates that most respondents considered the CMP app to be a good idea and worth pursuing further.

Lloyd's is currently carrying out some further analysis internally to decide on whether to continue with development of the tool. However, the next steps would be to progress the prototype to a minimum viable product (MVP) by expanding it to additional sections of cover for which more comprehensive testing and investigation would be required and the next logical coverage section to incorporate in this respect would be Property (i.e. Buildings / Physical Damage).

3 Wordings Hackathon output and best Team pitches

Everyone involved from organisers to judges were astounded by both the enthusiasm and hard work of Hackathon teams during the 1.5 day event as well as the quality of their pitches with ideas for product simplification.

In this section we summarise the winning presentations, why each team won as well as some of the best ideas that came out of other Hackathon team pitches.

🏆 3.1 Best simplification of wording language

Team 1 policy: Hackathon Insurer 6

Judges were impressed with Team 1's forensic analysis of the issues around the BI section of the Hackathon Insurer 6 policy wording:

UNNECESSARY COMPLEXITY IN THE INSURING CLAUSE

In their pitch, **Team 1** highlighted the unnecessary complexity in the insuring clause for BI coverage as shown in the slide above, and per the following excerpt from their presentation:

The BI Insuring clause responds to a human contagious disease loss scenario if:

- There is an outbreak of a human contagious disease at the insured premises (or within 25 miles)

- That disease is a notifiable disease

- The disease causes physical loss, physical damage or physical destruction of insured property

- The operation of the business is interfered with or interrupted because of the damage

Participants noted that the complexity of the language could inhibit understanding of the clause.

Accordingly their suggestion was to simplify the clause into "sequential sub-paragraphs which must

EACH be met". This produced the best simplification idea for a wording during the Hackathon so that the clause would read as per their redrafted example below:

If:

1. There is an outbreak of an infectious disease within 25 miles of your insured premises;

2. That disease is notifiable to a local authority;

3. The outbreak of the disease causes *[physical loss of use]* of your premises; and

4. That *[physical loss of use]* interrupts or interferes with your business activity,

we will pay your business interruption claim.

The team reduced the length of the insuring clause from an original 261 words to a concise, easily understood 63 words – an extraordinary 76% reduction! If this approach were replicated throughout the policy, it could potentially reduce the length of the document from the current 88 pages to a much more manageable size.

🏆 3.2 Best adaption to wording presentation / structure

Team 8 policy: Hackathon Insurer 9

Team 8's pitch included using a combination of a clearly defined structure, lots of visual features as well as a 'dynamic' digital contract approach. In the first instance, the team suggested a colour coded structure to policy wordings and a user guide to help policyholders navigate their document:
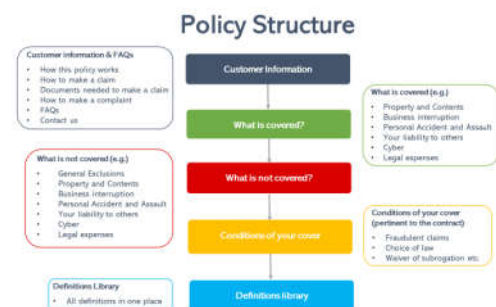
Their suggestions for visual signposting included using different colours to indicate different sections to aid policy navigation and easily recognisable symbols, such as exclamation marks to highlight

restrictions or caveats and ticks and crosses to indicate what is covered vs what is not covered:
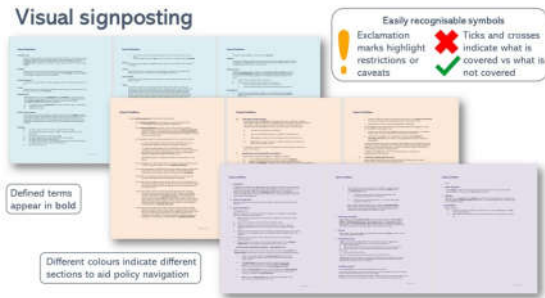
Finally, their 'dynamic' digital approach simplifies policyholders' understanding of their contract by limiting information that isn't pertinent to them, directing them to other relevant parts of the contract by means of hyperlinks and reducing the amount of text on the page by providing definitions when 'hovering over' bolded words:
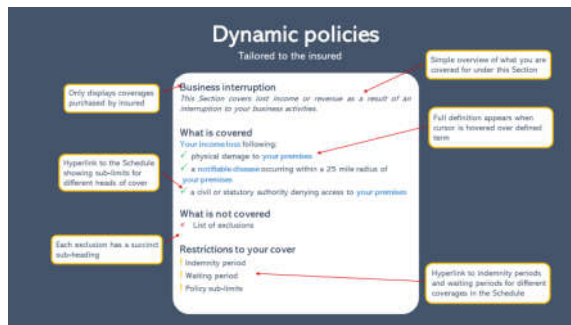
The result is a vibrant, aesthetically pleasing policy wording, and theoretically a shorter length.

🏆 3.3 Most innovative recommendation

Team 7 policy: Hackathon Insurer 8

Team 7's pitch in a succinct 7 slide presentation ticked all the boxes for product simplification, covering every aspect of the challenge put in front of them as encapsulated in the following slide:

The 13 point 'solutions' slide proposed a combination of:

➢ **7** presentation / format changes to shorten the length of the policy and improve the visual impact of the document

➢ **2** wording / language changes to also shorten the length of the policy

➢ **4** digital / innovation suggestions to avoid the back and forth in a combined insurance product, and hence extensive document as well as the use of tools to improve coverage understanding

To begin with, the team suggested changing the layout of the policy with the following 5 simple steps:

- Removal of sections not relevant to the individual business
- Integration of schedule information into wording (i.e. fully tailored policy wording)
- Claims and section information nearer to start
- Sections ordered by frequency of claim for business type
- Colour coding and iconography to make sections distinguishable

Next followed a slide showing how the language could be simplified using a combination of summarising the cover in fewer words, employing 'hover over' definitions and using hyperlinks for context where the clause relates to other parts of the wording (this necessitates a **digital contract** rather than a hard paper copy):
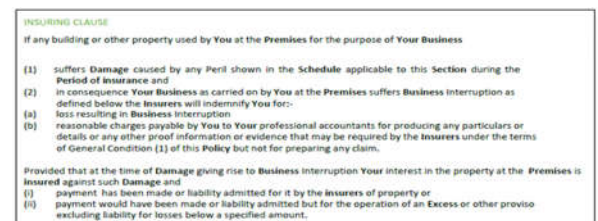
The team used two examples, one of which is the BI insuring clause (as shown in the above excerpt). This has the overall effect of reducing the insuring clause from 168 words to 50 words – an impressive 70%

reduction in length. Team 7's approach has the potential to reduce the size of the document from the current 91 pages to just under 30 pages, or less considering the combination of simplification ideas the team put forward.

Furthermore, they illustrated how the cover could potentially look if their presentation and format ideas were applied to their policy, including a layout based around 'what's covered' and 'what's not covered', clearly outlined exclusions, use of icons and colours, improved formatting using bolding, indentation and spacing, plus the use of plain English:

The final innovative flourish was the addition of a BI calculator linked to the businesses' accounting tools that could work out the approximate recovery amount in the event of a loss covered by the contract – a fantastic all-round proposal for product simplification.

3.4 Runner-up

Team 5 policy: Hackathon Insurer 5

A special mention goes to **Team 5** for also producing some great simplification ideas that narrowly missed out but were considered for "Best adaption to wording presentation/structure".

The most straightforward simplification of language, albeit not related to the BI section, was their suggestion to change the title of the contract from 'Commercial combined policy' to **Small Business**

Insurance. This change perfectly describes the product and supports their assertion that policy language should be "written from the standpoint of the customer's use and understanding".

Improvements to their allocated wording format also included adding a contents page with colour coding for the different sections of cover:

Team 5 suggested a modular structure with a 'certificate' style approach to each section of cover pulling the Sum Insured, Excess and Sub-Limits from the schedule into the document thus avoiding the need for cross-referencing in the document. Their proposal was that this would be automatically imported as the contract is built (and automatic removal of anything not covered):

As with other presentations, they also suggested a hover over feature for definitions. It was a noteworthy presentation with simple but effective ideas.

4 Appendices

4.1 Participants' questionnaire (template)

LLOYD'S

Please fill out this form as a team

Name of policy Reviewed	Hackathon Insurer 8

1. First impressions / visual impact

1.1	What was the visual impact of the policy on first review? *Choose from 1 - Positive, 2 - OK, 3 - Not impressed, 4 - Negative*		
1.2	Did you find the policy was easy to read / follow overall on first review? *Choose from Yes - completely, Yes - mostly, Yes - partially, No, N/A (please comment)*		
1.3	Did the running order of the policy make sense on first review? *Choose from Yes - completely, Yes - mostly, Yes - partially, No, N/A (please comment)*		

2. Policy Wording format/presentation

Comments:

2.1	Is the policy wording presented in one / two columns or another format?		
2.2	Is the typeface clearly legible throughout the policy?		
2.3	Is the font size adequate throughout the policy?		
2.4	Does it avoid 'full justification' text (can be difficult to read for some) throughout the policy?		

3. Policy Wording language ('clear wording' principles)

Comments:

3.1	Structure: *Were any key words/phrases/language constructions difficult to understand?* *('None' of 'Few' is application of the principle here)*		
3.2	Word frequency: *Did you find any uncommon words in the policy, if so how many?* *('None' of 'Few' is application of the principle here)*		
3.3	Word complexity: *Were difficult words explained/defined?* *('Yes' is application of the principle here)*		
3.4	Sentence length: *Are there instances of long sentences i.e. above 26 words?* *('None' or 'Few' is application of the principle here)*		
3.5	Signposting: *Is there explanation/context in relation to complex clauses or conditions?* *('Often' or 'Sometimes' is application of the principle here)*		
3.6	Use/positioning of defined terms: *Is there a clear 'definitions' section?* *('Yes' is application of the principle here)*		
	Are definitions at the front or back of the document? Please select 'More than one section' if there are both general definitions and definitions applicable to individual sections of cover		

4. Overall Assessment

Comments:

|			
4.1	Taking the responses above into account, is it your belief that the policy is clear and would you personally be able to explain the key aspects to a 'consumer'?		
4.2	In your opinion, is the policy language and presentation overall adequate for the intended customer (i.e. a 'Micro' and/or 'Small to Medium Enterprise' business owner)?		

5. Other comments

4.2 Policy wording appraisal (questionnaire responses)

Whilst the teams at the Hackathon articulated their feedback and ideas in their pitches, it was also important for Lloyd's to collect specific feedback on each policy wording from participants, therefore each team was asked to collectively fill out a questionnaire in the form of an excel template (See **Appendix 1).**

There are a number of materials available for the market to refer to in order to comply with both Lloyd's Market expectations as well as regulatory requirements in relation to contract wordings. The Consumer Wordings Guidance (CWG) document produced by the LMA in conjunction with Clyde & Co. and a detailed academic study undertaken in 2018 by leading linguistics researchers at the University of Nottingham in collaboration with Browne Jacobson ('How clear are your policy wordings?') were used as the benchmark for the questionnaire content. Whilst these documents provide guidance on the simplification of policy wordings, it is recognised that following the recommendations made by them is not the only way to produce policy wordings that are suitable for high 'conduct risk' business. Similarly, it is recognised that policy wordings that do not follow the guidance are not necessarily unsuitable for this customer segment.

Below are charts showing the breakdown of responses for **section 1** of the questionnaire on first impressions and the visual impact of the policy:
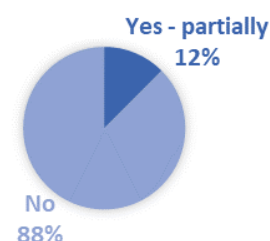
1.1   What was the visual impact of the policy on first review?
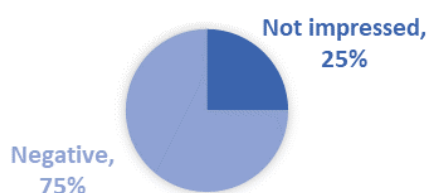
1.2   Did you find the policy was easy to read / follow overall on first review?

1.3   Did the running order of the policy make sense on first review?

The section 1 responses point to a negative experience overall on first impressions and visual impact of documents and a lack of clarity in relation to presentation in general, as the following comments demonstrate:

"Scary, boring, lacks structure for layman, very technical"

"…a contents page is a must on a 40 plus page document"

"Convoluted, key information missing or hard to find, lack of claims information, difficult to understand, not friendly for the layperson"

"Hard to navigate even for insurance professionals"

"Over 80 pages is daunting. Nothing exciting or visually engaging"

"Long wording with many sections, very fussy and drawn out"

"Policy structure is difficult to follow. Scope of cover and restrictions do not appear to be clearly sign-posted."

In relation to **section 2** of the questionnaire on the policy wording format/presentation, results showed that very few of the policies employed a 'two column' format which can help improve readability (12.5%). Nevertheless, where a 2 column approach was used, participants commented that the design of the policy was too clustered and there was insufficient spacing.

Conversely, the majority of respondents asserted that the typeface of the policy reviewed was either completely or mostly legible throughout the policy, that the font size was either completely or mostly adequate and that 'full justification' text, which can be difficult to read, was avoided (62.5% in each case). **Section 3** questions dealt with policy wording language features and below are charts showing the breakdown of responses:
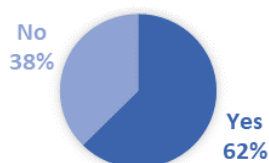
3.1 **Were any key words / phrases / language constructions difficult to understand?**
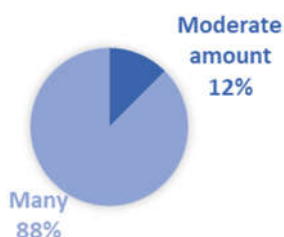

Moderate amount 25%

Many 75%
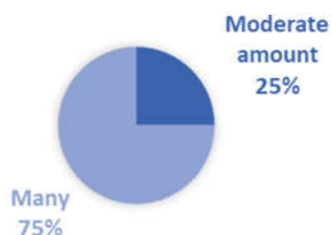
3.2 **Did you find any uncommon words in the policy, if so how many?**

Rarely / Not at all 100%
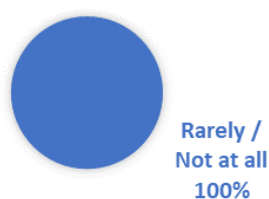
3.3 **Were difficult words defined?**

No 38%

Yes 62%

3.4 **Are there instances of long sentences i.e. above 26 words?**

Moderate amount 12%

Many 88%

3.5 **Is there explanation / context in relation to complex clauses or conditions?**

Rarely / Not at all 100%
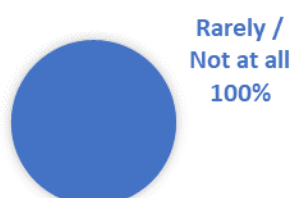
3.6 **Is there a clear 'definitions' section?**

No 25%

Yes 75%
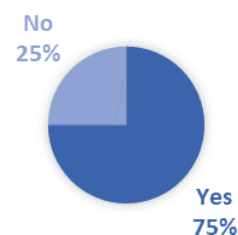
In summary, results for section 3 of the questionnaire on policy wording language features results showed that whilst there were clear definitions sections in the majority of policy wordings reviewed, the structure of documentation was complex with not enough explanation in relation to difficult clauses and/or conditions and long sentences.

Questions for section 3 wordings were evaluated against the 6 core principles outlined in the "**How clear are your policy wordings?**" report. Our findings concluded that the policies that were selected for the Hackathon did not align with many of the simple steps that can be taken to improve the readability of policy wordings demonstrated in the study, as most employed only 1 or 2 principles, with the remainder taking into account 3 at best:

Taking all of the qualitative questions in previous sections into account, the overall assessment results in **section 4** of the questionnaire showed that:

➢ **87.50%** of respondents considered the policy wording they reviewed to be unclear and key aspects unable to be easily explained to a 'consumer' and;

➢ **100%** of respondents deemed the language and presentation overall of the policy wording they reviewed to be inadequate for the intended customer (i.e. a 'Micro' and/or 'Small to Medium Enterprise' business owner)

To conclude, participants agreed overwhelmingly that the UK Commercial Micro-SME Combined insurance policies selected for review at the Hackathon are complex and would benefit from being made more user friendly.