



# Reality Check: London Market Reform and Update

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A £40 billion UK market in  
2004  
2005?





Lloyd's started in a coffee shop and finished up in a percolator!

# More Coffee!



# Size of Market (approx)

- Brokers: 160: 7 make up 70% of market  
70 midrange 20% of market  
rest small
- Companies: 120 all sizes
- Managing agents: 45
- Syndicates: 100

# The Client - Why Lloyd's/London

- Lloyd's HQ of global insurance business
- 300 + years of security (ish)
- Will insure more or less anything
- Lloyd's underwriters like to be innovative
- Lead underwriters known globally



# Client/Local Broker

- If a company wants Lloyd's cover may approach local broker representative of London broker or go straight to London
- Local broker may be representative of London broker
- If Lloyd's to be asked to cover risk it must be via 'Slip' and written in London



# London Broker

- Must belong to XIS -  
Xchanging Ins-sure  
Services
- Manages relationship  
with underwriters
- Brokers specialize in  
their own area and  
often have personal  
clients



# London Underwriters

- Lloyd's syndicates e.g. Hiscox
- Company market e.g. Munich Re/Aviva
- Underwriters also specialize
- Specialist brokers know personally their equivalent underwriters



Brokers Walk

Underwriters Sit

# The Slip

- 300 year old document used by the market
- Has three parts:

Broker details

Information re Risk

Underwriters panel

# Subscription Market

- Shared risks - most risks are not covered 100% by only one underwriter
- Broker has to approach other Lloyd's or company market underwriters until 100% cover
- Underwriters can take any % however small

# Process

- Client to local broker
- Local broker to London broker
- London broker to 'lead' u/writer for quote
- Client agrees quote
- London broker approaches other u/w's for 100% cover
- London broker confirms cover to client
- Client pays premium to London broker
- London brokers pays u/w's via XIS

# The Central Bureau

- All London slips with XIS stamp must be processed centrally
- Slip details checked centrally for all underwriters
- Data held on central system of all new business, endorsements and claims
- Central settlement for all brokers and underwriters

One electronic payment/receipt for all business per currency across all business

# London Market Technology

- All brokers and underwriters must have electronic connection to XIS system
- All brokers and underwriters have to have link to system for Daily Signings and Daily Settlement items
- All underwriters must be able to agree Claims via Class electronically

# London market reform drivers

## London's competitive position

Includes defending market share in traditional markets and promoting growth in new markets

- Contract Certainty Clarity of contract, leading to certainty of coverage, fewer disputes, less time wasted, a reduction in legal bills and improvements in downstream processing.
- Process Efficiency Efficient capturing, storing and reuse of data, reduced error rates, and quicker premium payment processes. Lower costs.
- Service to the client Processes that speed up the agreement of the contracts, the issuance of documentation and the subsequent agreement of claims.
- Global standards Adherence to (or creation of) accepted internationally standards for accounting, message/business flows, and technology.

# Principles underpinning reform

- Reduce 'Londonisms'
- Change driven by authority and a degree of neutrality: individual firms cannot do it alone; Lloyd's and the Associations will lead
- Commitment to co-operate essential, on design and implementation
- Network effects: a convoy for implementation
- Cost / benefit case is rarely convincing on its own.
  - FSA
  - Transparency

# Vision for market processes

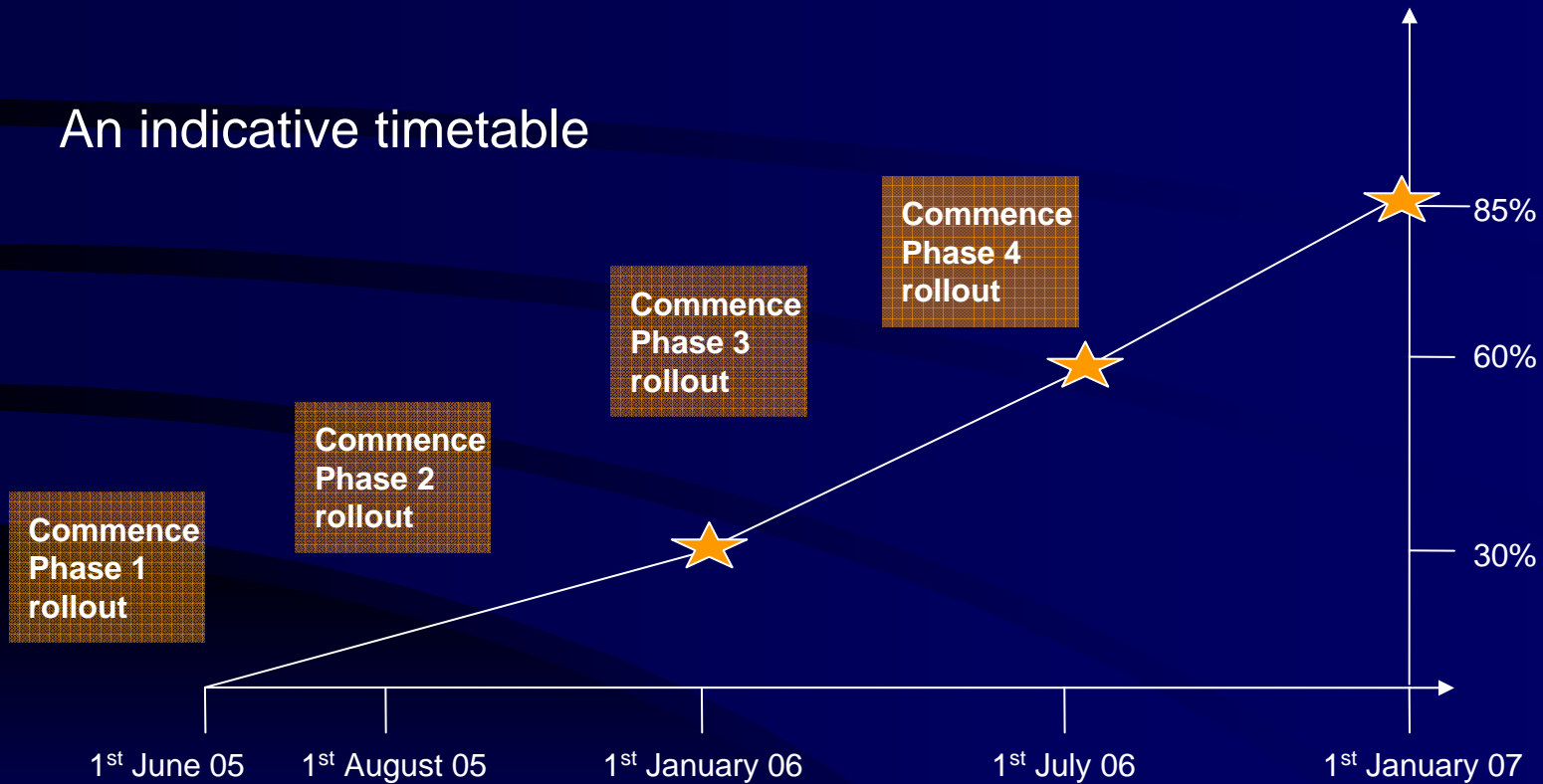
- Exchange of data and progress of transaction is captured in collaborative electronic systems
- Placing process built into electronic system
- Placing data to international standards
- Standard slip and policy generated by electronic system. Slip/policy distinction blurred
- Policy based on model wordings; changes tracked and audited electronically. Or auditable bespoke wording created.
- Checking in real time
- Placing systems retain the data and audit trail
- Claims and Accounting & Settlement: international standard messages for data and claims management. Repositories for simultaneous access

# Achieving Contract Certainty

- Contract certainty is achieved by the complete and final agreement of all terms between the insured and insurers before inception.
- FSA deadline of end of 2006 – whole insurance market.
- The Market Reform Group (MRG, the senior body responsible for modernisation in the London insurance market) owns the market-wide plan for the subscription market.
- Contract certainty is a fundamental objective of market reform within London Market Principles (LMP).
- Each insurer (Lloyd's and London company market) and broker is responsible for achieving contract certainty, since they are all regulated by the FSA – no hiding place!

# Contract Certainty rollout targets

An indicative timetable



# Accounting & Settlement reforms

- Modernising the transaction processing infrastructure within the London market by implementing the use of international standards for the communication, and processing of accounting & settlement data (the ACORD RLC XML standards)
  - To move away from bespoke, to “international”
  - To implement common processes
  - To provide a firm base of infrastructure for the future with flexibility for future business process change

# Accounting & Settlement rationale

- Reduces errors and reconciliation issues
- Enables back office rationalisation
- Provides data faster/earlier
- Enables more accurate data – pre validation
- Aligns with international approaches
- Provides flexibility
- Reduces costs

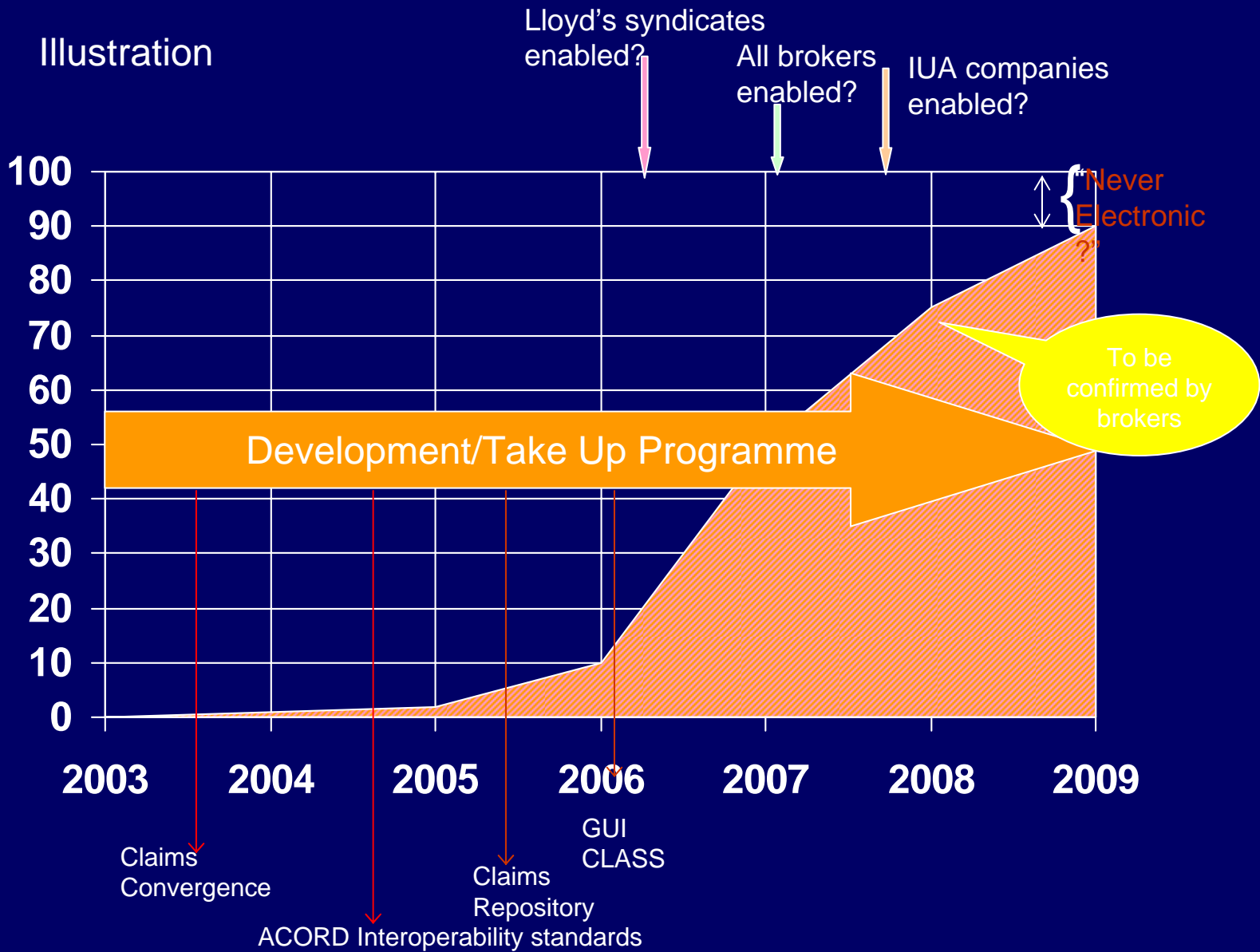
# Accounting & Settlement changes

- Provision of data electronically using ACORD message standards & repositories from;
  - London brokers,
  - Broker's overseas parents/sister brokers,
  - other intermediaries,
  - including via electronic placing environments.
- Underwriters receiving and processing ACORD standard messages
  - for bureau business in place of current bespoke messages
  - for any non-bureau business direct from sender
- Using ACORD standards and a COMMON set of procedures for the implementation and use of the standards across the WHOLE London market

# Electronic Claims Progress

- There is a planned timetable to implement the infrastructure to support the electronic trading of all new claims from mid 2006
- Within 5 years we expect at least 75pct of London market claims to be handled electronically
- The potential for the complete post placement business cycle to be traded electronically in ACORD message standards within at least 3 to 5 years
- Phase 1 is London, phase 2 is global

# Illustration



Percentage of broker supplied electronic claim files to London market insurers

# Electronic Claims Progress

- Claims will be transacted via a combination of managed Data and Electronic documents, replacing the traditional paper transaction
- The transfer of electronic documents from brokers internal repositories to external repositories will utilise the ACORD 2004 document repository interoperability standard (DRI), brokers and carriers who want to use DRI will have to demonstrate that they are ACORD certified
- Eclaims trading will be broker desktop to carrier desktop allowing the parallel presentation of claims information to those carriers on risk rather than the current method of a single presentation, each carrier

# Electronic Claims Progress

- Eclaims will improve presentation and productivity, providing a superior claims service to both carrier and client
- Carriers can manage claims information and reserving more effectively from the desktop, therefore not reliant on a broker visit
- Brokers will be able to fastrack the majority of straight forward claims electronically through the agreement process without the need to visit the carrier, allowing brokers to concentrate on claims which require a value service. Traditional face to face discussions will only be required if the broker deems this to be in the best interests of the client or the carrier requests a broker visit
- Available from [WWW.LMP-REFORMS.COM](http://WWW.LMP-REFORMS.COM)

# ACORD in London

- Prominent public profile
- Key to market process reform & globalisation
- Crucial enabler for electronic placement & collaboration
- Well positioned to drive standards based evolution
- On the cusp of critical mass success

Questions?