

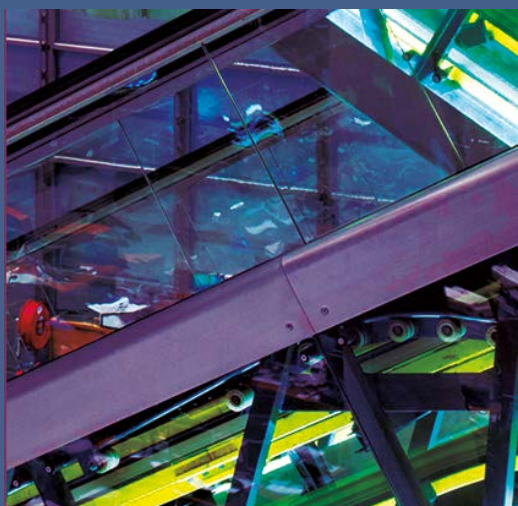


LMA GUIDE TO LONDON MARKET PROCESSING

CURRENT MARKET
PROCESSES AND RELATED
MODERNISATION ACTIVITY

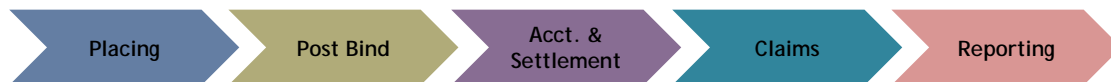
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AN INTRODUCTION TO THIS EDITION

Welcome to the latest edition of the LMA Guide to London Market Processing. With work well underway on the London Market Target Operating Model (TOM, see [section 4.1](#)), one of the London Market Group's responses to *London Matters* (see [section 3.1](#)), and the publication of the LMA's '[Guide to claims](#)' this edition of the Guide has been evolved to position current and future change activity within the context of the Target Operating Model (TOM).



The Lloyd's Market Association (LMA) represents the interests of managing and members' agents within the Lloyd's community, providing professional and technical support to its members.

This Guide is produced to inform LMA members about London's processes and related change programmes. It is aimed at individuals with limited knowledge of, and involvement in, these subjects and is high level and non-technical.

This publication is re-issued quarterly. For more detailed or current information on any particular topic, please follow the links provided, contact the project sponsor or manager, or contact the LMA.

We very much welcome your feedback on the latest edition. Please send your feedback to [Keith Welch](#).

Rob Gillies
Director, Market Processes

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AT A GLANCE - WHAT'S CHANGED

The table below gives an overview of what has changed since the last issue, focussed on change projects covered in the previous edition or new projects now underway.

Work stream in the previous edition	What's changed since the last edition?	Link to detail in Section 4
Alignment with the London Market Target Operating Model (LM TOM)	With the publication of the high-level LM TOM and the outcome of stage one of the 'Discovery Phase', the LMA Guide to London Market Processing has been realigned to the LM TOM.	
Glossary	With the implementation of the LMA Guide library, the Glossary of London market processing terms has formally become a standalone document within the library.	LMA website
London Market Target Operating Model (LM TOM)	While reference to the LM TOM was made in the previous edition of the Guide, no details were available at the time of publication. The Guide now includes a comprehensive overview of the LM TOM.	4.1
New MAT environment	A new entry to the Guide.	4.7
ECF - binders	With the publication of the LMA Guide to claims, detailed claims information is now provided in that Guide. This Guide continues to give a high-level overview of all change activity including claims.	LMA website
ECF - write back	With the publication of the LMA Guide to claims, detailed claims information is now provided in that Guide. This Guide continues to give a high-level overview of all change activity including claims.	LMA website
Delegated Authority Business	<p>Elements of this workstream have now been recongize as in-flight projects by the LM TOM.</p> <p>Following engagement in the first stage of the LM TOM Discovery Phase, DAOC has identified the following priorities for the reminder of 2015:</p> <ul style="list-style-type: none"> • Data Integration and agreement of ACORD specifications. • DA - Core Services. • Central complaints system. • Data Reporting. <p>Further details are provided in the entry.</p>	4.10.1
Claims future model	With the publication of the LMA Guide to claims, details claims information is now provided in that Guide. This Guide continues to give a high-level overview of all change activity including claims.	LMA website
Ruschlikon UK Settlement	Elements of this workstream have now been recongize as in-flight projects by the LM TOM.	4.10.2
Data Capture Service	<p>Mid-year 2015 updates:</p> <ul style="list-style-type: none"> • the steering group has reviewed and reaffirmed the strategy. In discussions with the CSR and London Market TOM (LM TOM) programmes, agreement has been reached on the concept of a 'standalone' structure data capture utility which would support various customer groups including the DCS community, PPL and CSRP (Pbs). DCS will continue to work with CSRP and LM TOM during the remainder of 2015 to ensure the DCS community requirements are included in a future data capture utility. • DCS community work undertaken during 2014 to develop query handling using ACORD-based messaging has been a catalyst to a wider ACORD-messaging based query process across Pbs, PPL and the LM TOM. <p>The DCS user community has continued to work with XIS to identify</p>	4.10.4

Work stream in the previous edition	What's changed since the last edition?	Link to detail in Section 4
	interim changes that would increase value to existing users and remove some inhibitors to further carrier take-up of DCS. XIS have scheduled an upgrade to DCS for November 2015 to implement these changes.	
EDP	Now referenced in the Glossary but the entry has been removed as the project has completed.	LMA website
Xchanging File Gateway	A new entry. XFG is a short-term project to replace certain components of the Xchanging Data Hub (XDH) platform used to send and receive EDI and ACORD messages.	4.10.7
Considerations for managing agents	A new entry to the Guide.	5.1
Appendix - Glossary	With the implementation of the LMA Guide library, the Glossary of London market processing terms has formally become a standalone document within the library.	LMA website
Appendix K - LMA contacts	A new entry to the Guide.	APPENDIX K

1. INTRODUCTION

1.1 The LMA Guide library

The LMA Guide to Market Modernisation was introduced in 2008 to assist the market to understand the market's process change programme. With successive editions the size and content has expanded, reflecting the growing number of market projects. The claims community has decided to issue a specific guide to change projects relating to claims systems and processes and the Glossary of Terms has continued to expand reflecting market feedback and the desire for a single source of market processing and systems terms in a layman's guide.

As a consequence, as of August 2015, we have introduced a suite of LMA Guides which comprises:

- London market processing – this document
- Glossary of London market processing terms
- Claims

The Guides are designed to compliment each other and are available on the [LMA website](#).

1.2 Purpose of this Guide

This Guide aims to assist market practitioners in understanding current London market processes including related infrastructure and governance, as well as the rationale for change and details of modernisation activities. The over-arching goal is to provide a balance between detail and brevity. Links are provided to sources of further detail for each topic.

The Guide is not intended to be a technical manual detailing 'how to do' activities. Rather, the Guide seeks to provide an overview with 'signposts' to further information for readers who require detailed explanations or information.

1.3 What the Guide contains

The Guide contains high level summaries of major market processes and change activities including:

- details of who 'owns' and manages each activity
- details of where to find further information
- an analysis of how each activity relates to others and the future processing model
- a summary of modernisation achievements to date.

It is recommended that this Guide is read in conjunction with the separate glossary.

The Guide is updated every three months to show the current status of each activity.

1.4 Layout of the Guide

The Guide is split into five key sections:

- this introduction
- an overview of current market processes
- a description of the over-arching modernisation programme
- details of change projects being progressed to modernise current processes
- a series of appendices.

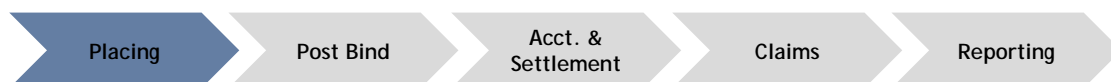
The appendices provide further supporting information covering:

- overviews of key entities supporting market processing
- a general description of IT components typically used by insurers alone
- how the LMA market processes groups support the market governance process
- a glossary of market processing terms.

2. CURRENT LONDON MARKET PROCESSES

This section of the Guide describes current market processes at a high-level with links to resources providing further information.

2.1 Placing and Endorsements



General description - Placing

In the London market risks are placed using a standard document, the Market Reform Contract (MRC). Introduced in the mid 2000s, the MRC describes the risk and related contractual, regulatory and administrative information in a standard format. The MRC must comply with Contract Certainty requirements. Use of the MRC and adherence to the Contract Certainty Code of Practice is mandated for Lloyd's underwriters.

Having recorded key details of the risk in their system, brokers prepare an MRC which may be produced as a Word document, a PDF or other format. The broker then presents the MRC and any supporting documents to underwriters who provide quotations indicating the terms and conditions on which they are prepared to underwrite the risk. Risks are predominantly brokered face-to-face using a paper copy of the MRC.

On behalf of its client, the broker will accept one of these quotations and the underwriter may take either 100% of the risk or a proportion (the process is known as 'writing a line'). In the latter case, the broker approaches further underwriters to fulfil the client's total order. These multi-line arrangements are known as 'subscription' placements with the leading underwriter acting for the following market in certain matters. Placements are governed by the BIPAR Principles (see [Appendix C](#)).

The underwriter is responsible for ensuring that, at the time of writing a line, the MRC contains all necessary information to enable tax and regulatory reporting and that the risk complies with all legal and compliance requirements.

Risks are sometimes 'over-placed' with written lines totalling more than required for the client's order. In this case the broker will reduce the 'written lines' (usually each proportionately) to total the client's order (referred to as 'signing down') and will initiate the accounting process.

General description - Endorsements

The agreement of endorsements traditionally follows a similar process as placing. A standard document is available; the Market Reform Contract Endorsement (MRCE), and the General Underwriters' Agreement (GUA) provides a standard means of defining how contract changes are agreed for business placed on a subscription basis. The GUA includes schedules specific to classes of business, which define the categories of contract changes that require agreement by the leader only, specified insurers, or all insurers.

Tools and Services

Contracts placed in the way described above and using these various standard documents and practices are often called 'open market' business. In addition, many brokers and underwriters have bespoke portals for the submission and agreement of business, particularly where this is written 100% by an underwriter or relates to a particular class or broker product. Lloyd's provides a comprehensive collection of tools, research and reference material for market participants available via their [website](#).

Governance

Management of the MRC standards and guidelines and of the GUAs is undertaken by the London Market Group (LMG) Secretariat in consultation with the market associations.

LMG sponsored electronic support for placing processes falls under the overall governance of the market associations through the LMG. The following committees have a responsibility for ensuring that the interests of their members are represented:

- LMA - Market Processes Committee (MPC)
- IUA - Process Efficiency Group (PEG)
- LIIBA - Market Reform Steering Group (MRSG).

Linked Modernisation Projects

A number of electronic placing systems exist which use a PDF (or similar) image of the MRC or manage the process via email, but these are the exception. In addition, a small number of brokers and underwriters have begun using XML (data)-based versions of the MRC which enable underwriters to automatically capture and reuse risk data within their own systems.

The publication of '[London Matters](#)' identified opportunities to introduce efficiencies through the adoption of a utility platform for placing and endorsing risks. In addition, leading brokers have indicated a desire to place all risks in London via a single electronic channel supporting both face-to-face and remotely brokered placements. However, at this time there is no market-wide standard data-based quotation and placing system and the Placing Platform Limited (PPL) project (see [section 4.5](#)) seeks to address this. PPL is under the oversight of the LMG.

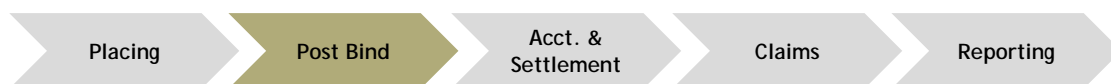
In 2012, the London market introduced the use of ACORD messaging to agree endorsements remotely and to exchange structured data between counterparties. Insurers and many brokers have implemented messaging gateways to send and receive ACORD messages to and from their internal systems. While this offers opportunities for efficiencies in the agreement of endorsements, the opportunities for reusing, rather than rekeying, data are limited because broker and insurer systems are typically not configured to enable the automatic integration of data at this time.

Further Information

- LMA contact - [Peter Holdstock](#)
- Market Reform Contract (MRC) - documentation available from the [LMG website](#)
- Market Reform Contract Endorsement (MRCE) - documentation available from the [LMG website](#)
- Contract Certainty - Code of Practice available from the [LMG website](#)
- General Underwriters' Agreement (GUA) - available from the [LMG website](#)
- BIPAR Principles - see [Appendix C](#)
- Lloyd's provides various relevant tools and services on [Lloyd's website](#)
- Placing Platform Limited. See [Appendix G](#)
- Electronic support for endorsements. See [LMG website](#)
- The Message Exchange Limited. See [Appendix H1](#)

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2.2 Post Bind



General Description

Following the agreement of the contract between the broker and the underwriter(s) the insurer will capture details of the risk into their underwriting system. This needs to occur as soon as possible so the information can be used internally for a number of subsequent processes.

For subscription market risks, each insurer is repeating the same process internally. Much of the data recorded will be common to other insurers on the same risk, although each insurer will record some detail that is unique to themselves. This work may be undertaken by an internal team or outsourced to a specialist service provider.

Tools and Services

In 2013 a number of managing agents agreed that this process is non-competitive and could be undertaken more efficiently and cheaply through the use of a central data capture service that creates an ACORD-standard dataset for integration into the insurer's underwriting system. This led to a collaborative initiative, Data Capture Service (DCS) (see [section 4.10.4](#)), by insurers to collectively outsource the data capture process. Data would be captured once for each contract and supplied to all participating insurers. Currently the service, which is available to both bureau and non-bureau insurers, is being used by a number of insurers to explore and understand the opportunities that a centralised shared service offers.

Governance

As risk data capture is predominantly managed via an in-house arrangement or bespoke outsourced arrangement, governance sits with individual insurers.

DCS services are provided under the existing LPSO and LPC premium processing agreements. Governance is via a steering group which reports to both the LMA Market Processes Committee (MPC) and IUA Process Efficiency Group (PEG).

Linked Modernisation Projects

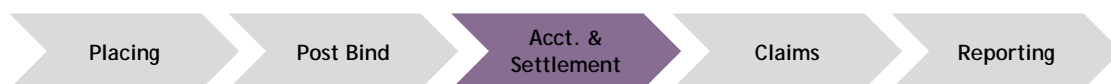
DCS is providing early learning and developing thinking that is being fed into LMG's wider market-level programme of change, particularly CSRP. Data capture is recognized as a strategic component of CSRP's Post bind Submission (PbS) (see [section 4.4](#)) project and, through the earlier sight of risks written, offers the potential to re-engineer bureau downstream processes to increase benefit and efficiency. There is also alignment between DCS and electronic placing through work to achieve a consistent risk data set and ACORD messaging standards.

Further Information

- LMA contact - Rob Gillies
- DCS - see [section 4.10.4](#)
- CSRP (PbS) - see [section 4.4](#)

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2.3 Accounting & Settlement



General description - Accounting

This phase of the process lifecycle is concerned with establishing a record of the policy premium to be paid by the broker to the insurer and which will result in the movement of money under the settlement process. For most Lloyd's business the accounting process is managed by Xchanging Ins-Sure Services (XIS), the 'bureau'.

On completion of a placement and after signing down the underwriting lines the broker submits a technical account to XIS supported by the MRC and other information such as a schedule of risk locations and tax calculations and the London Market Premium Advice Notes (LPANs).

XIS then checks the broker's submission against the MRC for completeness, ensures the MRC complies with the legislation relating to the territory(ies) in which the risk is written and checks it includes all relevant tax and fiscal information and that any specific underwriter instructions and clauses have been met.

If the details provided are incomplete or do not appear to tally, the XIS technician will raise a query with the broker and the submission will be suspended pending resolution. More often than not, the broker will subsequently provide the detail to enable the transaction to be resumed. However, occasionally a submission will be rejected, either at the broker's request or as a result of XIS' judgment.

If there are no queries, or the queries have been resolved, the XIS technician then records the details in XIS's premium and risk recording systems (LIDS for the Lloyd's market and POSH for companies' business) and the transaction is allocated a signed number and date. Overnight, XIS's systems despatch broker and insurer signing (EDI) messages for all work processed that day, write details to the data warehouse for insurer, broker, and (where appropriate) Lloyd's reporting purposes, and pass details of the transactions to be settled to the settlement processes.

Settlement transactions can consist of 'cash' items (items to be settled immediately), delinked items (items to be released into settlement by the broker at a future date) and other payments such as Deferred Scheme instalments. Delinked transactions allow the broker to submit the technical account details to XIS ahead of receiving premium from the policyholder, thus allowing XIS to perform checks and resolve queries earlier. Settlement of premium, when released by the broker on receipt from the policyholder, then occurs unhindered.

There are currently three channels by which accounting submissions may be presented to XIS:

Paper - this equates to circa 5% of all premium submissions to XIS and is a legacy that predates the introduction of A&S via IMR in the mid-2000s (see below). Brokers print LPANs from their system, create a physical package and either deliver it directly to an XIS processing site or to the XIS-run London Market Document Centre (LMDC). Paper submissions may be 'cash' or 'delinked'. Work is underway during 2015 to phase out the remaining paper submissions. See [section 4.4](#) for more information on this project.

A&S via IMR - this is currently the predominant submission channel and involves the broker creating an electronic image of the LPANs which is delivered to XIS by loading it to the Insurers' Market Repository (IMR). The broker can do this using ACORD messaging from their own system or via a direct load portal facility.

This channel provides a number of benefits over the use of paper:

- reduced end to end time between broker dispatch to XIS and signing of premium submissions
- reduced use of paper and removal of vans running between the LMDC and XIS processing sites
- the ability for XIS to process work cross-site (including off-shore) by redirecting electronic submissions almost instantly
- significantly enhanced internal bureau operations and work management leading to improved broker service
- a reduction in misplaced packages and enhanced disaster recovery as packages are held electronically and accessible from any main or backup XIS processing site.

A&S via IMR submissions may be 'cash' or 'delinked'. While no date has been set for retiring A&S via IMR, we expect that this channel will be phased out once eAccounts has been migrated to 'pure EBOT' (see below).

Electronic Accounts (known as eAccounts) - this submission channel moves the market to a process based on structured data messaging. The technical account submission is created by a broker by extracting data from their own system and delivering this to XIS (replacing the LPAN used with paper and A&S via IMR), with supporting 'unstructured' documents, via an ACORD structured message. This reduces the broker's administration and creates opportunities for XIS to adopt 'straight through processing', re-using rather than rekeying data. Other benefits include:

- a reduction in queries due to the composition of the package and because the broker and XIS systems validate the package before it is presented to an XIS technician for processing
- partial electronic reuse of data by XIS through APIX, an interface that sits across LIDS and PoSH
- the option for brokers to submit transactions at a fundamental level, with XIS creating the non-fundamental splits.

eAccounts transactions are inherently delinked as the process provides for submission of a Technical Account (TA) message to establish the premium details followed by a Financial Account (FA) message to release the premium into settlement.

The aim of process modernisation in this area is to provide brokers with an interface to insurers' back office (whether outsourced to XIS or not) which is compliant with global standards. This means adoption of the ACORD EBOT messaging standard. The eAccounts process is not fully EBOT compliant as it uses a version of the EBOT message with a number of 'bureau extensions' to cater for particular requirements of bureau and Lloyd's processing. This places an additional administrative and systems burden on brokers. For business processed through XIS, achieving compliance with the EBOT standard is the subject of the 'Post-bind Submission' phase of the Central Services Refresh Programme.

Outside of XIS, the adoption of electronic accounting is managed by Ruschlikon UK. A group of global (re)insurance industry players are working together with ACORD to automate (re)insurance back-office processes (technical accounting, claims agreement, settlement) using ACORD GRLC standards. Additionally, Ruschlikon offers more flexibility for how counterparties operate at either end of the EBOT activity than the bureau offers. See [Appendix D](#) for more information on this project.

General Description - Settlement

Centralised netted settlement has been a feature of the Lloyd's bureau model for many decades and provides an efficient and cost effective system. On completion of processing a premium or claim, XIS submits details to Lloyd's Settlement and Trust Fund Office (STFO) which nets off premiums and claims for each broker and insurer counter-party. This happens automatically for 'cash' items or, for 'delinked' items, when the broker releases transactions into settlement. Details of settlements are provided to each counter-party via summary email.

Lloyd's STFO also settles other non-insurance transactions through Lloyd's central settlement system. Once processed for settlement, transactions are subject to a three day timescale from advising counter-parties to actual settlement. However, an investigation is underway into how this timescale might be reduced in order to provide an enhanced claim settlement service.

Bureau settlements for companies is via LIPPS, a system provided by XIS. On completion of processing a premium or claim, the corresponding financial settlement is managed by XIS. For non-bureau transactions, settlement arrangements are generally made on a broker to insurer counter-party basis but Xchanging (Xchanging plc rather than XIS or XCS) offer their Netsett service. See 'Tools and Services' below.

In February 2015, ACORD announced the formation of a working group to establish a guide that defines how structured data messages should be used to support a net settlement function. Further details will be provided in future editions of this Guide.

Tools and Services

- Xchanging Ins-Sure Services (XIS) - for details of the premium and policy processing and other services provided by XIS please refer to your service contract or contact the LMA.
- Lloyd's Settlement and Trust Fund Office (STFO).
- NetSett - an Xchanging service, see [Xchanging's website](#).

Governance

For bureau processing market governance is split between the processes for submission to XIS and subsequent processing.

Submission to XIS, typically using either A&S via IMR or eAccounts (see above), is overseen by the Accounting and Settlement User Group (ASUG) which reports to the Associations Administration Committee (AAC). The ASUG is made up of representation from Lloyd's managing agents, brokers, companies and XIS and makes recommendations on process and technical issues (and particularly user driven changes) to the AAC. See [Appendix J](#) for more information on these groups.

The premium processing services are provided by XIS to managing agents under the 'LPSO Agreement'. The collective aspects of management of the agreement sit with the LMA's Market Processes Committee (MPC) who delegate oversight to the Xchanging Review Board (XRB).

For non-bureau processing ACORD co-ordinates the Ruschlikon global communities by facilitating the Ruschlikon Steering Group, the Business Implementation Group, various geographic insurance communities, and the Ruschlikon Global Marketing Group.

Linked Modernisation Projects

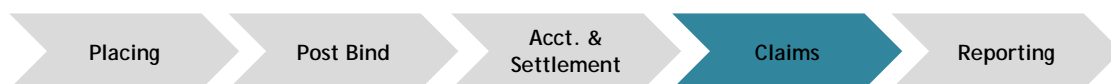
- Central Services Refresh Programme (CSRP) - Post-bind Submission - implementing the ACORD EBOT messaging standard for submission to the bureau. See [section 4.4](#).
- Cessation of paper premium submissions. See [section 4.5](#).

Further information

- LMA contact - Keith Welch
- XIS procedure manual - available via knowledgebase on the XIS [insurance portal](#)
- A&S via IMR and eAccounts information - see the [LMG website](#)
- Status of all XIS services - see the [XIS status screen](#)

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2.4 Claims



Please note: as of August 2015, a more detailed explanation of current claims processes is provided in the LMA's ['Guide to Claims'](#).

General Description - Claims Agreement

In the event of a claim by the policyholder, the broker prepares the necessary documentation (collectively the 'claims file') for presentation to, and agreement by, the underwriters on the risk. To continually improve customer service through faster settlement of claims, the Lloyd's market has streamlined the claims process through a series of changes that have led to the current Lloyd's Claims Scheme (see [Lloyd's website](#)).

Whereas historically a claims file consisted of a paper file presented to insurers sequentially, Electronic Claim File (ECF), a market system, allows brokers to supply an entire claim file electronically to all insurers at the same time. All insurers therefore have concurrent, contemporaneous access to the claim file, eliminating the need for the broker to serially present the claim file to different insurers individually. The major benefit of this is that it reduces the length of the overall claim lifecycle, from first advice to settlement, providing customers with a greatly improved service.

ECF is the combination of the IMR and the Claims Loss Advice and Settlement System (CLASS). The LMA commissioned XIS to provide an integrated service to Lloyd's managing agents which has since been adopted by companies. (In the company bureau market some claims may still be managed electronically through CLASS but without the added support of electronic document storage via the Insurers' Market Repository (IMR)). This enables claim file documents to be submitted electronically to the IMR and shared by subscribing underwriters, whilst CLASS provides users with access to financial data and claims processing and basic workflow functionality.

ECF also provides support for legacy Lloyd's claims, that is claims that were originally initiated on paper. The claims history is scanned into ECF and then managed electronically. CTP Legacy Scanning Service has enabled 'in-scope' claims to be transferred to ECF for all classes (for more information see the [ECF User Group website](#)).

ECF is subject to an ongoing programme of maintenance and enhancement managed by the ECF User Group on behalf of the AAC. During 2011 a programme of ECF enhancements, delivered as 'ECF2', provided significant new functionality. While some functionality only exists in ECF2, the terms ECF and ECF2 are inter-changeable in the context of the market's ability to manage and process claims electronically. As part of a wider programme of upgrades to both ECF and the IMR, it is planned that all future functionality will only be available through ECF2.

General description - Processing and Settlement

In the Lloyd's market, once a claim has been agreed by the syndicate, the claim is processed through to settlement by XCS. XCS use the ECF record for an electronic managed claim, or a paper file presented by the broker for legacy claims, and undertake a series of checks. The final claim details are then recorded in the XCS internal system (which is commonly known as known as 'converged claims' or 'XCS CLASS') which then feeds into the Lloyd's settlement process.

Company bureau settlements are managed automatically and fed through to the LIPPS settlement process.

Tools and Services

For further information about ECF visit the [ECF User Group website](#)

For further information about the CTP Legacy Scanning Service visit [Lloyd's website](#)

Third Party Administrators (TPA) database

Historically, the market has taken a decentralised approach to managing Third Party Administrators (TPA) which is inefficient for both insurers and the TPAs. During 2013 the LMA's Binding Authority Claims Group (BACG) undertook a tender process which resulted in the appointment of Charles Taylor Insurance Services (CTIS) to develop and manage a third party claims administrators' database.

The TPA database is designed to reduce multiple due diligence information requests from managing agents and increase efficiency around the collection and validation of generic operational information. The database went live at the end of Q2 2014 and access is available to all managing agents, TPAs and Lloyd's.

Governance

Governance of ECF sits with the ECF User Group (ECFUG) which reports to the Associations Administration Committee (AAC). The ECFUG is made up of representation from Lloyd's managing agents, brokers, companies, Lloyd's and XIS. Focusing on issues raised by the market and from feeder groups, the ECFUG makes recommendations on process and technical issues and requirements for the AAC's consideration.

The Lloyd's claims technical processing services are provided by XCS to managing agents under the '(Technical) Processing Services Agreement (PSA)'. Management of the agreement sits with the LMA Board who delegate oversight to the Claims Service Review Board (CSRB).

Within the company market, the services are provided under the 'LPC Agreement' and oversight is provided by the IUA's Service Review Panel, which is the equivalent of XRB.

Linked Modernisation Projects

The ECF User Group has initiated a project, 'Write Back', to add additional functionality to ECF to provide insurers with the flexibility to manage claims in their own systems which, in turn, interface to ECF. Alternatively insurers will still be able to log onto the ECF system and manage claims directly via ECF. Further details of this project are provided in [section 4.9](#).

A further project, 'Binders', has also been initiated by the ECF User Group in order to progress usage of ECF for binder claims processing. Further details of this project are provided in [section 4.8](#).

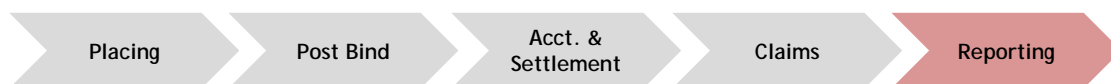
While not a market modernisation work stream as such, under the AAC-administered IMR Agreement, XIS are planning an upgrade to the IMR in 2016 which will include a number of changes including the retirement of ECF1. Details are provided in [section 4.6](#).

Further information

- LMA contact - Lee Elliston
- More information on ECF is available on the [ECF User Group website](#)
- See [Appendix J](#) for more information on LMA groups

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2.5 Reporting



General Description

In the London company market, an insurer will engage directly with, and report to, the regulatory and tax authorities for the territories in which the business is written. In these circumstances, the insurer needs to ensure that the broker or intermediary provides sufficient information from which the insurer can make the appropriate reporting returns.

In Lloyd's, trading licenses are held at market level and the Corporation of Lloyd's has a significant role in the engagement with regulators and tax authorities and in the compilation and submission of returns on behalf of all managing agents. Historically, Lloyd's has sourced much of the required data from processing activity undertaken by XIS and XCS. However, regulatory authorities are seeking ever greater volumes and granularity of data which is increasingly sourced from managing agents directly. Lloyd's have published a 'Non-core Market Returns Guidebook', available from the [Lloyd's website](#), which sets out the various tax and regulatory returns captured in addition to data sourced from XIS and XCS.

Tools and Services

Lloyd's Direct reporting

While the Control Framework (see [section 4.10.5](#)) sets out a managing agent's responsibilities to Lloyd's regarding the management of tax and regulatory data, the Direct Reporting service provides managing agents with choice with regard to how data is provided to Lloyd's. It removes the need for certain types of business to be processed via XIS so that XIS can capture tax and regulatory data for Lloyd's.

The ability for managing agents to report tax and regulatory data directly to Lloyd's is part of the future vision of the Lloyd's market. Having proved the direct reporting concept through a pilot that concluded in 2011, Lloyd's developed a technically up-to-date, future-proofed solution, allowing the scope of direct reporting to be increased to all territories and all Managing Agents with service companies. A pre-requisite for any managing agent wishing to report directly to Lloyd's is to have signed off the Control Framework for regulatory and tax reporting.

The facility is available to all managing agents for 100% service company business (where an insurer underwrites the whole risk) and 'separate' subscription business (where an insurer underwrites part of a risk using a separate insurance document to other insurers which underwrite that risk). Further information is available from the [Lloyd's website](#).

Governance

The over-arching Lloyd's requirement for reporting is set out in its Control Framework. See [section 4.10.5](#) for further details.

Business processed via XIS and XCS falls, respectively, under the 'LPSO Agreement' with collective governance exercised on behalf of Managing Agents by LMA's Market Processes Committee, delegated to the Xchanging Review Board, and the '(Technical) Processing Services Agreement (PSA)' with collective governance exercised on behalf of Managing Agents by the Claims Service Review Board.

Open market business not processed via XIS is defined by Lloyd's via market bulletins with the subject prefix 'Non-XIS Overseas Business...'. These market bulletins define how the business is reported.

Linked Modernisation Projects

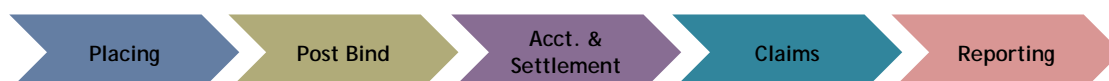
Lloyd's Control Framework - see [section 4.10.5](#) for further details.

Further information

- LMA contact - Rob Gillies
- Details of Lloyd's Direct Reporting facility are available from the [Lloyd's website](#)
- Lloyd's 'Non-core Market Returns Guidebook' is available from the [Lloyd's website](#)
- See [Appendix J](#) for more information on LMA groups

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2.6 Other processes - Delegated Authority Management



General Description

A coverholder is a company or partnership authorised by a Lloyd's underwriter to enter into a contract of insurance on its behalf in accordance with the terms of a binding authority agreement (a 'binder'). Coverholders allow Lloyd's syndicates to operate in a region or country as if they were a local insurer. A coverholder will have its level of underwriting authority set by Lloyd's at the time of authorisation. The binding authority agreement sets out the terms of the coverholder's delegated authority.

Simplistically, the key steps in binder management are:

- the coverholder is registered on the Lloyd's Atlas website as an approved entity with the correct permissions to underwrite the business being proposed
- a binding authority contract is usually placed via a London broker who checks the coverholder's existing permissions and registers the proposed contract via Lloyd's Binding Authority Registration (BAR) website and updates BAR when the binding authority has been placed
- risks underwritten within the contractual parameters by the coverholder must then be declared to all subscribing markets. In some cases the leading subscriber will wish to agree a declaration before the premium is settled
- usually the coverholder sends a monthly spreadsheet bordereaux containing details of the risks underwritten to the broker in London for onwards transmission to underwriters. Some Coverholders now send information as data in XML format. Further information is available on the [Lloyd's website](#)
- brokers usually settle premiums via XIS, having deducted commissions and brokerage, within pre-set credit limits. Markets usually check that the coverholder/broker have settled the correct premiums due within each pre-agreed credit period
- some coverholders are also allowed to have claims handling and settlement authority up to limits set out in the contract. In an increasing number of cases claims management is handled by specialist third party administrators who are subject to similar levels of regulatory scrutiny as coverholders
- coverholder audits are carried out by third party audit firms on behalf of the market. The report is then shared with all subscribing markets with remedial action plans agreed and the auditor receiving their fee through collection via XIS
- the role of XIS in the collection and settlement of premiums and claims is similar to open market accounting as covered in [section 2.3](#). However, the key difference is that declarations are 'bulk-signed' under delegated authority agreements in view of the volume of individual transactions involved. It is rare for underwriters to receive premium signings per declaration but necessary in some 'niche' arrangements.

Tools and Services

Lloyd's provide a number of tools to support the process. See [section 2.9](#).

Governance

Given the current absence of centralised market binder management processes, governance is primarily focussed on regulatory matters. The Lloyd's Code of Practice for delegated underwriting sets out the obligations of a managing agent when entering into a binding authority and Lloyd's undertakes supervision of both managing agents and coverholders in the conduct of such business.

With increasing regulatory requirements, in 2014 the LMA's Market Processes Committee (MPC) created a Delegated Authorities Operations Committee (DAOC) to consider how market efficiencies might be brought into binder management activities.

Where XIS undertake processing within the delegated authority lifecycle, those service are provided by XIS to managing agents under the 'LPSO Agreement'. Management of the agreement sits with the LMA's Market Processes Committee (MPC) which delegates oversight to the Xchanging Review Board (XRB).

Linked Modernisation Projects

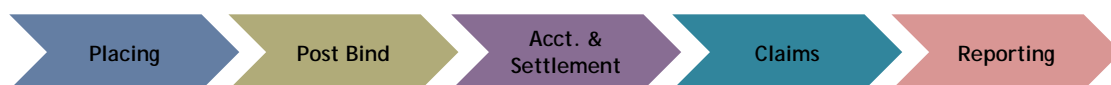
Delegated Authority (DA) shares many of the same process modernisation challenges that exist for open market business: the need to remove process impediments for brokers and coverholders and improve customer service; the need for greater efficiency; and the need for improved insight into customers and business through better data and management information. Projects such as CSRP and claims modernisation will result in benefit applicable to DA business. Shaping of the more specific DA change agenda is a key component of the London Market Target Operating Model work which is covered in [section 4.1](#).

Further information

- LMA contact - Paul Jeffrey
- Lloyd's provides various tools and services relevant to delegated authority business on [Lloyd's website](#)
- See [Appendix J](#) for more information on LMA groups

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2.7 Other processes - Insurance services for Lloyd's Asia



General Description

Lloyd's Singapore is a shared service provided by Capita Insurance Services and used by some, but not all, managing agents who have a presence in Singapore. Lloyd's Asia platform is a co-location of 18 syndicates based in Singapore but working under authority from managing agents in London. The platform in Singapore aims to grow further through economy of scale opportunities.

Lloyd's has facilitated the creation and implementation of a shared, on-site service solution to provide some of the back office processing functions currently performed by each service company separately. The objective of the shared services is to remove some of the processing challenges through economies of scale, consistent processing and a 'single interface' for brokers. The scope of these services includes risk registration, quality assurance of slips and data, premium processing, credit control, central settlement and regulatory reporting.

The services seek to deliver a number of benefits to managing agents:

- release resource
- improve data quality
- improve broker satisfaction
- facilitate subscription placements
- reduce costs
- create a true 'market place' environment.

Tools and Services

There are no specific tools for Lloyd's Asia services over and above the tools listed in [section 2.9](#).

Governance

Governance falls under an agreement between Capita and the managing agent using the service.

Linked Modernisation Projects

There is a link with the data Control Framework project as the data that service companies capture forms the basis for the risk registration and downstream premium and claims processing. The development of a shared services model in Singapore also has similarities to developments in other areas of change such as CSRP.

Further information

- Capita - see the [Capita website](#)
- LMA contacts - Mel Goddard and Rob Gillies

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2.8 Business Messages

General Description

In the late 1980s, in order to manage inter-operability between systems, the London insurance market adopted the use of EDI messaging as a means of transferring data between parties. The EDI standards were developed under the sponsorship of LIMNET and, today, those standards are managed by XIS. The standards were primarily focussed on mainframe and mini-computer systems which were more prevalent at the time.

With the advent of the Internet and the development of servers and other technologies the London insurance market moved to adopt XML-based ACORD messaging. As a principle, LMG has confirmed that all new central service developments in the market should be built around the ACORD messaging standards.

Infrastructure

Two key pieces of central infrastructure support messaging:

- XIS-provided infrastructure
 - XAG (Xchanging ACORD Gateway) - typically used for the management of broker submitted electronic accounts messages
 - XDH (Xchanging Data Hub) - used for the distribution of broker and underwriter EDI messages and ACORD messages
- The Message Exchange Limited (TMEL) - ACORD messaging:
 - currently TMEL is used to support messages relating to:
 - DCS
 - eEndorsements
 - Ruschlikon UK.

EDI messages

There are three EDI message groups used within the market:

- Lloyd's
- Underwriters Signing Message (USM)
 - Monthly Control Message (MCM)
 - Syndicate Claims Message (SCM)
 - Broker (or bureau) Signing Message (BSM)
 - Lloyd's Outwards Reinsurance System (or Scheme) (LORS)
 - London Insurance Market Claim Movement (ECF [CLASS@LLOYDS] LIMCLM)
- IUA - ILU
 - Signing
 - Settlement
 - Claims
- IUA - LIRMA
 - Signing
 - Settlement
 - Claims

ACORD XML messages

ACORD (Association for Cooperative Operations Research and Development - the international data standards development organisation) provides:

- standards defining the message format for exchanging structured transactional insurance data (i.e. data in fields with defined business definitions, length, content type and other characteristics) in electronic messages and paper form (e.g. ACORD Global Placing Document, which is known as the Market Reform Contract in London)
- standards for the exchange of unstructured, supporting data within electronic documents, such as PDFs, MS Office files and scanned images
- business rules for the exchange of electronic messages, including process flows, minimum data requirements and best practice guides.

All the above for:

- placement including build, quote, bind, endorse, cancel and renew
- accounting and settlement
- claims
- bordereaux
- tax and regulatory reporting
- property exposure reporting.

plus an insurance enterprise reference architecture.

See [Appendix D](#) and [Appendix E](#) for more details on ACORD message standards.

Market messaging group

Within the market, the [Cross Market Messaging Group](#) (CMMG) operates jointly on behalf of the LMA and IUA communities. It is the primary forum, and a centre of knowledge and expertise, for dealing with structured London Market insurance business messages. The group monitors performance within day to day operations, and also manages insurer input to proposed changes to messages and their related systems.

The group was initially formed to support EDI messaging across the market, but has now moved on to ACORD - XML messaging and associated processing within central market systems. Regular attendees are from Lloyd's managing agents, IUA companies, insurer software houses and XIS.

2.9 Lloyd's market tools

The above sections refer to various Lloyd's tools and resources which assist managing agents and brokers in the preparation of risks, managing coverholders, and reporting to Lloyd's. Further information is provided on the Lloyd's '[Tools and Resources](#)' web pages:

- Risk locator tool - assists in determining the territories whose laws, regulations and tax laws apply to an insurance contract
- Crystal - provides Lloyd's market participants with quick and easy access to international regulatory and taxation requirements
- Lloyd's Wordings Repository - provides vetted policy wordings and clauses regularly used within the London market
- QA Tools (open market and binding authority) - provides a reference to all the Lloyd's contract quality requirements prior to a contract being bound.

For Binding Authority business Lloyd's provides three extra tools which are available from the [Lloyd's website](#):

- Atlas - an online market system for authorising and managing Coverholders
- BAR (Binding Authority Registration) - a tool used to register individual binding authorities against a previously authorised Coverholder
- Lineage - the tool used for the reporting and settlement of Canadian binding authority business.

Finally, Lloyd's provides a service to enable Managing Agency service companies to report directly to Lloyd's rather than via XIS. Details are available on the [Lloyd's website](#):

- Direct Reporting - a process that enables Managing Agents to report regulatory & tax information directly to Lloyd's for service company business.

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3. THE CHANGE PROGRAMME

3.1 'London Matters' - the over-arching rationale for change

During 2014 London Market Group (LMG) commissioned a fact-based assessment of the value and competitiveness of the London market. This was designed to aid promotion of the market, inform discussions with Government and regulators, and understand the rationale of brokers and policyholders when selecting where to buy their insurance in an increasingly global market. The resulting report, 'London Matters', is available from the [LMG website](#) and underpins LMG's activities.



While the report identified six opportunities, the majority of which are primarily business-focussed, opportunity five seeks to:

"reduce the cost of doing business by delivering infrastructure activities, removing London specific processes and realising economies of shared service, to increase competitiveness (for commoditised risk)."

In January 2015, LMG considered its response to 'London Matters' from which it outlined five work streams:

1. liaison with Government and Regulators to ensure the right business environment for the market to thrive
2. a marketing strategy for the London market - building a better profile where it matters
3. talent and diversity - recognising that the market workforce may need to change, both in terms of skills and the global nature and culture of its customers
4. a more detailed operational vision for the modernised market
5. and a reappraisal of the resources the market needs to deliver central initiatives.

To that end, LMG has revalidated the operational and process change activity already underway and the high-level future processes review undertaken in 2012 (see the [LMG website](#)). This work has led to a formal project to develop the London Market Target Operating Model (LM TOM) as described in [section 4.1](#).

3.2 LIIBA's 'Thirty Londonisms'

As part of the 2013 and 2014 work to identify processes that inhibit intermediaries' access to the London market, LIIBA identified a list of thirty 'Londonisms': London-specific processes that make placing business in London more difficult and, therefore, more expensive. The full list of 'Londonisms' is available from the [LMG website](#).

Twenty of the 'Londonisms' relate to central services and are being addressed as part of the wider Central Services Refresh Programme (CSRP) which is covered in [section 4.3](#).

The remaining ten 'Londonisms', outlined in the following table, are being addressed separately from CSRP. In the first instance, the development of the LM TOM (see [section 4.1](#)) sets out high-level processes which will assist in addressing these 'Londonisms' and, where projects already exist, they are noted below. Future editions of the Guide will provide more detail on both the LM TOM and other projects which address these remaining 'Londonisms'.

Ref.	Title	Description
1	The Market Reform Contract (MRC) is too complex	MRC are complex and London-specific
2	Leader agreement / leading underwriter agreement (GUA) practise	Inconsistent application of agreements
3	Notification of endorsements	Not always distributed to all underwriters and MRC are not always updated
4	Service provider	MRCs should focus on the insurance contract and not reference service providers
5	Annual renewal of binding authority contracts	Currently an annual overhead in renewing contracts This is being addressed as part of the LM TOM 'DA services' project
6	Consolidation of Coverholder audits	Coverholders are audited by multiple insurers which is inefficient This is being addressed as part of the LM TOM ' DA services ' project.
7	Compliance	Development of proportionate compliance requirements
8	Lloyd's model wordings	Wordings tend to be driven by compliance or legal needs rather than customer requirements
9	Below authority claims	Below authority claims can be delayed due to standard practises
10	Delegated authority net settlement	Open market net settlement efficiencies re lacking under delegated authorities This is being addressed as part of the LM TOM ' settlement ' project.

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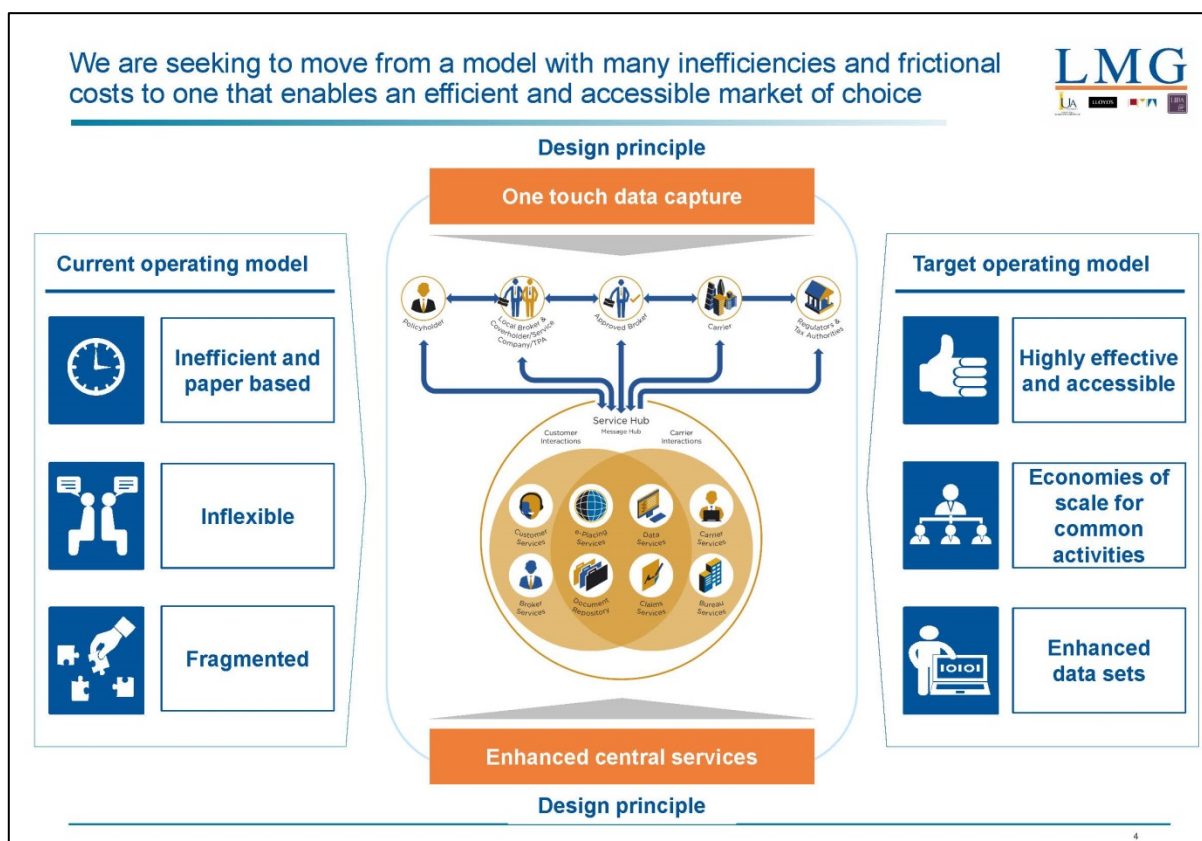
4. CHANGE PROJECTS

4.1 London Market Target Operating Model

Background

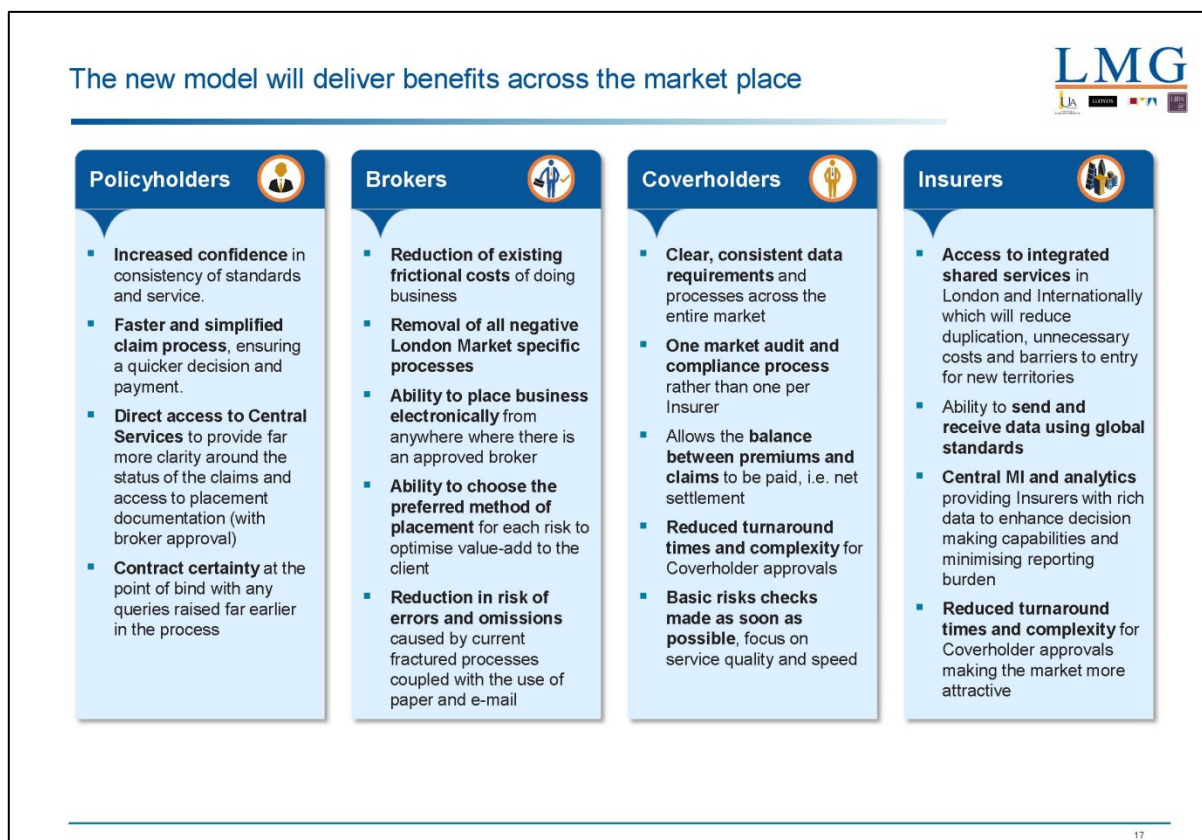
As part of its response to the findings of 'London Matters', earlier this year LMG announced an initiative to provide a more detailed operational vision of a modernised market. The research identified that we need to improve the ease with which business is transacted in London and specifically to seek to *"reduce...cost[s]...by delivering on infrastructure activities, removing London specific processes and realising economies of shared service[s]"*.

The London Market Target Operating Model (LM TOM) programme will provide a new market operating model based on one touch data capture, improved access and enhanced service and efficiency through shared services.



Benefits

The LM TOM will deliver improved service with benefits to Policyholders and Coverholders as well efficiency, risk and MI benefits to brokers and insurers.



Plan


The programme's Discovery Phase will run to the end of September 2015. By then the programme will have:


- designed the London market vision for the future operating model
- designed a roadmap of how the TOM will be delivered
- articulated the business requirements for the TOM including detailed project briefs
- undertaken prioritisation of proposed initiatives
- validated costs and benefits
- created documentation to support supplier selection for prioritised initiatives
- created a governance structure to manage the programme
- created a stakeholder communications and engagement strategy.

Thereafter, the programme will move into a delivery phase. Overall, implementation of the LM TOM is seen as a five year programme.

The programme embraces a number of 'in-flight' initiatives, such as CSRP and PPL, as well as new initiatives some of which are prioritised for early delivery and some scheduled for later phases of the programme.

Project briefs have been developed for each of the initiatives required to deliver the TOM






Key messages

- A number of initiatives already exist in the London Market (e.g. CSRP, IMR Re-Platform, MAT) which the TOM programme will leverage
- 15 initiatives (9 new) were identified and detailed project briefs have been developed
- Existing initiatives have been reviewed against the future TOM requirements
- The next level of detail is now being specified with the communities
- Each initiative has been prioritised based on a defined framework
- As part of stage 2, we will explore ways to bundle the initiatives to be more closely aligned to the required services of the TOM

TOM

Fifteen TOM initiatives



Key: ● In flight ● Prioritised ● Wave 2

● Re-assigned into other initiatives

22

The development of Project Initiation and Request for Proposal (where applicable) documentation for these in-flight and early priority initiatives is being supported by market communities of subject matter experts.

Placing Platform Limited

[An in-flight project - see [section 4.2](#)]

Electronic placing platform to allow brokers and insurers to quote, negotiate and bind business, replacing traditional channels such as paper and e-mail, enabling remote placing globally but also supporting the face to face placing of (re)insurance business.

CSRP

[An in-flight project - see [section 4.3](#), [section 4.4](#) and [section 4.5](#)]

Continuing work to modernise the current central services provided by Xchanging for accounting and claims processing to remove London specific, paper based inputs and automate wherever possible.

IMR Replatforming

[An in-flight project - see [section 4.6](#)]

A technical project to replace a key application on which the IMR is based and which is no longer supported.

New MAT Environment

[An in-flight project - see [section 4.7](#)]

An initiative to create a reliable and available market acceptance testing environment.

ECF enhancement

[An in-flight project - see [section 4.8](#) and [section 4.9](#)]

Enabling sharing of files by subscribing underwriters, so all 'on risk' can view the claims file at the same time to reduce duplication of data entry caused by working across multiple systems, provide more complete claim transaction information and enable managing agents and brokers to link related Binding Authority transactions which are co-lead or inside/outside authority.

Local shared services

To create a repeatable shared services centre model where a 'menu' of integrated services can be offered to insurers, Coverholders and local brokers.

Claims - core services and systems

Will deliver fundamental claims service improvements required to ensure that the London market offers maximum value to the claimant for all claims.

Settlement

A cross-market premium and claim settlement service that will inform interactions, netting transactions as much as possible.

Data integration

Will create a data model and common language for market participants to share information more easily, to a higher quality standard and promote central service adoption in the market.

Complaints management

An initiative to implement a central service to manage customer (policyholder) complaints in response to new regulatory changes FCA CP 14/30 and the Lloyd's Conduct Risk (MS11) report.

DA services

Refers to three specific areas of delegated authority services: binder registration, Coverholder approvals and central coverholder audits. It will also deliver automated post-bind risk, premium and claims processing using global data standards.

In addition to these initiatives, the programme will focus on:

Governance and delivery

A framework and capability to ensure change initiatives are managed and transitioned to ongoing services in a consistent and controlled manner with minimal risks.

Communications

To manage a coordinated programme of communications to create awareness of the LM TOM, achieve buy-in from senior stakeholders and support the development and implementation of initiatives.

The development of Project Initiation and Request for Proposal (where applicable) documentation for these initiatives is being supported by market communities of subject matter experts.

Impacts, Linkages and Dependencies

Clearly the LM TOM will have significant impact on managing agents. There will be opportunity to capitalise on the benefits through access to integrated shared services in London and Internationally which will reduce duplication, unnecessary costs and barriers to entry for new territories. This will require investment by managing agents, such as to integrate data into internal systems, based on individual business cases. A tool has been made available to assist managing agents with assessing the costs and benefits involved.

In the Lloyd's market some services or processes may need to be mandated in order to derive full value from the LM TOM investment. This would be based on their fundamental nature to the LM TOM and the need to achieve high benefits conditioned on scale.

Governance

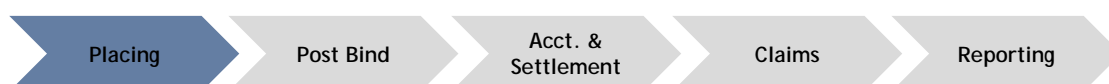
Programme Owner: LMG	Programme Sponsor: Shirine Khoury-Haq, Lloyd's
Programme Manager: Davide Bianconni, Lloyd's	LMA Lead: Rob Gillies

Further information

- The CEO playbook on the [LMA website](#)
- The LM TOM section of the [LMG website](#)
- [ISupportTOM.com](#)

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4.2 Placing Platform Limited



Background

As noted in section 2, the majority of risks placed in the London market are currently broked and recorded using paper. In 2013, the LMG Future Process review concluded, amongst other things, that the market needed to improve its accessibility by delivering a central placing platform. This platform would support a flexible negotiation process, facilitate access to the market and offer faster placement for the benefit of the client. The platform would support both traditional face to face negotiations and purely electronic placements or a combination of both. The market associations (IUA, LIIBA and LMA) agreed that such a central placing platform would be best delivered via a market utility.

As a result of a number of broking firms indicating their intention to coalesce around a single electronic 'platform', a company (Placing Platform Limited – PPL) was formed jointly by LMA, IUA and LIIBA as a vehicle for this activity. PPL has been charged with establishing a market level relationship with a provider for the provision, governance and management of this platform.

The PPL Board progressed various work streams during 2014 to enable it to make recommendations to the association boards. This included a tender process to evaluate potential suppliers which was undertaken by Accenture on behalf of PPL and concluded in December 2014.

Some key principles have been agreed as part of this work:

- the platform solution offered to the market is to be provided under licence to a market owned utility vehicle along similar lines to The Message Exchange Limited (TMEL)
- any proposals will build on the market's adoption of electronic endorsements
- any proposals will be based on the use of ACORD data standards, delivered via The Exchange for TMEL customers
- the platform will integrate with the market infrastructure supporting all other elements of the end to end transaction.

Objectives

The objectives are to:

- provide a single channel for all risks to be placed in the London market
- record key data relating to those risks centrally
- provide a resulting dataset that can be consumed and augmented by other data stakeholders throughout the lifecycle of the risk.

Benefits

Benefits of participating in a market approach include:

- an efficient market governance solution
- better value from collective purchase and the co-ordinated management of service
- a formalised role for insurers (and particularly underwriters) including greater influence over development of functionality and protocols.

In turn the platform will provide the starting point of an efficient risk lifecycle based on structured data.

Plan

The PPL Board is now reporting to the association boards via a series of presentations. Further detail around PPL's value proposition, business case and implementation plan are being developed prior to communication with the market. Technical work on functional requirements, to meet the wishes of underwriters and brokers, is in hand as is some early engagement with underwriters.

Impacts, Linkages and Dependencies

This work stream builds on the achievements of electronic endorsement agreement (see [section 4.2](#)) by considering a platform which will extend electronic support for placing up the business cycle to include quotations through to the placement of risks. A central placing platform is integral to the London Market Target Operating Model (see [section 3.2](#)) which aims to create structured data at the earliest possible point and re-use that data in upstream processes. This may be partly through PPL and partly through PPL interacting with a central data capture service. A central placing platform may also provide an opportunity to offer a wide range of shared services to insurers and brokers prior to, during and immediately after the binding of a risk.

The brokers' commitment is to deliver all their business to market via an electronic platform. Managing agents therefore need to position themselves to be ready to receive brokers' business submitted in this way. Rollout will be by class during 2016 and further details will be provided in future editions of this Guide. The provision of data by PPL and any data capture service aligned with PPL will offer managing agents the opportunity to benefit from the integration of data and business process messages.

Governance

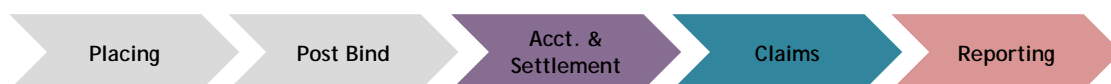
Project Owner: London Market Group	Project Sponsor: Association Boards
Project Manager: Chris Buer (LMGS)	LMA Lead: Peter Holdstock

Further information

Further information on PPL can be found in [Appendix G](#).

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4.3 Central Services Refresh Programme (CSRP)



Background

CSRP is a key collaborative pillar in the delivery of the London Market Target Operating Model (LM TOM) – see [section 4.1](#). It addresses the ‘*London Matters*’ challenge to implement infrastructure which removes London specific processes and realises economies through shared services. CSRP is an initiative overseen by the LMG and involves the IUA, LMA, Lloyd's, LIIBA and XIS.

The programme will deliver improved services and infrastructure for insurers’ back office. These enhanced and extended services will make it easier to do business in the London market and enable improvement in the acceptance, capture and storage of more consistent and richer risk and claims data.

Objectives

CSRP aims to:

- eliminate or move (from brokers to a central services provider) the London-specific back office processes (known as ‘Londonisms’) that have been identified as factors hindering the processing of business in London and as part of ongoing improvements to outsourced back office provision
- provide for the sharing of information between brokers and insurers (including XIS, their back office supplier) using electronic messages to ACORD standards; delivering this information using accepted global data standards was identified as contributing to the ease of processing in the market
- replace old technologies
- extend central services where economies of scale are beneficial, as described in the Future Services Register (FSR).

Benefits

CSRP is driven by the desire to meet brokers’ requirement to operate with any insurer-service provider combination (including a bureau) in a manner consistent with other global organisations. In turn, the lower cost of London market administration, both to brokers and insurers, will make the London market more attractive to brokers and insureds.

Plan

CSRP is being implemented through work streams:

- Quick wins – a package of process-related changes implemented during 4Q 2014.
- Post-bind Submissions – see [section 4.4](#).

Impacts, Linkages and Dependencies

CSRP forms the delivery vehicle for a significant part of the market's work to improve future processes. See [section 3.1](#) for further information on the wider LMG change programme. CSRP builds on work undertaken in many of the market's modernisation projects such as eAccounts and ECF and also offers the prospect of better integration with other key market activities, for example, with placing and endorsement support processes and with centralised risk data capture. CSRP is an integral element of the Target Operating Model – see [section 4.1](#).

Governance

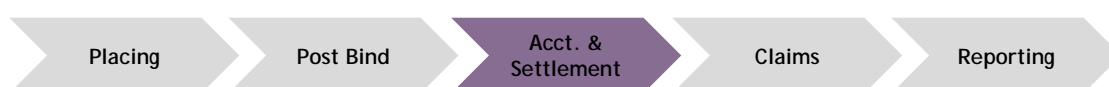
Programme Sponsor: LMG	Programme Governance: Cross Market Steering Group reporting to the LMG
Programme Manager: Paul Steynberg, CSR Programme Team	LMA Lead: Malcolm Beane

Further information

CSRP materials and more information are available on the LMG website [LMG website](#).

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4.4 CSRP Post bind Submission (PBS)



Background

Post bind Submission (PbS) is the second tranche of activity within the Central Services Refresh Programme (CSRP – see [section 4.3](#)). The first tranche of activity, ‘Quick Wins’ was implemented in 4Q 2014 and focussed on minor process-related changes. PbS is focussed on changes that require system development and implementation and changes to market customs and practises, all of which have a longer timescale to implement.

During Q4 2014, the PbS Target Operating Model (PbS TOM) was validated by the associations and published on the [LMG website](#). Work has now commenced on defining the roadmap for delivery including identification of costs and development of the business case.

Simplistically, PbS is focussed on four key phases:

- ‘EBOTising’ eAccounts
- restructuring central services (bureau)
- provision of an online submission portal
- implementation of cross market data management.

While further information is available on the [LMG website](#), a summary of the four phases is provided below:

Phase 1 - ‘EBOTising’ eAccounts

Currently premium submissions to central services (bureau) use London-specific processes and technology implementations (see [section 2.3](#)). The broking community has indicated that migrating these processes to a generic global standard (ACORD) would make the London market more attractive and cheaper to deal with. This phase introduces the ACORD EBOT (see [Appendix D](#) for more information) standard as a submission channel for premium to central services. Ultimately, existing channels will be closed down in favour of EBOT.

Phase 2 - restructuring central services (bureau)

Within central services much of today’s activity is based around manual activity, specifically data keying and tax and regulatory reporting. Recognising that significant quantities of related data already resides in broker and insurer systems, this phase looks to identify precisely what data the future central services need to capture and supply as opposed to obtaining and reusing. In addition, with advances in technology, it is considered likely that many of today’s manual processes can be replaced with

automated processes, increasing speed and efficiency while reducing errors. This will transform the current human intervention within the process from dealing with manual repetitive processes to expert oversight.

Phase 3 - provision of an online submission portal

While today's global brokers either already use ACORD standards or could relatively easily adopt them, migration to EBOT for medium and smaller specialist London brokers might prove more challenging. In some cases medium size brokers might benefit from being a customer of software houses used by the larger brokers.

However, for those brokers for which adoption of EBOT by 2018 might prove outside of their immediate business priorities, the intention is to provide an online portal that would enable brokers (and, potentially, Lloyd's managing agents service companies) to benefit from EBOT by generating their central service submissions. This model mirrors the LORS system and provides brokers with choice as to whether they build and integrate EBOT into their broking and accounting systems or use an online portal.

Phase 4 - implementation of cross market data management

Implementation of the other phases will see a change in the way central service transactions are referenced. In addition, both CSRP and other projects within the LMG change programme will see increasing focus on data, both from an operational perspective and as the basis of future London market business decision making. As a consequence, this phase will implement integrated cross-market data management to ensure the integrity and quality of data.

Objectives

The objective of PbS is four-fold:

- increased accessibility to the London market through simpler processes
- improved data quality and richness
- reduced cycle times and complexity through simplification and automation
- transparent service design definition and reporting requirements.

Benefits

As a result of the objectives, the benefits include:

- making the London market more attractive and protecting existing business
- substantially reducing the cost and maintenance of broker administration, including query handling
- fewer central delays to premiums and claims settlement
- enabling the London Market Target Operating Model (LM TOM) and delivery of CSRP.

In summary, PbS addresses 'London Matters' opportunity number five, to *"Reduce the cost of doing business by delivering infrastructure activities, removing London specific processes and realising economies of shared service, to increase competitiveness (for commoditised risk)."*

Plan

While the roadmap for all four phases has yet to be published, work has already begun on the first two and all four are scheduled for completion by 2018. Work is currently focussed on:

- developing the high level design, as set out in the target operating model for PbS
- continuing to work within the cross-market team in partnership with insurers and brokers
- developing the recommendations regarding estimated costs, benefits and optimal delivery roadmap for PbS.

Impacts, Linkages and Dependencies

PbS forms a significant part of the market's work to improve future processes and goes to the heart of removing process overheads and inconsistencies for brokers. PbS builds on several of the market's modernisation projects such as eAccounts and ECF and also offers the prospect of better integration with other key market activities, for example, with placing and endorsement support processes and with centralised risk data capture. PbS is an integral element of the London Market Target Operating Model (LM TOM) - see [section 4.1](#)).

PbS introduces or expedites two fundamental changes to London market process that will impact managing agents:

- the concept that business-related queries, currently raised by XIS to the submitting broker, will in future be directed to the lead underwriter
- the use of the ACORD messaging suite across the whole business cycle.

In addition, managing agents who manage service companies that **do not** use the Lloyd's Direct Reporting service, will need to plan for migrating from paper. Work is currently underway to finalise timescales and planning for all of these process changes. Further details will be provided in this Guide as and when they become available.

Governance

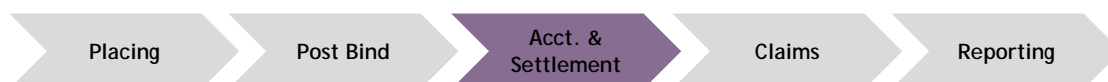
Programme Sponsor: LMG	Programme Governance: Cross Market Steering Group reporting to the LMG
Programme Manager: Paul Steynberg, CSR Programme Team	LMA Lead: Malcolm Beane

Further information

CSRP materials and more information are available on the LMG website [LMG website](#).

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4.5 CSRP Cessation of paper - premiums



Background

CSRP PbS (see [section 4.4](#)) looks to replace all the existing channels for submitting premiums to central services with the ACORD EBOT / ECOT message. However, dates for the retirement of the existing channels have yet to be agreed with the market.

One of the exiting channels, paper, equates to circa 5% of all premium submissions to XIS and is a legacy that predates the introduction of A&S via IMR in the mid-2000s. The LMA's XRB has initiated a project, supported by CSRP and IUA and LIIBA, to migrate the remaining paper submissions from brokers and managing agency service companies to either A&S via IMR or eAccounts during 2015.

Objectives

To complete the migration to electronic-only means of submitting premium transactions to XIS for processing using either A&S via IMR or eAccounts and reduce multiple XIS internal operating processes.

Benefits

The Right First Time rate (RFT) is the proportion of transactions XIS sign without raising queries to brokers or, occasionally, underwriters. Paper submissions currently have a circa 50% RFT rate; in other words half of all paper submissions result in a query being raised. Queries delay the speed with which underwriters receive premium, create 'exception work' within XIS, and result in further broker administration activity. A&S via IMR submissions typically carry a 75% RFT rate with eAccounts submissions typically 80%+.

In addition, the use of electronic submissions enables XIS to balance workloads across multiple sites, providing a quicker and more efficient signing process. Further secondary benefits are outlined in [section 2.3](#).

Plan

The market associations are consulting their communities to understand any issues relating to the cessation of paper premium submissions to XIS. This will lead to the development of the project proposal for agreement with heads of association and LMG. Notice to market firms of the ending of paper processing could be issued by the end of 2015.

Impacts, Linkages and Dependencies

This project forms part of the wider LMG principle of retiring an old process when a new one is introduced. Paper submission is two generations back from the current electronic accounts process. The CSRP PbS project, described in [section 4.4](#), anticipates retirement of the current A&S via IMR and eAccounts processes once EBOT-based accounting transactions have been implemented.

Managing agents who manage service companies that **do not** use the Lloyd's Direct Reporting service will need to plan for migrating from paper. Work is currently underway to finalise timescales and planning for all of these process changes. Further details will be provided in this Guide as and when they become available.

Governance

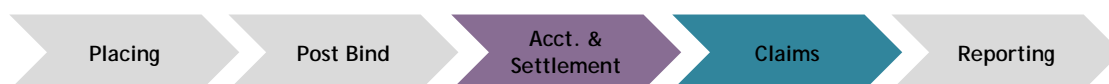
Project Owner: Heads of Associations	Project Sponsor: Monique Alder (BRIT) - chair of XRB
Project Contacts: Keith Welch (LMA), Louise Day (IUA), James Livett (LIIBA)	LMA Lead: Keith Welch

Further information

Via the project contacts above.

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4.6 IMR Re-platform



Background

Initiated by XIS under the AAC-administered IMR Agreement, this project has been adopted as an in-flight project within the LM TOM. XIS are planning an upgrade to the IMR in 2016 which will include a number of changes. This entry is provided for background information in advance of market communications to increase awareness of this project during 2015. It should be noted that this work will probably necessitate the retirement of ECF(1).

Objectives

The primary purposes of the project are to:

- replace existing IMR software which is approaching end of life
- introduce software that enables improved market user functions
- provide enhanced management tools for XIS and their hosting of the IMR.

Benefits

Mitigation of risk arising from the end of software support. The introduction of improved ‘business as usual’ operation along with technologies that provide opportunities for market user enhancements.

Plan

XIS are in discussion with the market’s AAC. Details will be published once the plan is finalised.

Impacts, Linkages and Dependencies

There are no specific linkages or dependencies as such.

However, this could impact managing agents through:

- The likely withdrawal of ECF1, with all ECF functionality then being delivered through ECF2.
- A new portal to replace the ‘direct load’ screens currently used by some managing agents.
- Potential operational down-time during the implementation window – this is subject to ongoing scheduling with AAC in order to minimize the impact on the market.

Governance

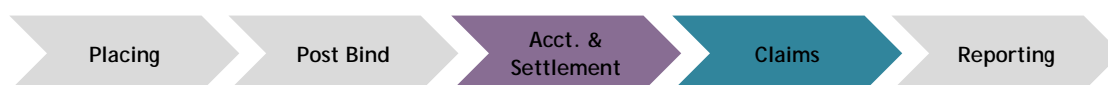
Project Owner: XIS	Project Sponsor: AAC
Project Manager: XIS and AAC Performance Sub-group	LMA Lead: Rob Gillies

Further information

Please contact the LMA.

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4.7 New MAT Environment



Background

Historically, XIS has provided a Market Acceptance Test (MAT) environment ahead of system implementations in order to assist the market with testing undertaken to prove and ultimately accept new systems into production usage. However, individual projects were typically provided with a temporary environment which was subject to conflicts when multiple projects were being implemented in parallel. Based on feedback, AAC recognize the need for a permanent environment capable of supporting multiple projects simultaneously.

Objectives

The purpose of the project is to provide a customer controlled permanent environment capable of supporting testing for multiple projects simultaneously.

Benefits

Access to the MAT environment for individual projects will no longer be subject to negotiation with other projects which has restricted the timeslots during which project resource is able to use the environment. In addition, the environment will be less susceptible to XIS restricting or prohibiting access at key periods during project implementation.

Plan

Delivery of the new environment is currently expected in November 2015.

Impacts, Linkages and Dependencies

No impact on managing agents is anticipated as this environment will primarily support change projects before delivery of this project into production use.

Governance

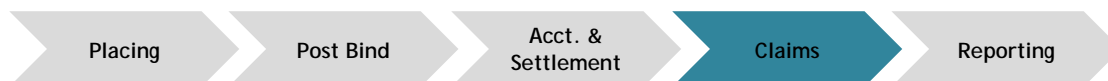
Project Owner: XIS	Project Sponsor: AAC
Project Manager: XIS and AAC Performance Sub-group	LMA Lead: Rob Gillies

Further information

Please contact the LMA.

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4.8 ECF enhancement - binders



Background

This project has now been recongize as an in-flight project by the LM TOM. However, the project continues unchanged.

In order to progress usage of ECF for binder processing it was decided to develop interim work-arounds ahead of system enhancements to fully manage co-lead binders on ECF. An initial phase (phase one) using email for the co-leaders to agree a claim, concluded that email is too cumbersome as a practical business process.

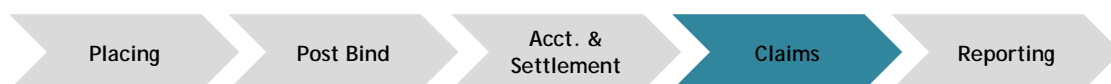
Under phase two, which ran until October 2012, agreement of all 'outside of authority co-lead' claims in the bordereau continued to be managed on paper while 'within authority co-lead' claims were handled via ECF. Transactional processing leading to settlement for both 'outside' and 'within' authority co-lead claims was managed through the ECF Bordereau. This provided a step-change increase for more claims to be brought into scope for ECF while providing data to establish a business case for phase three, a full co-lead ECF solution.

Further information

With the introduction of the 'LMA Guide to Claims' in August 2015, detailed information relating to claims projects is now provided in that Guide which is available from the [LMA website](#).

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4.9 ECF enhancement - Write Back



Background

This project has now been recongize as an in-flight project by the LM TOM. However, the project continues unchanged.

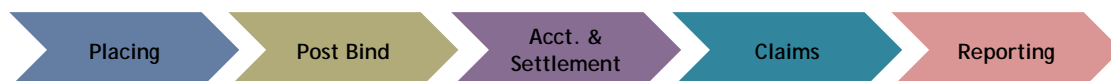
Even though many insurers have developed sophisticated claims management tools and systems for in-house use, when it comes to market agreement of claims, insurers have to log into ECF. The Write Back project will introduce functionality which will offer insurers the choice of using their own systems or ECF to manage claims.

Further information

With the introduction of the 'LMA Guide to Claims' in August 2015, detailed information relating to claims projects is now provided in that Guide which is available from the [LMA website](#).

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4.10 Other change projects underway



Background

A number of projects were underway before the LM TOM Discovery Phase commenced. Some of these projects have already been adopted by the TOM, it is anticipated that others will become part of the Discovery Phase 'early priority initiatives' during 3Q2015, and others will complete during the remainder of 2015, with the possibility of some continuing in to 2016 in parallel with LM TOM projects.

The entries that follow were included in the previous edition of the Guide or are short-term projects. The next edition of the Guide will reflect the status and governance of these projects in 2016.

4.10.1 Delegated Authority management



Background

Elements of this workstream have now been recongize as in-flight projects by the LM TOM. Further details are provided below.

Between them, managing agents have over 7,500 binding authority contracts with over 3,000 coverholders representing some £6.2bln of premium income. Together with line slips, consortia and other delegated authority (DA) arrangements this is a highly significant area of business which has not always received the attention it warrants when the market has considered process modernisation. That is not to say that change is not happening; there are a great many projects underway in the market with various objectives and sponsored and executed by various organisations.

The LMA's Delegated Authority Operations Committee (DAOC) sought to bring clarity to this picture by producing a [Process Vision and Operations Plan](#) which defines six key business problems:

- business process consistency for Coverholders and brokers
- reducing the overhead and friction of Lloyd's approval and regulatory oversight processes
- improving service for coverholders and brokers
- ensuring data reaches those who need it, when they need it, in the most efficient manner
- providing the market with operations focussed leadership and co-ordination in response to regulatory challenges
- ensuring the work of Lloyd's overseas representatives and country managers is properly supportive of managing agents' business appetite.

The plan goes on to describe a processing vision and identifies a set of process design principles which draw on the LMG's 'Framework for the Future', Broker Processing Requirements, and other market sources.

DAOC recognizes that much of the work to achieve its stated objectives will be and is being undertaken by other parties. DAOC's is therefore engaging with other stakeholders in the DA value chain, including the LM TOM programme, to ensure a common approach.

Following engagement in the first stage of the LM TOM Discovery Phase, DAOC has identified the following priorities for the remainder of 2015:

- Data Integration and agreement of ACORD specifications
 - a number of factors have led to data standards being recognized as high priority including Solvency II and Conduct Risk
 - this has been identified as an LM TOM Discovery Phase priority initiative - see [section 4.1](#)
- DA - Core Services
 - a central bordereaux repository for raw data
 - an enhanced successor to Lloyd's ATLAS
 - this has been identified as an LM TOM Discovery Phase priority initiative - see [section 4.1](#)
- Central complaints system to enable the market to manage complaints and meet its regulatory requirements in an efficient manner. This has been identified as an LM TOM Discovery Phase priority initiative - see [section 4.1](#)
- Data Reporting - data is recognized as key to effective management and governance reporting and, as such, requires development of a central data warehouse to hold appropriate data.

Objectives

To progress towards the model that DAOC has identified ten objectives which broadly cover:

- an increase in the use of data messaging between coverholder, broker and managing agent and more efficient data processing and management
- an improved coverholder experience throughout the on-boarding process, the management and oversight of the coverholder during the lifetime of its relationship with Lloyd's, and through the lifecycle of each delegated authority contract
- working in partnership with Lloyd's to ensure that Lloyd's processes, systems and tools support the drive towards an improved experience for the coverholder, as well as efficient data processing, and to ensure that Lloyd's activities are appropriately resourced
- providing leadership and a clear representative voice for managing agents on all matters impacting the operational management of DA business whether on regulatory, process, service or other subjects
- ensuring close liaison with all stakeholders and other initiatives with an interest in the operational management of DA business.

Benefits

By meeting the above objectives this activity aims to deliver improvements in customer service, improvements in managing agents' ability to respond to regulatory challenges and manage risk, and to reduce costs.

Plan

DAOC continues to work with Lloyd's to align the DAOC plan with the LM TOM – see [section 4.1](#). On completion of alignment a plan will be developed and published. This Guide will be updated in the next edition.

Impacts, Linkages and Dependencies

Delivery of much of DAOC's modernisation ambitions will be through the LM TOM work. The improvements sought in data management are aligned to and will assist managing agents to meet the requirements of the Control Framework. Improvements in data handling, the introduction of data messaging and the transformation of data into digital format all align with LMG's overall vision for a future London market.

Governance

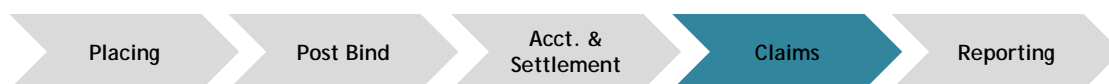
Project Owner: Rob Gillies (LMA)	Project Sponsor: Charles Rowley (Catlin)
Project Contacts: Paul Jeffrey	LMA Lead: Paul Jeffrey

Further information

Further updates will be provided in future editions of the Guide as the plan develops.

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4.10.2 Claims - London Market Group (LMG) Claims Sub-group



Background

This project has now been recongize as priority project by the LM TOM. See [claims core services and systems](#). In order that a 'step change' in claims handling can be made to deliver an enhanced customer service, the claims community believes that a new and flexible process underpinned by a new and transparent technology infrastructure is needed.

The LMG established a Claims Sub-group with representatives from IUA, LIIBA, LMA and Lloyd's to review the Claims Business System Requirements in order to update the documentation and make recommendations to LMG for future work. Two of the key objectives are to:

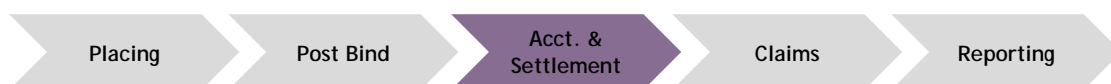
- deliver an enhanced and measurable customer service
- create a more attractive (re)insurance claims offering for London.

Further information

With the introduction of the 'LMA Guide to Claims' in August 2015, detailed information relating to claims projects is now provided in that Guide which is available the [LMA website](#).

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4.10.3 Settlement - Non-bureau (Ruschlikon UK) settlement



Background

Settlement arrangements in the London market bureau community benefit from net settlement arrangements where premiums and claims are netted across counter-parties to minimise the cost of banking transactions required to achieve settlement.

In 2014 the sum of all inward/outward premium/claim/treaty balance accounting transactions processed by XIS in 2014 was £50.7 billion (£39.7 billion Lloyd's and £11.0 billion companies). The efficiency of netted settlement reduced this to £9.0 billion (£5.9 billion for Lloyd's, £3.1 billion companies). *Source - XIS.*

In the non-bureau community settlements are made on a broker to insurer counter-party basis, although Xchanging do offer their Netsett service. As a consequence, at the request of the EBOT user community, ACORD are facilitating an eAccounting Global Net Settlement Working Group to establish an ACORD guide that defines how ACORD messages should be used to support this 'net settlement' function.

Objectives

The working group seeks to identify opportunities to benefit from net settlement within the non-bureau community.

Benefits

Non-bureau EBOT users have seen considerable value added to the non-bureau accounting process by introducing standard messaging (EBOT), enabling brokers and insurers to increase the efficiency and timeliness of agreeing accounting transactions.

This project has the potential to add further value by extending the accounting process into settlement by reducing the number of settlement transactions and associated banking costs.

Plan

The working group commenced in February 2015 and had planned to complete its work by mid-year, after which potential net settlement opportunities would have been identified.

The group originally focussed on development of a post-EBOT Technical Account (TA) reconciliation message. However, as the project progressed, the group also identified the need for a pre-EBOT Technical Account (TA) reconciliation message. As a consequence the project now anticipates concluding in September 2015.

Impacts, Linkages and Dependencies

This project does not have any direct linkages or dependencies although it seeks to benefit from a similar efficient settlement model to that enjoyed by bureau users. As the project is focussed on the Ruschlikon non-bureau company market, there is no impact on managing agents. However, it is anticipated that the outcomes of this project will provide an input into the LM TOM settlement project - see [settlement](#).

Governance

Project Owner: ACORD	Project Sponsor: TBC
Project Contacts: Mel Harding (ACORD)	LMA Lead: Keith Welch

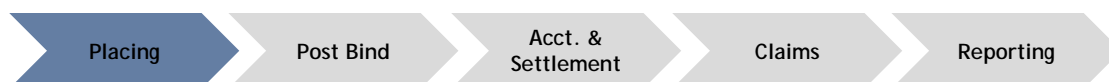
Further information

Mel Harding, ACORD

See also [Appendix E](#)

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4.10.4 Electronic Endorsements ('Electronic Support for Endorsements')



Background

One of the major aspects of the market's drive to adopt electronic processes to support placing is in the area of endorsements. This is part of the London Market Group's (LMG) wider sponsorship of the use of electronic processes to support business placement.

The ultimate objective of this work is for all endorsements in the London market, irrespective of complexity, to be submitted and agreed electronically using data messaging. Importantly, this does not preclude negotiation between broker and underwriter, whether face-to-face or by other means.

LMG developed a project to facilitate the processing and agreement of endorsements electronically using ACORD messaging. A broker can create an endorsement in their own system and then send it via TMEL to the relevant insurer(s) for review and agreement. The insurer(s) respond to the endorsement via their own system and return an ACORD message to the broker.

Objectives

The primary objective is to improve client services by reducing the time and cost to brokers and insurers of agreeing endorsements.

Benefits

The benefits from agreeing endorsements electronically include:

- the creation of a more reliable audit trail
- speeding up the agreement process through greater and more flexible access to insurers
- and, ultimately, providing a better service to the client.

Plan

Electronic endorsements are 'business as usual' across all classes of business but use of the process remains limited. In February 2014, an aviation-specific work stream was initiated and in May 2015 Aon, JLT, Marsh and Willis confirmed their intention to submit 50% of their in-scope endorsements electronically by the end of July, stepping up to 75% by the end of 2015. A number of matters relating to ease of use have been identified, primarily around complex endorsements, and these are being addressed as part of the implementation of the placing platform; see 'linkages and dependencies' below.

Impacts, Linkages and Dependencies

With development of the Placing Platform Limited (PPL) (see [section 4.5](#)) it is anticipated that as the placing platform functionality is developed and implemented, Electronic Endorsements will be integrated into the platform, extending the existing Electronic Endorsement functionality to ultimately support quotes, binds and endorsements.

Impact on managing agents: syndicates are expected to engage with brokers who present endorsements electronically and respond electronically within the service timescales agreed by the market.

Governance

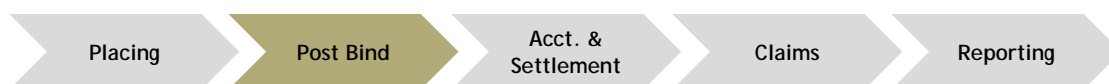
Project Owner: London Market Group	Project Sponsor: Association Boards
Project Manager: Chris Buer (LMGS)	LMA Lead: Peter Holdstock

Further information

See the [LMG website](#) and the [LMA website](#)

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4.10.5 Data Capture Service (DCS)



Background

Currently each insurer undertakes its own risk data capture even though much of the data recorded will be common to other insurers on the same risk. This work may be undertaken by an internal team or outsourced to a specialist service provider. In 2013 a number of managing agents agreed that this process is non-competitive and might be undertaken more efficiently and cheaply through the use of an outsourced central service.

This led to a collaborative initiative, Data Capture Service (DCS) which takes input from insurers of MRC information in any format and turns it into rich structured ACORD standard data. It does this once for each contract and supplies this to all participating insurers for integration into underwriting systems.

DCS went live in January 2014. Currently the service, which is available to both bureau and non-bureau insurers, is being used by a number of insurers to explore and understand the opportunities that a centralised shared service offers.

The service:

- captures and transforms information from a variety of input formats into ACORD structured data once on behalf of all insurers subscribing to an MRC
- provides a pre-defined data quality check once on behalf of all insurers subscribing to an MRC
- clarifies data, through query and resolution, once on behalf of all insurers subscribing to an MRC.

Take up of DCS beyond pilot activity has been limited because of a number of factors including:

- the dependency insurers have on integrating DCS output into underwriting systems if significant benefit is to be realized
- the requirement most insurers have for more extensive data resulting in a need for the service to extend in scope (schedule data for example)

- a lack of clarity amongst insurers regarding the service's future direction and place within, and in relation to, the CSRP model. This latter point is being addressed by the London Market Target Operating Model (see [section 4.1](#)).

Objectives

The primary objective is to reduce the cost to insurers of capturing risk data by using a centralised shared service as opposed to each insurer making their own arrangements and to improve data quality. However, a central service offers opportunities for further value-add activities on a shared basis such as contract checking and credit control.

Benefits

The benefits from centralised data capture include:

- economies of scale and consistency through a single data entry and query process for all MRC subscribers
- the earlier (i.e. pre-accounting) sight of data for central services offering various opportunities for efficiencies and added-value from those services
- richer data for insurers than it is currently cost effective to capture.

Beyond this, the core DCS service will provide a base off of which to explore the introduction of other shared services such as, for example, data cleansing or to support reporting to Lloyd's.

Plan

The DCS steering group has agreed a strategy for 2015 designed to build on the successes achieved to date and remove blockers to further engagement by insurers, create clarity and transparency regarding the future direction of DCS and CSRP, and secure engagement and adoption by insurers.

DCS currently provides limited data and functionality and a number of enhancements have been requested by the market. These include:

- additional data to provide a near complete MRC data set
- schedule data, including Marine Hull, Aviation Hull, and Property schedules
- further enhancement of premium and tax data
- further clarity concerning sectionalized risks
- better query management capability.

Once these enhancements have been implemented, the take up of the service is anticipated to increase significantly as insurers integrate DCS output into underwriting systems.

Mid-year 2015 updates:

- the steering group has reviewed and reaffirmed the strategy. In discussions with the CSR and London Market TOM (LM TOM) programmes, agreement has been reached on the concept of a 'standalone' structure data capture utility which would support various customer groups including the DCS community, PPL and CSRP (PbS). DCS will continue to work with CSRP and LM TOM during the remainder of 2015 to ensure the DCS community requirements are included in a future data capture utility.
- DCS community work undertaken during 2014 to develop query handling using ACORD-based messaging has been a catalyst to a wider ACORD-messaging based query process across PbS, PPL and the LM TOM.
- the DCS user community has continued to work with XIS to identify interim changes that would increase value to existing users and remove some inhibitors to further carrier take-up of DCS. XIS have scheduled an upgrade to DCS for November 2015 to implement these changes.

PbS is described in more detail in [section 4.4](#).

Impacts, Linkages and Dependencies

Even with the implementation of a central placing platform, the bulk of risk data capture will remain a task for insurers. However, process linkage between a platform and a data capture service may provide a joined-up process facilitating the provision of rich data to insurers as well as central processing. The primary dependency at this time is finalising alignment with CSRP PbS (see [section 4.4](#)) in order to define a service enhancements roadmap.

Carriers engaged with DCS have provided early-thinking that has subsequently driven discussion within the wider PbS, PPL and LM TOM thinking. Topics include the use of ACORD-based messaging across the whole risk lifecycle, ACORD-based messaging for query handling, the integration of ACORD messaging in current and future underwriting systems, and the opportunity for earlier data checking and capture and related services immediately before and after writing a risk. Following off the back of the LM TOM, managing agents will want to engage with their software providers to consider how they will look to use and integrate ACORD messaging into underwriting systems.

Governance

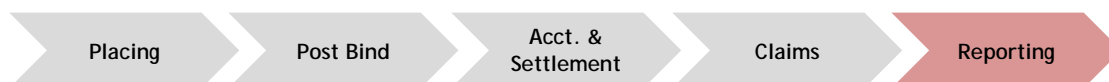
Project Owner: LMA MPC and IUA PEG	Project Sponsor: TBC
Project Contacts: Rob Gillies (LMA)	LMA Lead: Rob Gillies

Further information

See the [LMA website](#).

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4.10.6 Lloyd's control framework



Background

In common with all insurers, Lloyd's is seeing an increase in regulatory scrutiny. Tax authorities in particular are becoming more sophisticated in their auditing approach and are requiring insurers to produce the underlying data upon which returns are based. Recognising this trend, Lloyd's is keen to ensure it can satisfy any future requests and to 'raise the bar' in terms of the quality of tax and regulatory data across the market.

The Control Framework provides a common structure for the assessment of risks and associated controls in the context of information quality for regulatory and tax reporting. The initiative is Lloyd's response to increasing regulatory risk associated with writing complex cross-border business. The Control Framework is mandated by Lloyd's.

Objectives

The Control Framework addresses the need for continuous improvement across the market and ensures requests from regulators and tax authorities can be satisfied into the future.

Benefits

The Control Framework provides benefit both to managing agents arising from improved data quality and to the Corporation, and thus to Managing Agents, through improved management of Lloyd's licenses and

relationships with tax and regulatory authorities. Managing agents will further benefit as the Corporation will continue to act as the primary respondent to regulatory and tax reporting queries for Lloyd's business.

Plan

The project is being run in three phases:

- phase I - all service companies - Managing Agent Board sign-off against the Control Framework by June 2013
- phase II - Coverholders - Managing Agent Board sign-off against the Control Framework by December 2015
- phase III - Open Market - Integrated in to CSRP - see below.

Lloyd's is continuing to engage with all managing agents on the Control Framework through the Delegated Authorities 6 monthly review meetings. So far all managing agents have risk rated their coverholders for tax and regulatory purposes, completed audit plans for high risk coverholders and confirmed the delivery timeline for their board sign off.

As at the end of July 2015:

- 60% of managing agents had assessed their risks, identified their controls and gaps to complete their gap analysis
- 30% of managing agents had evidenced their remediation plan
- 21% of managing agents had successfully provided their sign off to Lloyd's.

The deadline for completion of this work is December 2015.

Instead of being treated as a separate project requiring managing agent board sign-off, Phase III requirements for Open Market is being absorbed into the work of CSRP (see [section 4.3](#)), as part of the requirements for post-bind submission. This decision was based on an extensive period of market consultation, assessment of the tax and regulatory risk associated with open market business and analysis of the many existing controls around open market processes. Taking a pragmatic view, Lloyd's felt that it made little sense to burden Managing Agents with another change project, particularly when open market processes will be undergoing significant changes over the next few years.

Impacts, Linkages and Dependencies

While compliance with the Control Framework evidences a managing agent's ability to manage the quality of its data, the Direct Reporting work stream (see [section 2.5](#)) provides managing agents with choice with regard to how data is provided to Lloyd's.

Governance

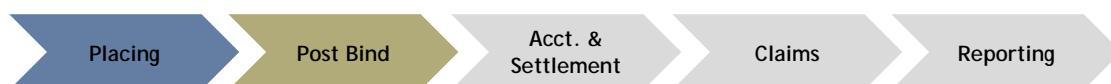
Project Owner: Lloyd's	Project Sponsor: Shirine Khoury-Haq, Lloyd's
Project Manager: Lindsey Davies	LMA Lead: Rob Gillies

Further information

Further information is available on the [Lloyd's website](#).

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4.10.7 OASIS Solutions Project (OSP)



Background

The LMA Board and Lloyd's jointly launched this project which has the potential to materially enhance the choice of catastrophe modelling in the market and provide a basis for future discussions around shared services costing models. Once done successfully for one model it is envisaged that it could be rolled out for several other models.

The project will initially focus on the ARA US Hurricane model. Since 1998, ARA has been accepted by the American Society of Civil Engineers (ASCE) for setting national hurricane wind speed standards and is approved by the Florida Commission on Hurricane Loss Projection Methodology (FCHLPM) since 2000. ARA have committed to providing a shared services cost model and will give discounts for multiple purchase requests. Its existing pricing is already competitive compared with other options.

The project will create the opportunity for managing agents to licence the ARA model on a shared services basis, via the OASIS platform, at a significant discount compared to single licence costs and existing models. This would be the first such agreement in the Lloyd's market for catastrophe models and would provide a template for negotiation with other catastrophe model providers in future. Through this, the development of standardised model validation protocols can be achieved, providing catastrophe modelling professionals with considerable support in the annual model validation exercise under Solvency II.

Objectives

The Oasis Solutions Project (OSP) is a proposal to:

- create an easily accessible, custom built user interface for Oasis (see below) which can be used by managing agents as an additional or alternative platform for catastrophe modelling
- pay for conversion of the ARA US Hurricane model onto the Oasis platform to provide alternative views of risk and greater choice of models
- create the opportunity for managing agents to licence the ARA model on a shared services basis at a significant discount to single licence costs and existing models. This would be the first such agreement in the Lloyd's market for catastrophe models, and would provide a template for negotiation with other catastrophe model providers in future
- develop standardised model validation protocols which will provide catastrophe modelling professionals considerable support in the annual model validation exercise under Solvency II.

Oasis Loss Modelling Framework (Oasis) is a plug and play solution that, through standardisation, will allow multiple model developers to prepare models in the knowledge that they are in a format the insurance industry has endorsed and can use immediately. It is believed that this will enlarge the current market place for catastrophe models and provide greater choice, a wider range of perspectives, and the opportunity to streamline processes such as contract negotiation, validation and IT.

Benefits

With market support, the OASIS platform will facilitate opportunities for:

- providing a choice of models that will drive down the cost of running and licensing these models
- creating transparency in models for effective use
- creating a vibrant marketplace for 'un-modelled' perils and territories
- introducing standardisation that will create further efficiency
- stimulating innovation
- supporting shared service contracts; and
- bringing new cat model providers into the market.

Plan

The evaluation phase of this project commenced in Q4 2014 and is envisaged to complete during Q3 2015.

Impacts, Linkages and Dependencies

The evaluation phase is assessing the impact and benefits to managing agents and is due to report in September 2015. The next edition of this Guide will be updated to reflect the outcomes of the evaluation phase, including any impacts to MAs.

Governance

Project Owner: Ken Curtis (LMA)	Project Sponsor: Rupert Atkin (Talbot and LMA Chairman)
Project Manager: David Clouston (Lloyd's)	LMA Leads: Ken Curtis, Gary Budinger

Current status

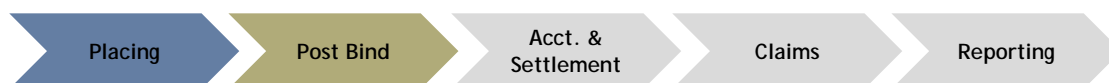
On target to complete as scheduled. Managing agents are currently involved in the validation and testing phase.

Further information

- The [LMA website](#)

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4.10.8 Xchanging File Gateway (XFG)



Background

Xchanging's Distribution Hub (XDH*) is the gateway for routing messages into and out of Xchanging. In particular, it is the vehicle for managing the ACORD and EDI messaging consumed or produced by the premium, claims and reinsurance processing services provided by XCS and XIS. Circa 1.5 million inbound and 1.9 million outbound messages are processed each year. As part of its Platform Refresh Programme, Xchanging will be replacing some components of XDH.

* Note - some Xchanging customers might recognize the service through the user URLs, either 'xfiles.xchanging.com' or 'xfiles.xchanging.com:50000' rather than the term XDH.

Objectives

The objective of the project is to replace some of the current XDH components which are out of support and part of the infrastructure which is out of warranty and no longer scalable.

Benefits

Following successful implementation of the project, XFG will provide a range of benefits to both the market and XCS and XIS offering:

- industry-standard components, using
- current hardware and software, which is
- scalable.

Plan

Work on this project commenced in Q4 2014 and is envisaged to complete during Q4 2015.

Impacts, Linkages and Dependencies

While the work forms part of the wider Xchanging-hosted market infrastructure, the project has been designed and is being implemented as a standalone project. As such, the impact is designed to be non-disruptive whilst providing an enhanced infrastructure for the future.

Please note, though, that XDH users will need to change their FTP / SFTP password and / or IP address. Xchanging are working with the XDH customer base. However, in order to ensure no user entities have been overlooked in the planning phase, users are asked to contact Xchanging via xfq@xchanging.com to ensure they are accounted for.

Governance

Project Owner: Debbie Owusu (Xchanging)	Project Sponsor: Tony Jones (Xchanging)
Project Manager: Earl Taylor (Xchanging)	LMA Lead: Peter Griggs

Current status

The project is on target for implementation over the weekend of 14 and 15 November 2015.

Further information

- Earl Taylor - earl.taylor@xchanging.com or 020 3604 3328 / 07775 685027.

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5. CONSIDERATIONS FOR MANAGING AGENTS

5.1 Considerations for managing agents

This section contains an extract from each of the project entries in section 4 of the impact on managing agents, presented in a tabular format as a summary of considerations for managing agents.

Change project	Link to entry in the Guide	Timescale Start quarter	Timescale End quarter	Impact
London Market Target Operating Model (LM TOM)	Section 4.1	3Q2015	Ongoing	Maintain a watching brief.
Placing Platform Limited	Section 4.2	3Q2015	Ongoing	Readiness to respond to the brokers' commitment is to deliver all their business to market via an electronic platform. Rollout will be by class during 2016 and further details will be provided in future editions of this Guide.
Central Services Refresh Programme (CSRP)	Section 4.3	3Q2015	Ongoing	Maintain a watching brief on PbS.
CSRP PbS	Section 4.4	3Q2015	Ongoing	Initiate discussions with IT suppliers on the adoption of ACORD-based messaging. Await further communication regarding changes to the bureau query process. Maintain a watching brief on PbS.
CSRP - cessation of paper - premiums	Section 4.5	3Q2015	4Q2015	Managing agents who manage service companies that do not use the Lloyd's Direct reporting service will need to plan for migrating from paper. Work is currently underway to finalise timescales and planning for all of these process changes. Further details will be provided in this Guide as and when they become available.
IMR re-platform	Section 4.6	3Q2015	2Q2016	This could impact managing agents through: <ul style="list-style-type: none"> • The likely withdrawal of ECF1, with all ECF functionality then being delivered through ECF2. • A new portal to replace the 'direct load' screens currently used by some managing agents. • Potential operational down-time during the implementation window - this is subject to ongoing scheduling with AAC in order to minimize the impact on the market.
New MAT environment	Section 4.7	3Q2015	4Q2015	None.
ECF binders	Section 4.8	3Q2015	2Q2016	See ' LMA Guide to Claims ' available from the LMA website.
ECF WriteBack	Section 4.9	3Q2015	2Q2016	See ' LMA Guide to Claims ' available from the LMA website.
Delegated Authority management	Section 4.10.1	3Q2015	Ongoing	None pending the outcome of the LM TOM Discovery Phase stage 2.

Change project	Link to entry in the Guide	Timescale Start quarter	Timescale End quarter	Impact
Claims - LMG	Section 4.10.2	3Q2015	3Q2015	None pending the outcome of the LM TOM Discovery Phase stage 2.
Settlement	Section 4.10.3	3Q2015	3Q2015	None pending the outcome of the LM TOM Discovery Phase stage 2.
Electronic endorsements	Section 4.10.4	3Q2015	Ongoing	Syndicates are expected to engage with brokers who present endorsements electronically and respond electronically within the service timescales agreed by the market.
Data Capture Service	Section 4.10.5	3Q2015	Ongoing	None pending the outcome of the LM TOM Discovery Phase stage 2.
Lloyd's Control Framework	Section 4.10.6	3Q2015	4Q2015	None over and above the requirements already set out by Lloyd's.
OASIS	Section 4.10.7	3Q2015	3Q2015	None pending the outcome of the evaluation phase in September 2015.
Xchanging File Gateway	Section 4.10.8	3Q2015	4Q2015	XDH users will need to change their FTP / SFTP password and / or IP address. Please advise Xchanging via xfg@xchanging.com .

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APPENDIX A - KEY INFORMATION TECHNOLOGY (IT) COMPONENTS

The following is a generic summary. Individual firms may have chosen to install one or more of these components within their own IT environments:

1. Transaction Processing Systems

- Broker, Underwriter, and Reinsurer specific systems designed to address core business and accounting needs of an organisation. Automatic input/output capability for interface to third-party systems.
- Commonly feeds central/corporate General Ledger for corporate accounting purposes.
- Often been in place for some time, and difficult/expensive to upgrade/change in total due to a variety of reasons.
- Most firms have aspired to upgrade and replace older mainframe systems and continue to use the most recent and proven technology.
- Examples: Broker Systems - Twins, Brokasure, Eclipse: Insurer Systems - Openbox, Genius, Eclipse, Subscribe.

2. Email - communications

- Central to all companies operations now, examples include: Microsoft Exchange/Outlook, and Lotus Notes.

3. Document Repository

- Central storage location for electronic documents of all forms i.e. Word, Excel, PowerPoint, Adobe PDF, Visio, images, video.
- Strong search and retrieval capability, indexing, optical character recognition (OCR):
 - within individual organisations.
- Examples include Swordfish, Knowledge Centre, and Interwoven.
- Some companies have chosen to work with fixed hierarchical structures within their PC LAN environment rather than implement a specific Document Repository solution.
- Companies are presented with the choice of securing documents within their own repository, or outsourcing ownership to a trusted third party.
- Central to the market.
- XIS IMR for general Broker and Insurer transactional usage through:
 - A&S - premium
 - ECF - claims via a combination of CLASS (Transactional System) and IMR
 - ISO repository - Wordings/Clauses.

4. Workflow

- A relatively new technology that has allowed organisations to automate routine and repeating processes.
- Sits across all technology platforms and defines the processing steps that specific documents or transactions should pass through, with associated SLAs.
- Assists with the engagement of service providers since all organisations can use the same central system.

5. General Ledger Systems

- Corporate system to record all company business.
- Central to all budgeting, expense recording, tax and forecasting information.
- Provides balance sheet and profit and loss positions.
- Local information may be part of a global/corporate aggregation.

6. Internet Connection and Corporate Website

- External corporate connection to the Internet, protected by firewall security.
- Web Browser - sits on every desktop and provides a standard interface to Internet websites - typically Internet Explorer.
- DMZ ('De Militarized Zone') - secure area for delivery of corporate websites to the Internet.
- Corporate Website, most organisations have one, many are hosted by service providers.
- Website functionality continues to grow and integration with all corporate systems assists 'straight through processing'.

7. XML Message processing gateway

- Supports ACORD XML messages - primarily structured data - output/input from/to core transactional processing systems.
- Also un-structured/scanned documents for exchange between workflow and repository systems.
- Enables machine to machine interface of data fields, hence data is only keyed once within the insurance risk cycle and then shared between companies for consistency.
- Supports send/receive/acknowledge functionality.
- Successor to Electronic Data Interchange (EDI).

8. Rating Engine

- Built to provide automatic quotations where underwriting rules are repetitive and consistent i.e. Motor, Household.
- Personal Lines in particular supported by Polaris - Product writer and iMarket.

9. Aggregate Exposure and Modelling System

- Allows U/W insurers to monitor risk accumulation in a variety of ways.
- Examples include: Open Xposure, RMS, Exact.
- Used to support Lloyd's RDS (Realistic Disaster Scenario) returns
- Results are often used to determine Outwards Reinsurance programmes.

10. Trading Platforms

- Run by an independent/trusted organisation in the centre of a market.
- Supports the Placing Support of insurance contracts primarily, and may also support the processing of accounting and settlement and claims transactions.
- Allows standard system interfaces to be built once, to a central system, rather than multiple times to each business partner.
- Examples: Ebix, TIW, eReinsure, MI Trader.

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APPENDIX B - ACHIEVEMENTS SO FAR

Background

Since 2005 the London market has undertaken a series of projects aimed at providing policyholders with direct or indirect improvements to service. During 2015 the market entered the next phase of modernisation with the development of the London Market Target Operating Model (LM TOM) - [see section](#). The achievements to date are summarised below.

Year	Initiative	Benefit
2005	Contract Certainty - including the introduction of slip standards (LMP, MRC)	Improved contract documentation provided in a timely manner.
	Electronic Claim Files (ECF) (using the Insurers Market Repository (IMR))	Faster claims settlement. Paper files replaced by central electronic files that are available to all counterparties.
2006	Electronic submission of accounts to central services (A&S via IMR)	Faster premium settlement. Removal of paper handling logistics. Flexible XIS processing across sites and territories.
	Reduction in legacy policies	Removal of the legacy policy (contracts for which no policy (or other appropriate evidence of cover) had been issued to the client) backlog systematically year on year.
2007	Electronic policies	Faster provision of policies to policyholders.
2009	Electronic accounts (Ruschlikon - Europe)	Faster accounting agreement, reconciliation and premium settlement.
	Endorsements standards (MRCE)	Improved and standardised endorsement documentation.
	The Message Exchange Limited (TMEL)	Provision of a single connection for each counterparty for handling ACORD messages.
2010	Electronic Endorsements (using ACORD messaging)	Faster endorsement agreement with an auditable trail and measurable SLAs.
	Framework for the Future	Development of a high level vision for future market processing.
	Claims Transformation Programme	Changes to improve claims handling standards and position claims talent with equal importance to underwriting.
2011	Electronic accounts to central services (eAccounts)	Adoption of data-based premium processing as a first step towards "straight through" central services processing.
	Electronic accounts (Ruschlikon UK - non-bureau)	The introduction of the benefits of Ruschlikon Europe in to the London non-bureau market.
2013	Lloyd's Direct reporting	Provision of choice for how managing agency service companies provide reporting data to Lloyd's.
	Placing Platform Limited (PPL)	Positioning the market to for the introduction of recording all original placements and endorsements electronically.
2014	Data Capture Service (DCS)	Development of a centralised shared carrier risk data capture service.
	Central Services Refresh Programme (CSRP)	Adoption of ACORD EBOT / ECOT for submission to central services.

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APPENDIX C - BIPAR PRINCIPLES

In the final report from the EU Commission on its inquiry into the business insurance sector (published in September 2007), concerns were raised about the compatibility of certain subscription underwriting practices with EU competition law. The Commission challenged the insurance industry to reform these practices so as to avoid potential breaches of competition law. In response to that challenge, BIPAR, the representative body of European insurance intermediaries, adopted a series of principles that brokers are to observe in the subscription process, published on the [BIPAR website](#).

The BIPR Principles are set out below. In April 2011, the LMA provided guidance from the underwriters' perspective on competition law in relation to the placing process and this is available from the [LMA website](#) (LMA members only - may require sign on to the website).

BIPAR Principles

- The intermediary shall, based on information provided, specify the demands and needs of the client as well as the underlying reasons for any advice.
- Before placing a risk, an intermediary will review and advise a client on market structures available to meet its needs and, in particular, the relative merits of a single insurer or a multiple insurer placement.
- If the client, on advice of the intermediary, instructs the latter to place the risk with multiple insurers, the intermediary will review, explain the relative merits and advise the client on a range of options for multiple insurer placement (see footnote).
- Intermediaries will expect insurers to give careful independent consideration to the option requested.
- In the case of a placement of a risk with a lead insurer and following insurers on the same terms and conditions, the previously agreed premiums of the lead insurer and any following insurers will not be aligned upwards should an additional follower require a higher premium to complete the risk placement. Indeed, the intermediary should not accept any condition whereby an insurer seeks to reserve to itself the right to increase the premium charged in such circumstances.
- During the placement of the risk, the intermediary will keep the client informed of progress.

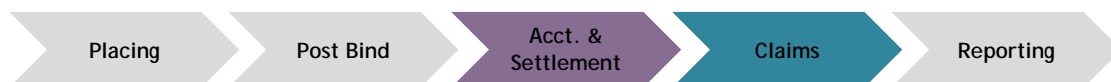
Footnote to principles

There are a range of options for multiple insurance placements, two examples of which are the following:

- selection of a lead insurer through a competitive process and subsequent invitation to potential following insurers to cover part of the risk on the same contract conditions and premium, it being understood that nothing should prevent following insurers quoting a different premium;
- selection of lead insurer through a competitive process followed by a series of negotiations between the broker and potential following insurers for the coverage of part of the client's risk not covered by the lead insurer with identical contract conditions and different premiums across all or some of the participating insurers.

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APPENDIX D - EBOT AND ECOT (RUSCHLIKON MODEL)



General description - Introduction

While standardised processing has existed in the bureau community for many decades, the processes in use by the non-bureau community have been more fragmented and have evolved by agreement with counter-parties using a variety of methods and media to share business data. While this approach still pervades the non-bureau world, in 2012 LMG adopted the Ruschlikon use of EBOT as the first step towards introducing standardisation in efficiencies to the non-bureau world.

The [Ruschlikon initiative](#) is driven by a group of global (re)insurance industry players (Aon Benfield, Willis, Guy Carpenter, JLT, Ace, Allianz, AIG, Amlin, Axis Re, Generali, Global Aerospace, Munich Re, QBE, SCOR, Swiss Re, Talbot, Tokio Marine, Trans Re, XL Re, XL, and Zurich), together with ACORD, to further automate (re)insurance back-office processes (technical accounting, claims agreement, settlement) using ACORD GRLC standards. Additionally, Ruschlikon offers more flexibility for how counterparties operate at either end of the EBOT activity than the bureau offers.

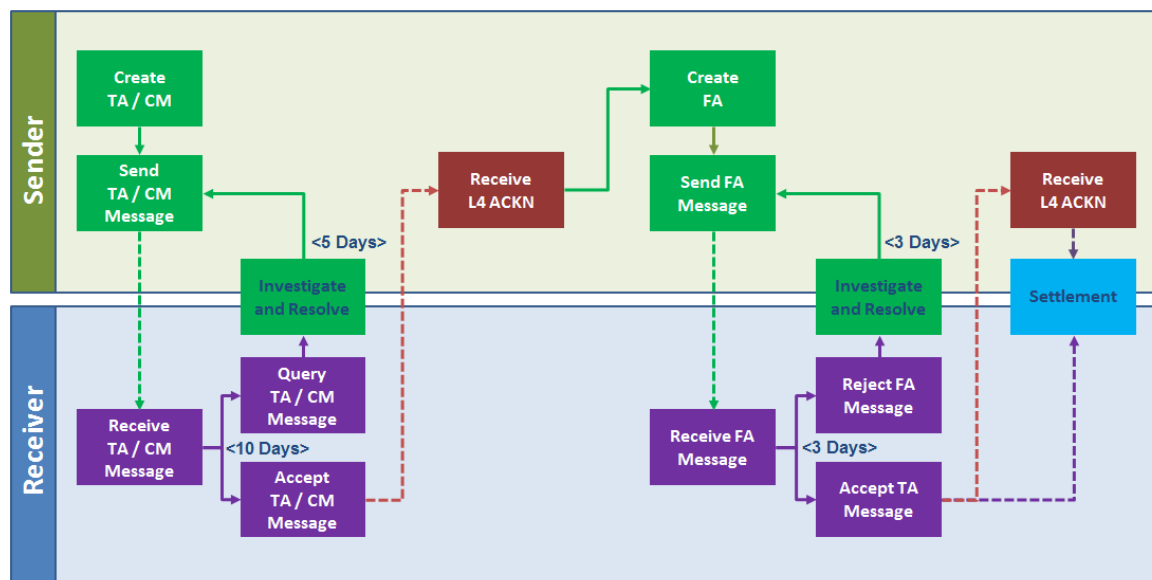
The two key message types are:

- EBOT (Electronic Back Office Transaction) - the premium accounting transaction
- ECOT (Electronic Claims Office Transaction) - the claims movement.

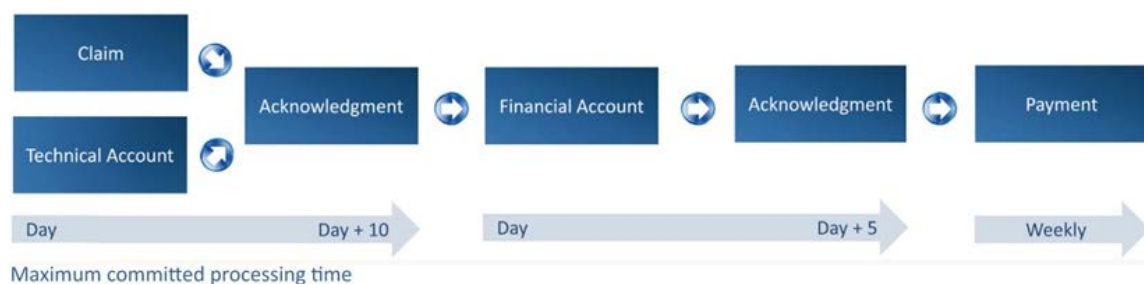
Supported by:

- TA (Technical Account and FA (Financial Account) - premium accounting
- CM (Claims Movement) and FA (Financial Account) - claims.

The diagram below provides an overview of the Ruschlikon process.



Ruschlikon has also introduced best practices concerning maximum processing time, as shown below:



See also [Appendix F](#).

General description - Accounting - EBOT

The EBOT message is the equivalent of a bureau submission consisting of LPANs (or electronic accounts data messages).

The 1999 bureau 'delinking' project introduced the notion of separating the establishment of the accounting debt from the settlement of monies - effectively the Technical Account (TA) and Financial Account (FA) which are integral to EBOT.

The relationship between Ruschlikon and other accounting models is shown in the table below:

Model	Primary sponsor for original development	Processing - centralised or P2P	ACORD Message standard	Settlement - netted or individual	Likely user community
A&S IMR	LMG	Centralised	DRI (image only)	Netted	London market bureau
electronic accounts	LMG	Centralised	electronic accounts (EBOT data) with DRI (image)	Netted	London market bureau
Ruschlikon UK	LMG & Ruschlikon Business Implementation Group	P2P	EBOT (data)	Individual	Company market non-bureau and global (re)insurers

General description - Claims - ECOT

The ECOT message is effectively the equivalent of a bureau market claim consisting of LCCFs and the corresponding LIMCLM and SCMs.

Whereas the bureau claims model is not so closely integrated with the accounting and settlement process, the Ruschlikon model has adopted a closer-coupled ECOT-based claims process using Claims Movement (CM) and Financial Account (FA) message types.

However, while the claims message standards exist, the non-bureau community tends to continue with a fragmented approach, having evolved a variety of methods and media to share claims data. Ruschlikon's adoption of the ACORD GRLC standard supports the ECOT claims message which has been implemented by a small group of brokers and insurers with the expectation that wider adoption will occur.

General description - Settlement

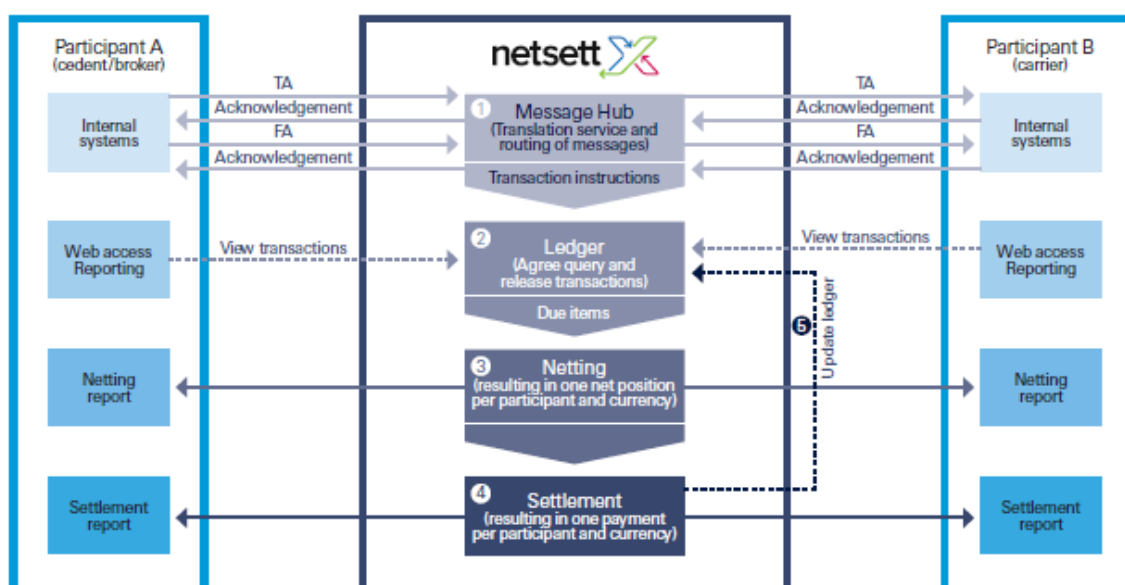
Settlement arrangements are made on a broker to insurer counter-party basis.

Tools and services

Xchanging Netsett

Xchanging (Xchanging plc rather than XIS or XCS) offer their Netsett service which complements and augments the ACORD GRLC Technical Account and Financial Account processes and provides a netted settlement process.

The diagram below illustrates the Netsett process:



Further details on Netsett can be found at [Xchanging's website](#).

ACORD Settlement Processing Working Group

In February 2015 ACORD announced the formation of an e-accounting Settlement Processing Working Group, on behalf of the user community to establish an ACORD guide that defines how ACORD messages should be used to support a 'net settlement' function. The group plans to complete its work by mid-year. See [section 4.6](#).

Governance

ACORD co-ordinates the Ruschlikon global communities by facilitating the following groups and communities:

- the Ruschlikon Steering Group
 - determines the objectives, strategy and vision
 - works in close cooperation with all stakeholders
 - globally coordinates activity with other representative groups
- the Business Implementation Group (BIG)
 - evaluates and refines enhancements
 - agrees on process and workflows
 - maintains the Global (Re)Insurance Best Practices - Accounting claims and Settlement.
- geographic insurance communities
 - North America E-Business Group - the USA and Canada
 - Ruschlikon UK - the London and UK non-bureau market
 - Bermuda Ruschlikon Steering Group - Bermuda
 - Ruschlikon Asia-Pacific - Singapore and South East Asia
 - Ruschlikon Australasia - Australia

- the Ruschlikon Global Marketing Group is responsible for helping regional implementation communities organise events and produces marketing literature, video and webinars.

Linked Modernisation Projects

With agreement during 4Q 2014 to the CSRP Target Operating Model (PbS TOM) for Post bind Submission (PbS - see [section 4.5](#)), work has now commenced on defining the roadmap for delivery, including identification of costs and development of the business case to convert electronic accounts to a 'pure' EBOT model. This will bring electronic accounts into line with Ruschlikon UK in support of the brokers' desire for a single processing model regardless of market.

As noted above, ACORD have announced the formation of an e-accounting Settlement Processing Working Group. See [section 4.6](#).

Further information

LMA contact - Peter Holdstock

Ruschlikon community - see the [ACORD website](#)

Ruschlikon UK (non-bureau) - see the [LMG website](#)

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APPENDIX E - ACORD: AN OVERVIEW

Objective

ACORD, the Association for Cooperative Operations Research and Development is the international data standards development organisation. ACORD's standards are created by insurance industry subject matter experts and are developed to ease data interchange and reduce frictional costs for the insurance industry. ACORD provides:

- standards defining the message format for exchanging structured transactional insurance data (i.e. data in fields with defined business definitions, length, content type and other characteristics) in electronic messages and paper form (e.g. ACORD Global Placing Document, which is known as the Market Reform Contract in London)
- standards for the exchange of unstructured, supporting data within electronic documents, such as PDFs, MS Office files and scanned images
- business rules for the exchange of electronic messages, including process flows, minimum data requirements and best practice guides.

ACORD also provides:

- an online Testing and Certification Facility to certify companies' compliance with standards implementation rules
- a personal accreditation called ACE (ACORD Certified Expert) for personnel that have successfully completed ACORD's learning and examination program
- learning opportunities through its webinars, conferences and its free-to-attend ACORD Open Innovation Forum in London.

While based in the US, ACORD maintains a London office.

Ownership

ACORD is a members' association. Many London market brokers and insurers have ACORD membership; others have (limited) representation through their membership of the IUA, LIIBA, LMA and Lloyd's. In addition, most of the broker and underwriter software providers to the London market are also members.

Governance

All ACORD activities are subject to members' agreement. ACORD maintains a series of governance groups, both across the line of business programs and within each program. Implementation communities within each program are able to propose changes to standards which, subject to member plenary sessions and related governance, can be proposed, agreed and adopted.

Board membership

Details of the board membership can be found on the [ACORD website](#).

ACORD programmes

ACORD maintains a series of standards programmes for the global insurance industry. Within London the primary programme in use is General Reinsurance and Large Commercial (GRLC) although there is increasing usage of two other programmes when transacting business with overseas Coverholders.

The three programmes are:

- GRLC - used globally for cross-border and/or wholesale business
- ACORD Messaging Library (AML) - used for mostly domestic, personal lines business in Australasia and Southern Africa and increasingly, in emerging insurance markets. Includes Property Exposure Reporting standards
- Property & Casualty (P&C) - typically personal lines business in North America.

Within the GRLC program, ACORD messages are used to support:

- Placement including build, quote, bind, endorse, cancel and renew
- Accounting and settlement
- Claims
- Bordereaux
- Tax and Regulatory Reporting.

LMG is committed to the use of ACORD GRLC (General Reinsurance and Large Commercial insurance messages) within London.

While the GRLC program supports messaging from 'cradle to grave' within the risk lifecycle, currently London (bureau and non-bureau) usage is limited to communities implementing components of the GRLC to manage specific business functions - e.g. some insurers are using components of the placing message to support the insurers data capture Service (DCS).

With an increasing focus on adopting standards for managing business with overseas Coverholders, focus is turning to the other two programs, AML and P&C. To ensure the attractiveness, and openness, of London as a market, the market has taken the decision to support these standards so that counterparties can send data to the market without having to transform it into GRLC standards. Work is currently underway, with ACORD, to consider the inter-operability of the three standards programs and the practicalities of handling non-GRLC messages within London.

Details of all the standards are available on the [ACORD website](#).

ACORD also provides a number of generic components, and an approach to message and supporting file management, as well as an insurance enterprise reference architecture.

Further information

Further information is available from the [ACORD website](#).

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APPENDIX F - LONDON MARKET GROUP (LMG): AN OVERVIEW

Objective

Historically the LMG has been focussed on modernisation of market processes. However, at the start of 2014 LMG widened its scope to consider the bigger challenge of enhancing London's global competitive position.

LMG's remit includes:

- setting, maintaining and promoting the common vision of London as the market of choice for global insurance
- identifying and/or initiating and/or approving; and sponsoring commonly agreed projects that will build towards the vision
- determining the relative priority of projects within the overall modernisation programme
- commissioning commonly agreed market bodies to take primary responsibility for delivering those projects and to ensure they are appropriately resourced and financed
- tracking and reporting on progress of those projects
- leading the communication of the modernisation agenda.

Additionally, LMG exists to provide clarity and, where necessary, leadership on other, non-business process related, issues that require cross market consensus or collaboration.

As part of this, during 2014 LMG commissioned a fact-based assessment of the value and competitiveness of the London market. This was designed to understand the market ahead of considering promotion of the market, informing discussions with Government and regulators, and understanding the rationale of brokers and policyholders when selecting where to buy their insurance in an increasingly global market. The resulting report '*London Matters*' is available from the [LMG website](#) and underpins LMG's activities.

In January 2015 LMG considered its response to '*London Matters*' from which it outlined five work streams:

- a promotional campaign for London, targeted at the insurance industry and the market's ultimate customers
- development of talent and diversity, recognising that the market workforce may need to change both in terms of skills and the global nature and culture of its customer
- building on the initial engagement, in 2014, with the Government
- continued modernisation of the market infrastructure and processes
- understanding the implications for central resourcing.

Ownership

LMG is a representative group comprised the CEOs of Lloyd's, IUA, LIIBA, LMA along with nominated representatives from each of those communities, and supported by the LMG Secretariat.

Governance

Governance is through the respective associations.

Board membership

Details of the current group membership are available from the [LMG website](#).

Further information

Further details of the LMG and its work are available from the [LMG website](#). In addition, LMG publishes a [monthly newsletter](#) and holds a [monthly forum](#) open to all market practitioners.

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APPENDIX G - PLACING PLATFORM LIMITED (PPL): AN OVERVIEW

Objective

In 2013, the LMG Future Process review concluded, amongst other things, that the market needed to improve its accessibility by delivering a central placing platform. This platform would support a flexible negotiation process, facilitate access to the market and offer faster placement for the benefit of the client. The platform would support both traditional face to face negotiations and purely electronic placements or a combination of both.

As a result of a number of broker firms indicating their intention to adopt market access strategies based on placing platforms, the market associations (IUA, LIIBA and LMA) agreed that a solution would be best delivered via a market utility. As a result, the Placing Platform Limited (PPL) was formed and was charged with establishing a market level relationship with a provider for the provision, governance and management of this platform.

Some key principles have been agreed to help shape this work being:

- any platform solution offered to the market is provided under licence to a market owned utility vehicle along similar lines to The Message Exchange Limited (TMEL)
- any proposals will build on the market's adoption of electronic endorsements
- any proposals will be based on the use of ACORD data standards, delivered via The Exchange for TMEL customers
- any proposals will integrate with the market infrastructure supporting all other elements of the end to end transaction.

Ownership

PPL is a company limited by guarantee jointly owned (in equal proportions) by International Underwriters Association (IUA), London and International Insurance Brokers Association (LIIBA) and Lloyd's Market Association (LMA). It is anticipated that PPL will contract with a supplier who will provide the services to the market. Insurers and brokers would contract with PPL.

Governance

Each shareholder organisation (IUA, LIIBA and LMA) appoints its own Directors of TMEL. LMA's representatives report to the Market Processes Committee which advises the LMA Board on key decisions.

Board membership

The list of PPL board members is available on the [LMG website](#).

Further information

Further information is available on the [LMG website](#).

LMA contact: Peter Holdstock

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APPENDIX H - THE MESSAGE EXCHANGE LIMITED (TMEL): AN OVERVIEW

Objective

The Exchange is a London market utility provided by IBM via The Message Exchange Limited (TMEL). TMEL is responsible for providing a message exchange which enables brokers, underwriters and IT suppliers to have a single connection point from which they can send and receive information securely between multiple parties. TMEL does not impose particular processes on users but does ensure compliance of messages with current ACORD data standards.

The two primary benefits of the Exchange are:

- participants are only required to maintain one connection in order to communicate with many counter parties
- compliance with market agreed standards is controlled in the center, creating clarity.

The Exchange offers:

- connectivity to all trading partners
- a single connection point with a low overhead for organisations to support and maintain
- simplified interconnectivity between IT service providers
- a means of exchanging structured information which can be fed directly into back office systems
- message validation according to a single ACORD standard enabling consistent implementation of the standard across the market
- the possibility of having a managed process of upgrades for the market
- a secure and reliable environment.

Ownership

TMEL is a company limited by guarantee jointly owned and managed by the LMA, LIIBA, IUA and Lloyd's. TMEL contracts with a supplier, currently IBM, who provides the message exchange services to the market. Insurers, brokers and market IT suppliers contract with TMEL.

Governance

Each shareholder organisation (IUA, LIIBA, LMA, and Lloyd's) appoints its own Directors of TMEL. LMA's representative reports to the Market Processes Committee.

Board membership

The list of TMEL board members is available on the [Lloyd's website](#).

Further information

Further Information is available on the [LMG website](#).

LMA contact: Rob Gillies

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APPENDIX I - XCHANGING: AN OVERVIEW

Introduction

Within the London market the name Xchanging is often used interchangeably with the names XCS and XIS. This appendix explains both the company and its involvement in the London insurance market.

The Xchanging group

Xchanging is a publicly listed company providing business process and technology services to a variety of industries on an international basis. The group head office is in Walbrook, in the City, which is also the London office for its London insurance market operations. Further details about the group are available on the [Xchanging website](#).

Within insurance, Xchanging provides a variety of services to the international insurance industry as well as to the London insurance market.

Xchanging in the London insurance market

Core services

Xchanging provides services to the market through a combination of 'core agreements' (central services managed through centralised governance) and other services provided on an elective basis.

The four key core agreements are:

Agreement	Key services	Service provider	Customer base	Governance (Inc. link to information)
LPSO	Risk data capture, premium, policy, settlement, reporting	XIS	Lloyd's Managing Agents	LMA XRB
LPC	Risk data capture, premium, policy, claims, settlement	XIS	IUA companies	IUA SRP
(Technical) Processing Services Agreement	Claims technical processing, settlement	XCS	Lloyd's Managing Agents	LMA CSR
IMR	IMR, ECF, electronic accounts	XIS	Lloyd's Managing Agents and IUA companies	IUA and LMA AAC

The service providers for the core agreements are joint ventures with:

- Xchanging Claims Services (XCS) - Lloyd's (50% shareholding), Xchanging group (50%)
- Xchanging Ins-sure Services (XIS) - IUA (25% shareholding), Lloyd's (25%), Xchanging group (50%).

So, in its strictest sense, Xchanging group is a shareholder in XCS and XIS but not the legal entity that provides core services to the London market. These services are provided under a series of standard market agreements which are signed individually by each insurer but governed by central association-led review governance boards. Key facts relating to core services are provided on the next page.

Other services

Xchanging provides other services to the market either through the joint ventures or via wholly-owned subsidiaries such as [Xuber](#).

These services are contracted on an elective 1-2-1 basis and any governance arrangements are agreed between the customer and Xchanging; there are no central association-led governance arrangements. These services could include business process activities or, in the case of software, broker or underwriter systems.

London insurance market core services - key insurance business processing services facts for 2014 - source XIS

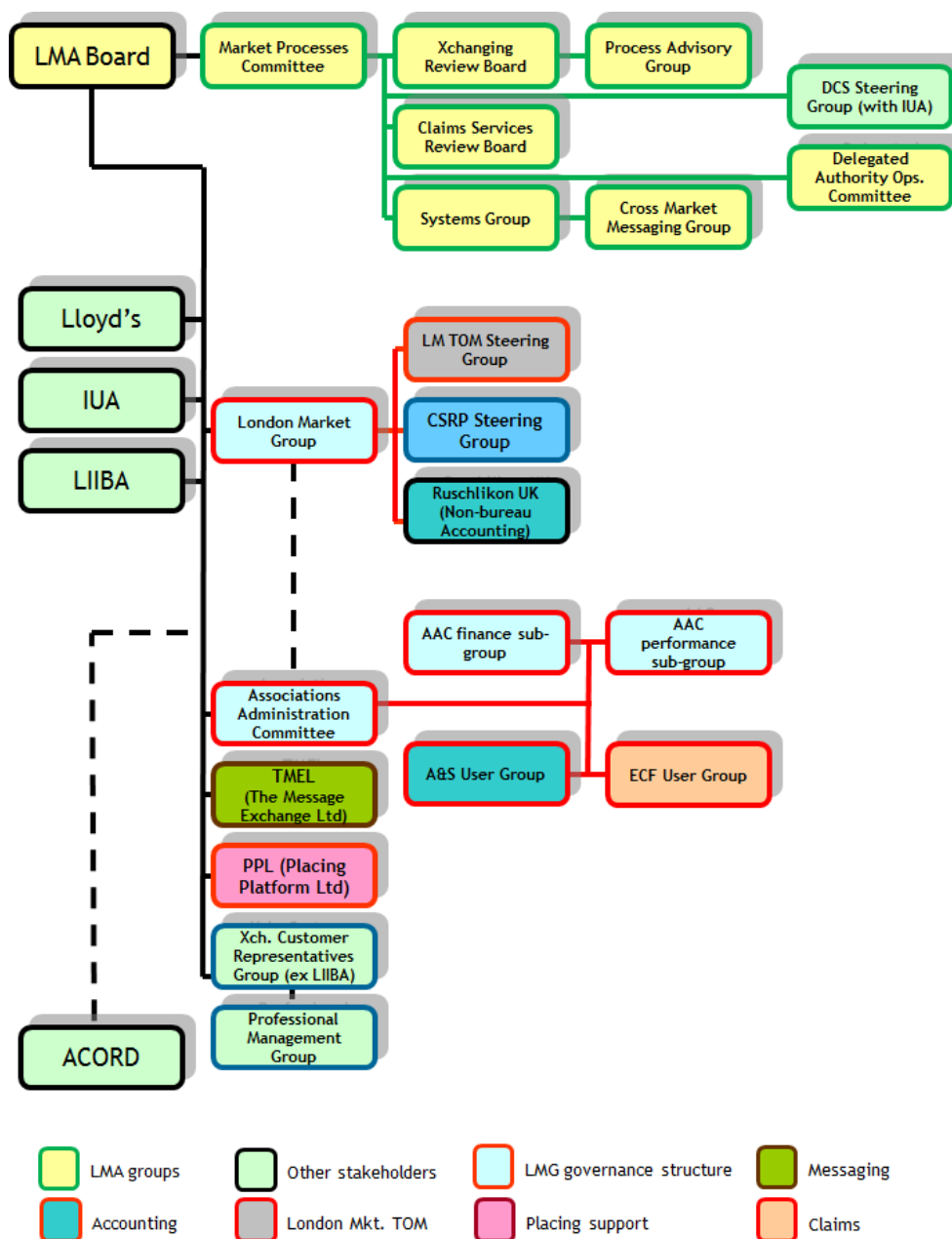
- 2014 saw a 4% increase in premium volumes and a 6% decrease in the value of combined net premium.
- This is the first time claim advices for Lloyd's broke the 1m barrier. The sum of all inward/outward premium/claim/treaty balance accounting transactions processed by XIS services &/or systems in 2014 was £50.7 billion (-6% on 2013) - this ignores which way the money was flowing. Split as follows: £39.7 billion Lloyd's (-6%); £11.0 billion Companies (-8%).
- The efficiency of Central Settlement netted this down to £5.9 billion for Lloyd's and £3.1 billion for Company Market processing. £9.0 billion netted combined; down 1% from £9.1 billion in 2013.
- XIS processed 1,339,174 inward premium transactions in 2014 between brokers and underwriters (+4% on 2013; split +4% Lloyd's; +4% Company). Split 956,324 Lloyd's and 382,850 Companies.
- XIS and XCS systems transacted inward claims, refunds & fees to the netted value of £13.5 billion or £15.6 billion (ignoring which way the money was flowing) in 2014:
- this was split £11.9 billion Lloyd's (-5% on 2014); £3.7 billion Companies (-2% on 2013)
- XCS notified 1,006,767 Lloyd's claim advices in 2014 (first advice, movement & settlement) using the Syndicate Claims Message (SCM, +7% on 2013)
- the change from 2013 was -43% Adjusting and +24% Technical Processing.
- Lloyd's claim file submission volumes in 2014 were 936,040 (+9% on 2013)
- split 116,874 Adjusting (-47%) and 819,166 Technical Processing (+28%)
- During 2014, the quantity of documents stored on the Insurers' Market Repository increased by 24% to 43,496,045. There were over half a billion IMR page hits during 2014. The number of IMR users increased by 6% to 9192 in 2014.
- Over 37 million messages passed through Xchanging Messaging Hub services during 2014 including 10 million ACORD messages.

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APPENDIX J - KEY GROUPS INVOLVED IN MARKET PROCESSES

Background

The following diagram shows the principal groups responsible for market processes, both 'business as usual' and change, from a managing agent's perspective. Due to the challenges of representing all London market stakeholder communities, in a variety of different contexts, this chart is not exhaustive and omits a number of lower level groups and temporary project and working groups.



Notes:

1. The context and role of each group is outlined on the following page.
2. While Xchanging is not shown on this diagram, the role of some of these groups is, or includes, management of the delivery by Xchanging of its various services.

MPC representation on the groups

Group	MPC member	Role on Group
XRB - Xchanging Review Board	Monique Alder (Brit)	XRB chairman
CSRB - Claims Service Review Board	Phil Nastri (Brit)	CSRB chairman
Systems Group	Paul Chadburn (Faraday)	Systems Group chairman
AAC - Associations' Administration Committee	Ian Fantozzi (Beazley)	MPC representative
PPL - Placing Platform Limited	Adam Rushin (Hiscox) Kirk Maddern (Liberty)	LMA Directors
TMEL Board	Ian Fantozzi (Beazley)	LMA Director
CSRP SG - Central Services Refresh Steering Group	Sheila Cameron (Hiscox)	MPC representative
DAOC - Delegated Authority Operations Committee	Charles Rowley (Catlin)	DAOC chairman
TOM Steering Group	Justin Emrich (Atrium) Ian Fantozzi (Beazley)	MPC representatives

Additionally:

Xchanging Customer Representatives Group (CRG)	Malcolm Beane	LMA representative
Professional Management Group (PMG)	Malcolm Beane	LMA representative

LMA market process groups in summary

Group	Role	LMA website link for more information
MPC - Market Processes Committee	The LMA's market processes team supports the development of efficient and cost-effective business processes in the Lloyd's and London market. Our activities are co-ordinated by our Market Processes Committee which is populated by COOs and other senior individuals from member firms.	MPC
XRB - Xchanging Review Board	The XRB is a sub-committee of the MPC and is responsible for monitoring and managing the quality and delivery of services provided by Xchanging Ins-sure Services (XIS) to managing agents under the terms of the LPSO Ltd Services Agreement. In addition, XRB works with XIS to agree service pricing and changes to the services.	XRB
PAG - Process Advisory Group	PAG is a sub-group of XRB. The group is tasked with supporting XRB and working with Xchanging Ins-sure Services (XIS) to consider any practical process-related matters that fall under the services provided by XIS to managing agents under the terms of the LPSO Agreement.	PAG
CSRB - Claims Service Review Board	All Managing Agents have signed a contract with Xchanging Claims Services (XCS) for the supply of claims processing services by XCS. Market governance is undertaken by the CSRB.	CSRB
Systems group	As a sub-committee of MPC, the Systems Group provides a focal point for Heads of IT at Lloyd's Managing Agents to discuss systems and technology matters. The group provides members with an opportunity to influence strategic thinking in relation to IT systems in the Lloyd's market and remain aware of capability amongst the market's technology suppliers.	Systems Group
CMMG - Cross Market Messaging Group	CMMG operates jointly on behalf of the LMA and International Underwriting Association (IUA). It is the primary forum, and a centre of knowledge and expertise, for dealing with structured London Market insurance business messages. The group monitors performance within day to day operations, and also manages carrier input to proposed changes to messages and their related systems.	CMMG
DCS steering group	The DCS project is being driven by a Steering Group under LMA chairmanship and reporting to LMA's Market Processes Committee and IUA's Process Efficiency Group.	DCS
DAOC - Delegated Authority Operations Committee	DAOC is a sub-committee of the LMA's MPC. Its role is to identify and promote the common interests of LMA members in any matter relating to the operation of delegated authority facilities. This includes providing a forum to determine common objectives, advising MPC on delegated underwriting issues, leading initiatives to realise benefits for LMA members, and exercising influence over the direction, priorities and pace of London's process modernisation agenda. DAOC works closely with the Corporation of Lloyd's and with other LMA and market groups.	DAOC
AAC - Associations' Administration Committee	The AAC undertakes collective governance on behalf of customers under the Insurers' Market Repository Agreement. In this role AAC reports to LMA and IUA. AAC also manages process change programmes on behalf of LMG.	AAC
ECFUG - ECF User Group	The ECFUG was established in 2006 and provides a forum for cross market debate and consideration of issues relating to ECF development and use.	ECFUG
ASUG - A&S User Group	The ASUG is a sub-group of the IUA and LMA's AAC and is tasked with looking after the interests of users and managing the business as usual enhancement priorities for Accounting and Settlement, both A&S via the IMR and eAccounts.	ASUG

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APPENDIX K - LMA CONTACT DETAILS

The table, below, provides contact information for the LMA staff referenced in the Guide.

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Gillies, Rob	Director, Market Processes	020 7327 8377	robert.gillies@lmalloyds.com
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The full LMA Staff structure chart is available on the [LMA website](#).

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