



# Electronic Support for Placing in the London Market

## Endorsements Pilot Second Interim Report

v1.0, December 2010

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## 1. Document Control

Version	Date	Author	Description
0.1	16 Dec 10	Rob Gillies	Initial draft for review and comment
1.0	21 Dec 10	Rob Gillies	Following comments from EMG members. Published version.

## 2. Executive Summary

The live pilot of electronic support for endorsements commenced on 1 October and the purpose of this report is to provide an evaluation of the first two month's activity.

The headlines are:

- The process deals successfully with simple endorsements (i.e. those not requiring negotiation or multiple drafting) and there is broad acceptance of this amongst market firms.
- There is more work to do to optimise the process for use with complex endorsements but the issues to be addressed have been identified and work is in hand to resolve them.
- Use of the process is negatively impacted by the problems of using the process for complex endorsements. This is a symptom and resolution of the underlying issues is expected to result in an increase in use.
- Response times are now better understood and the extent to which the 24 hour target is not being met is not as widespread as first thought.
- Limitations in many firm's implementations (in terms of integration, user friendliness and functionality) is limiting the realisation of benefits although the overall message remains positive.

After review, EMG has maintained four of the five critical success factors as unchanged (the CSFs were slightly reordered and realigned following the first survey). The exception is 'Usage'. Clearly 100% usage has not been reached and it looks unlikely that this will be so by the end of the pilot. However, the reasons for this are understood and activities to address the issues are in hand.

RAG Status	
<b>RED</b> previously <b>AMBER</b>	<b>CSF1: Usage:</b> <ul style="list-style-type: none"> <li>• There is 100% usage of the electronic support process for business within the core pilot class</li> </ul>
<b>GREEN</b> previously <b>GREEN</b>	<b>CSF2: The Process is fit for purpose:</b> <ul style="list-style-type: none"> <li>• The ACORD process defined is adequate to satisfy the core business requirements</li> <li>• The ACORD standards are being used as intended</li> <li>• A common process is being used by the market</li> </ul>
<b>GREEN</b> previously <b>GREEN</b>	<b>CSF3: Technology and Exchange governance are fit for purpose:</b> <ul style="list-style-type: none"> <li>• There are no technology or Exchange governance issues which have prevented participation in the endorsements pilot</li> </ul>
<b>AMBER</b> previously <b>AMBER</b>	<b>CSF4: Participation:</b> <ul style="list-style-type: none"> <li>• Firms that have committed are fully engaged</li> <li>• The business protocols are being followed</li> <li>• Practitioners are meeting target response times</li> <li>• The process is delivering satisfactory client service</li> </ul>

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<b>A M B E R</b> previously <b>A M B E R</b>	<b>CSF5: Practitioners:</b> <ul style="list-style-type: none"> <li>Practitioners acknowledge actual or potential benefit</li> </ul>
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It remains the case that in general terms the market sees the electronic process as working and sees the prospect of benefit for their business from the use of that process. However, action is still required from all firms to drive this change forward.

### 3. Headline Issues

A fuller analysis of the survey results is contained in section 6. The conclusions drawn by EMG on those results are:

- The process deals successfully with simple endorsements (i.e. those not requiring negotiation or multiple drafting) and there is broad acceptance of this amongst market firms.
- There is more work to do to optimise the process for use with 'complex' and 'urgent' endorsements but the issues to be addressed have been identified and work is in hand to resolve them.
- Use of the process is negatively impacted by the problems of using the process for complex endorsements. This is a symptom and resolution of the underlying issues is expected to result in an increase in use.
- Response times are now better understood and the extent to which the 24 hour target is not being met is not as widespread as first thought.
- Limitations in many firm's implementations (in terms of integration, user friendliness and functionality) is limiting the realisation of benefits although the overall message remains positive.

### 4. Key Actions for Participating Firms

It remains the case that in general terms the market sees the electronic process as working and sees the prospect of benefit for their business from the use of that process. However, action is still required from all firms to drive this change forward.

- Firms need to continue to work with their brokers or underwriters (and their trading partners) to develop experience of using the process alongside personal negotiation.
- Firms need to continue to drive through their change management activities, particularly against the prospect of wider roll-out of endorsements in 2011. This includes developing a business case to support a more sophisticated implementation from which benefit can be realised.
- All firms need to continue to work to achieve the 24 hour response time target to which they have committed.

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- For both insurers and brokers, where trading partners are not meeting the commitment they have made, continue to use the escalation process to bring this to the attention of the trading partner's senior management.
- Ensure that the firm measures its process and transactions to satisfy itself that it is meeting the commitment made.

## 5. Background and Methodology

This report builds on the project's first interim report published to the market in November 2010. The background to the project is therefore not reiterated here but it is worth recalling that the aim of this work, which is sponsored by the London Market Group (LMG), 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.

The Endorsements Management Group (EMG) will assess the pilot against five critical success factors<sup>1</sup> and EMG's resulting recommendations will guide LMG in making a decision to roll-out the process to other business classes. The final project report is expected early in February with a decision by LMG at the start of March 2011. In the meantime, planning for this anticipated roll-out will continue.

The purpose of this report is to provide an evaluation of two months of pilot activity by providing the results of the second interim survey and data on transaction volumes.

An on-line survey was conducted during the first week of December. Other details of the methodology remain as described in the first interim report.

Sixty organisations were invited to respond. The overall response rate was up on the November survey at 75% (66%).

## 6. Survey Results and Analysis

### 6.1 Introduction

EMG's review of the first interim report highlighted a need for greater clarity in the interpretation of the project's Critical Success Factors (CSFs). As a result, EMG agreed to realign some CSFs and their associated key performance indicators. In addition, EMG added to the descriptions of some CSFs reflecting additional important aspects to assess but which were not spelt out in the original CSFs. Had EMG applied this revised basis to the first interim report, the resulting RAG statuses would have been the same but the reasoning behind them would have been more clear-cut. The latest questionnaire reflected this revised basis which is confirmed in Appendix A.

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<sup>1</sup> See Appendix A

The RAG status applies as follows:

- GREEN** There is a realistic expectation that the critical success factor, measured by the key performance indicators, will be met at the end of the pilot.
- AMBER** There is a significant possibility that the critical success factor, measured by the key performance indicators, will not be met at the end of the pilot.
- RED** There is a significant probability that the critical success factor, measured by the key performance indicators, will not be met at the end of the pilot.

## 6.2 Results and Analysis

The RAG status established in the first report for each critical success factor has been reviewed against the latest survey results. Taking these and respondents' freeform comments together:

RAG Status		
<b>RED</b> previously <b>AMBER</b>	<b>CSF1: Usage:</b> <ul style="list-style-type: none"> <li>There is 100% usage of the electronic support process for business within the core pilot class</li> </ul>	<p>Clearly 100% usage has not been reached and it looks unlikely that this will be so by the end of the pilot. However, the reasons for this are understood:</p> <ul style="list-style-type: none"> <li>the process needs further refinement - for example, it's use can be slow for 'complex' endorsements, where negotiation is necessary, or 'urgent' endorsements</li> <li>practitioner experience of using the process alongside personal negotiation needs to be developed further</li> <li>all firms need to drive through their change management activities.</li> </ul> <p>These activities are in hand.</p>
<b>GREEN</b> previously <b>GREEN</b>	<b>CSF2: The Process is fit for purpose:</b> <ul style="list-style-type: none"> <li>The ACORD process defined is adequate to satisfy the core business requirements</li> <li>The ACORD standards are being used as intended</li> <li>A common process is being used by the market</li> </ul>	<p>The number of respondents agreeing with this statement is lower than the first survey. However, there is no evidence of significant divergence from the market's published process and protocols and no new process issues have arisen. Work is already underway to analyse and resolve the issues logged to date. A list of these will be published with the pilot's final report.</p>
<b>GREEN</b> previously <b>GREEN</b>	<b>CSF3: Technology and Exchange governance are fit for purpose:</b> <ul style="list-style-type: none"> <li>There are no technology or Exchange governance issues which have prevented participation in the endorsements pilot.</li> </ul>	<p>No new issues have arisen. [and see CSF5 below]</p>

<b>A M B E R</b> previously <b>A M B E R</b>	<b>CSF4: Participation:</b> <ul style="list-style-type: none"> <li>• Firms that have committed are fully engaged</li> <li>• The business protocols are being followed</li> <li>• Practitioners are meeting target response times</li> <li>• The process is delivering satisfactory client service</li> </ul>	All participating firms have remained active in core pilot classes although paper remains in use for some endorsements in pilot classes. [and see CSF1 above] There is no evidence of significant divergence from the market's published process and protocols. There has been some debate about response times in the market although the percentage of respondents agreeing that trading partners are meeting response times is unchanged. Data from the Exchange shows that underwriters have responded to 72% of endorsement requests within the 24 hour target.
<b>A M B E R</b> previously <b>A M B E R</b>	<b>CSF5: Practitioners:</b> <ul style="list-style-type: none"> <li>• Practitioners acknowledge actual or potential benefit</li> </ul>	It is clear that practitioners' 'hearts and minds' have not yet been won over but the message remains positive regarding benefits. Nevertheless, limitations in many firm's implementations (in terms of integration, user friendliness and functionality) is limiting the realisation of benefits. For example, non-integration results in more work which means paper remains more efficient thus reducing the incentive for change.

### 6.3 Freeform Comments

The first report notes that care needs to be taken in the interpretation of the freeform comments. The full set of comments are available on request.

## 7. Transaction Volumes

The following is provided subject to the comments made under this heading in the first report.

### 7.1 Exchange Message Volumes

Appendix D provides Exchange message volumes for the period 1 October to 12 December 2010. Lloyd's has continued to circulate additional data directly to Exchange users.

### 7.2 Transaction Volumes

Broker and underwriter data have been reviewed by EMG. Its conclusions remain broadly unchanged in that on average, a little over 50% of all endorsements in pilot classes are now being transacted electronically.

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## Appendix A - Pilot Critical Success Factors

CSF	KPI	Data sources
<b>CSF1: Usage:</b> <ul style="list-style-type: none"> <li>There is 100% usage of the electronic support process for business within the core pilot class.</li> </ul>	<ul style="list-style-type: none"> <li>All in-scope endorsements in core pilot class are supported by the electronic process</li> <li>All committed firms are active in core pilot class and remain so for duration of pilot.</li> <li>Paper submission and agreement of endorsements has ceased in core pilot class.</li> </ul>	<ul style="list-style-type: none"> <li>Exception reporting of issues to EMG</li> <li>Periodic questionnaires to project managers and sponsors</li> <li>Post-pilot market survey of practitioner experience and perceptions</li> <li>Confirmation that transactions are being processed across the Exchange</li> <li>'Paper' MRCEs submitted to XIS (feasibility TBA)</li> </ul>
<b>CSF2: The Process is fit for purpose:</b> <ul style="list-style-type: none"> <li>The ACORD process defined is adequate to satisfy the core business requirements</li> <li>The ACORD standards are being used as intended</li> <li>A common process is being used by the market</li> </ul>	<ul style="list-style-type: none"> <li>All standards, process and protocol issues have been resolved or there is a clear resolution path for non-critical issues.</li> <li>There is no evidence of significant divergence from the market's published process and protocols.</li> </ul>	<ul style="list-style-type: none"> <li>Content of issues log (reported to EMG)</li> <li>Exception reporting of issues to EMG</li> <li>Periodic questionnaires to project managers and sponsors</li> </ul>
<b>CSF3: Technology and Exchange governance are fit for purpose:</b> <ul style="list-style-type: none"> <li>There are no technology or Exchange governance issues which have prevented participation in the endorsements pilot.</li> </ul>	<ul style="list-style-type: none"> <li>All technology and Exchange governance issues have been resolved or there is a clear resolution path for non-critical issues.</li> </ul>	<ul style="list-style-type: none"> <li>Exception reporting of issues to EMG</li> <li>Periodic questionnaires to project managers and sponsors</li> <li>Post-pilot market survey of practitioner experience and perceptions</li> </ul>
<b>CSF4: Participation:</b> <ul style="list-style-type: none"> <li>Firms that have committed are fully engaged.</li> <li>The business protocols are being followed.</li> <li>Practitioners are meeting target response times.</li> <li>The process is delivering satisfactory client service</li> </ul>	<ul style="list-style-type: none"> <li>There are no unresolved (e.g. through use of the escalation process) instances of persistent failure to meet response times.</li> </ul>	<ul style="list-style-type: none"> <li>Exception reporting of issues to EMG</li> <li>Periodic questionnaires to project managers and sponsors</li> <li></li> </ul>
<b>CSF5: Practitioners:</b> <ul style="list-style-type: none"> <li>Practitioners acknowledge actual or potential benefit.</li> </ul>	<ul style="list-style-type: none"> <li>There is convincing project sponsor acknowledgement that the electronic process is better, or potentially better, than current practice.</li> <li>There is convincing practitioner acknowledgement that the electronic process is better, or potentially better, than current practice.</li> </ul>	<ul style="list-style-type: none"> <li>Exception reporting of issues to EMG</li> <li>Pre-pilot survey of practitioners during workshops</li> <li>Post-pilot market survey of practitioner experience and perceptions</li> </ul>

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## Appendix B - Survey Questions

**Qn1: We are using the pilot process for in-scope Marine endorsements**

- To a limited extent
- In some cases (substantially less than 80%)
- About 80% of the time
- In most cases (substantially more than 80%)
- In every case

If not full usage, please comment as to why: free format

**Qn2: The process used in the Marine Endorsements Pilot is fit for purpose**

- Strongly disagree
- Disagree
- Neither agree nor disagree
- Agree
- Strongly agree

If you do not think the process is fit for purpose, please identify the issue(s): free format

**Qn3: The pilot process has won over the 'hearts and minds' of brokers and underwriters**

- Strongly disagree
- Disagree
- Neither agree nor disagree
- Agree
- Strongly agree

If you do not agree, please identify why: free format

**Qn4: Our trading partners are operating the pilot process, as intended, for Marine endorsements**

- Strongly disagree
- Disagree
- Neither agree nor disagree
- Agree
- Strongly agree

If not, please identify the issue(s): free format

**Qn5: Our trading partners are meeting the target response times for responding to endorsement messages**

- Strongly disagree
- Disagree
- Neither agree nor disagree
- Agree
- Strongly agree

If you disagree, please indicate what your experience has been: free format

**Qn6: The pilot process is currently providing benefit to our business**

- Strongly disagree
- Disagree
- Neither agree nor disagree
- Agree
- Strongly agree

If you are experiencing benefits, please specify what they are: free format

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**Qn7: The technology we are using for the endorsements pilot is fit for purpose**

- Strongly disagree
- Disagree
- Neither agree nor disagree
- Agree
- Strongly agree

If you disagree, please specify what the issues are: free format

**Qn8: With some modifications to the pilot process, or its implementation within our organisation, it could provide benefit (or further benefit) to our business**

- Strongly disagree
- Disagree
- Neither agree nor disagree
- Agree
- Strongly agree

Please identify any changes that you feel would promote (further) benefit: free format

**Qn9: There are no significant impediments to the operation of the pilot (e.g. governance or legal issues)**

- Strongly disagree
- Disagree
- Neither agree nor disagree
- Agree
- Strongly agree

If there are any, please specify what they are: free format

**Qn10: Use of the pilot process is providing satisfactory client service**

- Strongly disagree
- Disagree
- Neither agree nor disagree
- Agree%
- Strongly agree

If you disagree, please specify what the issues are: free format

## Appendix C - Detailed Survey Results

(responses from first interim survey in brackets)

### C.1 Usage

(using the process in the way intended)

Critical Success Factor:

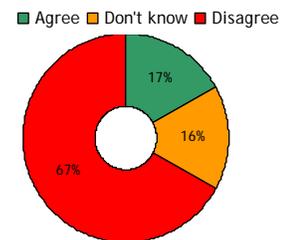
- There is 100% usage of the electronic support process for business within the core pilot class.

Determined by:

- All in-scope endorsements in core pilot class are supported by the electronic process
- All committed firms are active in core pilot class and remain so for duration of pilot
- Paper submission and agreement of endorsements has ceased in core pilot class.

*Key survey question: We are using the pilot process for in-scope Marine endorsements*

- 17% (21%) of respondents said substantially more than 80% or in every case;
- 16% (20%) said about 80% of the time;
- 67% (59%) said to a limited extent or substantially less than 80%



### C.2 The Process

Critical Success Factor:

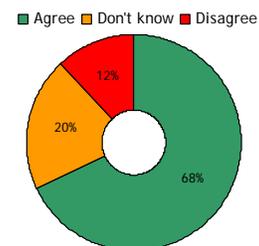
- The process is fit for purpose
  - The ACORD process defined is adequate to satisfy the core business requirements
  - The ACORD standards are being used as intended
  - A common process is being used by the market.

Determined by:

- All standards, process and protocol issues have been resolved or there is a clear resolution path for non-critical issues
- There is no evidence of significant divergence from the market's published process and protocols.

*Key survey question: The process used in the Marine Endorsements pilot is fit for purpose*

- 68% (83%) of respondents agreed, or strongly agreed, with this statement;
- 20% (10%) neither agreed nor disagreed;
- 12% (7%) disagreed or strongly disagreed.



### C.3 Technology and Exchange Governance

Critical Success Factor:

- Technology and Exchange governance are fit for purpose

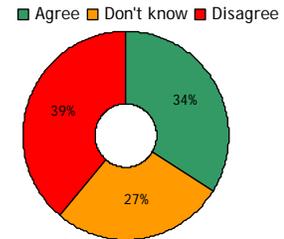
- There are no technology or Exchange governance issues which have prevented participation in the endorsements pilot.

Determined by:

- All technology and Exchange governance issues have been resolved or there is a clear resolution path for non-critical issues.

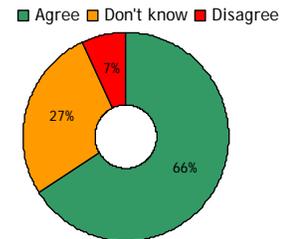
*Key survey question: The technology we are using for the endorsements pilot is fit for purpose*

- 84% (74%) of respondents agreed, or strongly agreed, with this statement;
- 14% (14%) neither agreed nor disagreed;
- 2% (12%) disagreed or strongly disagreed.



*Key survey question: There are no significant impediments to the operation of the pilot (e.g. governance or legal issues)*

- 66% (62%) of respondents agreed, or strongly agreed, with this statement;
- 27% (26%) neither agreed nor disagreed;
- 7% (12%) disagreed or strongly disagreed.



## C.4 Participation

(using the process to the extent that firms have committed)

Critical Success Factor:

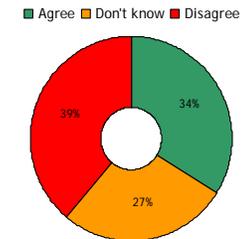
- Firms that have committed are fully engaged
- The business protocols are being followed
- Practitioners are meeting target response times
- The process is delivering satisfactory client service.

Determined by:

- There are no unresolved (e.g. through use of the escalation process) instances of persistent failure to meet response times.

*Key survey question: Our trading partners are operating the pilot process, as intended, for Marine endorsements*

- 34% (55%) of respondents agreed, or strongly agreed, with this statement;
- 27% (26%) neither agreed nor disagreed;
- 39% (19%) disagreed or strongly disagreed.



## C.5 Practitioners

Critical Success Factor:

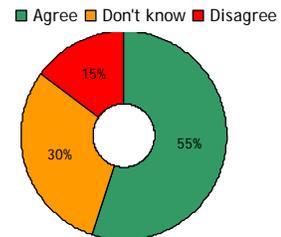
- Practitioners acknowledge actual or potential benefit.

Determined by:

- There is convincing project sponsor acknowledgement that the electronic process is better, or potentially better, than current practice
- There is convincing practitioner acknowledgement that the electronic process is better, or potentially better, than current practice.

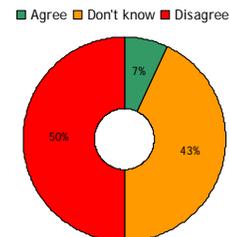
*Key survey question: Our trading partners are meeting the target response times for responding to endorsement messages*

- 55% (55%) of respondents agreed, or strongly agreed, with this statement;
- 30% (31%) neither agreed nor disagreed;
- 15% (14%) disagreed or strongly disagreed.



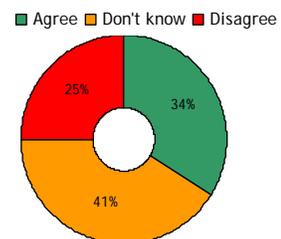
*Key survey question: The pilot process has won over the 'hearts and minds' of brokers and underwriters*

- 7% (14%) of respondents agreed, or strongly agreed, with this statement;
- 43% (42%) neither agreed nor disagreed;
- 50% (44%) disagreed or strongly disagreed.



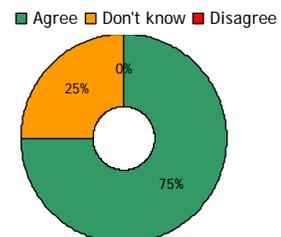
*Key survey question: The pilot process is currently providing benefit to our business*

- 34% (41%) of respondents agreed, or strongly agreed, with this statement;
- 41% (33%) neither agreed nor disagreed;
- 25% (26%) disagreed or strongly disagreed.



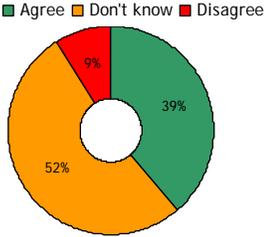
*Key survey question: With some modifications to the pilot process, or its implementation within our business, it could provide benefit (or further benefit) to our business*

- 75% (77%) of respondents agreed, or strongly agreed, with this statement;
- 25% (21%) neither agreed nor disagreed;
- 0% (2%) disagreed or strongly disagreed.



*Key survey question: Use of the pilot process is providing satisfactory client service*

- 39% (42%) of respondents agreed, or strongly agreed, with this statement;
- 52% (51%) neither agreed nor disagreed;
- 9% (7%) disagreed or strongly disagreed.

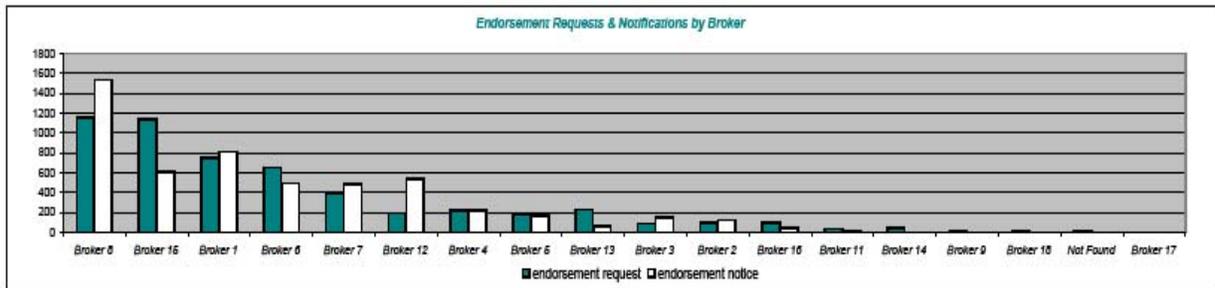
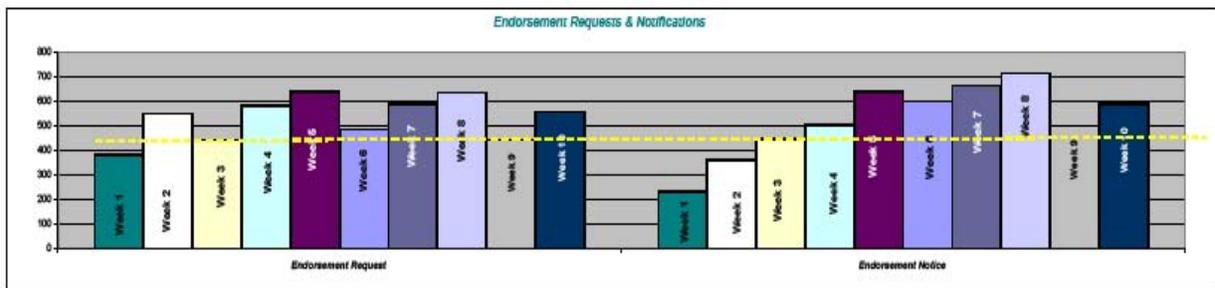


## Appendix D - Exchange Transaction Volumes

The table below provides Exchange message volumes for the period 1 October to 12 December 2010.



Message Type Code	Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Week 9	Week 10	Avg	Grand Total
Endorsement Request	384	658	443	523	595	488	559	558	443	558	531	5,314
Endorsement Notice	236	389	448	506	595	602	668	715	601	589	628	5,282
Request Additional Information	34	32	19	26	31	13	30	13	7	20	23	225
Endorsement Negotiation request	104	44	59	50	46	28	29	59	21	25	47	465
Unconditional Acceptance of Endorsement	271	368	356	442	482	411	494	514	377	456	417	4,171
Endorsement Withdrawal	143	76	85	67	73	39	74	78	37	41	71	713
	1,171	1,483	1,408	1,874	1,810	1,578	1,883	2,017	1,388	1,888	1,516	16,160



Endorsement Request = Request for agreement by lead and agreement parties sent from Broker.  
Endorsement Notice = Notification of Agreement, sent by Broker to followers

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## Appendix E - Key Contacts

Brokers	Chris Buer	LIIBA	020 7280 0154 <a href="mailto:chris.buer@liiba.co.uk">chris.buer@liiba.co.uk</a>
IUA members	John Hobbs	IUA	020 7617 4445 <a href="mailto:john.hobbs@iua.co.uk">john.hobbs@iua.co.uk</a>
Managing agents	Peter Holdstock	LMA	020 7327 8383 <a href="mailto:peter.holdstock@LMALloyds.com">peter.holdstock@LMALloyds.com</a>
For enquiries about the	Lloyd's Exchange Paul Willoughby	Lloyd's	020 7327 6634 <a href="mailto:paul.willoughby@lloyds.com">paul.willoughby@lloyds.com</a>