London Market Modernisation Activity

A Bluffers Guide to Process Change in the London Market

> Summaries of key change activities ◆
> Reports on current status ◆
> Glossary of process change terminology ◆

Lloyd's Market Association (LMA) provides professional, technical support to the Lloyd's underwriting community.

The Guide is produced to inform LMA members about London's process change programme. 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, please follow the links provided, contact the project sponsor or manager or contact the LMA.

Feedback or suggestions for improvements are always welcome - please contact Keith Welch, Technical Executive – Market Processes, on keith.welch@lmalloyds.com.

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At a glance - what's changed

For those familiar with modernisation activity, the table below gives an overview of progress on each workstream. New or occasional readers may wish to focus on section 3 which gives background detail on each workstream as well as the latest status.

If you are reading this as the PDF version, there is a link between each update, below, and the more detailed background detail.

Workstream	What's changed since the last edition? (Where relevant, section 3 has been updated to reflect changes noted here)	Link to detail in section 3
Future Processing Model	Market consultation on the project's interim conclusions completed Spring 2011 and market feed back and enhancements were added in Autumn 2011. Having agreed the high-level vision, the four working groups, placing, A&S, claims and binders, were stood down until 2012. In considering a transition and implementation plan, the Steering Group recognised the relationship of this project to other ongoing market projects (e.g. placing support, electronic accounts, Lloyd's Coverholder work, etc) and therefore recommended that implementation should be effected by ensuring that these various activities are well defined, coherent, co-ordinated and align with the future model to which the market has subscribed through the consultation process. LMG accepted this recommendation. The Steering Group's role will be to maintain responsibility for the overall project vision and advise LMG on the coordination and alignment described above.	3.1.1 Future
Lloyd's Tax and Regulatory Reporting Programme	Lloyd's is working with all managing agents that have service companies to ensure that the Data Standards Control Framework is in place and all are compliant by the end of June 2013. The Direct Reporting Robust Solution is currently under development. An online Risk Locator tool is currently under test and will be launched during the first half of 2012.	3.1.2 Report
Lloyd's Coverholder Programme	Since the last edition of the Bluffers Guide various strands of ongoing activity have seen promotion of the coverholder reporting standards for premiums and claims, launching of a coverholder e-bulletin designed to keep Lloyd's coverholders up to date on key events and initiatives, and development of coverholder brand guidelines.	3.1.3 Cover
Benchmarking	LMG have commissioned a feasibility study during Q1 2012 to determine the practicalities of obtaining benchmarking data. Subject to outcomes of the study, they will seek to recommend a set of Key Performance Indicators for the modernisation programme based on LMG's 2012 workplan.	3.1.4 Bench

Workstream	What's changed since the last edition? (Where relevant, section 3 has been updated to reflect changes noted here)	Link to detail in section 3
Electronic Accounting (E-Accounts) R1 (ACORD messaging)	NMB and Houlder are undertaking testing ahead of implementation to join the brokers already in live usage - Millers, UIB, Price Forbes, AON, AON/Benfield, Guy Carpenter, Towers Watson, Lockton, and Ropner. Wider broker roll out plans are being put in place through the E-Accounts Implementation Group. A quarterly maintenance cycle is now in place to support enhancements.	3.2.1 Eaccts1
Electronic Accounting (E-Accounts) R2 (Carriers Accounting Entries Service - Non-Fundamental Accounting Splits)	Analysis and Design is scheduled to fully complete in 1Q 2012. Systems build is targeted for 1H 2012 completion with MAT estimated to be 3Q 2012. Firmer milestone dates will be communicated when Analysis and Design has been completed.	3.2.2 Eaccts2
Ruschlikon Initiative	Ruschlikon participants and trading volumes continued to grow with 215,000 messages processed in 2011. During 2012 ACORD, through the Ruschlikon groups, continues to encourage and support adoption of Ruschlikon.	3.2.3 Ruschlikon
Non-bureau accounting	During 2011 four broker-insurer partnerships went live with accounts messaging using the ACORD eBOT standard for direct London market non-bureau business. These were between Aon and Ace, XL via TMEL and Willis, and Ace and XL via peer to peer messaging. These implementations have been extremely successful in achieving the expected benefits. A further three insurers (Chartis, RSA, QBE) are well advanced in their project initiation activities and are working towards internal project approval and implementations with Aon and Willis in 2012, whilst a further four insurers are engaged in preliminary discussions with both of these brokers.	3.2.4 Non-bureau
Right First Time	With the implementation of E-Accounts (R1 and R2), it is anticipated that the markets' right first time performance will improve through the introduction of counterparty system validation. Consequently this workstream, previously focussing on A&S IMR, has been ceased.	
ECF2	Aside from a small number of components that are due to complete in 1Q 2012, the project is now complete and "business as usual". 95% of the market has now signed up to ECF.	3.3.2 ECF2
ECF binders	Phase two - the workaround - has been extended to run to April 2012 to ensure higher volumes are captured with the inclusion of 01/01/12 renewals. Set criteria and scenarios have been included within the pilot to maximise usage and complexities and by extending the pilot. It is anticipated a further 3 brokers and 2 managing agents will join the project	3.3.3 ECF binders

Workstream	What's changed since the last edition? (Where relevant, section 3 has been updated to reflect changes noted here)	Link to detail in section 3
	commencing January 2012. It is then expected to analyse the results to enable a full understanding before moving on to the next phase which will include an investigation in to an automated solution to incorporate the agreement of outside authority co-lead claims via electronic means.	
Lloyd's Claims Transformation Programme (CTP)	Lloyd's Claims Transformation Programme is now enshrined in the Lloyd's 2010 Pilot Scheme and is effectively "business as usual". The Claims Implementation Board (CIB) will be monitoring the Scheme during 2012 in order to consider future Lloyd's claims handling. The CIB expect to introduce the remaining risk codes into CTP with affect from the 1 July. For further information and details of specific risk codes included, please see Lloyd's Market Bulletin Y4499.	3.3.6 CTP
Electronic support for endorsements	All classes of business will be live from 5 March, with many brokers implementing classes in a staged approach to avoid a last-minute big bang. Further process improvements are planned for 2012.	3.4.2 Endorse

The LMG is finalising their 2012 workplan which will be included in the next edition of the Guide. In the meantime the summary below cross references the Guide against key LMG 2012 targets.

LMG 2012 work-plan	Target	Date	Bluffers Guide section
Electronic Claims File (ECF)	ECF - all new claims via ECF	Q4	3.3.1
	Increase ECF usage to 80% of all open claims	Q4	3.3.1
E-Accounts	Release 1 - 12 brokers live, processing 20% of their business	Q2	3.2.1
	Release 2 - deliver into live usage. Achieve 70% of potential live volume	TBC	3.2.2
	Non bureau business - 10 new broker - insurer partnerships live	Q4	3.2.4
Endorsements	Endorsements rollout across all classes	Q1	3.4.2
	70% of endorsements processed electronically	Q4	
Electronic support for placing	Agree roadmap	Q2	3.4.1
	Existing and early adopter activity	Ongoing	3.4.1

1. Introduction

1.1 Purpose of the Guide

This Guide aims to assist market practitioners stay abreast of the many interlinked streams of London Market modernisation work by providing:

- high level summaries of major market change activities
- 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 its implications for the future processing model
- a glossary of terms, acronyms and initialisms.

The Guide is updated quarterly to show the current status of each activity.

1.2 The layout of the Guide

The bulk of market modernisation is led by the London Market Group through its annual workplan with additional work streams led by other bodies including Lloyd's. LMG are finalising their 2012 workplan; the 2011 workplan remains available for reference. For simplicity the Guide is structured to reflect key market functions - London Market processing, placing support, accounting and settlement, and claims.

1.3 The London Market Group

The London Market Group (LMG) is the senior body driving much of the modernisation programme.

The LMG is supported by the London Market Group Secretariat (LMGS) whose main channel of communication is the LMGS website.

Appendix D shows the key groups involved in market modernisation work. In addition, the LMA website also contains information on workstreams the LMA has direct involvement in.

1.4 Standards

London's use of electronic messaging is based on the ACORD standards. ACORD (Association for Cooperative Operations Research and Development - the international standards organisation) provides:

- standards covering the exchange of structured data (i.e. data in fields with defined length, content type and other characteristics) in electronic messages and the exchange of unstructured data such as document images
- processes for the maintenance and upgrade of standards implementation
- a standards governance structure
- data and validation rules to support:
  - placing and endorsements
  - exchange of risk management and other information
  - accounting and settlement processes
  - claims processes

London has adopted the ACORD 'Reinsurance and Large Commercial' (RLC) standard. The LMGS website provides further information about the use of ACORD standards in the London Market.

1.5   Insurers' Market Repository (IMR)

The IMR is a fundamental element of the London Market's plans to modernise business processes. Funded by Managing Agents and London Market insurance companies, the IMR provides a repository for documentation to support accounting and settlement, claims processes and policy issuance. Documentation (such as premium advice notes, claims supporting documentation and policies), which would previously have been circulated as paper, are now stored on the IMR as scanned images, Word and Excel files, or as a PDF. Insurers' interests in the IMR, and IMR service and performance, is managed by the Associations' Administration Committee (AAC).

The IMR was originally designed to support 1,000 users and covered Lloyd's claims only. At the end of November 2011 it was
- supporting nearly 7,500 users (up from 5,800 users in July 2009 and 6,700 at the start of 2011) in over 250 managing agents, insurance companies and brokers
- supporting a wider range of business processes, as described above
- receiving over 1.99 million hits per day (2009 – 0.6m; January 2011 – 1.8m)
- almost twenty million documents are stored on it (compared to six million in 2009 and fifteen million at the start of 2011) and
- each day more than 24,000 documents are added.

1.6   The Message Exchange Limited (TMEL)

Originally launched by Lloyd's, the Exchange is a London market utility jointly owned and managed by the LMA, LIIBA, IUA, and Lloyd's. Lloyd's original vision still holds good – the need for provision of strategic direction and removal of barriers to entry to electronic messaging capability utilising ACORD messaging. The messaging hub allows the sending and receiving of messages between brokers and carriers. These messages are validated against ACORD standards and can only be exchanged with registered trading partners.

The two primary benefits of The Exchange are:
- Participants are only required to maintain one connection in order to communicate with many counter parties
- Standards are controlled in the centre, creating clarity.

For now the main source of information continues to be the Lloyd's website.

1.7   Achievements So Far

It is easy for the market to focus on current work programmes and overlook the fact that much work has been completed, is now 'business as usual', and is delivering benefit. Appendix C provides a summary of the benefits arising from these completed projects as well as benefits beginning to be realised from the work in hand.

2. Key Areas of Change Activity

2.1 Market modernisation

Market modernisation activities fall into four broad categories:

- Placing support
- Accounting and settlement
- Claims
- Future processing

2.1.1 Placing support

Placing support is the electronic exchange of information between brokers and underwriters to support the placement and amendment of insurance risks. This electronic exchange includes the transfer of structured data between parties (with or without the additional transfer of unstructured data by whatever means) through the use of messaging hubs and trading platforms. Placing support seeks to support both traditional "face to face" and remote electronic broking.

Trading partners have some scope to decide what aspects of the electronic process they use but, typically, any electronic placement of risks occurs through either a trading platform or on a peer-to-peer (see Glossary) basis using ACORD messaging.

2.1.2 Accounting and Settlement (A&S)

Accounting & Settlement is the exchange of accounting information between trading organisations using ACORD standards. There are three similar but differing work streams:

1. London Market accounting activity undertaken on behalf of carriers by Xchanging Ins-sure Services (XIS) – the "bureau".

    a. In recent years the majority of broker bureau submissions have been migrated from paper to electronic image submission via the Insurers' market repository (IMR) using ACORD Document Repository Interoperability (DRI). This is sometimes also referred to specifically as "A&S" as opposed to the use of "A&S" generically.

    b. During 2011 a number brokers commenced submission to XIS of data (rather than electronic images of an LPAN) using ACORD structured data messages; this will ultimately enable XIS to deliver detailed accounting information required specially for Lloyd's and some other carriers (non-fundamental premium accounting data), and gain efficiencies through straight through data processing. The combination of the two initiatives is referred to as E-Accounts. Eaccts1 and Eaccts2.

2. "Non-bureau" A&S – individual broker and carrier partnerships working together to facilitate more efficient accounting and settlement on a peer-to-peer basis. Non-bureau

3. Ruschlikon – reinsurance electronic processing, including accounting and settlement, again on a peer-to-peer basis. Ruschlikon

As might be expected, the major global brokers participate in some or all of the above workstreams.

2.1.3 Claims

The Electronic Claims File (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 while the services remain as two separate systems for brokers and companies. 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 allows brokers to supply an entire claims file electronically to all insurers at the same time. All insurers therefore have concurrent, contemporaneous access to the claims file - eliminating the need for the broker to serially present the claims file to different insurers individually. The major benefit of this is that it is reducing the length of the overall claims lifecycle, from first advice to settlement, providing assureds with a greatly improved service.

As with A&S, the delivery of further benefits is likely to come from the use of ACORD standard electronic messaging to exchange data between trading partners but, in the meantime, improvements to ECF, known as 'ECF2', were rolled out during 2011.

2.1.4 Future processing

Building on work initiated in 2009, LMG formed a sub-group during 2010 to review potential future processing models for the London Market and define a process environment which includes central services that remove process burdens from brokers, removes negative "Londonisms", and opens up the model to enable service provider competition where appropriate.

A number of workstreams contributed to the compilation of an interim consultation report which sought market feedback during 1Q 2011. Further details and status are provided in 3.1.1 of this guide.

3. Summary of Work-streams

3.1 London Market Processing

3.1.1 Future Processing Model

Background

During 2009, an LMG sub-group undertook to review potential future processing models for the London Market and define a process environment which included central services that:

- Removed process burdens from brokers
- Removed negative "Londonisms"
- Opened up the model to enable service provider competition where appropriate.

Potential future operating models were shared with the market associations and Lloyd's who had been considering the workplan to follow completion of the "Finish What We've Started" programme. A cross-market group was formed to carry out a more detailed review of the documentation and to discuss the implementation issues.

The cross-market group concluded that for 100% written business it was viable for carriers to have choice with regard to service provision. Additionally, that choice could be extended to subscription business. However, for it to operate efficiently there was a requirement for some mandatory shared services. In particular, the group concluded that a single central infrastructure should manage the ACORD messaging and process flows.

The LMG subsequently agreed that a cross-market project be initiated with the following key deliverables:

- Ratification of an operating model providing choice in service provision
- Designs in sufficient detail to enable the market to build and implement
- A transition/implementation plan, likely to identify a two stage approach, with a new model for 100% written business as the first implementation.

The LMG also agreed that the project should be driven by a project Steering Group, with an appointed LMG sponsor.

Further information is available on both the LMGS website and the LMA website.

Project Owner: LMG	Project Sponsor: Tim Carroll, Chaucer
Project Manager: Steve Hulm, LMGS	LMA Lead: Rob Gillies

Milestones

Working groups were established covering Placing Support, Accounting and Settlement, Claims, Facilities and Binders, and reporting.

High-level milestones are:

- Project initiation (governance, scope, timescales) – complete
- Revised milestones agreed by LMG - complete
- End of interim consultation - complete
- Definition of future model and transition options - complete
- Market consultation - complete
- Final report (including cost benefit analysis) – see update below
- LMG decision on transition / implementation - see update below

Project Linkages and Dependencies

This work should provide context for many of the process change activities currently underway and against which to evaluate potential future work-streams. The existence of a future vision for London Market processes should facilitate planning, prioritisation, investment and other decisions, both at market level and in individual firms and should allow further change opportunities to be identified.

Current status

Market consultation on the project's interim conclusions completed spring 2011 and market feed back and enhancements were added in autumn 2011. Having agreed the high-level vision, the four working groups, placing, A&S, claims and binders, were stood down until 2012. In considering a transition and implementation plan, the Steering Group recognised the relationship of this project to other ongoing market projects (e.g. placing support, electronic accounts, Lloyd's Coverholder work, etc) and therefore recommended that implementation should be effected by ensuring that these various activities are well defined, coherent, co-ordinated and align with the future model to which the market has subscribed through the consultation process. LMG accepted this recommendation. The Steering Group's role will be to maintain responsibility for the overall project vision and advise LMG on the coordination and alignment described above.

3.1.2   Lloyd's Tax and Regulatory Reporting Programme

Background

The objectives and ultimate vision of the programme are that

- Lloyd's has confirmed a minimum set of regulatory and tax information, enabling the Corporation to continue to provide and produce all information necessary to support and protect Lloyd's licenses, brand and reputation.

- The link is broken between the provision of information and account processing, thereby providing managing agents with more choice around their tax and regulatory reporting operating model.

There are three projects within the programme.

1. On-line Risk Locator Tool. A new on-line, risk locator tool has been developed to compliment the Risk Locator guidance notes on Crystal. The tool is Lloyd's response to requests for more support from Lloyd's in determining the correct location of the risk for tax purposes as all tax tools currently available to the market presuppose this has already been established. The tool will be launched during the first half of 2012 and will be freely available to all those with a Crystal user account.

2. **Data Standards Control Framework (Service companies).** In common with all insurers Lloyd's is seeing increasing 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 generally "raise the bar" in terms of the tax and regulatory data standards across the market.

    Implementation of the data standards control framework against the minimum tax and regulatory reporting requirements strengthens the Corporation's central role in protecting the Lloyd's brand, reputation and licences as well as individual managing agents from increased scrutiny by tax and regulatory authorities.

    The project is being run in three phases:

    > Phase I = All service companies – compliance with the Data Standards Control Framework by June 2013
    > Phase II = Coverholders (Date TBA)
    > Phase III = Open Market (Date TBA)

3. **Direct Reporting Robust Solution.** The ability for managing agents to report 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 March 2011, the aim now is to implement a technically up-to-date, future-proofed solution by the end of 2012 to replace the current prototype. This will allow 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 met the Data Standards Control Framework for Regulatory and Tax reporting.

For further information, contact Lloyd's project manager.

Project Owner: Lloyd's	Project Sponsor: Sue Langley, Lloyd's
Project Manager: Alison Dove, Lloyd's	LMA Lead: Rob Gillies

Current status

The online Risk Locator tool is currently under test and will be launched during the first half of 2012.

Lloyd's is working with all managing agents that have service companies to ensure that the Data Standards Control Framework is in place and all are compliant by the end of June 2013.

The Direct Reporting Robust Solution is currently under development.

3.1.3   Lloyd's Coverholder Programme

Background

Delegated authority arrangements with coverholders are an important part of Lloyd's distribution model, with over 2,500 coverholders worldwide accounting for around 30% of Lloyd's premium income.

Development of this channel, subject to proper and appropriate controls, is one of Lloyd's strategic priorities in 2012, with work planned to promote this channel, improve operational efficiency, and make it easier for coverholders to do business with Lloyd's.

Lloyd's have identified the objectives of the programme as

- Improving the operational efficiency of the coverholder model through information standards and taking advantage of e-trading opportunities
- Ensuring existing coverholders' experience of dealing with Lloyd's is as good as it can be, making it easier for coverholders to do business with Lloyd's
- Making the route to market for new coverholder business as simple and transparent as possible.

The programme builds on a number of key initiatives delivered during 2011

- Processes and standards

  - A new suite of standard bordereaux to simplify coverholder reporting is now available at www.lloyds.com/coverholderreportingstandards
  - Further enhancements to ATLAS
  - The second annual Coverholder Technology Forum attended by over 250 market delegates and 30 system vendors.

- Education and awareness

  - A new coverholder toolkit has been launched online to help coverholders looking to understand more about the market
  - The annual EU Coverholder event was hosted at Lloyd's in November
  - A new Australian diploma, covering Lloyd's for coverholders, was launched.

- Marketing and Communications

  - A new sub-brand and logo was developed and launched for coverholders
  - A twice annual e-bulletin was published in March and issued globally to coverholders
  - New marketing collateral was launched on www.lloyds.com.

Project Owner: Lloyd's	Project Sponsor: Sue Langley, Lloyd's
Project Manager: Adam Stafford, Lloyd's	LMA Lead: Peter Griggs

Project Linkages and Dependencies

Longer term developments under the Placing Support workstream could enable electronic agreement to binding authorities, extending process efficiencies in the coverholder and binding authority business chain.

Current status

The new coverholder reporting standards for premiums and claims are live; initial coverholder feedback is positive.

A new coverholder e-bulletin has been launched that is designed to keep Lloyd's coverholders up to date on key events and initiatives.

Brand Guidelines specifically aimed at coverholders are being created. These will help Lloyd's coverholders brand themselves more effectively.

Finally, following feedback from Lloyd's 2010 survey the LLMIT is now being rolled out globally to interested coverholders.

3.1.4   Benchmarking

Background

Consideration of the potential for a suite of measurements to demonstrate client benefit arising from market modernisation activities.

Milestones

This project seeks to benchmark client satisfaction. A benchmarking proposal was approved by LMG in December 2011, with the next steps outlined under "current status", below.

Project Owner: LMG	Project Sponsor: Simon Gaffney (Willis)
Project Manager: Steve Hulm (LMGS)	LMA Lead: Keith Welch

Project Linkages and Dependencies

None.

Current status

LMG agreed the following approach:

- Simon Gaffney and Steve Hulm to undertake a feasibility study, during Q1 2012, to determine the practicalities of obtaining benchmarking data

- the focus of this study should be on client-centric measures regarding their needs, wants and perceptions of the London Market and it should concentrate on drawing together existing sources of data into a coherent set of information; and

- based on the data measures they consider it practical to obtain, they recommend a set of Key Performance Indicators for the modernisation programme based on LMG's 2012 workplan.

3.2 Accounting and Settlement (A&S)

3.2.1 E-Accounts R1 (ACORD messaging)

Background

This work-stream has taken the A&S process beyond document-based repository A&S (see 2.1.2) and delivered a range of benefits resulting from the electronic exchange of structured premium data.

E-Accounts Release 1 enables ACORD Technical and Financial Account messages output from broker systems into the central Xchanging systems LIDS (Lloyd's market) and POSH (Companies market). Rekeying of core premium accounting data into the existing mainframe systems has been removed (for the brokers in R1 who've implemented), and error recycles/costs and query time reduced. The IMR continues as the repository for all un-structured information and straight through processing of premium data is now possible. Release 2 will enable the Carrier Accounting Entries Service (see 3.2.2).

The EBOT implementation of the ACORD standard for direct messaging between broker and carrier is internationally recognised and is being used wherever possible, with minimal modifications, when accounting electronically between the London broker and XIS. Differences arise mainly because of XIS's operation of Lloyd's central settlement system and XIS's role as a central market provider for subscription business. This project is examining these issues with the aim that the interface between brokers and London carriers is as close as it can be to that for other markets.

In 1Q 2011 Miller was the first broker to go live with E-Accounts Release 1 and is now working to increase the percentage of business that is processed via E-Accounts rather than A&S (see 2.1.2). Miller has been followed by UIB, Price Forbes, AON, AON/Benfield, Guy Carpenter, Towers Watson, Lockton, and Ropner.

LIIBA are continuing to encourage other brokers to test and implement E-Accounts R1, with benefits to all market participants as a result.

Outside of this E-Accounts initiative, brokers and carriers wishing to account electronically on a direct basis can develop that capability. However, for Lloyd's Managing Agents, this will only become possible when data and regulatory reporting is separated from premium processing by the outcome of Lloyd's Tax and regulatory Reporting Programme (see 3.1.2) and subsequent build of a direct reporting capability. A pilot exercise has been completed with Lloyd's.

In terms of E-Accounts project governance, an E-Accounts Management Group (EAMG) has been established which is supported by an implementation group (EAIG) and builds upon the work done by the A&S user group which has played a vital role in the successful development of A&S via IMR.

The E-Accounts Implementation Group is currently focusing on getting full adoption by brokers of ACORD standard accounting submissions to XIS, and moving on to implementing the carriers' accounting entries service as part of Release 2 (see 3.2.2). The Implementation Group is supported at a more detailed level by the E-Process Group, meeting on a weekly basis.

Further information is available from the LMGS website.

Project Owner: London Market Group	Project Sponsor: Ian Summers, AON
Project Manager: R1 – James Livett (LIIBA)	XIS IT Delivery: Alan Giles
LMA Lead: Rob Gillies, Peter Griggs	

Milestones

LMG 2012 target – 12 brokers live; processing 20% of their business by Q2.

Project Linkages and Dependencies

Electronic accounting provides carriers and brokers with an internationally consistent electronic interface for accounting and settlement. E-Accounts implements delinking and removes the task of creating non-fundamental accounting entries from brokers (see 3.2.2) - complimentary steps to achieving benefits.

Current status

- E-Accounts Release 1 is now live within Xchanging production systems.
- A quarterly maintenance cycle is in place to support enhancements.
- Millers, UIB, Price Forbes, AON, AON/Benfield, Guy Carpenter, Towers Watson, Lockton, and Ropner – are steadily increasing transactions volumes.
- NMB and Houlder are testing.
- Wider broker roll out plans are being put in place through the E-Accounts Implementation Group.
- Additionally, LIIBA are actively working with brokers in order for them to participate.
- Further quarterly maintenance releases and issue resolution will continue throughout 2012, under the governance of the A&S User Group.
- Brokers can choose to implement Release 1 ahead of the full splits service in Release 2.

3.2.2   E-Accounts R2 (Carriers' Accounting Entries Service)

Background

This release follows on from the work referenced in 3.2.1. In London today, for business processed via XIS, data is provided by brokers to a greater level of detail than might be the case elsewhere – down to the so called "non-fundamental" level which meets tax, regulatory, and underwriter needs. Elsewhere carriers are responsible for capturing this level of detail. This adds to the brokers' costs of placing business in London and is not internationally consistent.

This work-stream defines an XIS service to produce non-fundamental ACORD Technical Accounts (TAs) and accounting entries on behalf of carriers from information submitted by the broker via the IMR at a higher "fundamental" level.

An LMA-led working group agreed a service specification and definition of fundamental or non-fundamental accounting entries and reached agreement with XIS on the costs to establish the service. Implementation is the responsibility of EAMG and EAIG.

Project Owner: London Market Group	Project Sponsor: Ian Summers, AON
Project Manager: R2 – Pat Talbot, IUA	XIS IT Delivery: Alan Giles
LMA Lead: Rob Gillies, Peter Griggs	

Milestones

The analysis and design of changes to Xchanging systems is scheduled to complete in 1Q 2012, with early indications that build and Market Acceptance Testing can be completed within 2012. This will introduce the carrier accounting entries service.

LMG 2012 target – deliver into live usage. Achieve 70% of potential live volume. Date TBC.

Project Linkages and Dependencies

E-Accounts has the potential to meet many of the "right first time" aspirations of eradicating market reconciliation issues through reuse of data, straight through processing, and both broker and Xchanging systems validations providing earlier detection and control of incorrect data fields.

Current status

- The E-Process Group meet weekly with Xchanging to move this forwards
- Systems build will follow – aiming at 1H 2012 completion
- MAT is initially estimated to be 3Q 2012
- Firmer milestone dates will be communicated when Analysis and Design has been completed.

Brokers need to implement Release 1 before being able to implement Release 2.

3.2.3   Ruschlikon Initiative

Background

The Ruschlikon Initiative is driven by a group of global reinsurance industry players (Aon Benfield, Willis, Guy Carpenter, Axis Re, Munich Re, Hannover Re, SCOR, Swiss Re, XL Re) together with ACORD, to further automate (re)insurance back-office processes (technical accounting, claims, settlement) using ACORD RLC standards. Ruschlikon participants and trading volumes continued to grow in 2011.

The main objectives are to enhance client service and reduce costs of transferring data. Additional benefits include enhanced data granularity and increased operational efficiency between partner to partner connections. Speeding up the mutual interaction based on agreed service levels using ACORD RLC standards and message types is also a benefit of implementing Ruschlikon based on the protocols as described in the Ruschlikon Rulebook. While the key focus is to promote increasing levels of implementation, work is also being done to refine the ACORD messages in order to obtain a higher degree of automation, which will in turn enable better integration.

For those organisations not ready to implement the full suite of ACORD messages, an additional "Ruschlikon Lite" initiative has been instigated. This is currently being driven by the reinsurer members of Ruschlikon with the aim of bringing on board more cedents, it is anticipated to encourage greater broker usage also and is to be marketed in this area shortly.

ACORD is facilitating the following elements in the overall drive to increase global usage:

- The Ruschlikon Global Steering Group, which promotes adoption of the Ruschlikon Rulebook and the ACORD Accounting and settlement processes and standards by the global players, and maintains the documentation, strategy and branding

- The US Advisory Group, which drives implementation of Ruschlikon Accounting and settlement processes in the USA

- The Non-Bureau Group, which reports to LMG, and drives implementation of Ruschlikon Accounting and settlement processes for the London and UK market

- The Bermuda Operations Forum which focuses on driving implementation of Ruschlikon Accounting and settlement processes in Bermuda

- The Business Implementation Group (BIG), which is globalizing the Ruschlikon programme at detailed implementation level, including proposed refinements to the ACORD EBOT/ ECOT standards.

Project Owner: Industry Working Group	Project Sponsor: Ian Summers, Aon and Regis Delayet, SCOR
Project Manager: Mark Barwick, ACORD	LMA Lead: Peter Holdstock

Milestones

- 1Q 2012 – enhance website for standards advocacy and promotion

- 2Q 2012 – commence pilot of Ruschlikon Lite facility

- Ongoing – continue to encourage greater volume and increased implementations, complete refinements to ACORD standards to allow higher degree of usage, BIG to manage the timeline for future development

Project Linkages and Dependencies

This initiative and London's work on E-Accounts (see 3.2.1 and 3.2.2) have similar aims of creating an ACORD compliant, common interface between brokers and carriers for accounting and settlement.

Current status

215,000 messages were processed during 2011. During 2012 ACORD, through the Ruschlikon groups, continues to encourage and support adoption of Ruschlikon.

3.2.4   Non-bureau business

Background

Until now London market modernisation initiatives have focused on improving business processed via Xchanging Ins-sure Services (XIS – the "bureau"). Consequently, a significant proportion of total London market business, which is serviced directly by the broker and the insurer, has been left essentially untouched by LMG's work, with the potential danger that London develops two separate approaches to processing business.

During 2011 four broker-insurer partnerships went live with accounts messaging using the ACORD eBOT standard, as developed by the Ruschlikon initiative, for direct London market non-bureau business. These were between Aon and Ace, XL via TMEL and Willis, and Ace and XL via peer to peer messaging.

The initial implementations have been extremely successful in achieving the expected benefits of speedier and easier ledger reconciliation, and improved cash flow of premium and claim monies. The technology to achieve this has been relatively quick and easy to implement.

A further three insurers (Chartis, RSA, QBE) are well advanced in their project initiation activities and are working towards internal project approval and implementations with Aon and Willis in 2012, whilst a further four insurers are engaged in preliminary discussions with both of these brokers.

In addition to the London implementations the messaging standard continues to be used to exchange accounting information between brokers and continental reinsurers. ACORD have also now set up a working group in Bermuda to progress interest in implementations there and is seeking involvement from US insurers.

Milestones

The focus of activity in 2012 will be to seek to extend the scope of the initial implementations in a variety of areas:

- Increasing the scope of business covered for existing London partnerships

- Involvement from

    o non-London operations of existing London participants

    o additional London brokers

    o additional London (re)insurers

    o further overseas participants, via ACORD work-groups

- LMG 2012 target – 10 new brokers; reinsurer partnerships live by Q4.

Project Owner: LMG	Project Sponsor: Mark Berry (XL Re)
Project Contacts: Roy Laker (ACORD), Steve Hulm (LMGS), John Hobbs (IUA)	LMA Lead: Peter Griggs

Project Linkages and Dependencies

While this workstream focuses on non-bureau processing, it has much common ground with the various initiatives covering bureau-based business. This workstream has the potential to move further towards a single and consistent process environment.

Current status

See milestones above.

3.3 Claims

3.3.1 Electronic Claims Files (ECF)

Background

The Electronic Claims File is a combination of the IMR and the Claims Loss Advice and Settlement System (CLASS). The LMA commissioned Xchanging to provide an integrated service to Lloyd's Managing Agents, while the services remain as two separate systems for Brokers and Companies. This enables claim file documents to be submitted electronically and shared by subscribing underwriters, whilst CLASS provides users with access to financial data and claims processing and basic workflow functionality. ECF allows brokers to supply an entire claims file to all insurers "on risk", electronically, at the same time. All insurers will therefore have concurrent, contemporaneous access to the claims file - eliminating the need for the broker to serially present the claims file to different insurers individually. The major benefit of this is that it will greatly reduce the length of the overall claims lifecycle, from first advice to settlement, providing policyholders with a greatly improved service.

ECF has matured from a change initiative to a point where it supports the processing of the majority of new in-scope claims and is now a "business-as-usual" system. System changes and enhancements through ECF2 have now been completed and provide significant new functionality.

It is expected that the current ECF system will be required to support the market at least until the end of 2014 and, perhaps, beyond. The following work-streams cover ongoing work to continually enhance ECF usage:

- Out of scope claims (including co-lead binders, multi-OSND (see Glossary) claim scenarios and claims affected by the Access Control List issues)
- Legacy

Project Owner: LMG	Project Sponsor: Various depending on work-stream
Project Manager: Various depending on work-stream	LMA Lead: Rob Gregg

For a more detailed view of the component parts of ECF, see the ECF Business Plan on the LMGS website.

Milestones

LMG 2012 target – all new claims via ECF. Increase ECF usage to 80% of their business by Q4.

Project Linkages and Dependencies

ECF removes paper from claims handling and processing and is a necessary step, both from a process perspective and culturally, to the adoption of full, data-based, electronic processing. Over time, further linkage is anticipated between ECF and documents loaded to the IMR at earlier stages of a risk's process lifecycle such as placing or accounting.

Current status

Usage stands at 95%+ of in-scope claims for Lloyd's and at 64% for non-Lloyd's claims. For detail of the current status of any part of ECF development please contact the LMA.

3.3.2   ECF2

Background

Section 3.3.1 above describes the implementation and current status of the market's ECF initiative. Further improvements to this system have been implemented and this package of improvements is known as 'ECF2'. ECF2 seeks to provide:

- a new version of the current ECF screens
- a common new front end for all carriers dealing with electronic claims
- position the market to use back end systems, other than CLASS.

Further, ECF2 adopts open architecture enabling the integration of claims functionality into carriers' systems (and those of service providers) removing CLASS from the business process and could enable the implementation of one approach or system for London, subject to market approval.

The focus is on four main components:
- Claim work flow triggers – being a file produced regularly during the day advising all claim transactions: creations, updates and responses
- Claim Work Flow Services – being a work flow front-end allowing users to manage their work load of actions related to claims transactions
- Document file viewer – being a piece of technology allowing claims handlers to see the documents making up the claims file as one user friendly document
- Claims Database – being a new data warehouse for claims information from the various Xchanging source systems, including ECF management information.

Project Owner: LMG	Project Sponsor: Joe Dainty (chair, ECF2 management Group)
Project Manager: Various depending on work-stream	LMA Lead: Rob Gregg

Milestones

ECF2 components were delivered throughout 2011, with a small number of components being delivered 1Q 2012 – see "current status" below.

Beyond these outstanding components, ECF2 is effectively delivered and integrated into the wider ECF programme (see 3.3.1), so there are no major milestones for 2012.

Project Linkages and Dependencies

ECF2, along with upgrades to the IMR and IMR security model, legacy partnerships, and a Binder Protocol, significantly extend the scope of ECF2 to close to 100% of appropriate claims. These changes will improve functionality as well as set the scene for less reliance on the older CLASS system and a move toward an international claims trading platform aiming at establishing claims as a service differentiator for the Lloyd's and London market.

Current status

Status:
- CWT was introduced into live production in November 2010
- CAS and SSO were released into live production April 2011
- DFV was introduced into live production May 2011
- CWS was introduced into live production July 2011
- CDW was introduced into live production August 2011

Aside from a small number of components that are due to complete in 1Q 2012, the project is now live and complete. 95% of the market has now signed up to ECF.

3.3.3   ECF - Binders

Background

In order to progress usage of ECF for binder processing it has been 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.

Phase two has been extended to include 01/01/12 renewals and will now run until April 2012 with the following arrangements:

- The broker separates out individual bordereaux items.

- Agreement of all "outside of authority co-lead" claims that are in the bordereaux continue to be managed on paper while "within authority co-lead" claims are handled via ECF.

- Transactional processing leading to settlement for both "outside" and "within" authority co-lead claims is all managed through the ECF Bordereaux.

This provides 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.

| Project Owner: LMG | Project Sponsor: Tim Willcock (LMA) |
| Project Manager: Robert Gregg (LMA) | LMA Lead: Rob Gregg and Jonathan Webster |

Milestones

Phase one complete.

Phase two – anticipated to conclude by April 2012.

Phase three – dependant on the outcome of phase two.

Project Linkages and Dependencies

This is a sub-project within the wider ECF take-up programme – see 3.3.1.

Current status

The workaround has been extended to run to April 2012 to ensure higher volumes are captured with the inclusion of 01/01/12 renewals. Set criteria and scenarios have been included within the pilot to maximise usage and complexities and by extending the pilot. It is anticipated a further 3 brokers and 2 managing agents will join the project commencing January 2012. It is then expected to analyse the results to enable a full understanding before moving on to the

next phase which will include an investigation into an automated solution to incorporate the agreement of outside authority co-lead claims via electronic means.

3.3.4 ECF - Legacy

Background

Having proved that ECF addresses many of the sources of delays in the claims process by removing the hand-offs between the broker, the leader and XCS, and delivers significant improvements in the end-to-end claims processing times, a broker-led ECF Legacy Working Group was set up to identify and assess the options for extending the scope of ECF to include legacy claims. The group made a number of recommendations which were accepted by LMG in October 2008.

The project falls under the governance of the ECF User Group (see 3.3.1). A group, under the chairmanship of Steve Robson of Alterra, has been formed to specifically review appropriate legacy claim back loading. Several initiatives have been instigated, predominately with Aon, Guy Carpenter, Willis, and Xchanging, to load high value reinsurance claims. LMACC has agreed to expand the reinsurance initiative with other brokers including BMS Group and with other lines of business such as property, energy and aviation under consideration. The group continues to explore the use of "willing partners" as another area of legacy development. The ECF Systems Process & Procedures (SP&P) is being updated to encourage greater uptake in the use of ECF for <u>any</u> legacy claims within scope. Lloyd's CTP now has ECF Legacy under review.

Project Owner: LMG	Project sponsor: Tom Bolt, Director of Performance Management Lloyd's
Project Manager: Will Curtis, Lloyd's	LMA Lead: Rob Gregg

Milestones

LMG 2012 target – all new claims via ECF. Increase ECF usage to 80% of their business by Q4.

Project Linkages and Dependencies

This is a sub-project within the wider ECF take-up programme – see 3.3.1.

3.3.5 ACORD claims management working group (ECOT+)

Background

An ACORD "Claims Working Group" was formed in the spring of 2010 to develop the "ECOT+" workstream. It considered proposed new requirements for communication within the claims community over and above those already provided by ACORD claim and accounting messages (already in live usage internationally).

The group addresses new requirements regarding

- The ability for a conversation/dialogue to occur between participants in a claim (beyond existing claim advice and response messages)

- The ability to support further roles of the parties involved in a claim (beyond that of broker and carrier)

- The ability to support further processes like the instruction of experts and delegated parties including the forwarding of messages and documents.

This group had a wider international involvement with participants from USA, Europe and the London market. The key London market contacts are:

- Project manager: Phil Brown, ACORD
- ACORD Claims Working Group chairman: Graeme Veale, Markel

Messages created by the group are called ProcessServiceRq (request) and ProcessServiceRs (response), allowing existing ACORD claim (and other) messages to be "wrapped" together for single transmission between parties. These were agreed through the ACORD process and published with "candidate recommendation" status by ACORD in January 2011. This status denotes that the standard is ready to be piloted by implementers and that ACORD is awaiting feedback from those implementers in order to be able to publish the new standard in "final" status.

Milestones

It is expected that the ProcessServiceRq/Rs messages will be proposed for "final" status in spring 2012.

Project Linkages and Dependencies

The ECF project provides for scanned claims documentation to be stored on a central repository and links this to financial claims data available through CLASS. ECF2 and the Claims Management project are aligned to this but go a step further by defining the core claims data in a structured format. Note that the ECF project does not yet use the ProcessServiceRq/Rs messages in pilot or live mode but the messages are available if ECF has a requirement to use them in the future.

Current status

The messages were published with "candidate recommendation" status by ACORD in January 2011. Some pilot implementation has occurred and this has resulted in some changes based on practical feedback. Further pilots are ongoing and it is expected that the ProcessServiceRq/Rs messages will be proposed for "final" status in spring 2012.

3.3.6   Lloyd's Claims Transformation Project

Background

This project responds to the market's debate about future claims handling and aims to enhance Lloyd's reputation for fair and fast claims handling and place claims on a par with underwriting in terms of creating competitive advantage for firms and the market as a whole. This is being delivered through a number of work streams including:

- Roll-out of Scope and Legacy
- Enhanced Governance
- Shared Services
- MI and Data

The 2010 Pilot Scheme was introduced at 1 January 2010 for certain risk codes under Property, Marine and Casualty Treaty. The Claims Implementation Board (CIB) monitored the handling of claims under the Scheme against the defined success criteria of speed, quality and market perception. These success criteria were met or exceeded which led to Franchise Board agreement to expand the scope of the 2010 Pilot Scheme with effect from 1 July 2011.

Following the success of the 2010 Pilot Scheme, Lloyd's has amended the 2006 Claims Scheme and renamed it to recognise the change of the 2010 scheme from a pilot scheme to a separate

Lloyd's Claims Scheme. The scope has been further expanded with effect from 1 January 2012 into Professional Indemnity, Financial Institutions and Medical Malpractice risk codes.

The pilot trialled three tranches of claims (Lloyd's share values): Standard - up to £100,000, Mid-tranche – £100,000 - £5,000,000, and Complex – over £5,000,000. Allocation of a claim to any particular tranche also involves a number of non-financial triggers.

Following feedback from the market the three claims categories have been replaced by just two categories - standard up to £100,000 and complex £100,000 and above. For claims within the scope of CTP the Lloyd's leader acts as single agreement party for standard claims and will bind the following Lloyd's market. For complex claims, agreement is by the leader and second Lloyd's underwriter with the remaining follow market having powers to call a market meeting if there is disagreement with, or between, the leader and second underwriter.

Leaders and second underwriters have an express duty of care to followers but with limitation of liability. Underwriters wishing to outsource claims handling are able to do so although currently, XCS is the only outsource option.

In addition, the Lloyd's Claims Talent Programme has been initiated.

Further information is available from the Lloyd's website.

Project Owner: Lloyd's	Project Sponsor: Tom Bolt, Director of Performance Management
Project Manager: Will Curtis, Lloyd's	LMA Leads: Tim Willcock, Gary Bass

Milestones

Lloyd's Claims Transformation Programme is now enshrined in the Lloyd's 2010 Pilot Scheme and is effectively "business as usual". The Claims Implementation Board (CIB) will be monitoring the Scheme during 2012 in order to consider future Lloyd's claims handling. The CIB expect to introduce the remaining risk codes into CTP with affect from the 1 July.

Project Linkages and Dependencies

The project is in line with the general desire amongst many managing agents to have flexibility and choice in business processing and although not directly linked to other claims initiatives offers the prospect of a more streamlined claims agreement process to be managed within the functionality of ECF.

Current status

Further details are contained in the Lloyd's market bulletin Y4482, Y4522 and Y4531. As at 25 November 2011 there were 13,967 claims being handled within the CTP definitions.

3.4   Placing support

3.4.1   Placing support project

Background

Placing support is the electronic exchange of data and documents between trading parties to support the transaction of insurance business, whether a new risk, a renewal or a contract term amendment; it does not replace the face-to-face negotiation of business where this adds value. Placing support is a major part of the LMG's view of the future and under this project, LMA runs various central activities to support and coordinate with the activities of market organisations, suppliers and other bodies.

The Placing Support Steering Group (PSSG) has set the vision for placing support as:

The use of electronic processes, compliant with ACORD international data standards, for the submission of risk details, the agreement of terms, and contract formation for all risk placements and contract amendments in the London market, enabling the selective use of negotiation outside the electronic process where required by trading partners.

The objectives of the project are:

- to create clarity in the market about the benefits and implications of, and options for, the adoption of placing support
- to extend significantly the use of placing support amongst Brokers and Insurers in the market generally.

The key work-stream is adoption by the market of electronic support for endorsements (see 3.4.2). In addition, background work continues addressing original placement, declarations under lineslips and facilities, and additional structured data.

The main source of information on the project is the LMGS website.

Project Owner: LMG	Project Sponsor: Tim Carroll (Chaucer)
Project Manager: Rob Gillies, LMA	LMA Lead: Peter Holdstock

Milestones

Please refer to section 3.4.2 for information on the market's adoption of electronic processes to support the transaction of endorsements, which is the main activity in this field.

LMG 2012 target – agree roadmap by end Q2. Existing and early adopter activity ongoing.

Project Linkages and Dependencies

Placing support is the starting point for the full electronic lifecycle of the risk and is a key element of the markets' discussion about future London market processes. As adoption of placing support gains momentum, this will open up distribution models, driving change in the way accounting and settlement and claims are processed.

3.4.2   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 LMG's wider sponsorship of the use of electronic processes to support business placement. It builds on previous related work such as the introduction of the Market Reform Contract Endorsement (MRCE) format and the transaction

of MRCE by email (eMRCE) and exploits work by individual firms and The Exchange.

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.

The project saw a successful pilot using direct Marine classes run during the final quarter of 2010. This confirmed that electronic processes can be used effectively, enabling underwriters and brokers to get experience of the benefits offered by the use of such processes.

The issues that emerged from the pilot were addressed by the Business Process Design Authority and a documented resolution path for each of these agreed.

The primary source of information on this work-stream is the LMGS website.

Project Owner: LMG	Project Sponsor: Tim Carroll (Chaucer)
Project Manager: Rob Gillies, LMA	LMA Lead: Peter Holdstock

Milestones

Following the initial marine pilot, the following milestones were achieved during 2011, which saw the introduction of key improvements and the roll out to additional classes of business:

- April – Marine continued as 'business as usual', building volume and extending beyond initial classes by mutual consent between trading partners.
- July – Carriers were ready to receive Property, Professional Indemnity and Specie endorsements electronically, sponsored by Aon, Marsh and Willis respectively. LIIBA actively promoted these classes with all other brokers and volumes built in all live classes during summer / autumn.
- October saw the implementation of 11 key process improvements, allowing further volumes to build in all live classes.
- February 2012 – Implementation of conditional acceptances (subjectivities) and multi-section solutions, allowing further volume build in all live classes.

Additional milestones set for 2012 include the following:

- March 2012 – Carriers are to be ready to receive all endorsements electronically for all classes of business. Organisations that wish to progress more quickly have already been doing so in collaboration with trading partners.

- LMG 2012 target – rollout across all classes by Q1. 70% of endorsements processed electronically by Q4.

Project Linkages and Dependencies

As with the MRC, aligning the London endorsement format (the MRCE) with ACORD data standards has allowed the adoption of data messaging based on those same ACORD standards. Adopting data messaging to support endorsements, as an initial step in the wider area of support to placing, is aligned to the markets' plan to adopt data messaging in A&S and claims and hence a foundation for future processes. The lessons learnt, particularly where process improvements have been identified, take the market forward significantly to introducing messaging support for full placing.

Current status

- The processing of endorsements electronically continues as 'business as usual' within the agreed classes, leading to the roll out to all classes in March 2012.

- All Managing Agents are preparing for the March 2012 roll out but ensuring that the Contacts Database in The Exchange is populated with details of all their underwriters who they expect will be receiving messages from brokers.

- Roll out plans for additional brokers are in place, and the constantly-evolving Engagement Matrix reflects the roll out plans for all brokers and a number of additional IUA carriers.

- Electronic Endorsement volumes and response times are currently reported to the market on an anonymous basis, with details of data for specific organisations being reported only to the organisation itself. A proposal is being worked on to publish data to the market in 2012 on a fully disclosed basis.

Appendix A – Glossary of Terms

Phrase	Acronym	Description
A&S User Group	A&SUG	A practitioner based group, reporting to the AAC, dealing with issues related to the development and adoption of A&S processes.
Accounting and Settlement	A&S	The processing of technical accounts (closings) and financial accounts (settlements) between broker and carrier (or between broker and XIS where the carrier elects to use XIS to perform this and other functions on its behalf). For many years business processed via XIS was based on paper documents (LPANs). Predominantly, the process is now based on document images loaded to the IMR – sometimes the term A&S is taken to mean submissions specifically via the IMR. As of 2011, Accounting and Settlement is increasingly based on the exchange of ACORD standard electronic data messages (E-Accounts).
Accounting Splits (Carrier Accounting Entries)		The breakdown of a premium into amounts at which transactions are raised. These may be: • 'fundamental accounting splits' – related to the fundamental structure of the risk as determined by the requirements of the broker's client or as dictated by the conditions imposed by carriers, or • 'non-fundamental accounting splits' - splits required for other reasons, mainly for a carrier's regulatory reporting. A non-fundamental split from a broker's perspective may be fundamental from a carrier's perspective.
ACORD4ALL		ACORD4ALL – an Xchanging service converting bureau legacy message files (signing, settlement & claims) to individual ACORD (RLC XML 2008-1 and 2005-2) equivalents of technical account, claim movement and financial account.
Association for Cooperative Operations Research and Development	ACORD	A global, non-profit standards development organization serving the insurance industry and related financial services industries. See the ACORD website for more information. ACORD standards are the successor to the LIMNET EDI standards adopted by the market in the late 1980s.
Associations' Administration Committee	AAC	A practitioner based group established by the LMA and IUA to manage the market's contract and relationship with XIS as regards the IMR and related market infrastructure.
Bureau		Colloquial London terminology for XIS.
Business Implementation Group - Ruschlikon	BIG	The Ruschlikon Business Implementation Group (BIG) that reports to the Ruschlikon Steering Group.
Business Process Design Authority	BPDA	The governance group tasked with analysing and designing solutions to support the electronic placing programme reporting to the Placing Support Steering Group (PSSG).
Claims Implementation Board	CIB	The Board responsible for implementing Lloyd's claims transformation programme.

Phrase	Acronym	Description
Claims Loss Advice and Settlement System	CLASS	CLASS enables brokers to load claim data transactions and some supporting information so that carriers can agree, query and reject claims 'on line' using EDIFACT messages e.g. LIMCLM. Combined with the IMR, CLASS underpins ECF.
Claims Services Review Board	CSRB	The LMA committee, reporting to the MPC, responsible for managing the delivery by XCS of its claims services to managing agents (see also the LMA website).
Cross Market Messaging Group	CMMG	An LMA supported group which operates jointly on behalf of the LMA and IUA as a centre of knowledge and expertise for dealing with and advising on technical issues in relation to the use of, and changes to, London market insurance business messages (see also the LMA website).
Delinking		Separation of the premium technical account and financial transaction, facilitating earlier allocation of a signing number and date, faster cash flow, and timely policy signing.
Document Repository Interoperability	DRI	An ACORD technical standard that supports the automatic interchange of free-format documents between repositories.
E-Accounts		An initiative to replace the paper and / or IMR-based premium submissions to XIS with the full suite of ACORD messages as above which will then be automatically loaded to XIS systems.
ECF User Group	ECFUG	A practitioner based group, reporting to the AAC, dealing with issues related to the development and adoption of ECF.
E-Accounts Implementation Group	EAIG	A sub-group of EAMG tasked with resolving process issues arising from the development and implementation of electronic accounting in the London bureau market.
E- Accounts Management Group	EAMG	The senior governance body, reporting to LMG, tasked with developing the market's electronic accounting capability and driving adoption.
Electronic Back Office Transactions	EBOT	The use of the full suite of ACORD messages for management of accounting and settlement processes for the non-bureau market.
Electronic Claims File	ECF/ ECF2	An integrated service for claims handling and processing delivered through a combination of the Insurers Market Repository (IMR) and the Claims Loss Advice and Settlement System (CLASS). ECF2 provides additional functionality to enhance the underwriter use of the ECF platform.
Electronic Claims Office Transactions	ECOT+	The use of the full suite of ACORD messages for management of the claims processes for the non-bureau market.
Electronic Data Interchange	EDI	A standard for the exchange of structured transmission of data between organizations by electronic means. It is used to transfer electronic documents from one computer system to another, i.e. from one trading partner to another. The London market adopted EDI as a standard in the late 1980s. EDI messaging is being replaced by ACORD messaging on a piecemeal basis.

Phrase	Acronym	Description
Electronic Data Interchange For Administration, Commerce, and Transport	EDIFACT	An international EDI standard developed under the United Nations. The work of maintenance and further development of this standard is done through the United Nations Centre for Trade Facilitation and Electronic Business.
Electronic London Premium Advice Note	ELPAN2	The use of ACORD messages for the management of accounting and settlement processes for carriers using XIS. ELPAN2 has been subsumed into E-Accounts.
Electronic Market Reform Contract Endorsement	eMRCE	The (now obsolete) initiative to implement processes to transact MRCE using email and other forms of non face-to-face communications.
Electronic Placement		See Placing Support
Financial Services Authority	FSA	The regulatory body of the UK's financial services industry.
Finish What We Have Started	FWWS	The phrase used to refer to a programme of work which will complete Xchanging related-elements of the LMG's current work plan. This includes work to: • get all claims within the scope of Electronic Claims File (ECF) including extending the scope to encompass legacy claims and to achieve full usage as well as usability improvements to the claims systems collectively known as "ECF2" • get all premium submissions within the scope of the Insurers' Market Repository (IMR) • to implement E-Accounts.
Insurers' Market Repository	IMR	Infrastructure owned and funded by London market insurers, both Lloyd's and non-Lloyd's, which provides a common repository for documentation to support accounting and settlement and claims processes.
International Underwriting Association of London	IUA	The body representing international and wholesale insurance and reinsurance companies [IUA website.].
Lloyd's and London Market Introductory Test	LLMIT	A multiple choice examination for those who are new to the London Insurance Market, or for those who want to gain a wider understanding of how this market operates. LLMIT develops and tests awareness and understanding of how business is traded in the London Insurance Market and the roles and responsibilities of those involved. It provides an essential grounding in the working practices and processes at Lloyd's.
Lloyd's Market Association	LMA	The association representing the interests of Managing Agents operating in the Lloyd's insurance market [LMA website.].
Lloyd's Market Association Claims Committee	LMACC	The primary LMA committee for overseeing claims matters.
London & International Insurance Brokers' Association	LIIBA	The association representing the interests of insurance and reinsurance brokers operating in the London and international markets [LIIBA website.].
London Insurance Market Claims Message	LIMCLM	The current London market standard EDI claims message.

Phrase	Acronym	Description
London Insurance Market Network	LIMNET	A late 1980s predecessor of today's LMG-led activity, consisting of Lloyd's and the carrier / broker associations of the day, and responsible for market modernisation and standards. This body progressed the adoption of EDI in the market.
London Market Group	LMG	The senior market-wide body responsible for promoting London as the market of choice for insurance. Through consensus between its principal participants - LMA, IUA, LIIBA, Lloyd's and members of the constituencies they represent – LMG sponsors and promotes work to: • Set vision, strategy and timetable for the market. • Resolve difficult cross market issues. • Communicate: influence the environment and disseminate information. • Set up governance for initiatives. • LMG firms lead by example, form lead implementer partnerships and encourage laggards. • Ensure that initiatives are consistent with each other and with vision. • Measure progress on individual projects and whole modernisation programme. • Agree standards and where necessary produce them. • Make sure that resources are in place - Project Managers, analysts, experts - Resolve funding for agreed initiatives (London Market Group)
London Market Group Secretariat	LMGS	The office providing administrative and technical support to the LMG and to London's change programme (London Market Group)
London Premium Advice Note	LPAN	A document (originally paper, now almost exclusively an image on the IMR) to communicate technical account information from broker to XIS where a carrier has elected to use XIS to process business on its behalf. Similar to a closing for non-XIS business.
London-ism		A colloquial term indicating a process or other characteristic of the London insurance market which is inconsistent with processes or characteristics of other insurance markets. London-isms are often referred to as being negative, meaning that they act as barriers to entry or disincentives for brokers to place business in London compared to other markets. However, London-isms can also be positives. For further information on the analysis of London-isms, contact the LMA.
Market Processes Committee	MPC	LMA's principal committee, reporting to the LMA Board, concerned with market process issues (see also the LMA website).
Market Reform Contract	MRC	An ACORD based standard adopted by the London insurance market for risk placement documentation.
Market Reform Contract Endorsement	MRCE	An ACORD based standard adopted by the London insurance market for endorsement documentation.

Phrase	Acronym	Description
Original Signing Number and Date	OSND	A reference applied by XIS to each premium or claims transaction (unique to that transaction).
London Placing Implementation Guide	LPIG	A suite of technical documentation setting out agreed implementation protocols for the use of ACORD standards to support the placing process in London. Available from the LMA website.
Placing Support	PS	(as defined by the Placing Support Steering Group) 'The use of electronic processes, compliant with ACORD international data standards, for the submission of risk details, the agreement of terms, and contract formation for all risk placements and contract amendments in the London market, enabling the selective use of negotiation outside the electronic process where required by trading partners.'
Placing Support Steering Group	PSSG	The senior governance body, reporting to LMG, tasked with developing the market's Placing Support capability and driving adoption.
Portable Document Format	PDF	An ISO standard document file format that facilitates document exchange regardless of the software used to create the original document. PDF was originally developed as a proprietary standard by Adobe and is often referred to as "Acrobat".
Premium Payment Improvement Working Group	PPIWG	A London cross-market group, active during the mid 2000s), that was tasked with identifying how improvements could be achieved in settlement of premium from brokers to insurers.
Process Advisory Group	PAG	A sub-group of XRB tasked with working with XIS to manage processing issues on behalf of XRB.
Reinsurance and Large Commercial	RLC	The ACORD standard adopted for use in the London market.
Right first time	RFT	The concept of brokers providing error-free accounting information to carriers or the bureau, thus avoiding queries being raised or submission rejection and subsequent rework.
Ruschlikon		Swiss Re's conference location where the 'Ruschlikon Initiative' was originally conceived.
Structured data (see also unstructured data)		Information contained in a message such as an XML document which conforms to a set of rules regarding data structure and intended usage. Structured data can be reused at any point in the process chain for ancillary processes. An ACORD message contains four types of structured data: 1. References: for example, client contract reference. 2. Coded lists: for example, countries or classes of business. 3. Percentages and Currency Amounts: for example, written lines or premiums. 4. Text descriptions: free text for descriptions and key clauses.
Systems Group		The LMA committee, reporting to the MPC, which provides a focal point to consider systems and technology matters within the Lloyd's market community (see also the LMA website).

Phrase	Acronym	Description
The Exchange	TMEL	The Exchange is a messaging service that enables brokers, underwriters, service providers, and IT suppliers to send and receive information securely between multiple parties, to one common standard through a single connection. Initiated by Lloyd's, The Exchange has been migrated to a mutualised market utility, The Message Exchange Limited (TMEL).
Unstructured data (see also structured data)		Information that is used to support structured information, typically in the form of a document, and sent as an attachment (file) to the XML message. For example, detailed clauses, MRC and wordings.
Xchanging (Xchanging Claims Services) (Xchanging Ins-sure Service)	 XCS XIS	Xchanging is a publicly listed outsourcing company providing back office and centralised processing services. In the London market this is principally through partnerships with Lloyd's and the IUA via Xchanging Ins-sure Services (premium and policy processing), and with Lloyd's via Xchanging Claims Services (claims adjusting and technical processing) and [www.xchanging.com].
Xchanging Review Board	XRB	The LMA committee, reporting to the MPC, responsible for managing the delivery by XIS of its premium and policy services to managing agents (see also the LMA website).
XML		Extensible Mark-up Language. XML provides a basic syntax that can be used to share information between different kinds of computers, different applications and different organizations without needing to pass through many layers of conversion. Its purpose is to aid information systems in sharing structured data, especially via the Internet.

Appendix B – Key Information Technology (IT) Components

The following is a generic summary across the market and 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 3rd 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: Carrier 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).
  - o 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.
  - o Central to the market
    - ▪ XIS IMR for general Broker & Carrier 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 carriers 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: Ri3K, TIW, eReinsure, MI Trader.

Appendix C – Achievements So Far

For 2011 the LMG identified a series of workstreams to identify benefits achieved to date by the market modernisation programme as well as setting out aspirations for identifying and measuring benefits with future work – see 3.1.4, Benchmarking.

This Appendix has been updated to reflect the LMGS' latest work in achieving benefits. The full publication is available from the LMGS website.

A summary extract is provided below.

| Business function	Achievement	Benefit
Placing – Development of slip standards (LMP, MRS, MRC)	Slip standards have been enhanced, and implemented, across the London Market. These offer consistency, ease of slip construction by brokers in a standardised format and easier access by underwriters to relevant information; as well as offering a sound foundation for the exchange of structured information in electronic ACORD placing messages. The benefits of slip standards have been recognised by global brokers that have chosen to export the use of MRC into their overseas offices.	The Market Reform Contract (MRC) slip standard facilitated the use of this document as the insurer authorised contract documentation. This has resulted in a significant proportion of risks, typically where the 'client' is an insurance organisation, being evidenced in this way; avoiding the need for a separate covernote or policy document. Not only has this eliminated the additional work involved in the previous 'two stage' contract documentation process, it has also speeded up the issuance of contract documentation to the client and reduced the likelihood of any future legacy policy issues.
Placing - Contract Certainty	The market's success in responding to the contract certainty challenge, set in December 2004 by the FSA, demonstrated that the market has the ability to achieve significant changes in process, culture and behaviour. Throughout 2007 the market maintained levels of Contract Certainty performance significantly above 90% and the ongoing maintenance of demonstrable contract certainty performance now lies with individual market organisations.	Contract certainty led to improvements in contract quality and to the speed in which contract documentation was delivered to the client. A recent (October 2010) survey of European Risk Managers demonstrated that the UK market outperformed its continental competitors by 40% in producing contract documentation promptly; a significant turn-around from previous surveys. From a broker perspective, the reduction in the need for covernotes reduced cost as well as reducing E&O exposures. Lawyers dealing with contract disputes also tell us that they are seeing an impact on their work e.g. a reduction in time spent on disagreements relating to the appropriate Law and Jurisdiction. The impact of contract certainty has been such that both the Bermudan market and the New York Insurance Commission have indicated a desire to adopt comparable codes of practice.
Placing - Improve contract documentation quality	Lloyd's developed and implemented a contract Quality Assurance (QA) Tool to assist with up-front contract checking. It has also reformed the way in which post-contract quality checking is	This has contributed to improvements in the timeliness of policy signing. The greatest improvement in client satisfaction in recent years (as measured by the Lloyd's Customer Survey responses) has been in their

Business function	Achievement	Benefit
	performed. As the contract certainty work has led to firms significantly enhancing their quality procedures during contract negotiation, the need for post bind review has been lessened. Therefore, whilst signed Lloyd's Policy documents are still available from Xchanging In-sure Services (XIS), and still a key client requirement in many instances, the previous "stage 2" checks are no longer carried out.	perception of the speed of delivery of contract documentation.
Placing - Substantially reduce legacy policies	Over a number of years the market had built up a backlog of 'legacy policies' i.e. contracts for which no policy (or other appropriate evidence of cover) had been issued to the client. The market reduced its legacy policy backlog systematically year on year.	By the time central measurement ceased at the end of 2008, it had been reduced to approximately 8% of its mid-2006 level.
Placing - Develop electronic policies	There has been a very significant reduction in the number of policies required. Of these, 80% are now submitted electronically to XIS and approx. 90% of those are also signed and returned electronically.	These changes deliver final contract documentation to the client between five and seven days earlier than the previous paper process, helping to meet the overall contract certainty target of 30 days.
Placing - Endorsements	A revised standard for endorsement agreements (MRCE) has been developed, improving the quality of the documentation and allowing it to be used as the basis of contract change documentation to the client. An electronic endorsements initiative has enabled endorsements to be submitted, and in many cases agreed, electronically.	This can achieve efficiency savings and a faster agreement cycle. This approach is the basis for the market electronic endorsements workstream.
Claims - Use of Electronic Claim Files (ECF)	The adoption of the Claims Agreement & Settlement System (CLASS) for Lloyd's has resulted in comparable platforms being used within the Lloyd's and Company markets to monitor the agreement of claims. The use of CLASS for Lloyd's supports the use of the Insurers' Market Repository (IMR) to hold electronic claim files. The Electronic Claim Files (ECF) system is now being used for over.	The use of ECF results in earlier sight of claims information by following insurers (and hence the potential for earlier reserving) as well as offering opportunities to make the claims agreement process faster and more efficient. A time and motion study undertaken by the ECF user group demonstrated that the average ECF file now takes 47% of the time taken to complete a transaction on the equivalent paper file.

Business function	Achievement	Benefit
	75% of all new Lloyd's claims (which represents over 95% of in-scope new claims). In the company market, use approaches 65% of all new claims.	
Accounting & Settlement - Electronic submissions using IMR	Approx. 95% of Original Premiums are now submitted to XIS as a scanned London Premium Advice Note (LPAN) on the IMR (and more than 85% of Additional/Return premiums). This speeds up the process by removing "van time" and is a stepping stone towards the submission of structured data in an e-accounting message.	In the Lloyd's Customer Survey 2008, 57% of Lloyd's brokers reported that the use of the IMR for accounting submissions had improved the speed of premium processing, partly as a result of "de-linking" checking from settlement which has been estimated to reduce payment cycles by up to eight days and which results in earlier advice of signed lines to insurers. The use of the IMR has enabled Xchanging to reduce their premium processing service level from five to three days – therefore improving cashflow to insurers.
Accounting & Settlement – non-bureau	During 2011 four broker-insurer partnerships went live with accounts messaging using the ACORD eBOT standard, as developed by the Ruschlikon initiative, for direct London market non-bureau business. These were between Aon and Ace & XL via TMEL and Willis and Ace & XL via peer to peer messaging.	While data demonstrating progress is not currently available, all participants have indicated that the initial implementations have been extremely successful in achieving the expected benefits of speedier and easier ledger reconciliation, and improved cash flow of premium and claim monies.

Appendix D – Key groups involved in market change

The following diagram shows the principal groups responsible for process change from the perspective of managing agents. The diagram is not exhaustive and omits a number of lower level groups and temporary project and working groups.
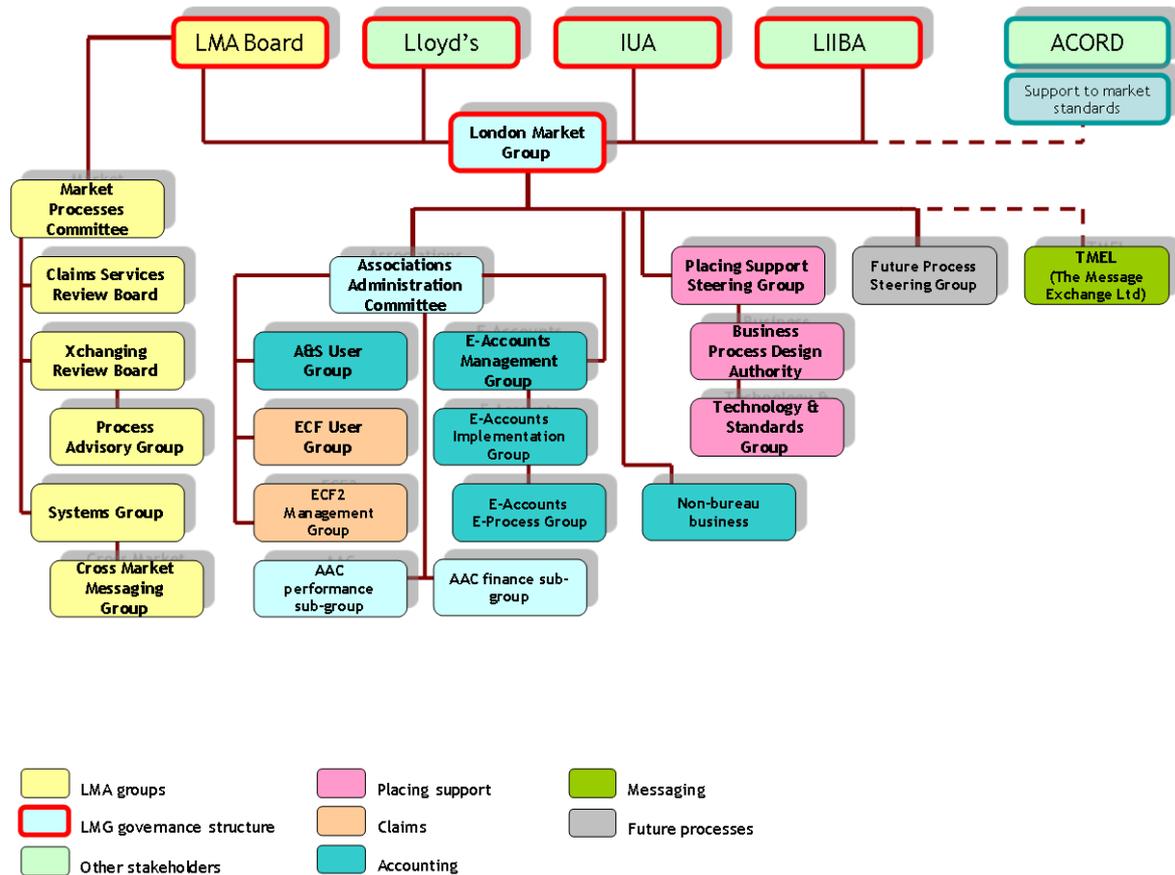
Notes:

1.   For further details about a particular group, please refer to the glossary in Appendix A or, for information about LMA groups, please refer to the LMA website.

2.   As an important stakeholder in London market processes, ACORD attend the LMG sponsored Steering Groups.

3.   Another important stakeholder, Xchanging, is not shown on this diagram. The role of many of these groups is, or includes, management of the delivery by Xchanging of its various services.