

## Inside this month –

Pointing in the right direction – Kent Chaplin with a plea from Singapore to see continued progress in embedding claims at the heart of insurance business. Plus taking the co-lead on ECF; aviation gets flying and how binders can be bound to be processed.

# LMG



# ECF Best Practice

Issue 12 February 2012



## “I STARTED OUT IN CLAIMS...”

If only I had a pound (Singapore dollars will do nicely thank you) for every time an executive of the insurance industry opened a claims conference with the statement “I started out in claims...”

I do look forward to the day when the opening is “I started out in underwriting...”

I didn't start out in claims but in the legal industry; after 6 years or so in private practice I concluded that I preferred “law in practice” to the “practice of law” and joined a broking firm as claims director. After 12 years or so in claims management roles, most recently as Head of Claims at Lloyd's, I moved to a broader management role as Head of Lloyd's Asia Pacific operations.

The transition has not been as daunting as one might expect. Claims is an integral part of the insurance proposition and a sound understanding of the value of claims together with expertise in technical adjusting and processing gives you an enviable insight into the broader aspects of the business and significant value to add.

For example, claims experience is critical to underwriting, pricing and risk selection. Those carriers who successfully unlock the data in claims files (through automation and systems) and identify meaningful trends will support better risk selection and pricing. The same can be said for using claims experience in renewals, wordings and product development. When we look at business planning and the assumptions made about loss ratios, we forecast claims payments and handling costs. Successful businesses will ensure the claims function is aligned with those plans before any business is written to ensure the plan can be met.

In saying this I am strongly of the view that claims continues to suffer from under-investment in its people, processes and systems. Any solution must be premised on an industry-wide recognition that claims are important. Our customers tell us so but, as businesses, do we really believe it? 2011 has been a year of almost unprecedented natural catastrophes, most of which have taken place in Asia Pacific. I expect that those who successfully respond to these tragic events will be those who have board-level commitment to and investment in proactive claims management.

Turning to people, I would argue it is often the perceived unattractiveness of a career in claims itself that prevents us attracting and retaining high calibre people. Claims generally has a lower entry level salary compared to other parts of the business, limited career progression and cumbersome tools. In terms of the latter, we need to redefine the role of the claims professional focusing on core adjudication while reducing our reliance on processing and data entry. Better use of systems and more effective processes will help us automate many of these activities freeing up capacity so the adjusters can spend more time on value-added activities.

The London market's wholesale embrace of ECF and commitment to

## ECF – showing the right resolve

As January 2012 draws to a close, we can look back to the start of the year when we were still struggling to remember it was no longer 2011 and that the date ended with a 2 not a 1. Every year it happens yet many of us still repeat the error. Although it is too late to make a New Year's Resolution, if we each make a real effort to learn from our mistakes and ensure that we follow the ECF SP&P then we will all benefit more from the efficiencies that ECF was designed to provide. Who knows but next year we might even remember it will be 2013 from the beginning of January.

In this issue of the Newsletter, Kent Chaplin gives us his views on claims being the heart of our business. There is an article that details how the process for handling Aviation Verticals may be applied to other classes of business as well as an update on Co-lead binder claims. There is also a request from XCS for prior warning if a broker wishes to over-ride procedures set out in the SP&P.

**Regan Gilbert and Conrad Gillborn**  
*(Co-Chairs of ECF Best Practice Group)*

future enhancements is a critical step in this direction.

Claims are the heart of our business and Lloyd's brand strength was built on our reputation for paying valid claims. I do believe that it is within our gift to change the perception of claims and create greater opportunities for those in the profession.

**Kent Chaplin, Lloyd's**  
[www.londonmarketgroup.co.uk](http://www.londonmarketgroup.co.uk)

## ECF Contacts

### ECF User Group and LMA

#### Gary Bass

Telephone: 020 7327 8324  
Email: gary.bass@lmalloyds.com

#### ECF Best Practice

#### Regan Gilbert

Telephone: 020 7953 6478  
Email: regan.gilbert@markelintl.com

#### Conrad Gillborn

Telephone: 020 7933 3238  
Email: conrad\_gillborn@swissre.com

---

### LMGS

#### Steve Hulm

Telephone: 020 7327 5249  
Email: steve.hulm@londonmarketgroup.co.uk

---

### LIIBA Contact

#### Mark Knight

Telephone: 020 7280 0154  
Email: mark.knight@liiba.co.uk

---

### IUA Contact

#### John Hobbs

Telephone: 020 7617 4445  
Email: john.hobbs@iua.co.uk

---

### Xchanging

#### Paul Bastien

Telephone: 020 7780 5306  
Email: paul.bastien@xchanging.com

---

### Useful Links

**LMG** [www.londonmarketgroup.co.uk](http://www.londonmarketgroup.co.uk)

**LMA** [www.lmalloyds.com](http://www.lmalloyds.com)

**LIIBA** [www.liiba.co.uk](http://www.liiba.co.uk)

**IUA** [www.iua.co.uk](http://www.iua.co.uk)

**ACORD** [www.acord.org](http://www.acord.org)

---

Designed by Propel, [www.propel.co.uk](http://www.propel.co.uk)  
Printed by Quddos Ltd, Unit B1-3, Manor Way Business Park,  
Manor Way, Swanscombe, Kent DA10 0PP

# "Don't be fooled by the falsies"



**BIPAR** (the European Intermediaries organisation) has a set of principles that are equally applicable in the London market as elsewhere. Some of these principles apply to placements with multiple insurers and one of them, Principle 4 creates some practical issues which knock onto ECF

For ease of reference, the text of Principle 4 is shown here "In the case of a placement of a risk with a lead insurer and following insurers on the same terms and conditions, the previously agreed premiums of the lead insurer and any following insurers will not be aligned upwards should an additional follower require a higher premium to complete the risk placement. Indeed, the intermediary should not accept any condition whereby an insurer seeks to reserve to itself the right to increase the premium charged in such circumstances."

What this means in practice is that many more risks are now being placed with differing commercial terms between the subscribing insurers which leads to a need for separate signings to be done in order to maintain the confidentiality between the parties. For those readers familiar with the aviation market, this will be nothing new as this is in effect the reason for aviation verticals which have existed for many years.

Whilst this method of signing each subscribing insurer separately ensures confidentiality, it causes problems when coming to present claims on ECF, as there is still no way of electronically linking related UCRs together, and each signing would have to have its own UCR.

The aviation market introduced a method known as the "False FDO" whereby a dedicated signing was created purely for presenting claims on ECF. This held the whole market as security but, attached to the UMR area, was a sanitised slip which contained none of the commercial terms. The process was agreed in the market groups and is contained within the S P & P.

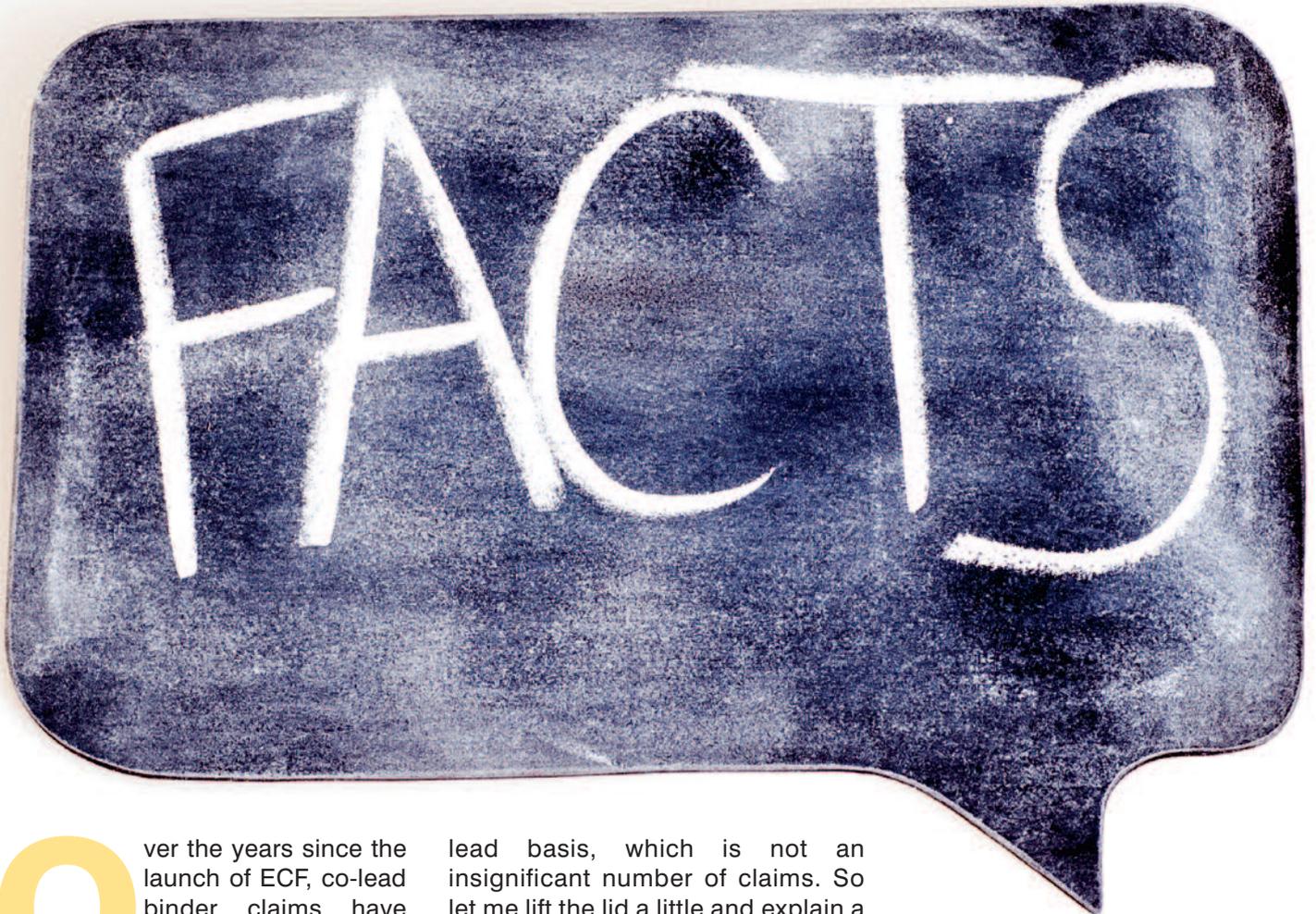
What is currently happening is that other classes of business are trying to use this concept for presenting claims on BIPAR impacted risks via ECF but without warning. This has led to issues at XCS which is only used to and expecting "False FDOs" from the aviation market

In the absence of any other agreed process, XCS personnel have been briefed to expect these types of presentations for other classes and that they should follow the Aviation Vertical process in the S P & P exactly. As a reminder and to ensure that claims are not delayed, the process to be used can be found in the SP&P under the heading AVIATION VERTICALS.

Finally, where placements using this process are subject to on-going endorsement activity that might affect any claims, any premium or coverage endorsements submitted to XIS for processing on the component signings will also have to be updated on the "Sanitised Claims FDO" slip and added to the IMR.

### Clive Campbell (XCS)

# Co-Lead Binder Claims on ECF: Fact or Fiction?



Over the years since the launch of ECF, co-lead binder claims have been wrapped in secrecy and myth. It is not until time is taken to investigate whether or not co-lead claims can be considered in scope that you start to understand a bit more about this perceived dark art.

So why can't co-lead binder claims be processed via the ECF bordereaux?

Well the short answer is that currently, system security constraints do not allow co-lead claims to be co-ordinated via ECF without manual intervention as the individual managing agents cannot see each others claims and comments.

Currently approximately a third of Lloyd's premium written is via a binding authority and an estimated 30 – 35% of this is written on a co-

lead basis, which is not an insignificant number of claims. So let me lift the lid a little and explain a bit more of the magic behind co-lead claims.

Co-lead risks are those where the insured has been issued with one certificate of insurance which has been split over more than one London Market placed binding authority. Each binding authority has its own lead and may include XCS as an agreement party. It will also have its own signing number and therefore its own Unique Market Reference. There will usually be one London broker (although not always the case) and there will only ever be one coverholder and one original insured.

In today's operation, if a bordereaux is presented for processing that contains co-lead claims either within or outside authority, the whole bordereaux is

deemed out of scope and reverts to a paper file. The paper file will be presented to each co-lead and XCS who will place their comments on the file allowing other co-leads to view previous comments made.

In theory, it is only the outside authority co-lead claims that cause concern as multiple agreement parties are required to comment on them. The within authority claims, (these are claims that are within the set authority levels preordained by the leaders) should progress straight through to XCS for processing without the need to be broked individually. Therefore all

within authority co-lead claims could be processed via ECF today.

In 2010, a proposal was put to the Associations Administrative Committee (AAC) for a complete Binder Solution to be built to cater for the binder sector inclusive of co-lead claims. However, as the proposed solution could only be considered a tactical approach - whilst the market continued its Future Process Model discussions on the strategic way forward - AAC could not see a sufficiently compelling business case to justify the level of investment being sought.

In late 2010, the London Market Group asked LMA with support from Lloyd's and LIIBA, to initiate a project to find a solution that will increase the volumes of new claims being processed via ECF and improve efficiencies and turn around times within the overall process.

In early 2011 a solution from the co-lead working group was proposed which utilised the current ECF bordereaux submission process and incorporated both within and outside authority claims.

A pilot was initiated in May 2011 with the scope being for all new and renewed binders as at 1st April 2011 inclusive of co-lead claims. The pilot has attracted good support and includes 5 major co-lead binder brokers and 22 managing agents with

a further 3 brokers and 2 managing agents set to join on 1st January 2012.

For the first phase of the pilot, the outside authority claims agreement process remains out of scope. As a result the broker will still be required to present the paper file to each co-lead insurer. The individual co-lead will add their comments and syndicate stamp, but instead of the broker submitting the paper file to XCS for agreement and processing, each comment made by the co-lead will be scanned and stored by the broker within their internal systems as evidence of the claim being seen by the relevant market.

Upon creation of the bordereaux to be submitted via ECF, the broker will then attach the outside authority evidences to correspond with the relevant co-lead claims. When a managing agent and or XCS is checking the bordereaux submission via ECF, an additional process is required to ensure the evidence of agreement for the outside authority claims is present.

Having completed the agreement and checking process, the bordereaux is now ready to be processed via ECF and will include both the outside and within authority co-lead claims.

The pilot is due to run through to April 2012 to ensure sufficient volumes and complex scenarios are

captured. We are well aware that the solution in progress at present is an ECF workaround but early feedback from the participants within the pilot is that the process is easy to follow. There has also been a significant reduction to the turn around times. Current indications are that, on average, those claims within the pilot are processed nearly three times as fast as the equivalent claim following the full paper process.

So what's next...? Well it is certainly looking positive. A number of vendors who already provide systems to brokers and managing agents are aware of the co-lead problem and have expressed an interest in providing solutions. With a push in the right direction and with the continued support from the market, the expectations are that this time next year, the pilot phase would have moved on to a fully automated process which includes all remaining out of scope items and will achieve 100% of all new claims being processed via ECF.

Communication on the pilot's progress will continue to be made via the Associations however if you would like to know more about this project or think you may wish to participate then please contact Robert Gregg at the LMA (Robert.gregg@lmalloyds.com)

**Robert Gregg – LMA**

## Help us not to end up in an ECF bind?

**T**he handling of binders through ECF, particularly when there is delegated claims authority, is clearly set out in the SP&P and involves having a bordereaux file that holds all the financials as well as narrative only individual files.

This method of processing would equally suit some other types of contract and XCS has begun to see it used but, without any prior warning, the mode of presentation will be unfamiliar to XCS personnel

not used to seeing binders.

One example involved a line-slip where all the claims handling had been delegated to one party, which is unusual, but perfectly acceptable. What did not work so well was the broker's decision (without any warning or discussion) to present claims on ECF using the binder format with all the financials on one bordereaux entry and individual claims' UCRs being narrative only.

This resulted in queries being raised which, when the broker

explained the background, were speedily resolved.

A simple request from XCS - if a broker wishes to use any variation from the ECF SP&P, for either binders or non binders, please contact XCS before the event so the variation can be discussed prior to its presentation. The appropriate individuals at XCS can then be made aware and delays or queries minimised.

**Paul Bastien (XCS)**