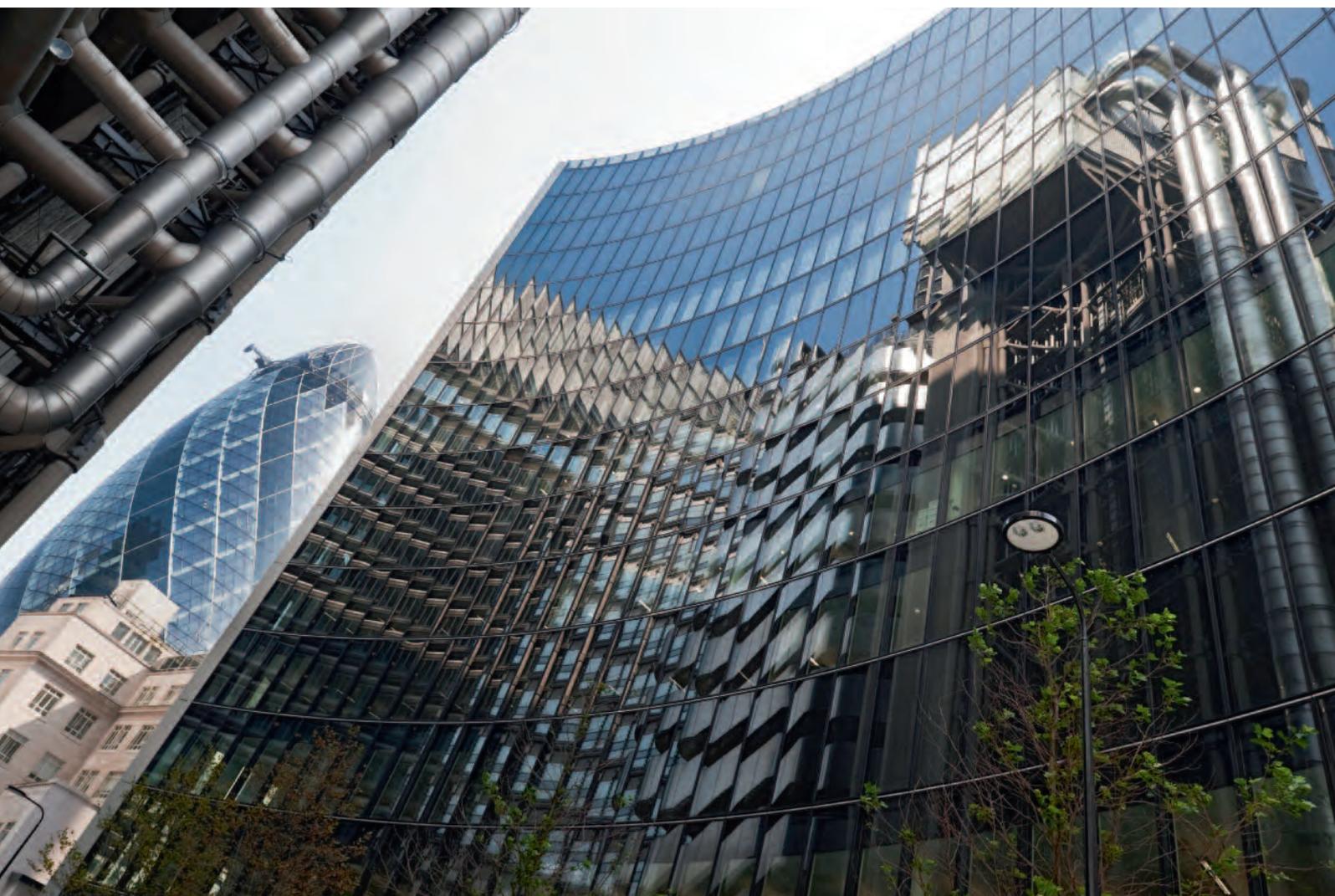


Framework for the future



The approach to processing business in London's subscription market
Interim Market Consultation

LMG



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FOREWORD By Tim Carroll

What sort of London insurance market do we want in ten years' time?

At the heart of any successful market will be operational efficiency, whatever the answer to that question might be in terms of the business that is placed; the approach to the provision and management of capital; or the effects of globalisation, climate change or other phenomena. Efficiency improvement has been an increasing focus in our market for the last decade or so.

Without doubt we have made remarkable progress in our efforts to modernise. Premiums and claims are paid faster, the vast majority of policies are electronic, use of ACORD standards has greatly increased and we now have contract certainty.

Impressive as these gains are, London needs to maintain the momentum if it is to meet the rising expectations of those who use the market and the challenges posed by other centres. The London Market Group (LMG) asked me earlier this year to lead a project to design a Future Processing Model, with a brief to look beyond the current initiatives and consider where we should be going in the longer term.

This interim consultation document is our initial response. The ideas set out are for discussion with all stakeholders. Although it paints a vision and considers some of the practical implications, it does not say how it will be achieved. We need first to establish a consensus on what we want to do.

I stress the word 'consensus'. It is one of our core principles that all sectors of the market should benefit from, and buy into what we are doing. We need your input. Please, therefore, engage fully with this exercise.

Do you believe that the proposals will deliver a more efficient London market? Are they achievable and robust? Have we missed anything? Are there better alternative proposals? Which services do you think should remain centrally provided? How would you propose we seek to implement the suggested new approaches?

I look forward to working with you to develop and improve these ideas, which will certainly benefit greatly from other people's perspectives and expertise.

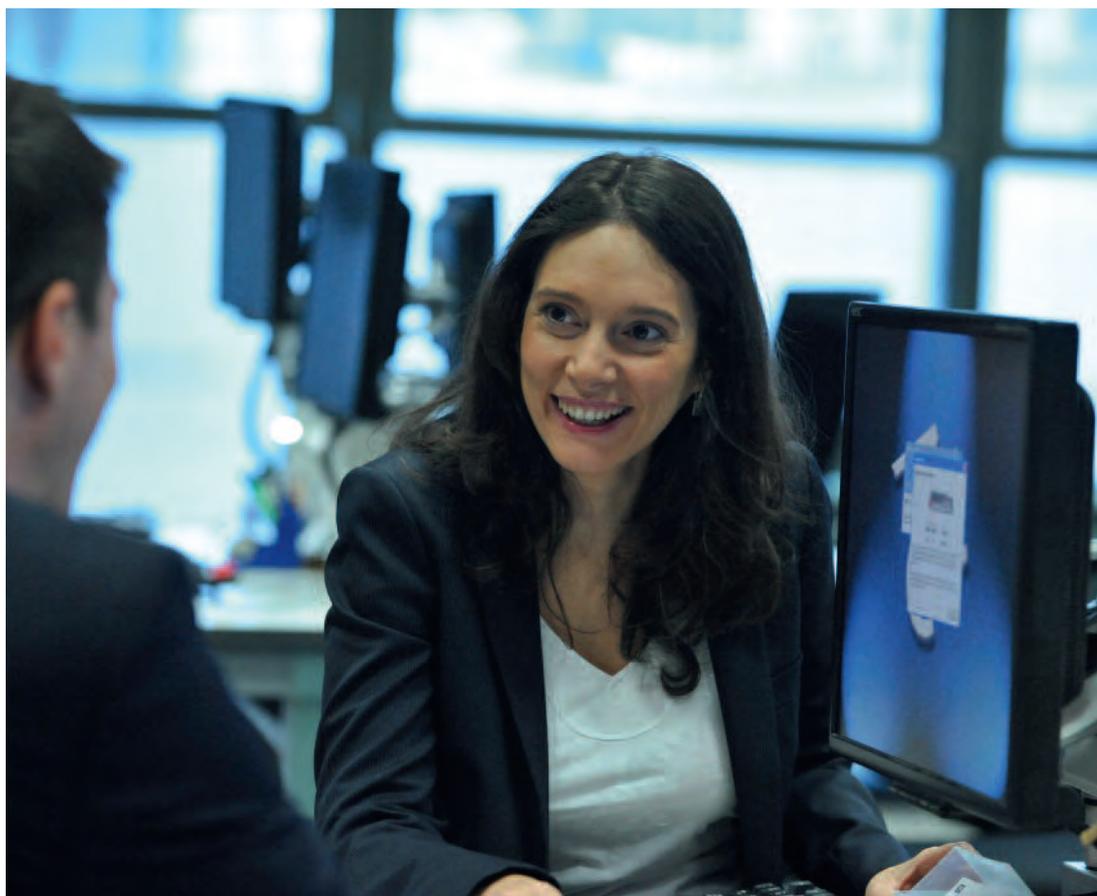
This consultation exercise and the next phases of our work as we look to progress to a quality project require substantial resource. This means that firms must be prepared to commit good people to the project and, ultimately, money (assuming broad market agreement around eventual implementation). This commitment may be made directly or in the form of market association resources but it does need to be made!

To those market practitioners who are interested in becoming actively involved in our work as part of the project team, I urge you to contact me or your market association. You will find contact details in section 13. We are always looking for enthusiastic people prepared to share their expertise and give something back to the market which provides so many of us with such interesting careers.

Yours sincerely,

Tim Carroll
 Chair and project sponsor
 January 2011

1 Executive Summary



- 1.1 There is widespread recognition that the drive to make the London market more efficient and more competitive has to be a continuous process. For this to be successful, however, this consensus needs to be matched by a shared understanding of our long-term goals. What sort of London market would we create?
- 1.2 This consultation document looks beyond current modernisation initiatives, productive as they continue to be, at how things might develop over the next decade and beyond. Although it paints a vision, we are not, yet, setting out a programme for achieving it. That will come later once we have agreed where we are going. It does, however, consider some of the practical implications.
- 1.3 This document is the work of the Future Processing Model project team, comprising its steering group and four sub-groups. All stakeholders are strongly encouraged to respond so that we can be sure the business requirements are robust and have backing across the market.

1.4 The Vision

- 1.4.1 In simple terms, we seek to provide an efficient, fast, cost-effective, easy-to-use and transparent marketplace for all who work in or engage with it - re/insurers, brokers, service-providers and, above all, our clients.
- 1.4.2 In this market, London merges seamlessly with the rest of the world using internationally agreed ACORD standards. Similarly, the facilities that organisations choose to use on a collective basis dovetail comfortably with those that remain specific to individual participants, such as in-house back offices. Technology supports the business imperatives and processes of those who use the market, allowing them flexibility and avoiding the straightjackets that IT systems can sometimes create.

- 1.4.3 The current “one size fits all” approach to processing is broken in many instances. Where there is no advantage to be gained from collective purchase or process, we should allow competition in service provision to be introduced. We should provide each organisation with the ability to choose which functions to outsource based on its own core competencies.
- 1.4.4 All of our suggestions are intended to support better the continuation of face-to-face broking that is at the core of much of the competitive advantage of the London Market. Many London placements are both large and complex. These will continue to require face-to-face broking in order to deliver to the client coverage tailored to his specific needs, at acceptable terms and conditions, for best price. Will this end anytime soon? We think not! But what will end is the need for brokers to carry bulging slipcases around the market with papers to support the negotiation process and, in time, face-to-face broking might eventually be replaced for straight-forward, non-complex placements.
- 1.4.5 In all cases, data are captured as soon as practical and distributed to those who need them. This means that they can be accessed without having to be rekeyed, thereby eliminating unnecessary duplication.
- 1.4.6 In summary, we wish to create an environment that uses technology to make the enormous expertise and capacity located in London easily accessible to the rest of the world, unencumbered by process and inappropriate systems.

1.5 The underlying assumptions

- 1.5.1 Evolution is better than revolution: progress must consist of incremental gains that bring benefits in their own right, as well as leading towards our ultimate goal.
- 1.5.2 The client wins. Initially, benefits and costs may be spread across all sectors. But in the long run, the advantages will accrue to the end policyholder. This is not about massaging the bottom line, it is about delivering better service at a keener price. Cost-benefit analysis, which the project team will address towards the end of its work, will check that this core objective is being achieved.
- 1.5.3 Modernisation has already reaped substantial and tangible benefits for all those who use the London insurance market. These include contract certainty; faster payment of claims and premiums; greater use of the ACORD standards; and electronic policies issued in more than 90% of cases – not to forget the far-reaching benefits of shared facilities such as the bureau.
- 1.5.4 It is also assumed that current projects will be completed: Finish What We’ve Started is finished; the endorsements pilot leads to full roll out across business classes and the appropriate spread into original placement; the lessons from the current claims transformation pilot at Lloyd’s are digested and absorbed; above all, ACORD-standard data become the norm.
- 1.5.5 We need to preserve those aspects specific to our market that deliver genuine benefit to our clients. Principal amongst these is subscription and the “one to many” processing challenges that this brings. But we must be rigorous in eliminating negative ‘Londonisms’ - those other process quirks that have grown up over the course of our history that can make London harder to deal with than other insurance centres.

1.6 Key features of the future market

- Straight-through processing: data to be keyed just once, so reducing duplication, cost and the scope for error.
- All risks and claims captured and processed electronically. Where the parties agree that face-to-face negotiation is desirable this will remain a mainstay of our approach. Other business will be processed entirely remotely.
- We will need a method to distribute ACORD messages between trading partners.
- Data captured as early as is practical. It is accepted that it is often not desirable to capture all the data at the outset and there will then be two phases, pre-bind and post-bind. Note that no proposal has been made at this point as to who should have responsibility for data capture, simply that it should be done as soon as possible.
- The interface between brokers and insurers in London is consistent with that in other markets.
- A single version of the truth, so ensuring consistency of information across all parties, reducing the scope for misunderstanding and legal disputes.
- Capture of reporting data separated from accounting & settlement, removing complexity and cost, enabling cleaner, richer data and aligning London with the rest of the world.
- Standardised settlement cycles and currencies, delivering a simpler, more easily automatable process, minimising errors and facilitating reconciliation.
- Greater transparency: a straightforward approach to processing that is easily understood by practitioners and clients alike.
- A flexible approach to claims processing that can accommodate any agreed protocol or approach to agreement.
- Payment of claims possible on an individual insurer basis, rather than waiting for the whole market to pay.
- An efficient way in which to translate differing coverholder bordereaux submissions to a more consistent data rich message, to reduce the current nightmare of having to rekey thousands of different entries.

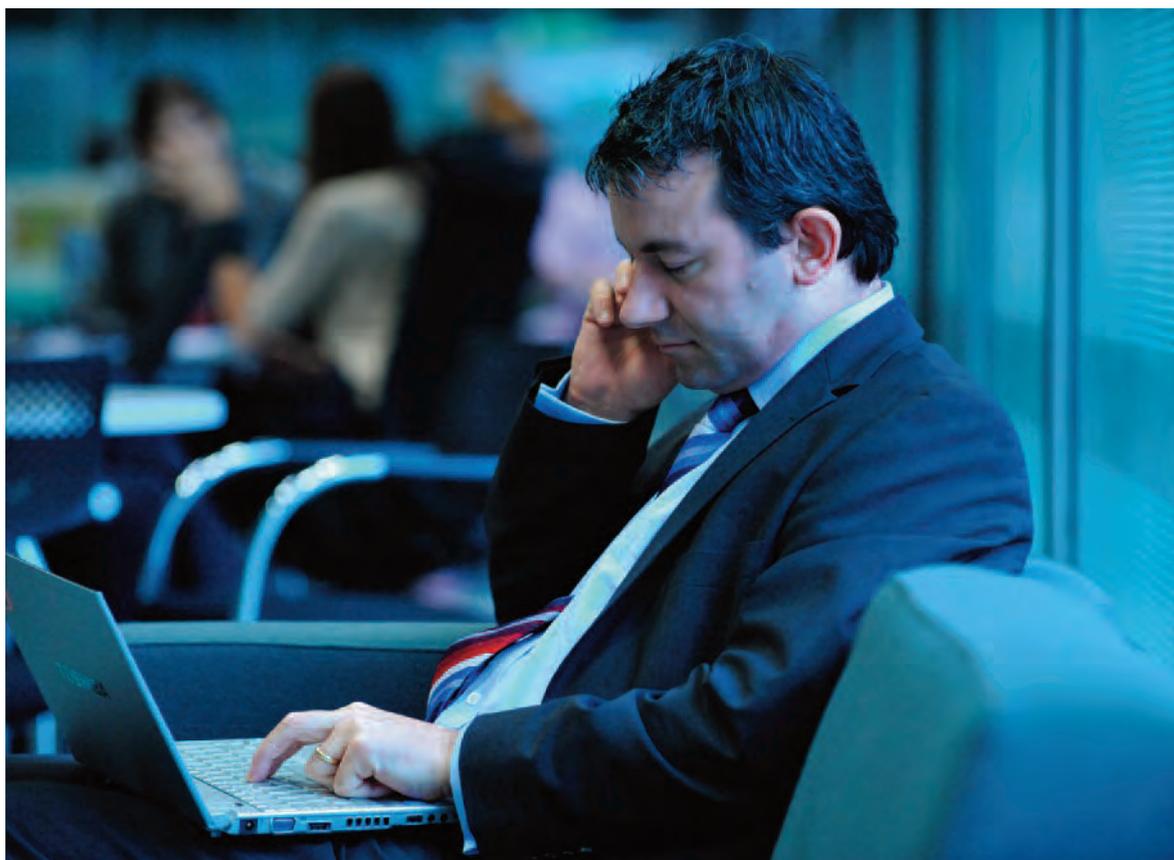
1.7 Transparency and avoiding anti-competitive practices

- 1.7.1 Market practitioners will already be familiar with and recognise the importance of the BIPAR principles. These require underwriters to make their own pricing decisions. Nothing should be read into the business requirements outlined in this document that would jeopardise the BIPAR principles or expose us to the threat of being accused of anti-competitive practices.
- 1.7.2 In aiming for greater transparency, it should be noted that the emphasis is upon transparency for the client. Greater transparency for insurers as regards placing status must be understood to mean “in respect of their own participation only and to the extent of any subscription agreements under which they may be bound”.

1.8 Timetable and comment

- 1.8.1 *The timetable is set out in section 5, the next key date being the end of March, 2011 for responses to this consultation document. Please go via your representative association; direct to future@londonmarketgroup.co.uk or online at www.londonmarketgroup.co.uk/future where you will find an electronic facility enabling you to input your feedback directly.*
- 1.8.2 Throughout the document, you will find specific questions that we would be interested in your views on. However, do not feel restricted by these. If there are other aspects of the requirements that you wish to comment on, please feel free to do so.
- 1.8.3 Once your views on these requirements have been assimilated, the project team will begin work on possible solutions, transition and implementation options. This may well take us into the autumn. We anticipate further consultation late next year before moving on to cost-benefit analysis and production of our final project report. LMG will then have the difficult task of deciding what should be implemented and in what order of priority, not to forget the attendant funding implications. Big strategic decisions should not be rushed, implying a timescale not earlier than the middle of 2012 always assuming that “Finish What We’ve Started” has, by then, actually finished. Being realistic and to avoid setting unreasonable expectations, there will be a huge amount of work necessary to deliver the vision we are proposing. Therefore full realisation of the finally agreed vision could easily be five years away.

2 Introduction



2.1 Historical Context

2.1.1 In 2006 the Market Reform Group published its vision of the London insurance “market of choice”. This envisaged:

- Maximising electronic processing across the market:
 - All risk submissions sent electronically; wholly electronic trading for some simple risks with no manual intervention; face-to-face broking when required for large and complex risks
 - All claims processed and agreed electronically; face-to-face negotiation only when required for complex claims
 - All accounting and settlement of risks performed electronically
- Using
 - ACORD international standards for data messages and documents
 - Common processes
 - Agreed service levels

2.1.2 This set of principles has provided the framework for the successful modernisation initiatives of the past five years. The development of the Insurers’ Market Repository and its use for electronic claims handling and as a tool for transmitting accounting submissions; contract certainty; the standard slip; electronic policies; all were part of putting the building blocks of the market of choice in place. The approach of delivering change in our market in “bite sized chunks” has worked because we have had a consensus on the overall direction in which we should be headed. We could see how each small step could make things better.

- 2.1.3 Five years on and the fundamental underlying notion – that modernisation is best delivered in manageable stages underpinned by a common view of the high level target – remains. But, given the development of our market over that period – much of it driven by the modernisation programme – it is high time we looked again at our overall vision.
- 2.1.4 Thus in 2009 the London Market Group (LMG) began to consider how it might develop a new consensus. A working party report at the end of last year set out some ideas on how we might better service business, and a set of principles and assumptions (see Appendix 1) underlying those suggestions.

2.2 Why this project?

- 2.2.1 London is an important and thriving centre in a flourishing global insurance industry. But it faces continuous competitive threats from other centres that are growing up and seeking to drive ever lower operational costs. London must match and, ideally, better those efforts. Modernisation is about ensuring that the client reaps the full benefit of London’s offering, which already stands up well against all others when judged on the basis of price, coverage and service. This Future Processing Model project is about determining where to focus those efforts - setting the agenda for our modernisation efforts for the next decade or so. Fundamental to this project is the principle that it will make ALL trading parties more cost-effective. This principle lies at the heart of all our work.

2.3 Why this document?

- 2.3.1 Clearly, for this project to achieve its goals, we need to capture the views of all participants in the market – brokers, insurers and service providers. So it is vital that we engage with you and seek your thoughts. We want to open this subject up to as much debate, input, challenge, scrutiny, contribution as possible over the coming months. We want as much discussion as we can generate around these ideas. It is only when they have been thoroughly tested that we can expect the market to buy in to the work needed to implement them. This document is the start of this process. A chance for us, as a project team, to let you, as our key stakeholders, see what we have been up to and tell us what you think.

3 Background

- 3.1 During 2009, an LMG sub-group started work to review potential future processing models for the London market. The aim was to define a process environment which included central services that:
- removed process burdens from brokers;
 - removed negative Londonisms; and
 - opened up the model to enable service provider competition where appropriate.
- 3.2 The group – made up of representatives from brokers, managing agents and companies as well as the Associations and Lloyd’s considered potential future operating models. It recommended that a cross market project was 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.
- 3.3 LMG asked Tim Carroll to lead this work as sponsor and chair of the Future Processing Model Steering Group. Four working groups were also created to examine placing support, accounting and settlement, claims and binders and facilities.
- 3.4 The objectives are as follows.
- 3.4.1 Define a future processing model for the London insurance market. The model will feature the following characteristics.
- Internationally agreed ACORD messages support all processes required to complete the risk life cycle.
 - Information is re-used throughout the end to end business process, with business validation at the point of data creation thereby reducing the need for rekeying.
 - London market insurers are provided with some core central services, including technology infrastructure.
 - Insurers have the option to undertake some business processing activities themselves or to select from services offered on a commercial basis from multiple competing suppliers.
- 3.4.2 Express the proposed future processing model in sufficient detail that it can be adopted and implemented by the market.
- 3.4.3 Recommend a transition/implementation plan, including a recommendation for the handling of legacy risks & claims.
- 3.4.4 Highlight potential changes to insurers' and brokers' processes and systems across the risk life-cycle.
- 3.4.5 Validate the model with the market and gain buy-in to implementing the model.
- 3.4.6 Determine whether the financial benefits of the future model outweigh the costs.

4 The starting point

- 4.1 We have assumed that the future model design will look beyond “Finish What We’ve Started”, i.e. once the ECF2 and eAccounts projects have been completed.
- 4.2 We have also assumed a market where placing is supported by the exchange of ACORD messages. This will be dependent on the roadmap of activity currently being discussed by the Placing Support Steering Group. Given that there is significant activity still to take place in this area, and given the extent of the thinking that this project’s Placing Support Working Group has already undertaken, there is a clear need to ensure that the two pieces of work are absolutely aligned. We will be managing this interdependency carefully, over the next year in particular, in order to ensure that the work PSSG sponsors and delivers is a clear staging post on the route to the future that our working party is devising.

4.3 The following table provides a summary of the assumptions that have been made in respect of where modernisation initiatives will leave us prior to the future processing model being implemented:

PROJECT ASSUMPTIONS

	FWWS in scope	What will be finished	Still to do
Placing		Endorsements marine pilot Remaining endorsement classes Agree and implement the approach to original placements	
Accounting & Settlement	eAccounting for bureau business	The introduction of ACORD standards for the broker submission to the bureau	Straight-through A&S processing at the bureau
Claims	ECF for all new claims (including "standard binder" claims) ECF for legacy claims	ECF for non-binder business ECF for legacy claims where appropriate	Electronic solution for co-lead binder claims Modernisation of claims messages to insurers Gradual reduction in open legacy files
Facilities & Binders	N/A	Definition of ACORD standard for premium bordereaux	Definition of ACORD standard for risk declarations and claims bordereaux Electronic support for binder claims Electronic support for placing declarations

Nb: All of the above "FWWS" workstreams apply to bureau business only. The LMG has initiated a further project to consider what process improvements can be made to non-bureau business.

5 Timescales

5.1.1 The key timetable for the project is as follows:

- **End of interim consultation:** **end March 2011**
- **Definition of future model and transition options:** **targeting Q3 2011**
- **Market consultation:** **targeting late 2011**
- **Final report (including cost benefit analysis):** **targeting mid 2012**
- **LMG decision on transition / implementation:** **targeting late 2012**

6 Business Requirements - Narrative

- 6.1 At the back of this document you will find the detailed business requirements¹, as developed by the four working groups, laid out in tabular form. As this document will be distributed across the widest possible readership, we felt it would be helpful to provide, in addition, a summary in narrative form, starting with those requirements that are common to all four working groups.

7 Business Requirements Common to all Working Groups

- 7.1 There were a number of common elements to our vision across the workstreams. We want to aspire to straight through processing, to data being keyed once and being used multiple times. We want to see business processed and supported electronically using, as far as possible, structured data based on international ACORD standards. Data that are captured as early as appropriate in the cycle to facilitate the efficient processing of each element of the transaction.
- 7.2 We want to see a more visible, easy to understand process that is clear to practitioners and to clients. We need to define the common process steps that will deliver that approach and define the points at which responsibility for the process passes between counterparties, what data are needed to drive that and what each counter party can expect in terms of a response.
- 7.3 Where documents are still part of the process they should be aligned and consistent with the corresponding structured data. Documents should be held in standard formats that will allow fast access and rich usability.
- 7.4 It is paramount that all participants on any transaction view the same version of the data at the same time – and that changes from previous versions are highlighted. Where access needs to be concurrent and contemporaneous, we must deliver that.
- 7.5 All this will need to be underpinned by a common, standard referencing structure across placing, accounting and claims. This must also be the bedrock of more granular, effective management information.
- 7.6 Questions for consideration
- 7.6.1 *Do you agree these are the fundamentals that would underpin an efficient market place? If not, why not?*
- 7.6.2 *Are there other key common requirements that we have missed?*

[Click here to give us your feedback](#)

¹ The detailed business requirements are published in the online version of this document only.

8 Placing Support Group - Subscription Business Requirements

8.1 Summary

8.1.1 The Future Processing Model (FPM) should:

- facilitate the automation of business processes where appropriate and should eliminate the need to re-key data anywhere in the value chain;
- enable standardised structured data to be captured as early as possible in the life-cycle, rich enough to support downstream processes;
- involve the use of internationally agreed ACORD standard messaging; and
- deliver a single version of the truth as to what has been placed

8.1.2 A key change to today's predominant placing process will involve the use of ACORD standard messaging and the early capture of structured data without slowing down the negotiation phase of the placement. We have looked at the amount of data we need to transfer during the quotation stage - when nimbleness and flexibility are crucial to the acquisition of business – and what can be left to be provided electronically post bind. By capturing and sharing data much earlier in the risk life-cycle, more speedy and efficient downstream processing is enabled and by eliminating the need for re-keying, the potential for data errors is reduced. This offers the potential for significant benefits in terms of reduced duplication of effort and associated costs along with the prospect of reduced E&O risk.

8.1.3 The overall aim is a quicker, error free placement process delivering improved client service. We would advocate the adoption across the market of common agreed workflow steps or waypoints in the placing process to enable greater transparency in the placing process for all parties, but particularly for clients, by way of a “status search” utility. Note : transparency only in so far as it does not conflict with the BIPAR principles or create the potential for anti-competitive practices.

8.1.4 Note also that when we say “capture information at its earliest point”, that will quite often mean the client – and we need to consider what we might do, either as a market or as individuals, to create the tools that will enable this. For example, brokers might choose to develop a client interface portal so clients themselves can submit some basic risk details in a structured format. Alternatively, a suite of centrally hosted web services e.g. web forms could be developed.

8.1.5 There is a need to move, over time, to far richer ACORD messages such that more and more of the information needed to underwrite a risk comes in a format that is easily passed electronically into insurer systems, whether via trading platforms or otherwise. These standard messages would be internationally agreed. Clearly, structured data should be aligned and consistent with supporting documents provided by the client (which would be electronically transferred to the market, normally via the broker) to help ensure that all parties are reviewing the same and most up to date information.

8.1.6 A slip building tool could be used to create global placing documents. Any other documentation produced downstream in the process should use placing message data as the source of information, for example, the creation of signed or stamped paper policies

where required and branded as appropriate. Structured data processing rather than word processing tools could be used to create documentation.

- 8.1.7 We would expect the completion of subjectivities post-bind to be handled through the use of messaging (subjectivities thereby becoming part of the messaging audit trail). Easier monitoring of time-constrained subjectivities would be enabled. Another requirement is that the FPM should provide common streamlined agreement practices for endorsements, where roles and responsibilities are clear. Brokers and insurers must have ready access to data that evidences the contract formed and any changes subsequently agreed.
- 8.1.8 We are looking at ways in which we can deliver a single version of the truth in terms of what has and what has not been placed. A central facility could be provided, so that both documents and data could be stored and re-used. Alternatively, messaging could ensure that all market participants have aligned and verifiable versions of documents and data, thus providing identical version of the truth. The use of model , version controlled wordings is very much encouraged and, in any event, the FPM team believes that the version of the contract wording effective at contract formation should be “locked-down” and made available to all stakeholders.
- 8.1.9 The team believes that brokers and insurers should achieve contract certainty before each insurer confirms its order (i.e. before writing its line) and also a higher level of contract quality, facilitated by greater use of agreed model wordings. To deliver this a store of downloadable quality assurance checking rules might be developed for use during creation of the risk submission or a third party could carry out QA checks before insurers write their lines.
- 8.1.10 The FPM team also believes that the premium tax position for any given risk should be identified before an insurer commits its line. This would include accurately identifying what rates of tax apply where and who is responsible for paying and administering it. It might be possible to automate the identification and calculation of taxes and levies but, if not, and where specialist knowledge and informed judgement is required, a pool of tax expertise might be established and accessed as needed by insurers and brokers at the front end of the placing process.

8.1.11 Questions for consideration

- 8.1.12 *Does this describe the most efficient placing process that would help maintain the key advantages of the London market?*
- 8.1.13 *Do you consider our proposals around early, once-only data capture to be realistic?*
- 8.1.14 *Who do you see is best placed to capture these data and when in the process should it happen? Is there a role for a third-party service provider?*

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9 Accounting & Settlement Group - Subscription Business Requirements

9.1 Summary

- 9.1.1 The Future Processing Model for Accounting and Settlement shares a number of requirements with that for Placing Support (the use of standard messaging and elimination of re-keying, for example) so these are not repeated here.
- 9.1.2 The requirements specific to A&S are that the model should:
- enable automation of the A&S process with the need for manual intervention only in exceptional circumstances;
 - ensure that the London settlement process is consistent across its component parts (e.g. Lloyd's, Companies, etc)
 - deliver the ability for insurers and brokers to choose whether payments can be made via a central net settlement facility or directly between trading partners; while maintaining a consistent process regardless of the settlement method
- 9.1.3 A cornerstone of our thinking on accounting has been the need to separate the accounting of the debt from the regulatory reporting requirements with which it is currently restrained. As a contract is bound, the data needed to establish ledger records and trigger financial settlement should be made available in the appropriate, ACORD standard format. This is, therefore, an area that will clearly benefit from a better definition at the placing stage as to what is the information needed to service the business further down the line. Many of the errors that plague our current approach to settlement are the result of inaccurately recorded information when the contract is placed, or as the result of having to rediscover information that was not recorded at all. This is the chance to eliminate that inefficiency.
- 9.1.4 Moving to a pure accounting and settlement process and removing the reporting element will mean that we will operate at the “fundamental” level. This means that insurers (or their service providers) will be responsible for ensuring that they have sufficient information to fulfil their reporting obligations, derived from preceding business processes. The notable benefit of this approach will be that the London settlement process will become consistent with that in other insurance centres – removing a significant barrier to business being brought to our market. For large insurance companies it enables a common method of processing across bureau and non-bureau operations.
- 9.1.5 We want to ensure that the process is sufficiently flexible to ensure settlement can be made direct from broker to insurer; or via a central service; or straight to and from the client as appropriate. It will allow for the splitting of accounting for commission and net premium. We also want to see transactions processed in parallel and with documentation relevant to the business process generating the financial movement, claims agreement for example, thereby enabling a quicker more relevant technical account process. We see significant benefit in facilitating the single settlement of grouped transactions i.e. delivering the ability to link payments relating to multiple transactions so that they settle simultaneously and on a net basis, premium and claims bordereaux together, for example.

- 9.1.6 We also see opportunities to standardise across the market on things like settlement cycles and settlement currencies. This will deliver a simpler, more easily automatable process which will help minimise error and facilitate reconciliation – which should in turn speed the movement of money both ways: premium from broker to insurer and claims payment from insurer to client.

9.1.7 Questions for consideration

- 9.1.8 *Do you believe that implementing this process would encourage more business to London (i.e. it would be a positive discriminator in making the choice of where to place risks)?*
- 9.1.9 *Do you envisage significant economies of scale from being able to standardise London accounting processes with those in other insurance centres?*
- 9.1.10 *Would firms welcome the ability for insurers to interact directly with the client in the A&S process?*
- 9.1.11 *Do you believe that this approach will speed up claims payment and thus improve client service?*

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10 Facilities & Binders Group - Subscription Business Requirements

10.1 Summary

- 10.1.1 Facilities and binders represent a huge segment of our business and between 25% and 30% of Lloyd's premium income. There are over 2,500 cover-holders, some with multiple covers, yet precious little time has been invested into modernising and streamlining the handling of these facilities. Cover-holders complain of receiving multiple data requests from numerous participants on the same facility, all different and seeking ever greater granularity with ever tighter deadlines for response. If we could better define who does what, agree what standard data we want and when (possibly in real time), we would hugely simplify our own and our clients' lives while reducing the potential for errors and enabling more accurate monitoring and control of exposures.
- 10.1.2 The Future Processing Model should:
- ensure that the facility terms expressly define the responsibilities of parties; the relevant agreement processes and parties; and the responsibility for the provision of data to support that;
 - deliver standardisation of data and documents while allowing flexibility in terms of processes and roles across facility types;
 - allow insurers access to lower level information that is as close to “real time” as practicable; and
 - deliver standard electronic support for the end to end facility process including a method of automatically routing risks and claims that fall outside a cover-holder's level of authority to a comparable process to that used for their open market equivalent.

10.1.3 The opportunity for facilities and binders is to deliver a level of standardisation to the way they are processed that has been lacking to this point. This will allow insurers and brokers to bring more consistent and practical approaches to the management of facilities which should in turn both speed up the processing of risks and claims and lower the operational risk for the end insurer.

10.1.4 The delivery of more standard approaches to processing; the standards for data and documents that will be needed to support these and the introduction of appropriate technology to underpin this will lead to a potential step change in the level of information available to the end insurer. Whilst preserving the economies of scale that can be delivered through aggregate settlement, insurers should be able to access far more granular data on individual risks and claims in effectively real time. This will aid capital management and reserving and ensure that the sort of experience seen in the wake of Hurricane Katrina – where policyholders whose insurance had been placed through a facility contacted Lloyd’s, because they knew the policy was underwritten in the market, but little detail existed at this end to help resolve issues – does not recur.

10.1.5 The introduction of standard processes and consistent technology will also allow for the introduction of measurement and SLAs which should help drive further efficiency improvements.

10.1.6 Questions for consideration

10.1.7 *Will this improve the coverholder’s experience and allow London to extend its reach into global markets?*

10.1.8 *What challenges do you envisage in implementing these sorts of changes with coverholders?*

10.1.9 *How will standard, more-timely information being available to the insurer allow for improvements in risk and exposure management?*

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11 Claims Group - Subscription Business Requirements

11.1 Summary

11.1.1 Two years ago the London Market Claims Strategy Group (LMCSG) set out its Claims Vision to the end of 2011 with the aim of developing a world class claims service to help attract and retain business delivering a flexible, quality claims response to exceed clients demands while at all times complying with regulatory reporting requirements and protecting Lloyd’s International Licenses. Among its objectives, LMCSG agreed the following.

- A single claims agreement and settlement platform which will meet international standards and enable third party access.
- A single cross market claims scheme.
- A flexible claims handling environment to enable carriers to utilise contracted external service providers of their choice.

- Introduction of automatic settlement, with a built in objection period on agreed claims.
- Optional Peer to Peer facility with the consent of the contracting parties.

11.1.2 The future processing model work has built on this vision. We propose that our new model should:

- deliver a flexible process that can accommodate any current or future claims protocols or schemes;
- ensure that the primacy of speed of settlement is reflected in the approach to processing;
- allow for the most appropriate parties to communicate directly to notify or progress a claim but keep all interested parties informed at all times; and
- allow for the electronic agreement of all claims if appropriate.

11.1.3 Along with other business rules, it is acknowledged that a claims agreement protocol has to be part of the placement process. We also anticipate a discussion around claims segmentation rules (as between simple “small ticket” and more complex claims); the number of agreement parties needed; and the circumstances where that number might differ. The Claims Working Group has already given early consideration to these issues and will continue this debate as our work progresses.

11.1.4 Our vision is to ensure that our approach to processing reflects the primary importance of claims in the delivery of client service.

11.1.5 We need to deliver a process and associated technology support that ensures a flexible, fast and efficient approach to the resolution of claims and to the movement of monies to the client where appropriate. Delivery on our promise to pay is the key criterion that clients use to determine their level of satisfaction in our offering. This is our chance to ensure we are best placed to meet that challenge.

11.1.6 Our principles in the claims arena are, therefore, clear. As with accounting and settlement we need to ensure that the data captured at the point of placing meets our needs. This will involve the capture of structured risk information but will also involve the need to be clear up front as to whom the agreement parties will be and which third party experts might be required. We will also look to confirm the methods for reporting and agreeing claims at the outset of the contract.

11.1.7 The structured risk data will need to be augmented by standardised, structured claim data as soon as possible once a claim has been notified. Some of this data could be provided in a structured, standard format directly by the client if they are given access to appropriate tools to assist this.

11.1.8 We will need a fully integrated platform for managing subscription claims capable of supporting the full claims lifecycle from first notification to final settlement, where multiple parties may require contemporaneous access to data. But this “platform” may not necessarily be a piece of central infrastructure – that is a design question we are yet to come to. But we will need to ensure that documents and data are held in standard formats to facilitate any solution.

11.1.9 What we can say is that those firms that wish to drive all their claims management work from within their own systems will have that opportunity. Insurers should have the capability to perform relevant arbitrage – defining the level of handling that each claim

requires based on parameters defined internally as well as in any applicable claims protocols and with the potential to automate this task.

11.1.10 We also need to allow the wholesale broker to play a full advocacy role where required, but that allows them to be bypassed where more direct contact between the insurer and the wholesale broker or the insured themselves will streamline the process.

11.1.11 The future processing model must also allow for:

- Transactions to be grouped together across multiple layers or contracts as appropriate, maintaining links between related transactions.
- Default agreement parties and third party experts such as lawyers and adjusters to be agreed at placing together with the methodology for reporting and agreement of claims. This would enable greater clarity as to what happens on receipt of claims leading to faster, more efficient handling. It would also allow the potential for automatic routing to appropriate parties. Obviously, the process would have to allow for changes of agreement parties by consent where circumstances clearly require it (e.g. conflict of interest).

11.1.12 The implementation of operational protocols for the handling of claims e.g. target response times to enable improved performance monitoring.

11.1.13 Questions for consideration

11.1.14 *Will this approach ensure London leads the world in terms of our claims performance; i.e. how valid claims are agreed and paid to clients?*

11.1.15 *What are the advantages/disadvantages of relatively heavyweight central infrastructure compared as opposed to a more messaging based, peer to peer, approach to processing?*

[Click here to give us your feedback](#)

12 What next?

12.1 As set out above, the project is scheduled to run to early 2012. Between now and then we will be:

- continuing to refine the proposals for the future model, incorporating the feedback we have received as the result of this consultation exercise;
- developing an implementation plan for moving the market towards the agreed vision; and
- carrying out a comprehensive cost benefit analysis on the proposals to ensure they will generate sufficient advantage for the market.

12.2 Our intention is to then come back to you for further debate. We will produce a second consultation paper and use that as the basis for a widespread market discussion through next summer. The aim will be to conclude with a set of proposals, and an approach to implementation, that everyone is comfortable with and committed to playing their part in delivering.

13 How to comment

13.1 If you have thoughts, comments, suggestion, input on the proposals set out in this paper you can get these to us in a number of ways, as an individual, firm or via a market association.

13.2 By email to: future@londonmarketgroup.co.uk

13.3 Online at: www.londonmarketgroup.co.uk/future

13.4 By telephone or email to one of the following contacts:

IUA	John Hobbs (john.hobbs@iua.co.uk)	020 7617 4445
LIIBA	Chris Buer (chris.buer@liiba.co.uk)	020 7280 0154
LMA	Rob Gillies (robert.gillies@lmalloyds.com)	020 7327 8377
LMG Secretariat	Steve Hulm (steve.hulm@londonmarketgroup.co.uk)	020 7327 5249
Project Manager	Simon Collins (simon.collins@lloyds.com)	020 7327 6683
Project Sponsor	Tim Carroll (tim.carroll@londonmarketgroup.co.uk)	07990 651431

13.5 Additionally, if it would help for a member of the project team to visit your firm to debate some of the issues, please let us know.

13.6 It is our intention to publish all the comments we receive. If you wish your submission to be confidential, please indicate this at the time.

14 Detailed Business Requirements Common to all Working Groups

Ref.	Business Requirement	Benefits Statement(s)	Possible Solutions (Current Ideas Provided by Working Groups)
X.1.0	Straight Through Processing of data: The Future Processing Model should facilitate automation of business processes where appropriate and should remove the need to re-key data throughout the value chain.	<ul style="list-style-type: none"> • Reduced duplication of effort and associated costs. • Potential to reduce E&O risk. 	<ul style="list-style-type: none"> • Richer, structured, standardised data.
X.2.0	The Future Processing Model should allow the electronic placing of all risks (notwithstanding the option for face-to-face negotiation).	<ul style="list-style-type: none"> • Allows for the early capture of risk information in a standard, structured format. • Removes the need for face-to-face trading costs for simple risks. • Allows for greater client choice. 	<ul style="list-style-type: none"> • Richer, structured, standardised data and electronic transfer of supporting documentation.
X.3.0	Electronic Claims: The future model should allow the electronic agreement of all claims (notwithstanding the option for face-to-face negotiation) Note: current market initiatives delivering some of the anticipated outcomes in this area	<ul style="list-style-type: none"> • Allows for the early capture of information in a standard, structured format. • Allows for greater client choice. 	<ul style="list-style-type: none"> • Richer, structured, standardised data and electronic transfer of supporting documentation.
X.4.0	Internationally agreed standard messages for processing all business should be adopted by the market. The standards should be consistent, coherent and support the end-to-end risk lifecycle. Note: current market initiatives delivering some of the anticipated outcomes in this area	<ul style="list-style-type: none"> • All parties operating to same standards and implementations would help remove need for re-keying of data and rework. • Understanding of data requirements will assist parties with achieving "right first time" submissions. 	<ul style="list-style-type: none"> • An appropriately constituted London market group to set and police data and messaging standards and define how they should be implemented in the London Market. This group should also support market members and their system providers and, in particular, new entrants.
X.4.1	The future model should operate using standard fields and code sets for information exchanged between parties, consistent with existing and future ACORD standards where appropriate. Note: current market initiatives delivering some of the anticipated outcomes in this area	<ul style="list-style-type: none"> • Allows straight-through-processing. • Allows automation of both the exchange of information, and subsequent downstream processes. • Reduces potential for human error and therefore less rework, and lower risk/impact of errors arising further downstream. • Allows easier communication and better understanding of information exchanged, meaning less ambiguity, fewer queries and less rework. • Allows a single process for producing and distributing information to all parties contemporaneously, requiring less effort and overhead to reformat and redistribute the information for different parties. • Allows data to be captured by lower-skilled resources and/or those without high levels of technical knowledge - e.g. this could mean more information being captured from the client earlier on. 	<ul style="list-style-type: none"> • Use of standard data fields and code sets. • Use of data tables to enforce data sets, e.g. Selection of US States if and only if US based risk. • Use of existing/future ACORD data standards where appropriate.

Ref.	Business Requirement	Benefits Statement(s)	Possible Solutions (Current Ideas Provided by Working Groups)
X.5.0	<p>Delivering & Managing Messages - An ACORD certified mechanism should be used to handle the authentication, routing, delivery and response management of ACORD messages between brokers and insurers whilst providing validation of standards.</p> <p>Note: current market initiatives delivering some of the anticipated outcomes in this area</p>	<ul style="list-style-type: none"> • Faster processing of payment requests and payment approvals. • Validated and accurate data using ACORD standards. 	<ul style="list-style-type: none"> • The Exchange could be used to manage and deliver ACORD messages as this is what the messaging hub component of the Exchange currently does. • Peer-to-peer messaging with appropriate validation and controls applied consistently across each organisation
X.6.0	<p>The Future Processing Model should enable standardised, structured data to be captured as early as possible in the life cycle and where appropriate directly from the client.</p>	<ul style="list-style-type: none"> • Reduces the re-keying of data further on during the process. • May improve transparency of the placing process for clients. 	<ul style="list-style-type: none"> • A combination of structured data and free text could be used for transition. • Explore existing ACORD Document Standards e.g. exposure reporting.
X.6.1	<p>The Future Processing Model should also provide the opportunity for structured data to be provided to clients, where appropriate.</p>	<ul style="list-style-type: none"> • Facilitates Straight Through Processing. • Potential to reduce E&O risk. 	<ul style="list-style-type: none"> • A client interface portal provided by individual broker organisations. • A suite of centrally hosted web services e.g. web forms.
X.7.0	<p>There should be greater transparency of processes (subject to BIPAR principles) for all parties including clients, where appropriate, and the market should adopt common agreed workflow steps/checkpoints.</p>	<ul style="list-style-type: none"> • Workflow/tracking achieved on a consistent basis. • Provides clarity to clients and other parties regarding the status of the placement. 	<ul style="list-style-type: none"> • Portals provided by individual broker organisations for clients to check the status of their placement. • A market wide tracker service which provides transaction statuses to all parties including the client where appropriate. • Individual organisations could track statuses using workflow tools and ACORD messages. • Trading platforms.
X.7.1	<p>The process must have identified handover points and automated, meaningful statuses at various levels which will provide sufficient information to the interested parties e.g. Status descriptions should vary according to the audience.</p>	<ul style="list-style-type: none"> • Allows a quicker and more visible process. • Greater transparency of progress for clients • Improved monitoring of the length of each part of the process e.g. submission, acknowledgement • Better market performance information for the handling of claims • Improved workflow management 	<ul style="list-style-type: none"> • Different levels of status must be developed to suit the audience • A 'tracking' service could be implemented to monitor the transactions conducted against risks or claims • Statuses could be automatically recorded in the claims platform and extracted for MI purposes • Broker portals • Creation of a standard credit control message
X.8.0	<p>Structured data should be aligned and consistent with supporting documents provided by the client.</p>	<ul style="list-style-type: none"> • Provides clarity and less rework later on in the process as it will help to ensure that all parties are reviewing the same and most up to date risk information. 	<ul style="list-style-type: none"> • A central facility could be provided so that both documents and data can be stored centrally and can be reused to serve as a single version of the truth. Alternatively messaging could ensure that all market participants have aligned and verifiable versions of documents and data, thus providing identical versions of the truth. • A wider use of the Global Placing Document & placing message mapping. • A wider use of tools that merge documents with structured data.

Ref.	Business Requirement (Placing Support Working Group)	Benefits Statement(s)	Possible Solutions (Current Ideas Provided by Working Groups)
X.9.0	Document standards: Documents & data should be held in standard formats, enabling firms to either access a central repository or through interfacing with internal systems. A document naming convention should also be adopted.	<ul style="list-style-type: none"> • Provide choice in how data and documents are accessed. • Ensure consistent file formats. • Improve speed, transparency, clarity and efficiency. • Avoid rekeying errors and associated costs 	<ul style="list-style-type: none"> • Defined list of accepted file types e.g. jpeg, pdf. • Common sets of reference data e.g. currency codes, risk codes.
X.10.0	The process must enable all parties to ensure they are viewing the same version of data and documents with sufficient security and access control, audit trail and version control.	<ul style="list-style-type: none"> • A 'aligned version of the truth' • Consistency of data available to all parties • Information can only be seen by those parties with the correct permissions • Visibility of changes made to documents • Access to latest version of information • Supports capital protection • Meets regulatory requirements 	<ul style="list-style-type: none"> • A claims platform for claims data • A 'common core record' for placing data • A central document repository
X.11.0	Brokers and insurers should be able to store documents and data for reuse. Parties should be able to compare different versions of documents to highlight edits and their author	<ul style="list-style-type: none"> • Provides an audit trail. • Allows brokers and insurers to view historic data as it could help to resolve legal queries. • Avoid rekeying errors and associated costs • Supports capital protection • Meets regulatory requirements 	<ul style="list-style-type: none"> • A central document repository • Gateway, box systems and stand alone systems could compare versions of ACORD messages and highlight changes that have been made on internal systems or via a web based service. • User Platform e.g. Ri3k
X.12.0	Data and document availability: Brokers and insurers should have ready access to data and documents that evidences the contract formed, or any changes subsequently agreed, plus any relevant transactions. This access should be concurrent and should ensure parties are viewing the same versions of documents and (where appropriate) risk declarations, premium and claims data etc.	<ul style="list-style-type: none"> • Ensures a single version of the truth for data and documents. • Enforces consistency of information and more efficient communication with fewer queries and rework. 	<ul style="list-style-type: none"> • A single central data and document repository with appropriate access control and workflow so that only the necessary parties will action any transactions • OR optional repositories owned by each party, communicating via DRI. • OR a combination of these two scenarios (i.e. a single central repository with key core data/documents, and other peripheral repositories with non-key data/docs, communicating via DRI). • For the second and third options there would need to be clear ownership of document versions with clear handover points in the end-to-end process, therefore requiring a workflow protocol that allows all peripheral systems to communicate.
X.13.0	A common referencing structure for risks, claims, etc should be in place and used consistently across the market	<ul style="list-style-type: none"> • Avoids some of today's workarounds, e.g. mid-term broker or market changes. • Enables linking of all related transactions or movements, meaning reduced overhead on brokers/insurers 	<ul style="list-style-type: none"> • Definition of a new referencing structure
X.14.0	Contact Information - A store of key contact information for participating organisations should be used to ensure that messages are routed to the correct destination.	<ul style="list-style-type: none"> • Messages are routed to the correct destinations. • Efficient ability to deal with message errors. 	<ul style="list-style-type: none"> • The Exchange could be used to manage and deliver ACORD messages as this is what the market directory component of the Exchange currently does.

Ref.	Business Requirement	Benefits Statement(s)	Possible Solutions (Current Ideas Provided by Working Groups)
X.15.0	There should be sufficient data captured in the processes to support the collection of management information for use internally by organisations and by the market as a whole. This should include query reasons, response reasons etc.	<ul style="list-style-type: none"> • Improved management information individual organisations and for the market as a whole • Ability for benchmarking against other markets • Improves speed, efficiency, clarity & transparency • Avoid rekeying errors and associated costs • Supports capital protection • Meets regulatory requirements 	<ul style="list-style-type: none"> • The copying of ACORD messages to a central reporting/monitoring body • Access to claims platform details for central body • Access to document storage for a central body
X.16.0	The future process must cater for different methods of communication between brokers and insurers	<ul style="list-style-type: none"> • Flexibility • consistency with other markets 	<ul style="list-style-type: none"> • ACORD standard messaging & messaging hub • Access to a central facility for receiving messages for those parties without the capability (a Claims platform)

15 Detailed Placing Support Working Group Requirements

Ref.	Business Requirement (Placing Support Working Group)	Benefits Statement(s)	Possible Solutions (Current Ideas Provided by Working Groups)
P.1.0	Documentation produced downstream in the process should use Placing message data as the source of information e.g. the creation of contract documentation where required (with appropriate branding).	<ul style="list-style-type: none"> • Provides consistency. • Less downstream data capture and corrections. • Removes multiple keying of data. 	<ul style="list-style-type: none"> • Structured data processing tools rather than word processing tools could be used to create documentation (e.g. signed/stamped paper policies, where required). • Trading platforms.
P.2.0	Structured risk data should be rich enough to support downstream processes, without creating an onerous burden on stakeholders that may slow down the trade.	<ul style="list-style-type: none"> • Supporting the capture of data as early as possible from its original source will: <ul style="list-style-type: none"> ◦ Reduce re-keying of data further on during the process. ◦ Lead to a quicker placement process. ◦ Improve client service. 	<ul style="list-style-type: none"> • Brokers could send "full" placing messages. • Review existing "skinny" messages to determine what additional data is required. • Review the barriers to Straight Through Processing. • The placing process could be separated into pre and post bind stages - define what data is required pre and post bind. Brokers could send "skinny" placing messages during the pre-bind stage and a "full" placing message post bind. • A Placing Admin Function service could be set up to aid transition and to convert unstructured data (e.g. documents) into structured data. • Brokers could provide facilities to capture risk data directly from their clients and insureds.
P.3.0	The completion of subjectivities post-bind should be handled through the use of messaging. Note: current market initiatives delivering some of the anticipated outcomes in this area	<ul style="list-style-type: none"> • Allows for subjectivities to be part of the messaging audit trail. 	<ul style="list-style-type: none"> • Review how subjectivities are currently handled by ACORD Placing messages. • Time constrained subjectivities can be more easily monitored.
P.4.0	The Future Processing Model should provide common streamlined agreement practices for endorsements, where roles and responsibilities are clear. Note: current market initiatives delivering some of the anticipated outcomes in this area	<ul style="list-style-type: none"> • Provide greater certainty in the event of a claim. • Improved speed of endorsement agreement. 	<ul style="list-style-type: none"> • Review ACORD Placing message to confirm that it supports agreement practises such as the GUA and can identify the relevant agreement parties on each contract. • Check that agreement practises such as the GUA require any enhancements to support the Future Processing Model.
P.5.0	Brokers and insurers should have ready access to data (subject to BIPAR principles) that evidences the contract formed or any changes subsequently agreed.	<ul style="list-style-type: none"> • Provides an audit trail and consistency. • Allows brokers and insurers to view historic data as it could help to resolve legal queries. 	<ul style="list-style-type: none"> • A central facility could be provided so that both documents and data can be stored centrally and can be reused to serve as an aligned version of the truth. • Gateway, box systems and stand alone systems could compare versions of ACORD messages and highlight changes that have been made on internal systems or via a web based service. • Trading platforms.

Ref.	Business Requirement (Placing Support Working Group)	Benefits Statement(s)	Possible Solutions (Current Ideas Provided by Working Groups)
P.5.1	During the placing process, insurers should expect the slip leader to be identified but not necessarily the other participating risk carriers. Similarly underwriters should know when their own line has been bound but should not expect to know whether or not the broker has placed the risk in its entirety.	<ul style="list-style-type: none"> Ensures that each line is offered on the most competitive basis 	<ul style="list-style-type: none"> Electronic binding of risks via ACORD messages
P.6.0	Brokers and insurers should achieve contract certainty before each insurer confirms their order i.e. before they write their line. Just as the current process, brokers & insurers should maintain a high level of contract quality - to agreed market standards.	<ul style="list-style-type: none"> Quality of contract definition for client and insurer. Avoids rework and as a result saves time. Allows for an aligned version of the truth to be applied. Further reduction in the potential for claims disputes. 	<ul style="list-style-type: none"> A store of quality assurance checking rules could be used when creating the risk submission. A third party could carry out QA checks before insurers write their lines. Trading platforms. Rules/checks/standards downloadable by any party to assist creators of documentation. Tools and standards/guidance to support achievement of contract quality.
P.6.1	<p>The tax position for a risk should be identified before a line is committed. This should include:</p> <ul style="list-style-type: none"> What rates of tax apply Who should pay Who administers it Where it applies <p>Note: current market initiatives delivering some of the anticipated outcomes in this area</p>	<ul style="list-style-type: none"> Helps clarify tax queries early on in the process which also saves rework as pricing may change as it is affected by tax amounts. 	<ul style="list-style-type: none"> An automated tax tool which identifies and calculates taxes of relevant locations. In instances where automation is not possible and where specialist knowledge and judgement is required a pool of tax expertise could be set up at the front end of the process for brokers and insurers to call upon when required. Insurance companies may need to share fiscal representative details.
P.7.0	Brokers and insurers maximise the use of model wordings, which are version controlled, when checking and selecting the appropriate insert for a contract.	<ul style="list-style-type: none"> Assists with improving contract quality. Reduces queries regarding wordings. 	<ul style="list-style-type: none"> A single view of wordings could be used to ensure the aligned version of the truth. Multiple wordings stores could be used to encourage competition. Comparison tools could be used to determine differences between versions of wordings and clauses.
P.7.1	Owners of the wordings should apply version control to the wordings and there should be a mechanism for changes to wordings and clauses to be advised to users.		
P.8.0	There should be a "locked-down" version of contract wording effective at contract formation.	<ul style="list-style-type: none"> Provided clarity for downstream processing (e.g. claims). 	<ul style="list-style-type: none"> Full policy wording made available to all stakeholders.

16 Detailed Accounting & Settlement Working Group Requirements

Ref.	Business Requirement (Accounting & Settlement Working Group)	Benefits Statement(s)	Possible Solutions (Current Ideas Provided by Working Groups)
A.1.0	The process should allow intermediaries the ability to settle net premium direct to insurers and commission direct to brokers.	<ul style="list-style-type: none"> Allows for the splitting of accounting for commission and net premiums 	<ul style="list-style-type: none"> Provide controlled mechanism for intermediaries to settle direct.
A.2.0	The A&S process should not be burdened with the capture of reporting data. Data should be provided to the A&S process from the preceding business processes simply to establish ledger records and trigger financial settlements. Note: current market initiatives delivering some of the anticipated outcomes in this area	<ul style="list-style-type: none"> There will be no burden on the A&S process to capture any reporting data. It will allow the Technical Account & Financial Account stages to work more efficiently. <ul style="list-style-type: none"> Removes complexity and cost from the accounting process. Aligns London with the rest of the world. Gives large insurance companies a common method of processing and reporting across their bureau and non bureau operations 	<ul style="list-style-type: none"> Richer, structured, standardised data to be provided in the preceding business processes. Insurers compile own reports or service provider compile and report information.
A.2.1	The agreement process of premiums and claim accounting will operate at a fundamental level, as per the rest of the world. Insurers and/or appointed service providers will be responsible for ensuring sufficient information has been obtained from preceding business processes to fulfil their reporting obligations. Note: current market initiatives delivering some of the anticipated outcomes in this area		
A.3.0	Technical Account transactions should be processed in parallel and with documentation relevant to the business process generating the financial movement, e.g. Claims Agreement.	<ul style="list-style-type: none"> It allows for a quicker, more relevant technical account process to be completed. 	<ul style="list-style-type: none"> Integrate ACORD messaging with DRI ability for message and document delivery.
A.4.0	Financial values should be agreed as part of the relevant business process (technical accounts) and settlement requests (financial accounts) should act as confirming transactions and as input to both ledger and financial settlement systems	<ul style="list-style-type: none"> Provides separation between agreements and payment requests creating a more efficient process. 	<ul style="list-style-type: none"> Split accounting and settlement messages into: <ul style="list-style-type: none"> Technical Account (invoicing) Financial Accounts (settlement requests)
A.5.0	Settlement cycles should be aligned across the insurer markets, including firms that are in run off, and operate to the most practicable minimum agreed period.	<ul style="list-style-type: none"> It will allow the speedier settlement of monies between parties, removing any settlement time related delays. 	<ul style="list-style-type: none"> Implement an agreed market wide settlement cycle e.g. 3 days. If longer required then party will need to opt out of central settlement.
A.6.0	An agreed default authorisation period should operate on both invoicing (technical account submissions) and settlement requests (financial account submissions).	<ul style="list-style-type: none"> It will encourage good business practice of creating positive statements to objections. It will create certainty for parties in the payment process. 	<ul style="list-style-type: none"> Implement a default authorisation period e.g. 72 hours. Create auto approval in internal systems.

Ref.	Business Requirement (Accounting & Settlement Working Group)	Benefits Statement(s)	Possible Solutions (Current Ideas Provided by Working Groups)
A.7.0	Settlement currencies should be agreed and consistent across the London market.	<ul style="list-style-type: none"> Accommodating additional and more complete set of settlement currencies will promote efficiency in the market and allow other players to enter. It will provide consistency of settlement currencies. 	<ul style="list-style-type: none"> Implement a single set of settlement currencies across the market. Currency conversion service.
A.8.0	It should be possible for the insured or nominated parties to be designated as a payment party/recipient of payment. This should be agreed earlier in the business process cycle. Payments to nominated parties will be implemented with relevant controls (e.g. to prevent money laundering).	<ul style="list-style-type: none"> Insureds/other parties can be paid directly and quickly. Insureds/other parties can pay other parties directly and quickly. 	<ul style="list-style-type: none"> Provide relevant payment information in placing and/or claims process.
A.9.0	It should be possible for third parties who are not part of the risk contract to instigate payment requests for transactions such as expert fees via the central settlement process.	<ul style="list-style-type: none"> Allows for third parties, such as experts appointed by Insurers to instigate and receive payments directly via central settlement, meaning quicker payment. 	<ul style="list-style-type: none"> Provide controlled mechanism for third parties to create Technical Account messages and participate in central settlement.
A.10.0	There needs to be the ability to link payments relating to multiple transactions so that they settle simultaneously and on a net basis, e.g. premium and claim bordereaux settles together.	<ul style="list-style-type: none"> Single settlement of related transactions 	<ul style="list-style-type: none"> 'Electronic staple' grouping reference included in ACORD messages.
A.11.0	Brokers will issue TA and FA messages at line level within an overall business transaction, each insurer will be responsible for agreeing their own line amount. It will be possible where there has been prior agreement, for parties to trigger a partial settlement, even where the full subscribing insurer market has yet to agree to the settlement, mirroring the non-bureau market.	<ul style="list-style-type: none"> Allows settlement to be achieved quicker without the need to wait for full agreement of subscribers. Brokers can operate a single process for London and other markets 	<ul style="list-style-type: none"> Mechanism put in place to allow part release. Implementing a default authorisation period. A single closing service to acknowledge and approve payments on behalf of insurers.
A.12.0	Insurers should be able to follow up late premium payments in an electronic, structured, auditable and visible manner, including the renegotiation of settlement terms where necessary.	<ul style="list-style-type: none"> Insurers and brokers able to receive premiums or claims quicker. Insurers and brokers can be proactive about monitoring monies due. 	<ul style="list-style-type: none"> Optional credit control services provided by service providers
A.13.0	Premium and Claim settlement payments should be aggregated and net settled direct to parties, to include a single payment per day. A single central settlement process should operate across the Market.	<ul style="list-style-type: none"> Reduced costs of transaction payments providing parties with a Net position. 	<ul style="list-style-type: none"> A single central settlement service Two or more services operating to one process
A.14.0	A central secure and audited facility should administer the registration and storage of bank accounts information.	<ul style="list-style-type: none"> Clients will have confidence that bank account details will be secure. Proper controls implemented to protect sensitive financial information. 	<ul style="list-style-type: none"> A single central settlement service

Ref.	Business Requirement (Accounting & Settlement Working Group)	Benefits Statement(s)	Possible Solutions (Current Ideas Provided by Working Groups)
A.15.0	Payment for other insurance related transactions other than premium, claims and fees should be catered for in central settlement.	<ul style="list-style-type: none"> • Non Insurance related transactions can be managed on behalf of Brokers/Insurers. • A single service for handling settlement of all monies. 	<ul style="list-style-type: none"> • A single central settlement service
A.16.0	Trust Fund allocation (Lloyd's only), a Trust fund administration service is required to control the allocation of trust fund deposits/withdrawals. Note: exists in today's model	<ul style="list-style-type: none"> • No burden on Insurers to manage trust fund deposits and withdrawals. 	<ul style="list-style-type: none"> • Lloyd's settlement trust fund operations
A.17.0	Currency conversion service to operate on behalf of insurers that choose not to operate multi currency bank accounts, or individual dedicated currency accounts, is required to convert premiums and claims settlement amounts between sterling and other currencies.	<ul style="list-style-type: none"> • Insurers without multi currency bank accounts able to write business in any currency. Transactions converted to sterling and other currencies. 	<ul style="list-style-type: none"> • A single central service to provide currency conversion
A.18.0	Organisations with non ACORD messaging capabilities must be able to settle and authorise transactions.	<ul style="list-style-type: none"> • Non ACORD compliant organisations will be able to participate in the settlement process. • Aid transition and provision of services to non ACORD messaging organisations. 	<ul style="list-style-type: none"> • A web-based online enquiry service for non ACORD organisations • A central service for non ACORD organisations

17 Detailed Facilities & Binders Working Group Requirements

Ref.	Business Requirement (Facilities & Binders Working Group)	Benefits Statement(s)	Possible Solutions (Current Ideas Provided by Working Group)
F.1.0	Responsibilities of parties: The facility terms should expressly define the responsibilities of the parties, including the rights to bind, issue evidence of cover and agree and settle claims, plus the roles and responsibilities regarding data provision. These definitions should be available to all parties involved.	<ul style="list-style-type: none"> Establishing roles and responsibilities upfront will drive the process routes to be followed downstream, meaning less potential for mistakes and/or duplication of effort, and subsequent rework. Greater process efficiency by establishing potential bottlenecks in processes earlier. Greater clarity of data provision responsibilities so that data may be sent/received on time by all parties. In turn this saves time and effort of receiving parties chasing information (especially for the following market), and allows the sender to easily identify who needs what information, and when. 	<ul style="list-style-type: none"> Standardised MRC for all facilities to contain combination of mandatory and conditional sections detailing involved parties and their respective roles and responsibilities. Standard and structured MRC section detailing information provision details such as: information type (e.g. risk bordereaux), regularity, submission period, recipient parties etc. Centralised registration system to record all facilities, which are only considered market-approved once this mandatory information is complete and agreed. Shared rules to enable facility processes to follow a controlled workflow.
F.2.0	Agreement Processes: When placing a facility, the different agreement processes and parties should be identified (e.g. for subsequent endorsements, risks outside coverholder quoting authority etc.). This should also include the data provision requirements in support of these processes. These should be defined in the facility terms in addition to (or as part of) the responsibilities of parties as appropriate.	<ul style="list-style-type: none"> Establishing roles and responsibilities upfront will drive the process routes to be followed downstream, meaning less potential for mistakes and/or duplication of effort, and subsequent rework. Greater process efficiency by establishing potential bottlenecks in processes earlier. Allows straight-through processing e.g. for risks outside coverholder quoting authority, details may be automatically directed to the agreement parties and entered in to the open market process. 	<ul style="list-style-type: none"> Standardised MRC for all facilities to contain combination of mandatory and conditional sections detailing agreement processes and parties. Centralised registration system to record all facilities, which are only considered market-approved once this mandatory information is complete and agreed.
F.3.0	Standardisation and flexibility of processes: The end-to-end process of setting up and placing a facility, and writing risks/processing claims within it, should be standardised across facility types as far as possible whilst maintaining the flexibility required to process different facility types.	<ul style="list-style-type: none"> Generic processes allow greater economies of scale by establishing a common standard for all facility processes, e.g. binders and lineslips. 	<ul style="list-style-type: none"> Established generic processes that cover two or more facility types or business scenarios, which should be used as a 'best-practice' model. Ideally, generic processes will deliver the greatest benefit where they are common to all facilities. Established specific processes that are relevant only for certain facilities or business scenarios. All processes to be clearly defined within the future processing 'rulebook' deliverable, detailing how process should be followed and in what scenario(s).

Ref.	Business Requirement (Facilities & Binders Working Group)	Benefits Statement(s)	Possible Solutions (Current Ideas Provided by Working Groups)
F.4.0	<p>Standardisation and flexibility of roles: The end-to-end process of setting up and placing a facility, and writing risks/processing claims within it, should be standardised and designed in such a way to enable different parties to perform different roles, e.g. functions to be delegated to another party in the value chain; a service provider to be engaged etc.</p>	<ul style="list-style-type: none"> Flexibility allows appropriate expertise to be utilised in different contexts/scenarios. Allows individual choice and potential for competitive provision of services. 	<ul style="list-style-type: none"> All processes and associated owners to be clearly defined within the future processing 'rulebook' deliverable, detailing how process should be followed and in what scenario(s).
F.5.0	<p>Provision of Information: Information gathered throughout the end to end business process should be shared concurrently with all parties on risk. Where appropriate, the following market should have the same information available to them as the leader, unless there is a specific reason otherwise that is agreed in accordance with the facility terms.</p>	<ul style="list-style-type: none"> More accurate and complete information for all parties (including the following market) to input into internal downstream processes allows better underwriting decisions across the market in general. Earlier provision of information to all parties (including the following market) allows faster turnaround of decisions. Concurrent sharing of information across all parties reduces the dependency on one or more parties to pass information on, and thereby removes potential bottlenecks in the flow of information. 	<ul style="list-style-type: none"> Central facility record system where key details of facilities can be held and accessed by all parties with appropriate authority level. Use of central repository to store data and documents relating to a particular facility OR individual parties' own repositories able to communicate with one another. Central workflow system OR standardised workflow protocol to ensure all parties perform the appropriate handover of information as required. Use of the Exchange to allow easier routing of messages and documents to all relevant parties simultaneously.

Ref.	Business Requirement (Facilities & Binders Working Group)	Benefits Statement(s)	Possible Solutions (Current Ideas Provided by Working Groups)
F.6.0	<p>Risk Declaration, Claim Advising and Accounting: The future model should allow insurers to have access to low-level information relating to individual risks/claims under a facility as and when it is created/updated, allowing insurers the flexibility to choose their own monitoring period, whilst maintaining the economies of scale benefit of aggregated settlement.</p>	<ul style="list-style-type: none"> • Real-time notification of risk placement allows all insurers on risk to more accurately monitor their own exposure and to identify risks that are exceptional with respect to their own parameters. • Real-time notification of claims allows all insurers on risk to more accurately manage their own reserves and to identify claims that are exceptional with respect to their own parameters. • Individual risk/claim data: <ul style="list-style-type: none"> ◦ Allows parties to aggregate risks at whatever intervals and in whichever way they choose, e.g. see all risks within a certain territory and class of business written in the last three days. ◦ Allows parties to aggregate risk across facilities and facility holders, allowing greater performance monitoring and portfolio management. ◦ Allows risks and claims to be matched and then aggregated to find loss-making classes, locations, insured profiles etc. ◦ Allows straight-through downstream processing of risks/claims according to whether they are within or outside of the facility holder/TPA's authority. • Periodic aggregated settlement maintains the advantage of economies of scale of spreading overheads by processing multiple premium/claims settlements in a single transaction. 	<ul style="list-style-type: none"> • Standardised risk and claims bordereaux as a transition state, separated in to <ul style="list-style-type: none"> ◦ Risk bordereaux (risks within coverholder quoting authority). ◦ Risk bordereaux (risks outside coverholder quoting authority). ◦ Claims bordereaux (claims within coverholder authority). ◦ Claims bordereaux (claims outside coverholder authority). • End state is to report on risks/claims individually, in 'real-time', and to differentiate between inside/outside authority risks and claims using flags/statuses, giving the same 4 broad options as for the bordereaux types above. • In A&S the settlement will be aggregated (e.g. monthly) and will require a statement of paid premiums/claims, showing the individual references so that the separate risks/claims can be matched to the settlement amounts. • Structured messages for risk/claims under facilities via the Exchange.
F.7.0	<p>Simplified renewal processes: Facility holders should be able to follow a simple, standard process for facility renewals.</p>	<ul style="list-style-type: none"> • Allows facility holder to begin renewal processes sufficiently far in advance of the inception of the new facility, for greater contract certainty etc. • Allows use of existing facility-level data to be re-used so that only new or amended information needs to be captured. • Educates facility holders of renewal procedures and therefore improves general performance of renewal process across market. • Improves facility holder experience. • Reduces potential for human error/mistakes, so therefore less rework and lower risk/impact on downstream processes. • Reduces risk of facility holder placing risks under a renewing facility before it is fully approved. 	<ul style="list-style-type: none"> • Automated trigger to alert lead insurer that renewal is approaching. The insurer could then send templates and guides to the facility holder. • Alternatively, the broker may be alerted and be responsible for supplying the facility holder with documents. • Alternatively, documents made available via a central portal or system that the facility holder can access.

Ref.	Business Requirement (Facilities & Binders Working Group)	Benefits Statement(s)	Possible Solutions (Current Ideas Provided by Working Groups)
F.8.0	Service level agreements (SLAs): The future model should cater for the monitoring of SLAs for information exchange and processes between facility holders, brokers and insurers.	<ul style="list-style-type: none"> • Encourages better quality of processing and timeliness, completeness and accuracy of information from all parties. • Overdue messages, transactions etc. are less likely and more easily identified. • Encourages competitive behaviour by establishing and adhering to SLAs that demonstrate excellent service. 	<ul style="list-style-type: none"> • One option is to have a centralised market minimum standard which all participants must observe, and parties can offer improved SLAs on a competitive basis as they wish. • Another option is for firms to report their statuses to a central monitoring system/service.
F.9.0	Risks and claims within/outside authority: The future model should allow for both risks and claims that fall outside of the facility holder's delegated authority to be automatically routed and processed in a comparable method to that used for open market business transactions, while risks and claims within the delegated authority may be handled by the facility holder without the need to refer to the London market.	<ul style="list-style-type: none"> • Reduced potential for bottlenecks as in the current process, where the minority of exceptional risks/claims can hold up the majority of within-authority risks/claims in the process. Separating risks/claims by the authority thresholds allows them to be treated separately. • Consistency of market processes, across open market and facilities/binders (outside authority) business. • Allows earlier settlement of claims fed through to the facility holder via the broker, as only those outside of authority need to be referred by the facility holder. 	<ul style="list-style-type: none"> • Facility holder to determine whether risks/claims are within their authority to place/handle without referral. Those that they deem outside authority would be referred to the London broker to verify (potentially using central facility record), and pass on to the insurers/agreement parties as appropriate. These would then be treated in the same manner as open market risks, with decisions fed back to the facility holder. Risks/claims within the facility holder's authority to be managed entirely autonomously, and reported for information but not for referral. In all cases the risks/claims under the facility should be referenced and linked to the facility so that reported risks/claims within and outside authority can be traced back to the appropriate facility.
F.10.0	Co-lead Claims: There should be a streamlined claims process for co-lead situations.	<ul style="list-style-type: none"> • Streamlined process reduces overall time taken to process claims. • Faster payment of claims to clients increases satisfaction and improves London market reputation. • Better visibility and understanding of co-lead processes. 	<ul style="list-style-type: none"> • Definition of agreement parties and processes for co-lead claims to be made at facility placement where possible, so that these rules may be used in the event of a co-lead claim situation. • Facility holders to identify where a risk has been placed across multiple facilities using a flag/field.
F.11.0	Continuous Contracts: The future model should support rolling/continuous facility contracts, with a robust cancellation process and appropriate due diligence of facility holders. The use of rolling/continuous contracts should be optional.	<ul style="list-style-type: none"> • Reduces dependency and burden of lengthy renewal processes on insurers and brokers, and minimises non-value add tasks for long-standing facilities. • Improves facility holder experience and their relationships with brokers/insurers, making the renewal process less demanding. • Maintains importance on appropriate due diligence and audit procedures. • Optional use of continuous contract arrangement allows insurers/brokers freedom of choice to maintain 'normal' renewal structure. 	<ul style="list-style-type: none"> • Replacement of standard 12-month contract term with a longer-term contract, including a robust cancellation procedure. • Standard binder schedule templates for continuous contracts. • Clear definition of future due diligence and audit timelines within facility terms. • Optional use of continuous contract structure (to be agreed by lead insurer during placement).

Ref.	Business Requirement (Placing Support Working Group)	Benefits Statement(s)	Possible Solutions (Current Ideas Provided by Working Groups)
F.12.0	<p>Reporting standards: The future model should have an established common standard for reporting risks, premiums and claims for facility and binding authority business.</p> <p>Note: current market initiatives delivering some of the anticipated outcomes in this area.</p>	<ul style="list-style-type: none"> • Drives consistency of information received from facility holders. • Allows straight-through processing and automation of data validation, routing etc. • Allows consolidation and aggregation of data. 	<ul style="list-style-type: none"> • Definition of common standard format(s) for risk, premium and claims bordereaux. • Definition of common standard format(s) for low-level data concerning risks, premiums and claims.
F.13.0	<p>Risk and claim data checking: There should be the ability for data to be validated (for risks and claims) and checked for inside/outside authority status within the facility.</p>	<ul style="list-style-type: none"> • Up-front data validation before information is shared across the market, thereby catching errors before they expand. • Automated identification of risks/claims within/outside authority allowing the appropriate processes to be followed accordingly. • Identification of single risks/claims across multiple facilities determines co-insurance, potential data errors, or fraudulent activity. 	<ul style="list-style-type: none"> • Optional service providers or in-house capability to check risks/claims data. These systems would need to communicate with internal systems storing facility terms and/or the central facility record. • Alternatively, a central system that automatically checks all risk/claim data, which must be in standard formats. The system would need to communicate with (or be part of) the central facility record registration system in order to check whether risks/claims are within/outside authority.
F.14.0	<p>Electronic facility agreement: The agreement processes between broker/insurer/coverholder for set-ups, renewals, endorsements and cancellations of facilities should be supported electronically, while keeping a face-to-face element where it adds value.</p>	<ul style="list-style-type: none"> • Provides more efficient method of completing all required tasks. • Retention of face-to-face element where it adds value, i.e. in complex negotiations or specialist business, means that the London market's expertise can be utilised. 	<ul style="list-style-type: none"> • Use of the Exchange for messaging and information transmission between parties. • ACORD messaging used where appropriate. • Use of portals, web forms etc. to capture information. • Central workflow system OR multiple systems communicating via common protocol, to control workflow of agreement processes through the end-to-end chain.
F.15.0	<p>Net settlement: There must be the capability for premium and claim payments to be notified via a single technical message, enabling a single payment to move between the facility holder and the broker, and another between the broker and insurer (for each insurer on risk).</p>	<ul style="list-style-type: none"> • Consistent with open market A&S processes. • Ensures no party is left with a shortfall. • Reduced overhead of transaction processing 	<ul style="list-style-type: none"> • Future open market Accounting & Settlement processes used; net settlement of premiums and claims between brokers and insurers. Where a coverholder/TPA is involved, the A&S process will need to ensure settlements between coverholder/TPA and broker, and broker and insurer, are coordinated so that no party is left with a shortfall. • Referencing structure used to ensure individual premiums/claims can be reconciled against bulked/net payments which may be made across multiple facilities and/or years of account.

Ref.	Business Requirement (Facilities & Binders Working Group)	Benefits Statement(s)	Possible Solutions (Current Ideas Provided by Working Groups)
F.16.0	<p>Facility holder/coverholder processes: There must be rules provided to the facility holder, instructing how they must provide risk, premium and claims information to London brokers and insurers so that data can be fed in to downstream business processes.</p>	<ul style="list-style-type: none"> • Helps ensure the facility holder/coverholder is able to fulfil contractual obligations of information provision (i.e. risk, premium and claims reporting). • Helps facility holder/coverholder assess risks and determine premiums. • Helps facility holder/coverholder produce and issue policy documentation more quickly and efficiently. • Improves facility holder/coverholder experience. 	<ul style="list-style-type: none"> • 'Portal(s)' provided by brokers and/or insurers which facility holders/coverholders can have access to. Brokers/insurers would be likely to offer this on an individual basis and use them competitively - where broker/insurer relationships exist they may commission the portal as a joint venture. • 'Portals' will vary in functionality and may, for example, offer one or more of the following features: Rating engine; Policy creation; risk/premium/claims bordereaux generator; Exposure monitoring; Portfolio management; reporting.
F.17.0	<p>Data consistency: Brokers and insurers should be able to receive risk, premium and claims information from facility holders or other parties in a consistent manner and in accordance with the standards provided to the facility holder. Note: current market initiatives delivering some of the anticipated outcomes in this area.</p>	<ul style="list-style-type: none"> • Reduces potential queries and rework arising due to data discrepancies. • Allows risk, premium and claims data to be stored and/or used in downstream processes more efficiently, increasing the potential for STP. • Allows easier, and potentially automated, validation of data against business rules and/or facility terms (e.g. to check for risks outside coverholder quoting authority). • ACORD data allows messaging via the Exchange 	<ul style="list-style-type: none"> • Software solution(s) which are able to transform multiple incoming file formats in to a single standard format (or a small set of formats), which could be used for the conversion of risk, premium and claims bordereaux to a market-approved ACORD format (e.g. xml). This would serve as an intermediate step to achieving real-time structured risk/claims data. • The provision of these solutions may be done by a single central provider or by multiple providers and used optionally by brokers/insurers. It is likely the latter approach would be used.
F.18.0	<p>Central approvals and facility record: For Lloyd's business at least, and potentially for the London market as a whole, there should be a single registration and approval process that ensures facility holders and the facility contract are approved and complete before the processing of risks commences. Details of the facility holder and contract should be available to the broker and all insurers on risk throughout the lifecycle of the facility.</p>	<ul style="list-style-type: none"> • Ensures a single version of the truth across the market for facility holder and contract details. • Provides a basis upon which to verify risks/claims against facility terms and authority levels. • Ensures facility holders can only enter in to contracts for which they have the appropriate approval. • Prevents risks being processed against a facility before it has been fully approved/renewed. • Provides details of renewal dates etc. that can be used to trigger renewal processes across the market. 	<ul style="list-style-type: none"> • Central registration and approval system used to hold all facility details, progress of facility holder approvals etc. Also used to prevent the placement of new risks in the renewal year before the facility is fully in place. This facility should also allow renewal processes to be triggered a suitable period in advance and allow contracts to operate on a rolling basis.

18 Detailed Claims Working Group Requirements

Ref.	Business Requirement (Claims Working Group)	Benefits Statement(s)	Possible Solutions (Current Ideas Provided by Working Groups)
C.1.0	The process must allow transactions to be grouped together e.g. claim across multiple layers/contracts	<ul style="list-style-type: none"> Improves speed, efficiency, clarity & transparency Maintain links between related transactions 	<ul style="list-style-type: none"> A referencing structure must be developed for the future model Overcome current security issues to enable transactions across multiple layers/contracts to be grouped together
C.2.0	Default agreement parties, and the circumstances in which they can act as an agreement party, must be agreed at placing, 3rd party experts where possible should be agreed at placing.	<ul style="list-style-type: none"> Faster, more efficient handling of claims Potential for automatic routing of claims to appropriate agreement parties Greater clarity on receipt of a claim, leading to prompt processing 	<ul style="list-style-type: none"> Detailed placing message for storage in internal systems A central record of placing data for reference during claims handling Indication in the placing documentation as to which claim scheme or protocol applies.
C.3.0	The methods for reporting and agreement of claims should by best practice be agreed at placing.	<ul style="list-style-type: none"> Faster, more efficient handling of claims Potential for automatic routing of claims to appropriate agreement parties Greater clarity on receipt of a claim, leading to prompt processing 	<ul style="list-style-type: none"> Detailed placing message for storage in internal systems A central record of placing data for reference during claims handling
C.4.0	The process must be able support a change in agreement parties, with the consent of all parties, where circumstances require it e.g. conflict of interests, commutation, different expertise (note: current market initiatives delivering some of the anticipated outcomes in this area)	<ul style="list-style-type: none"> Flexibility in agreement parties will mean fewer bottlenecks in the determination of a claim Supports capital protection Meets regulatory requirements Enables brokers to secure partial agreement/payment of a claim on behalf of their client 	<ul style="list-style-type: none"> A claims platform would store details of the agreement parties and allow these to be changed. The possibility for this to be conducted via ACORD messaging without the need for a platform must be investigated
C.5.0	Brokers maintain their relationship with Insurers and should have the option to seek agreement from each insurer to assist in the resolution of issues or as necessary.	<ul style="list-style-type: none"> Brokers remain close to the process and are able to represent their clients' interests This supports the need for transparency in the claims process Enables brokers to secure partial agreement/payment of a claim on behalf of their client 	<ul style="list-style-type: none"> Internal broker systems would hold up to date information in relation to the progress of the claim Access to a claims platform would enable brokers to monitor the progress of the claim and identify any issues
C.6.0	Insurers must have the ability to define the level of handling that each claim requires based on parameters defined internally, with the potential to automate within systems e.g. value of claim, class of business (note: current market initiatives delivering some of the anticipated outcomes in this area)	<ul style="list-style-type: none"> Faster claims agreement (less time spent on low value claims) More efficient process by removing potential bottlenecks Allows individual insurer choice 	<ul style="list-style-type: none"> A claims platform would enable each insurer to set their own parameters Parameters could be developed in Insurers' internal systems to support peer-to-peer notification of claims

Ref.	Business Requirement (Claims Working Group)	Benefits Statement(s)	Possible Solutions (Current Ideas Provided by Working Groups)
C.7.0	The future process should support any current or envisaged claims protocol implemented by the market. This should include a default agreement period for the following market on an informed consent basis	<ul style="list-style-type: none"> • Tacit agreement of claims would improve the timescales at which the market operates for subscription claims • Improves speed, efficiency, clarity & transparency • Supports capital protection • Meets regulatory requirements 	<ul style="list-style-type: none"> • A claims platform would be designed to support the protocol • Internal insurer systems could be updated to include the tacit agreement period • A central function for the manual triage & routing of claims
C.8.0	An initial point of contact for each claim must be allocated by each organisation involved in the claim. The contact details must be communicated to all other appropriate parties and maintained in the event of any changes	<ul style="list-style-type: none"> • Enable faster communication in the event of an issue • Improves speed, efficiency, clarity & transparency 	<ul style="list-style-type: none"> • A claims platform would hold the contact details for each organisation • Internal insurer systems could be updated to hold contact details for each organisation. The details must then be incorporated into an ACORD standard message
C.9.0	The model must allow for any party to declare an Individual or a corporate conflict of interest in relation to any claim on which they participate. (note: current market initiatives delivering some of the anticipated outcomes in this area)	<ul style="list-style-type: none"> • Ensure that any changes to agreement parties etc are made as promptly as possible • Supports capital protection • Meets regulatory requirements 	<ul style="list-style-type: none"> • A claims platform would enable each insurer to declare their position • ACORD messaging could be used to notify all parties of a conflict of interest. Internal systems would need to be updated. • Email could be used to notify all parties of a conflict of interest. Any emails must be stored.
C.10.0	Details of any additional payments (premium or claim) to be taken into account in the event of a claim must be made clear at the time of placing. Where applicable these payments must be highlighted to the claims community to allow net amounts payable to be calculated.	<ul style="list-style-type: none"> • Ensures that all parties are fully aware of any additional payments incurred in the event of a claim • Provides clarity regarding claim amounts • Aligns the processing of premium transactions • Improves speed, efficiency, clarity & transparency • Supports capital protection 	<ul style="list-style-type: none"> • Detailed placing message for storage in internal systems • A central record of placing data for reference during claims handling
C.11.0	Standardised structured risk data should be captured as early as possible, and no later than when the first line is written.	<ul style="list-style-type: none"> • Enables faster validation of claims • Improves speed, efficiency, clarity & transparency • Avoid rekeying errors and associated costs 	<ul style="list-style-type: none"> • Detailed placing message for storage in internal systems • A central record of placing data for reference during claims handling • Placing data required from claims needs to be defined and incorporated in the appropriate Placing messages
C.12.0	Further standardised structured claim data should be captured at the earliest point in the claim e.g. could be provided by clients	<ul style="list-style-type: none"> • Enables faster validation of claims • Improves speed, efficiency, clarity & transparency • Avoid rekeying errors and associated costs 	<ul style="list-style-type: none"> • Definition of a standard web form for client submission of claim information • Definition of standard data required in an ACORD message
C.13.0	Insurers will only have access to placing information that is relevant to their participation e.g. they would not see differing rates that may have been agreed with other insurers (as per the BIPAR principles) (exists in today's model)	<ul style="list-style-type: none"> • Maintains competitive position of individual insurers • Ensures security of sensitive & confidential information • Meets regulatory requirements 	<ul style="list-style-type: none"> • A central document storage facility, with sufficient access control • Individual document repository to store documents communicated via ACORD messages • Market-wide standard for version control

Ref.	Business Requirement (Claims Working Group)	Benefits Statement(s)	Possible Solutions (Current Ideas Provided by Working Groups)
C.14.0	Where an endorsement is agreed by the lead insurer on behalf of the market, all supplementary information relating to the endorsement will be made available to the following market.	<ul style="list-style-type: none"> • Ensures consistent access to risk information • Improves speed, efficiency, clarity & transparency • Supports capital protection 	<ul style="list-style-type: none"> • ACORD standard messages • Secure document storage
C.15.0	Agreement Parties must have access to the conditions of all the parties that they are agreeing on behalf of	<ul style="list-style-type: none"> • Improves speed, efficiency, clarity & transparency 	<ul style="list-style-type: none"> • Secure document storage • A central claims platform
C.16.0	Validation of claims data to be conducted automatically where possible.	<ul style="list-style-type: none"> • Reduces need for manual intervention in the validation of claims • Supports faster claims processing through the removal of manual validation • Improves speed, efficiency, clarity & transparency 	<ul style="list-style-type: none"> • ACORD standard messages and validator
C.17.0	Where agreed at placing, claims can be reported to the insurer by the Retail Broker without Wholesale Broker involvement. However the Wholesale Broker must be kept up to date with the claim, including having access to information, so that any issues with the claim can be raised & dealt with in London. The Retail Broker & the Wholesale Broker must have the same information regarding the claim at all times. Where a claim is reported directly to the insurer without any broker involvement, the broker(s) must be given visibility of the claim details.	<ul style="list-style-type: none"> • Ensures that the London Broker can become involved in the resolution of any issues • Ensure that the London Broker maintains complete client records • Improves speed, efficiency, clarity & transparency 	<ul style="list-style-type: none"> • A central claims platform, with Broker access, would ensure that they are appraised of the claim details • ACORD standard messages must be copied to the London Broker
C.18.0	A protocol will define the approach to dispute resolution between insurers. Brokers may be asked to assist in the management of this process.	<ul style="list-style-type: none"> • Impartial mediation in the event of disputes • Improves speed, efficiency, clarity & transparency 	<ul style="list-style-type: none"> • Dispute resolution should be conducted face to face where possible • A claims platform could provide storage of any meeting notes etc
C.19.0	The leader is responsible for the appointment of 3rd party experts. The leader will also be responsible for specifying the 3rd party's access rights to risk records and documents, and any restrictions that need to apply. The reasons for 3rd party access to claim details should be documented.	<ul style="list-style-type: none"> • Improves speed, efficiency, clarity & transparency • Avoid rekeying errors and associated costs • Managed access to sensitive information • Single management of third parties 	<ul style="list-style-type: none"> • A central claims platform with access control • Access to Lead Insurer systems/document repository
C.20.0	The process must support the implementation of operational protocols for the handling of claims, e.g. target response times.	<ul style="list-style-type: none"> • Improved performance monitoring • Meets regulatory requirements 	<ul style="list-style-type: none"> • A central body for the monitoring of performance against standards

Ref.	Business Requirement (Claims Working Group)	Benefits Statement(s)	Possible Solutions (Current Ideas Provided by Working Groups)
C.21.0	The new process must ensure that, for claims involving a Lloyd's syndicate, Lloyd's continue to have access to all claims data throughout the life of a claim, in line with the Underwriting Byelaw. This is in order to facilitate performance and regulatory monitoring of the Lloyd's managing agents and syndicates. (exists in today's model)	<ul style="list-style-type: none"> Improved management and performance reporting for the Lloyd's market Avoid rekeying errors and associated costs Supports capital protection Meets regulatory requirements 	<ul style="list-style-type: none"> The copying of ACORD messages to Lloyd's Access to claims platform details for Lloyd's Access to document storage for Lloyd's Data dump to Lloyd's
C.22.0	Secure reporting should be available for coverage issues so that they can be dealt with by participating insurers.	<ul style="list-style-type: none"> Improved communication between parties in relation to coverage issues Improves speed, efficiency, clarity & transparency Avoid rekeying errors and associated costs Supports capital protection 	<ul style="list-style-type: none"> Ability for ACORD messages to handle this must be investigated Secure/restricted areas on the Claims Platform
C.23.0	The process must cater for the reporting of claims prior to complete allocation of premium. The broker must be able to present a claim to those insurers already on risk, even if agreement has not been reached with all insurers approached, i.e. it should be possible to initiate the claims advice process if a claim occurs before the premium has been processed but not to progress to settlement until premium settlement has taken place.	<ul style="list-style-type: none"> Faster notification of claims (don't have to wait to know the signing number & date) Improves speed, efficiency, clarity & transparency Enables brokers to secure partial agreement/payment of a claim on behalf of their client 	<ul style="list-style-type: none"> Development of a referencing structure which allocates a unique, market wide, reference to a 'risk' at the earliest stage e.g. request for quote and is maintained throughout the life of the 'risk' Broker signing of premiums through the 'delinked scheme' with an original signing number & date of the date of inception
C.24.0	Data and documents associated to that claim must be accessible to all insurers. This should be managed with appropriate access control and may be configured to integrate with in-house systems. (note: current market initiatives delivering some of the anticipated outcomes in this area)	<ul style="list-style-type: none"> 'aligned version of the truth' Consistent information available to all parties Improves speed, efficiency, clarity & transparency Avoid rekeying errors and associated costs Meets regulatory requirements 	<ul style="list-style-type: none"> A central claims platform
C.25.0	The process must cater for other parties creating the claim record, e.g. clients, coverholders, TPA's, MGA's.	<ul style="list-style-type: none"> Faster reporting of claims from outside London Support the ability for organisations to outsource the handling of claims Improves speed, efficiency, clarity & transparency Avoid rekeying errors and associated costs 	<ul style="list-style-type: none"> Access to a claims platform (if it is implemented) ACORD messages to be routed appropriately A portal for use by third parties to report claims, using a minimum data set
C.26.0	The capability for the management, notification and consistent naming of catastrophe and PCS coded events must exist. Catastrophe codes must be defined to a standard and communicated to the market.	<ul style="list-style-type: none"> Consistency in the classification of claims against a catastrophe Greater understanding of the market impact of a catastrophe Improved MI Avoid rekeying errors and associated costs Supports capital protection Meets regulatory requirements 	<ul style="list-style-type: none"> Communication of codes by Lloyd's and/or PCS Establishing a central body to define codes and communicate them Drop down menus for relevant codes sets incorporated into claims system

Ref.	Business Requirement (Claims Working Group)	Benefits Statement(s)	Possible Solutions (Current Ideas Provided by Working Groups)
C.27.0	A common format for the presentation of claims, including claims reported under a binding authority (both inside & outside authority) must be provided.	<ul style="list-style-type: none"> • Ensures minimum standards are met • Improves speed, efficiency, clarity & transparency • Avoid rekeying errors and associated costs 	<ul style="list-style-type: none"> • Definition of standard data required in an ACORD message • Standard bordereau developed in accordance with ACORD standards for those unable provide messages • Definition of a standard web form for client submission of claim information
C.28.0	A common format for the calculation of aggregate erosions must be provided	<ul style="list-style-type: none"> • Ensures a consistent method of calculation across all parties • Improves speed, efficiency, clarity & transparency • Avoid rekeying errors and associated costs 	<ul style="list-style-type: none"> • Definition of standard data required in an ACORD message • A common formula communicated (and incorporated into systems) • A central admin function used to calculate against standard formula • Definition of a standard web form
C.29.0	The new process should provide the ability for firms to triage claims from first notification of loss. (note: current market initiatives delivering some of the anticipated outcomes in this area)	<ul style="list-style-type: none"> • Improves speed, efficiency, clarity & transparency 	<ul style="list-style-type: none"> • Triage claims services provided on a competitive basis • Tables holding values relevant to an insurer for their routing and automated agreement of claims
C.30.0	A claim must be linked to the appropriate risk & premium data (e.g. reinstatement premiums)	<ul style="list-style-type: none"> • Allows the identification of related transactions • Avoid rekeying errors and associated costs • Supports capital protection 	<ul style="list-style-type: none"> • A full referencing structure must be developed to ensure that each transaction can be uniquely identified • ACORD messages must be adapted to include the defined referencing structure
C.31.0	The first notification of loss must be advised to all parties potentially at risk of loss	<ul style="list-style-type: none"> • Earlier notification of claims to market • Faster reserving • Avoid rekeying errors and associated costs • Supports capital protection 	<ul style="list-style-type: none"> • Broker (or party notifying loss) to advise all insurers on risk of potential loss
C.32.0	A unique reference should be allocated to each claim	<ul style="list-style-type: none"> • Easy identification of individual claims 	<ul style="list-style-type: none"> • A referencing structure must be developed for the future model
C.33.0	Every claim should be advised to all parties in risk concurrently	<ul style="list-style-type: none"> • 'Aligned version of the truth' • Consistent information available to all parties • Avoid rekeying errors and associated costs • Supports capital protection 	<ul style="list-style-type: none"> • Message routing should ensure concurrent communication
C.34.0	The insurer (or a service provider appointed by them) is responsible for allocating a claim to meet their regulatory reporting obligations	<ul style="list-style-type: none"> • Supports capital protection 	<ul style="list-style-type: none"> • A claims platform with links to internal systems.

Ref.	Business Requirement (Claims Working Group)	Benefits Statement(s)	Possible Solutions (Current Ideas Provided by Working Groups)
Requirements for other parts of the transaction			
C.35.0	Up to date risk information, including any endorsements, must be made available to claims examiners (Placing)	<ul style="list-style-type: none"> • Visibility of the current position of a risk e.g. the progress of any endorsements • Access to structured risk data • Supports 'aligned version of the truth' • Avoid rekeying errors and associated costs • Supports capital protection 	<ul style="list-style-type: none"> • A common central record, maintained with any changes • ACORD messages sent to all parties whenever there is a change to the risk, and stored in individual systems
C.36.0	The claims agreement process should not be burdened with tax & regulatory reporting activity. (Reporting)	<ul style="list-style-type: none"> • Simpler claims process 	<ul style="list-style-type: none"> • Data required for regulatory reporting must be identified and incorporated into claims & placing messages. This can then be extracted for reporting purposes
C.37.0	The method for reporting and paying claims must be agreed at placing. (Placing)	<ul style="list-style-type: none"> • Faster, more efficient handling of claims • Faster payment of claims • Improves speed, efficiency, clarity & transparency 	<ul style="list-style-type: none"> • Must be included in GPD/ACORD placing message
C.38.0	Insurer payment of claims should be capable of being made on an individual insurer basis, rather than waiting for the whole market to be ready to pay. (A&S)	<ul style="list-style-type: none"> • Insurers can manage their internal finances better • Less complicated process • Improves speed, efficiency, clarity & transparency • Meets regulatory requirements • Enables brokers to secure partial agreement/payment of a claim on behalf of their client 	<ul style="list-style-type: none"> • Central settlement facility must be able to cater for this
C.39.0	The agreement of a claim must be separate from the payment of a claim (A&S)	<ul style="list-style-type: none"> • Enable netting of payments in a single amount • Supports capital protection 	<ul style="list-style-type: none"> • Claims agreement can be communicated via a Claims Movement message, which does not have to be submitted at the same time as the technical account or financial account messages.
C.40.0	A central capability should be provided, to enable the settlement of funds. There should also be provision for settlement of funds to third parties on a direct basis. (A&S)	<ul style="list-style-type: none"> • Faster money movement • More cost effective • Improves speed, efficiency, clarity & transparency • Avoid rekeying errors and associated costs 	<ul style="list-style-type: none"> • Direct settlement process needs to be established • A central settlement facility must be in place

19 Appendix 1: Future Processing Model Principles & Assumptions

19.1 Introduction

19.1.1 During the work carried out in 2009 a number of principles and assumptions were developed. This document details those principles and assumptions. These are seen as being pre-requisites for a successful change programme and will underpin the future processing model that we are proposing in the main body of this document.

19.1.2 This is seen as a “living list” and will be something we continue to use and maintain as we progress our work.

19.2 General

19.2.1 The future processing model assumes that the “Finish What We’ve Started” initiative has been completed.

19.2.2 The future processing model must be cheaper in real terms at an aggregate level in comparison to the current model.

19.2.3 Lloyd’s continues to report to regulators and manage tax authority relationships on behalf of its members.

19.2.4 Insurers have the choice to perform certain functions themselves or to outsource to a third party.

19.2.5 Contractually service providers are positioned behind their client insurer; the broker relationship is with the insurer not the service provider, although, in physical terms, system rules and routing could enable broker to service provider interaction.

19.2.6 The future processing model will support both face-to-face and entirely electronic trading and negotiation.

19.2.7 The future processing model should benefit all practitioner firms in the London Market.

19.2.8 The future processing model should retain the benefits of the subscription market, such as economies of scale, risk diversification, standards enforcement etc.

19.2.9 There will be a core central service that monitors the overall status of transactions and which aggregates carrier responses in support of subscription business processing.

19.2.10 The future processing model should not preclude the use of verticalised placing.

19.2.11 The provision of central services will not change the relationship between the client and broker.

19.2.12 The future processing model will make it easier for broker and carrier entrants to process within the London Market.

19.2.13 Brokers should experience no greater overhead for transacting business in London compared to other global markets, for similar business.

19.2.14 Brokers and Insurers will sign up to an agreed set of business rules, workflow standards and target service level commitments; including the approach to agreement periods where no response is received.

19.2.15 The business rules will be published with instructions for processing different types of business (much like the “Systems, Processes & Procedures” document that supports ECF).

19.3 ACORD

19.3.1 The assumption has been made that all participating organisations will adopt common ACORD standards across their organisations, with the following exception:

19.3.2 For binders and other facilities business; Coverholders, Brokers and other intermediaries will be encouraged to provide bordereau information in ACORD format but the process model will need to cater for multiple formats.

19.3.3 The assumption has been made that an agreed market wide referencing structure (based on ACORD “your ref / my ref”) is available for implementation across all business processes.

19.3.4 ACORD message designs must support the new business processes.

19.3.5 ACORD messages must be adequate to support the data required for carrier reporting purposes.

19.3.6 The amount of information re-keyed across the business processes is reduced to a minimum.

19.4 Client Service

19.4.1 The future process model must allow an improved service to the client compared with today’s processes.

19.4.2 Clients should see their coverage and claims service as being provided by a cohesive vehicle i.e. the London Market but via the constituent brands.

19.4.3 Clients should receive a single delivery of contract documentation for the full subscribing market.

19.4.4 Clients pay one premium for the full subscribing market.

19.4.5 Clients will (typically) receive a single claim payment from the subscribing market.

19.5 Infrastructure

19.5.1 The provision of central infrastructure will be managed separately from contracts to supply services.

19.5.2 A central not-for-profit body (e.g. following the concept of LIMNET Limited) should be appointed by and represent the market in the governance of supplier contracts.

19.5.3 Either this body or a further market representative team will set processing standards and monitor market performance against the service levels and processing rules.

19.5.4 One market area cannot provide, manage or own a core central service.

19.5.5 The central infrastructure will monitor the overall status of transactions e.g. full agreement to a subscription market claim.

19.5.6 Individual firm or service provider applications will be used to effect the processing of transactions at line level, e.g. agreement to a claim.

- 19.5.7 There is potential for a single service provider for each of the infrastructure components, eg for the messaging hub, for the utility repository etc and multiple service providers for business applications and services.
- 19.5.8 The cost of implementing the new infrastructure must be commercially viable for a service provider, i.e. the introduction of choice and multiple service providers must not make the new model an untenable option.
- 19.5.9 Central services will be provided in a modular fashion, to enable flexibility with regards to provision, development and changes in service supply.

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