

Inside this month:

Full steam ahead for contract changes?
PSSG's Tim Carroll with the latest on the
endorsements initiative.

LMG



the LMG

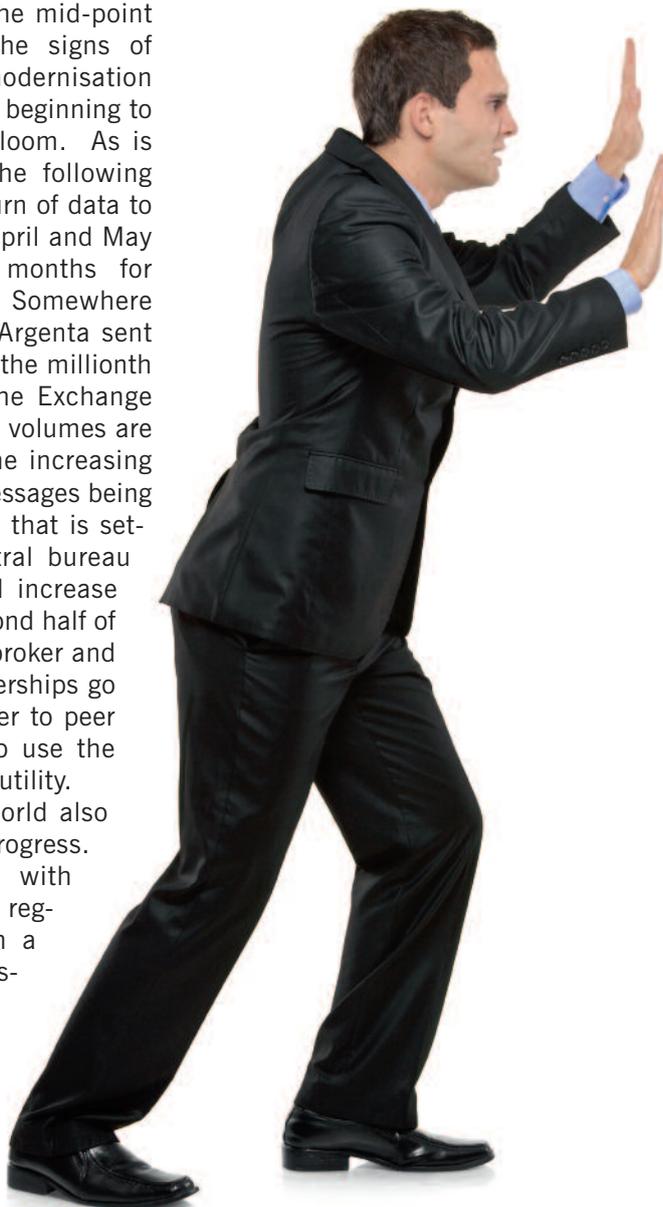
Issue 82 July 2012

newsletter

Pushing on to the choice outcome

As we pass the mid-point of 2012, the signs of ongoing modernisation progress are beginning to burst into bloom. As is graphically shown on the following pages, in a welcome return of data to this newsletter, March, April and May were all new record months for endorsements volumes. Somewhere in the midst of all that Argenta sent Willis what proved to be the millionth message to pass over the Exchange since it went live. Those volumes are also being swelled by the increasing number of accounting messages being sent to process business that is settled outside of the central bureau service. This trend will increase significantly over the second half of the year as several new broker and insurer accounting partnerships go live plus two existing peer to peer arrangements transfer to use the market's messaging hub utility.

In the bureau A&S world also we are seeing notable progress. eAccounts is now live with eight brokers and we are regularly seeing more than a thousand electronic transactions processed each month. Amongst those brokers a number are putting through a significant proportion of their overall business.



The second release, which will deliver, amongst other things, the non-fundamental splits service at Xchanging, remains on target to go into production this year. That will allow for significant further take up of eAccounts through 2013.

All these strands come together to form the foundation that is delivering the central LMG vision – a market where the end to end insurance transaction is supported by the exchange of structured, ACORD standard data. Claims; accounting and settlement; and now, increasingly, the placing process are underpinned by electronic information. In the main those new processes are now already capable of supporting every nuance of London market business. This is soon also to be the case, as Tim Carroll notes in this month's main article, for endorsements. Where we have not quite yet reached that point, the path to that eventuality is well defined – as is the case for eAccounts. The challenge now is to ensure full market adoption of these new ways of working. Key to that, as Tim notes, is to ensure that all stakeholders understand the improved client service that will be delivered by a modernised market. Keeping that focus will ensure that everybody understands the outcomes we are seeking and why each individual contribution to delivering that is so crucial. And that will ensure that the market of choice comes to fruition.

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Endorsement

Tim Carroll took over as the chairman of the Placing Support Steering Group (PSSG) – the body responsible for the electronic endorsements initiative – at the turn of the year. In this article he provides an update on the progress of the endorsements work and where it might lead the market in the future.

When I took over as chairman of PSSG, the endorsements initiative was at a critical juncture. The processing of live endorsements supported by an agreed process and technology based on ACORD standards had been in train for over a year. Initially starting in the marine business classes, it had extended to three others – property, professional indemnity and specie – in the middle of 2011. Plans for the full roll out to all classes of business from March 5th were already well advanced. In the six months since I took over we have passed that significant milestone in the market's modernisation history and set forth towards our ultimate goal of seeing this new way of working adopted as business as usual. So now feels an appropriate time to reflect a little on where we are in that process; how far we have come; and how much further we still have to travel.

It is always important to remind oneself of the context in which all this work is being taken forward. Contract certainty; the electronic claims file; accounting and settlement; and eAccounts have all delivered significant, tangible improvements to the way the market functions. But thus far these benefits have mainly been seen in our back office processing. LMG therefore naturally wanted to see these principles repli-

cated in the front office as far as possible. After all, given the amount of resource that firms devote to the placement process, anything that could make this area more productive ought to be something that we should pursue relentlessly. Our starting point was endorsements in part because we were keen to continue the successful approach of delivering modernisation in bite-sized chunks but also in recognition of the fact that there are many straightforward contract changes agreed in the market each year that could lend themselves especially to a technology supported process.

Through the work in the marine classes through to the full roll out on March 5th this year we have devised and developed that process to provide a necessarily pragmatic approach. We recognise that there are complex endorsements processed in this market that will always require face to face negotiation in order to reach agreement. We also recognise that the process has to cater both for these complex cases and for more straightforward changes where there may be no need to meet at all. We believe that is what we have developed. Now, we are in discussion with the relevant market practitioner committees to put the finishing touches to a method of dealing with conditional acceptances. That will

ts: the road ahead



mean that we have an agreed market process that covers all endorsement eventualities. That will be a notable point to have reached. It will mark the end of the technical part of the endorsements project. There will be no processing impediment to full market adoption of electronic endorsements. But we are, of course, some way from reaching that target. Our full focus now is on driving up volumes towards this.

The data themselves provide a level of encouragement here. As the graph shows, March, April and May have all been record months for electronic endorsements. The May figure is the most encouraging. The evidence we have backs up the intuitively attractive hypothesis that endorsements volumes are seasonally distributed across the year. Months that follow major renewal periods typically see far more endorsements processed across the

market than those that do not. So the most relevant comparison when looking at the data is often not last month's figure but that for the same month last year. So the March and April records could have been a reflection, to a degree at least, of the fact that a lot of endorsements tend to be

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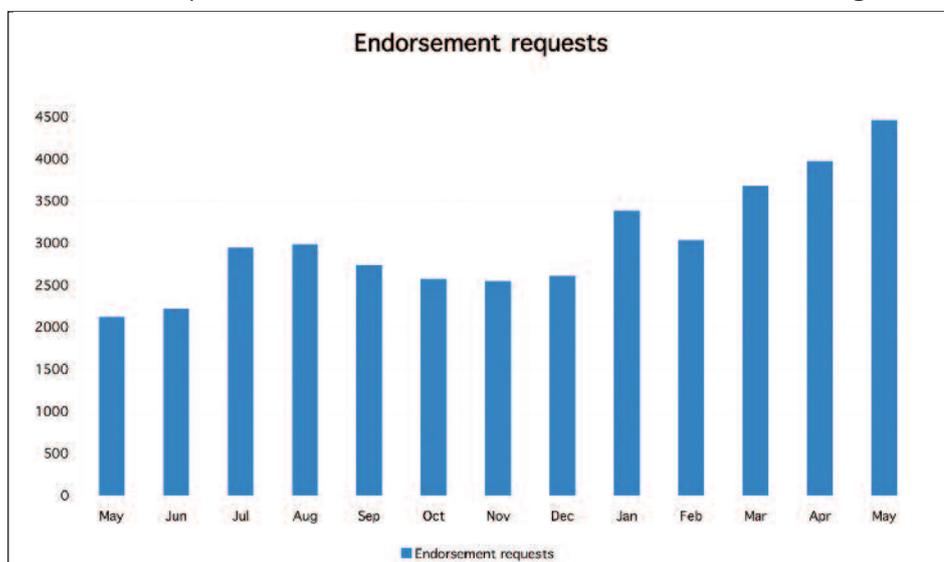
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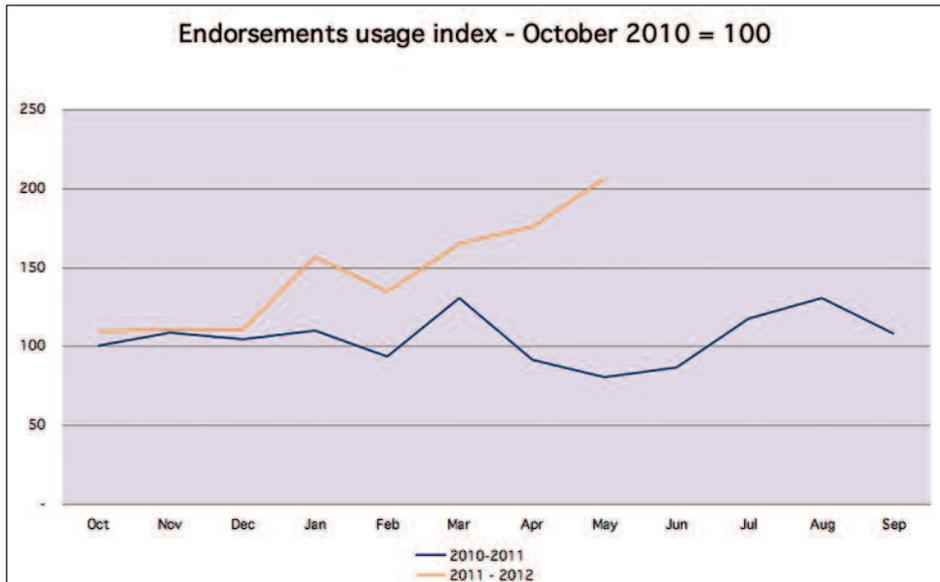
new ways of working. This was backed up by May seeing the one millionth message to pass across the Exchange. We are definitely moving in the right direction.

However, we must recognise that, despite this positive news, we are still some way from the point where electronic processing is the predominant approach, let alone business as usual across the market. We have no reliable measure of the total number of endorsements processed in the market each year (although we continue to explore statistical methods of accurately estimating this) that would allow us to understand what proportion were now electronic. But we know we are some way off the LMG target of 70% by the end of the year. And we also know that there remain some significant challenges to closing that gap.

As is often the case in these market projects we are faced with a circular conundrum that impedes progress. Brokers tell us they are keen to generate more electronic endorsement requests but they need to see acceptable turnaround performance from insurers if they are not to see a deterioration, albeit temporarily, in client service. Insurers tell us that the single most important thing in driving better turnaround times is for their underwriting staff to get familiar with the new process and the systems that support it. And for that they need volume. We need to crack this – in much the same way as we managed to overcome a similar challenge when rolling out ECF – if we are to be successful.

Everybody involved in this initiative is absolutely committed to the fact that





face to face negotiation is a key part of London's service offering and competitive advantage. We understand that the new approach needs to support its continuation. But we also recognise that, no matter how often we pronounce this commitment from whatever platforms we can think of, there remains a section of the market that sees electronic processing as a threat to the relationship based nature of our market. The truth is genuinely quite the opposite. We know that. The operations community across the market know that. I believe that CEOs and COOs know that. But there are front line practitioners who have not yet come to see this. That is something we need to address and something we

will be working to achieve through this summer.

“Electronic endorsements work. They deliver benefit. Record volumes are a testament to that. And we know that because, increasingly, that is the message that CEOs and COOs are giving us. All leaders and practitioners in firms need to see these advantages if they are to be best placed to ensure that they and their teams play their part in adopting the new approach. Helping them to get to this point is another key task for the summer the summer.

Key to that will be the need to keep everybody's minds focussed on the genuine benefits that are available from the endorsements work. We know that:

- it can deliver better client service by shortening the end to end transaction time from initial notification to full agreement of a change;
- it can remove administration tasks from high value staff leaving them with more time to work on the things they are good at;
- it provides better tracking and audit trail allowing client managers to address and chase up client queries on endorsement progress and allow monitoring against customer service standards;
- it can deliver improved data quality through reduced rekeying; a more flexible approach to processing with some remote agreement for straightforward cases; and better management of workflow.

And we know that because, increasingly, that is the message that CEOs and COOs are giving us. All leaders and practitioners in firms need to see these advantages if they are to be best placed to ensure that they and their teams play their part in adopting the new approach. Helping them to get to this point is another key task for the summer.

Electronic endorsements work. They deliver benefit. Record volumes are a testament to that. We now need to ensure that the market builds on the significant achievements we have already delivered in this area and realises the full advantages that full adoption will bring. That is where we are headed.

Events...

Dates for your diary

The LMG Forum sessions are designed to provide an update on the progress of the modernisation programme and give more detailed information on particular projects or aspects of the process. All sessions start at 9:15am at Willis Auditorium, Lime St.

- Thursday 28th June**
- Thursday 26th July**
- Thursday 23rd August**

Only those who pre-register will gain admittance. Online booking is available via www.londonmarketgroup.co.uk Places are reserved on a first come first served basis.

ACORD Club dates:

ACORD Club provides an update on the latest technological innovations in the market. The venue for this is Balls Brothers, Minster Court. All sessions start at 11am. Dates coming up are:

- Thursday 28th June**
- Thursday 26th July**
- Thursday 23rd August**

For more details on upcoming speakers, visit the ACORD website (www.acord.org) or email Melanie Harding (mharding@acord.org)