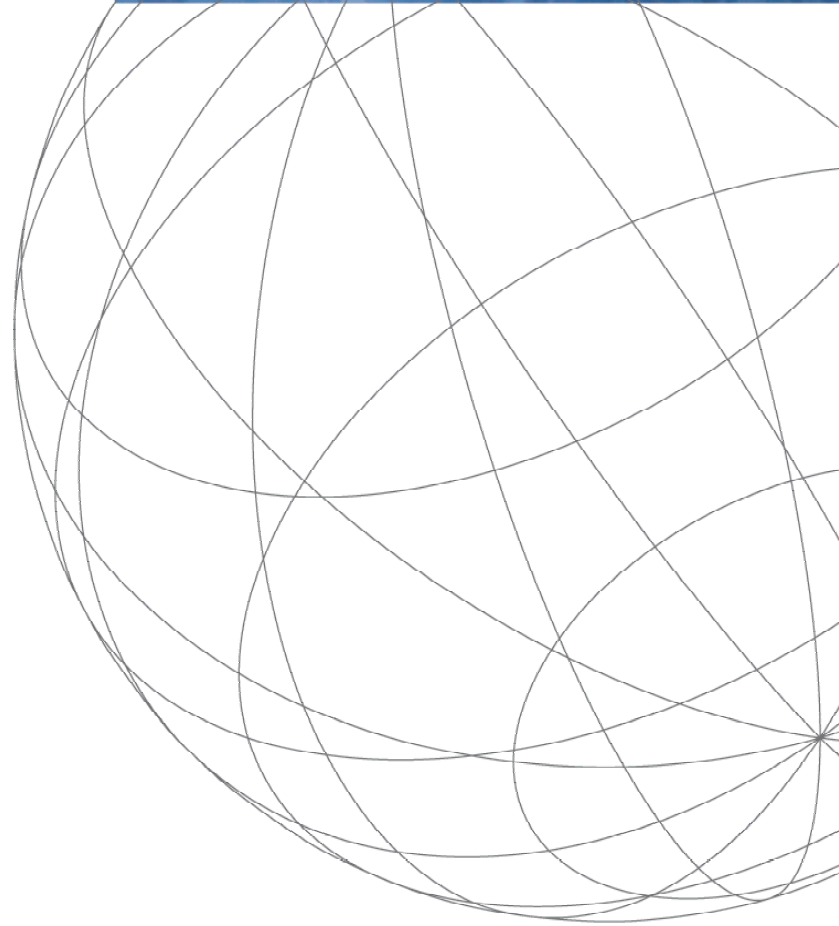




# Reinsurance Trends

Teleconference briefing  
March 22<sup>nd</sup>, 2004



# Panelists

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/// **Chris Rawson – Lloyd's**

/// **David White – Xchanging**

/// **Mike Smith – Lloyd's**

/// **Phil Brown -ACORD**



# Introduction – Chris Rawson

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- /// Started as an opportunity for both RIGs of RLC to stimulate recognition of shared needs
- /// Focus on implementation of agreed international standards to drive business benefits



# London reform and role of standards

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## /// London market reform a key driver

- LMP Programme / Franchise approach

## /// Brings fresh business perspective – examples...

- To cut out cost from back office processes
  - ▶ ACORD accounting /claims standards planned to be adopted (80% of MRs into last RLC release were for LMP)
- To establish contract clarity from the outset
  - ▶ LMP slip proposed to become ACORD standard in 2004
- To share documents electronically
  - ▶ London will drive pilots of ACORD document repository interface standards
- To understand exposure to catastrophes
  - ▶ ACORD Exposure reporting standards
  - ▶ ACORD Binding authority reporting standards

# The London Market

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- /// **What is Lloyd's - Mike Smith, Lloyd's**
- /// **What is a London Market Company - Phil Brown, ACORD**
- /// **What is a London Market Broker - Phil Brown, ACORD**
- /// **What is the London Market Bureau - David White, XIS**

# What is the London Market?

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- /// Insurance Market separate from the domestic UK market centered in the City of London.
- /// Insurance, Reinsurance; “Internationally Traded” business “large or high risk exposures”
- /// Participants in the market:
  - Lloyd’s Syndicates
  - London Companies
  - Brokers
  - P&I Clubs
- /// Trade associations
  - Lloyd’s syndicates belong to the Lloyd’s Market Association (LMA)
  - Companies (but not all) belong to the International Underwriting Association (IUA)
  - Brokers belong to the London Market Brokers Committee (LMBC)
- /// Bureau



# Lloyd's in the London Market

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- /// **An overview of Lloyd's as a broker centric subscription market sharing risks with other carriers**



# Lloyd's – what is it?



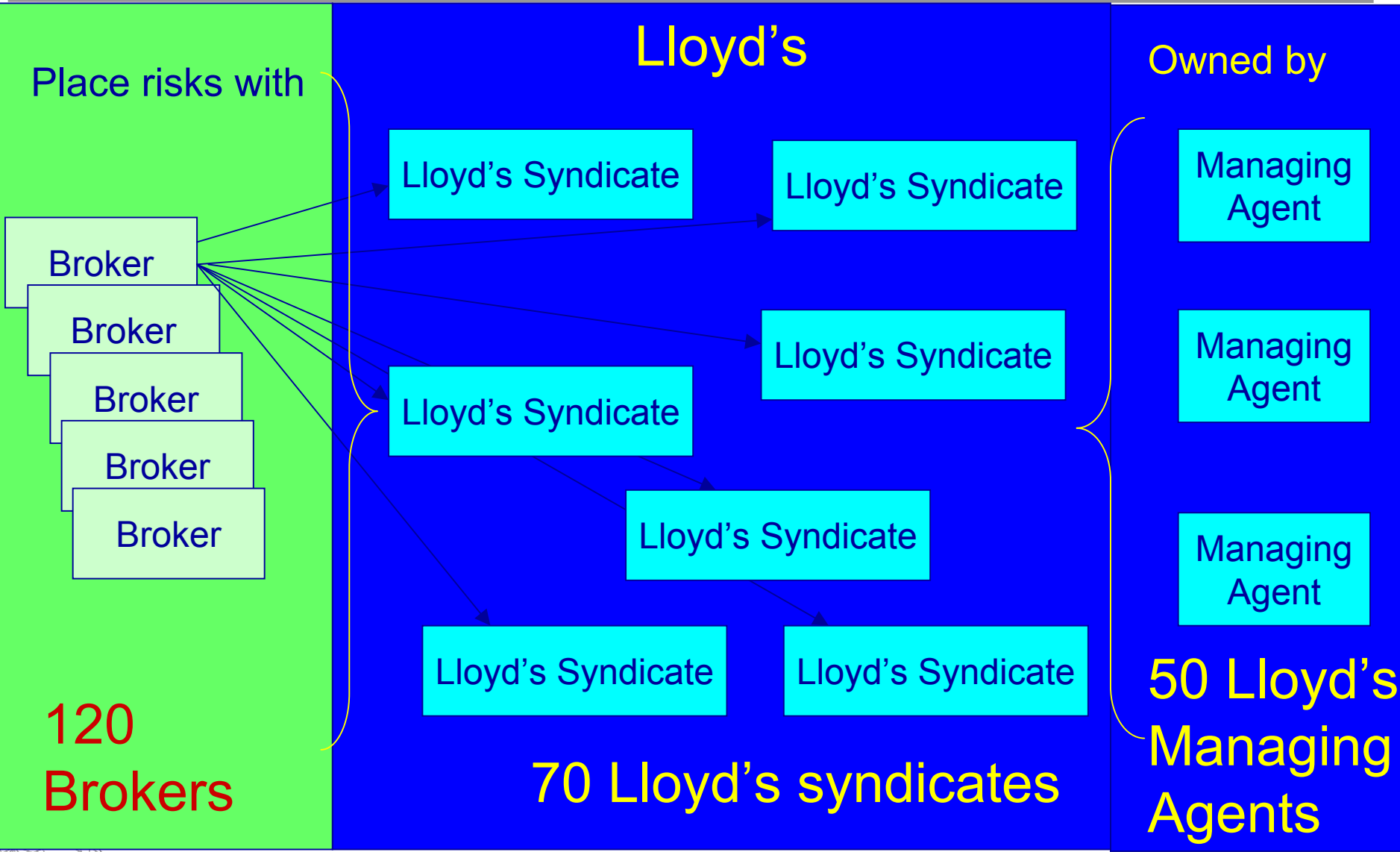
**An insurance market  
of 70 syndicates  
and 120 brokers**

**318 years  
of innovation**

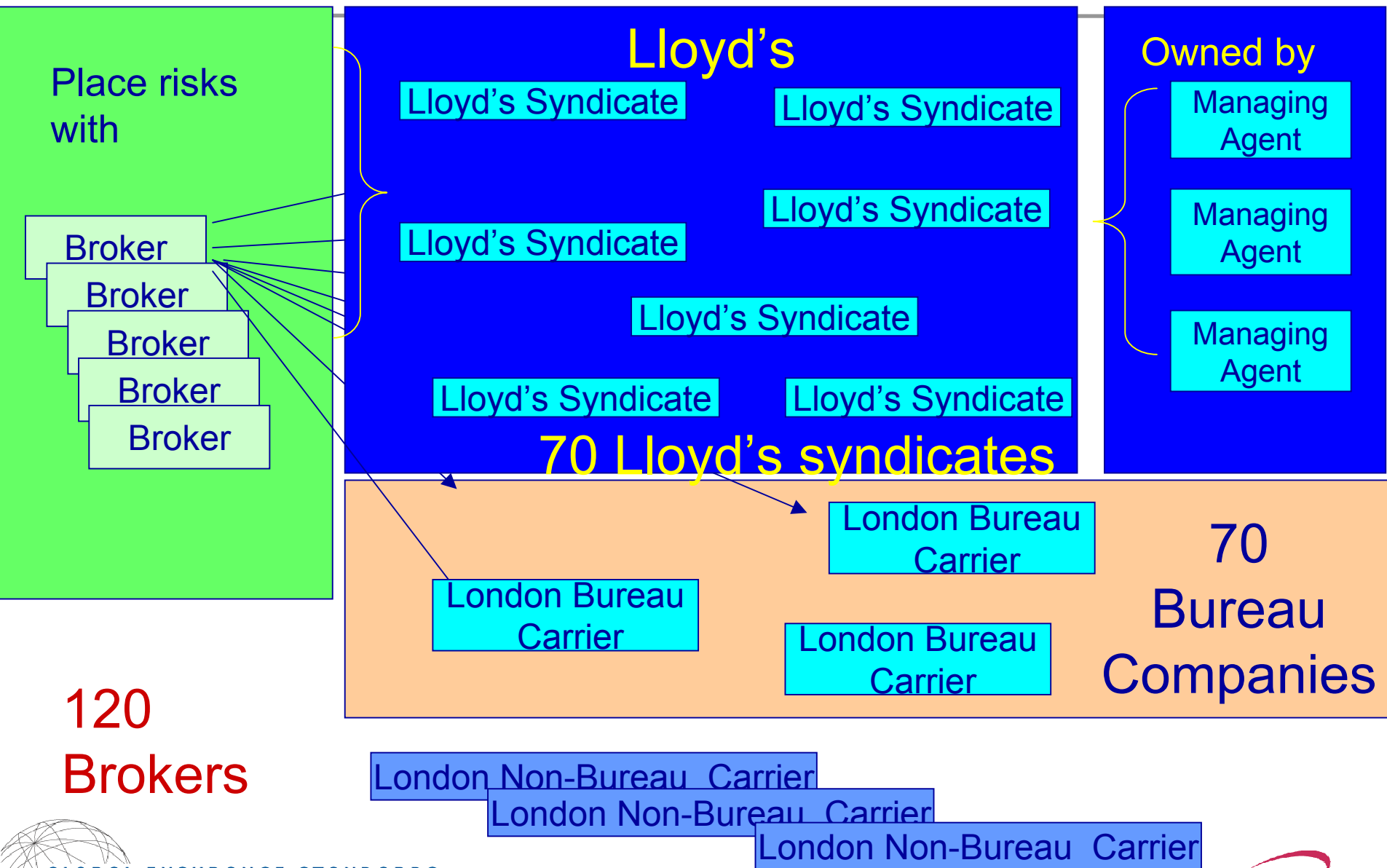


**NCE STANDARDS**

# Lloyd's Market



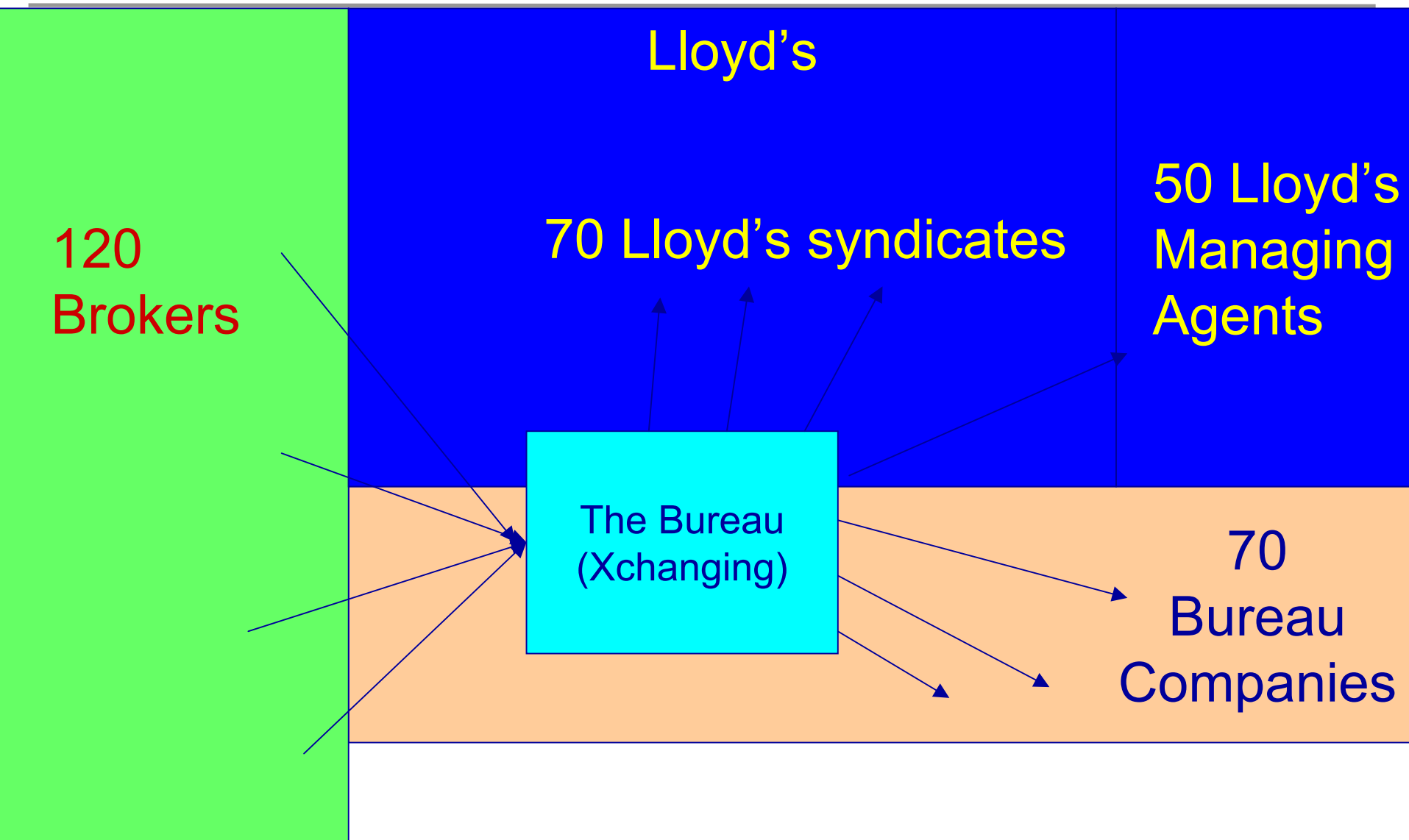
# London Market



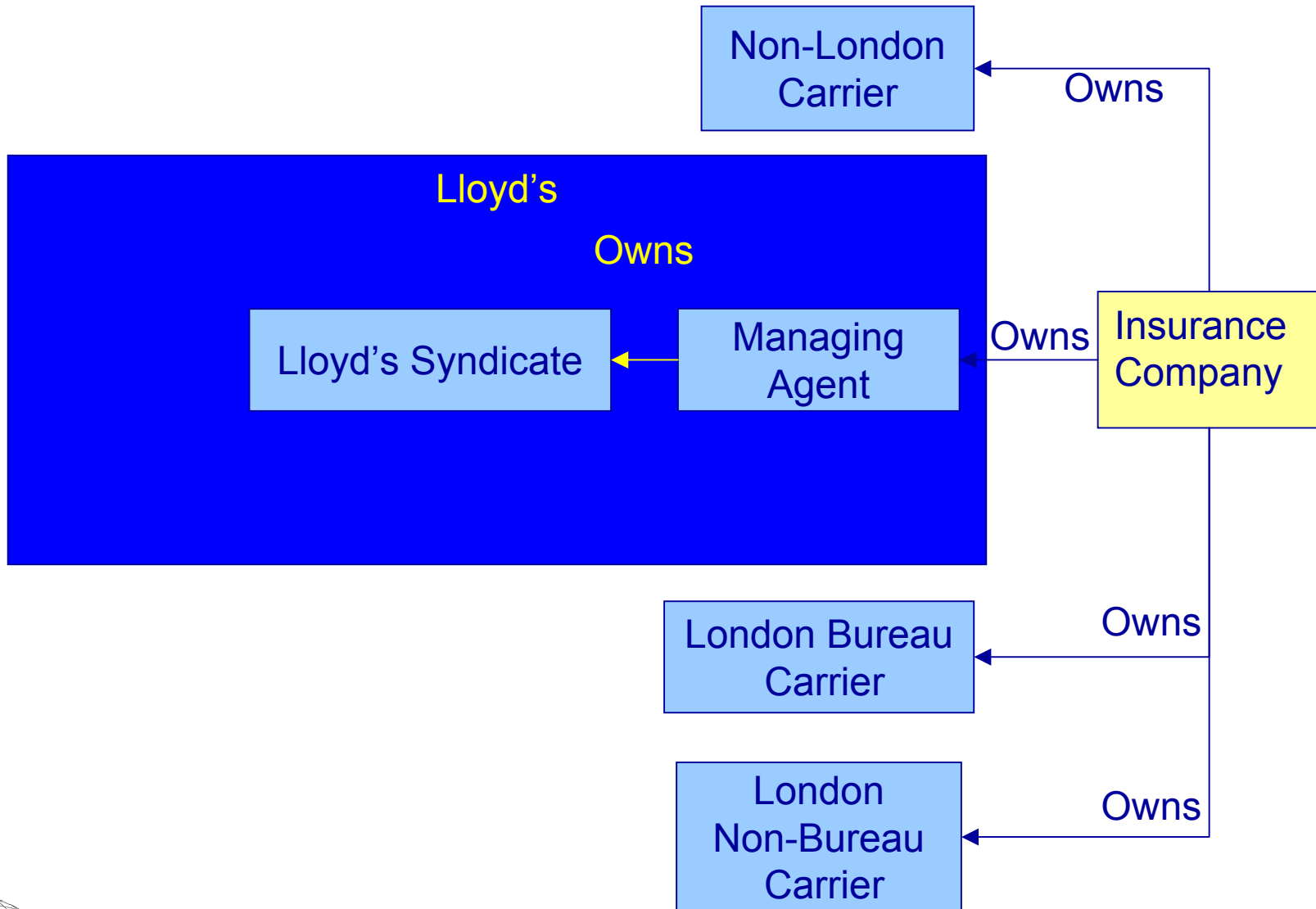
**120  
Brokers**



# Administrative Challenge



# Generalised Ownership Structure

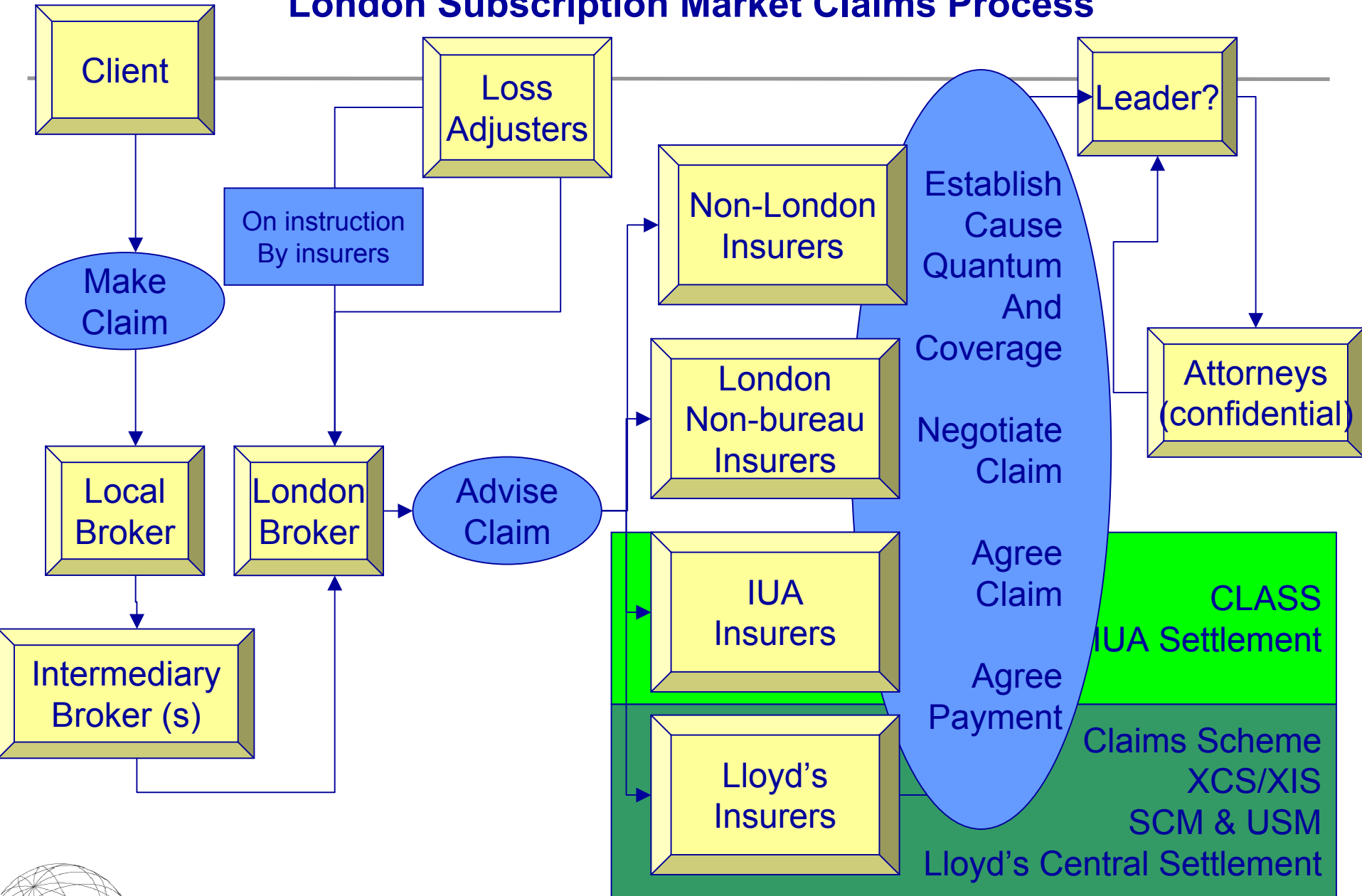


# London Market volumes



- /// **>50% subscription risks**
- /// **£56bn annual settlement**
- /// **250,000 claims, value £8bn**

# London Subscription Market Claims Process



# What is a London Market company

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- /// **Insurer or Reinsurer in London, that is not a Lloyd's syndicate**
- /// **Participate in London subscription business**
  - Usually national or worldwide company, with an office in London
- /// **Can be**
  - “Bureau company” (use XIS)
  - “Non-bureau company” (deal direct with broker)
  - Mixture of above
- /// **Their association is IUA**

# What is a London Broker

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- /// **Broker that operates in London**
- /// **There are around 120 London brokers**
  - International brokers
  - Niche brokers
- /// **Main channel of business into London**
  - Directly from insured's / reinsured's
  - Via overseas offices of their group
  - Through other agents (e.g. binder business)
- /// **Also place business out into international insurance / reinsurance markets**
- /// **Their association is LMBC**

# What is the London Market Bureau

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/// Supports all parties in the London market

/// Offers numerous services

- Policy preparation
- Processing of accounts and claims
- Central accounting
- Etc

/// More later...



# Accounting and Settlement

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- /// Why the London Market is adopting the ACORD standards
- /// Timeframes for this
- /// Comments from the panel



# Why Accounting & Settlement?

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## /// London has been using EDI since 1986

- as a replacement for punch cards
- or claims advice and payment request
- local to London - no international standards
- all things to all people – multi function – multi data sets

## /// Now need to move to international standards

- Consistency for carriers whether Lloyd's, London bureau or non-bureau
- Consistency for brokers irrespective of carrier
- Enables non-London brokers to deal with London carriers
- Enables third parties such as loss adjusters, surveyors, attorneys to deal with all carriers consistently.



# What is Accounting and Settlement?

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## /// Implementation of ACORD RLC XML messages

- for the communication and processing of accounting and settlement data
- to rationalise and streamline London processes

## /// Imposes structural process changes

- fully de-linked
- single use messages

## /// Xchanging are at the centre of current processes

- on the critical path to enable change
- make changes to their systems to allow the market to change



# Accounting & Settlement Timeframes

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- /// **About 15 months to change Xchanging systems**
  - Deliveries from late 2004 throughout 2005
- /// **Each broker and each carrier to choose when to make their changes**
- /// **Assume that each takes 1 year**
- /// **Assume that all organisations change over three years**
- /// **Whole market changed by 2007**
- /// **Dependencies**
  - ACORD SOAP framework
  - ACORD RLC data dictionary
  - ACORD XML messages and implementation guides

# Exposure Working Group

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- /// **Need from the International Community.**
- /// **Requirements from Reinsurers and Direct Insurers.**
- /// **Detailed complex information – Catastrophe Modelers.**
- /// **CRESTA**
- /// **P&C XML Standard Development**
  - **Commercial Property**

# Business Need

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- /// **Electronic exchange of information through whole business chain.**
  - To understand exposures
  - To report risks written (binding authorities)
- /// **Non-standard solutions already in place (experience of these a driver to create standard).**
- /// **Full data would be ideal – but not feasible at this stage – so summarized data required**
- /// **What would this give?**
  - Ability to more accurately estimate PML
  - Capability to continue / expand writing of surplus lines business

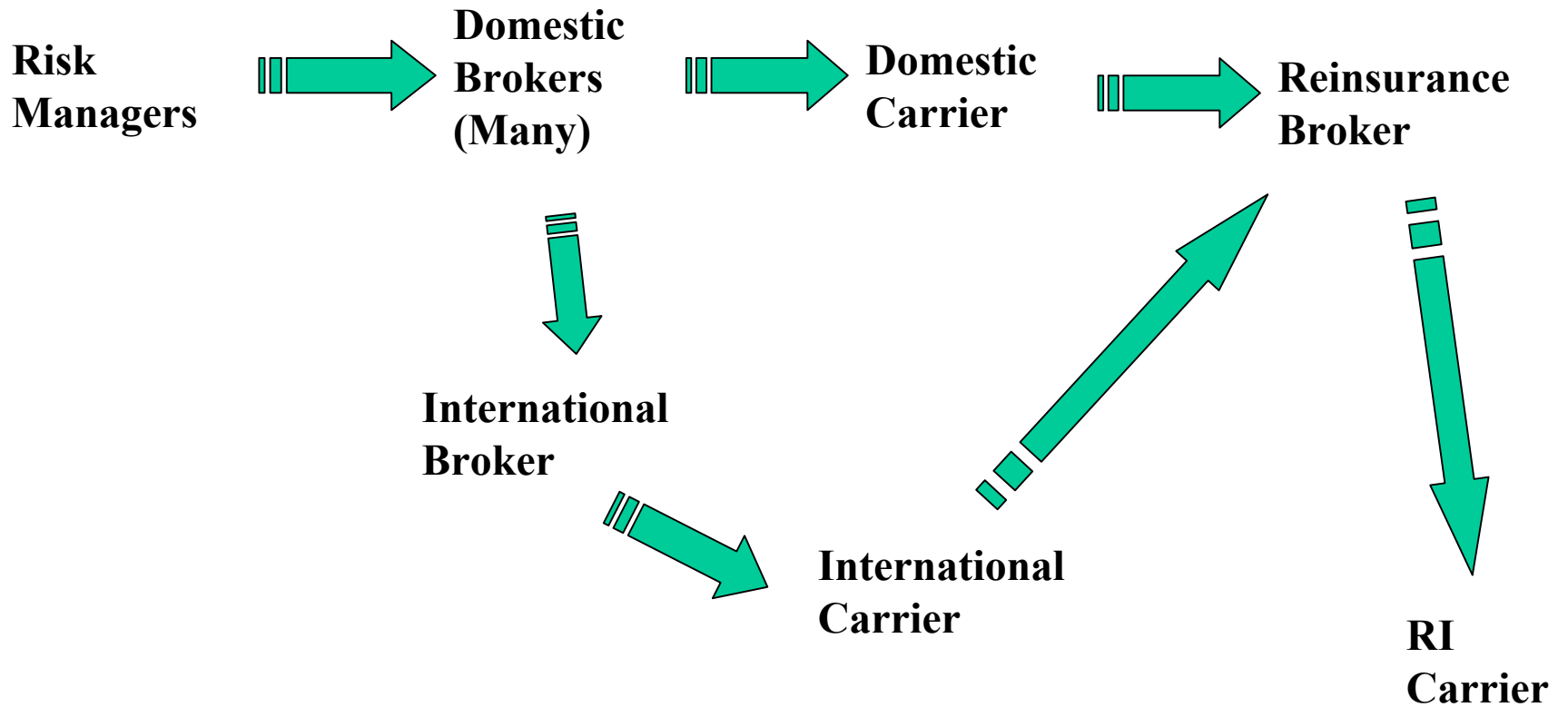


# Open Market Exposures - Participants

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- **International**
- **Brokers**
- **Reinsurers**
- **Insurers**
- **Catastrophe Modelling Providers**
- **Built on work with RIMS (Risk Insurance Management Society)**

# Flows of Information



Other flows also covered



# Open Market Exposures - Scope

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- **Lines of Business Addressed**
  - Commercial property (including related BI)
  - Worldwide exposures
- **Formats**
  - Spreadsheet layout
  - XML message
- **Interoperability**
  - Directly compatible with ACORD P&C Apps / XML
  - Spreadsheet and XML completely in sync
  - Interoperable with binding authority standards
- **Cat Modelling Providers Fully Involved**



# Data Dictionary

| Data item name             | Data priority                       |             | Definition   | Format  | Spreadsheet mapping   | XML mapping   |
|----------------------------|-------------------------------------|-------------|--|---|---|---|
|                            | Flows from insureds / risk managers | Other flows |  |   |   |   |
|                            |                                     |             |  |   |   |   |
| <b>Header Information:</b> |                                     |             |  |   |   |   |
| Source date                | 1                                   | 1           | Date when report was prepared  | See recommendations regarding formatting of dates | Spreadsheet mappings will be added once this implementation guide is approved | XML mappings will be added once this implementation guide is approved |
| Source company             | 1                                   | 1           | Name of company that reports the data  | Character   |   |   |
| Source contact             | 3                                   | 3           | Contact person within the company reporting the data                                   | Character   |   |   |
| Portfolio reference        | 2                                   | 2           | Textual identification of the particular portfolio reported - eg. "quota share treaty" | Character   |   |   |
| Type of reporting code     | 1                                   | 1           | Identification of the portfolio reported; Gross, Net retention, 100%                   | Character (code)                                  |   |   |
| Date as of                 | 1                                   | 1           | Date of reported figures   | See recommendations regarding formatting of dates |   |   |

And so on... see implementation guide document



# Simple Spreadsheet (location + values)

## Header information

| Source date | Source company | Portfolio reference | Type of reporting code | Date as of |
|-------------|----------------|---------------------|------------------------|------------|
|             |                |                     |                        |            |
|             |                |                     |                        |            |

## Location info

| Location ID | Location Name | Country code | State code | State name | County name | County code | District | City name | Street Name | Street Number | Postal Code | Longitude | Latitude |
|-------------|---------------|--------------|------------|------------|-------------|-------------|----------|-----------|-------------|---------------|-------------|-----------|----------|
|             |               |              |            |            |             |             |          |           |             |               |             |           |          |
|             |               |              |            |            |             |             |          |           |             |               |             |           |          |

## Location info, continued...

| Cresta Zone | Occupancy type | Occupancy Scheme | Occupancy narrative | Construction Class | Construction Scheme | Construction Narrative | Year Built | Number of Buildings | Number of Storeys | Year Upgraded | Percent complete | Construction start date |
|-------------|----------------|------------------|---------------------|--------------------|---------------------|------------------------|------------|---------------------|-------------------|---------------|------------------|-------------------------|
|             |                |                  |                     |                    |                     |                        |            |                     |                   |               |                  |                         |
|             |                |                  |                     |                    |                     |                        |            |                     |                   |               |                  |                         |

## Location info, continued...

| Construction Completion Date | Soft Storey | Buildings Value | Contents Value | BI Value | Outbuildings value | Other Coverage type (e.g. Machinery, Fine Arts) | Other Coverage Value | Values currency |
|------------------------------|-------------|-----------------|----------------|----------|--------------------|---|----------------------|-----------------|
|                              |             |                 |                |          |                    |   |                      |                 |
|                              |             |                 |                |          |                    |   |                      |                 |



# Document Repository Interoperability

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## /// What it is

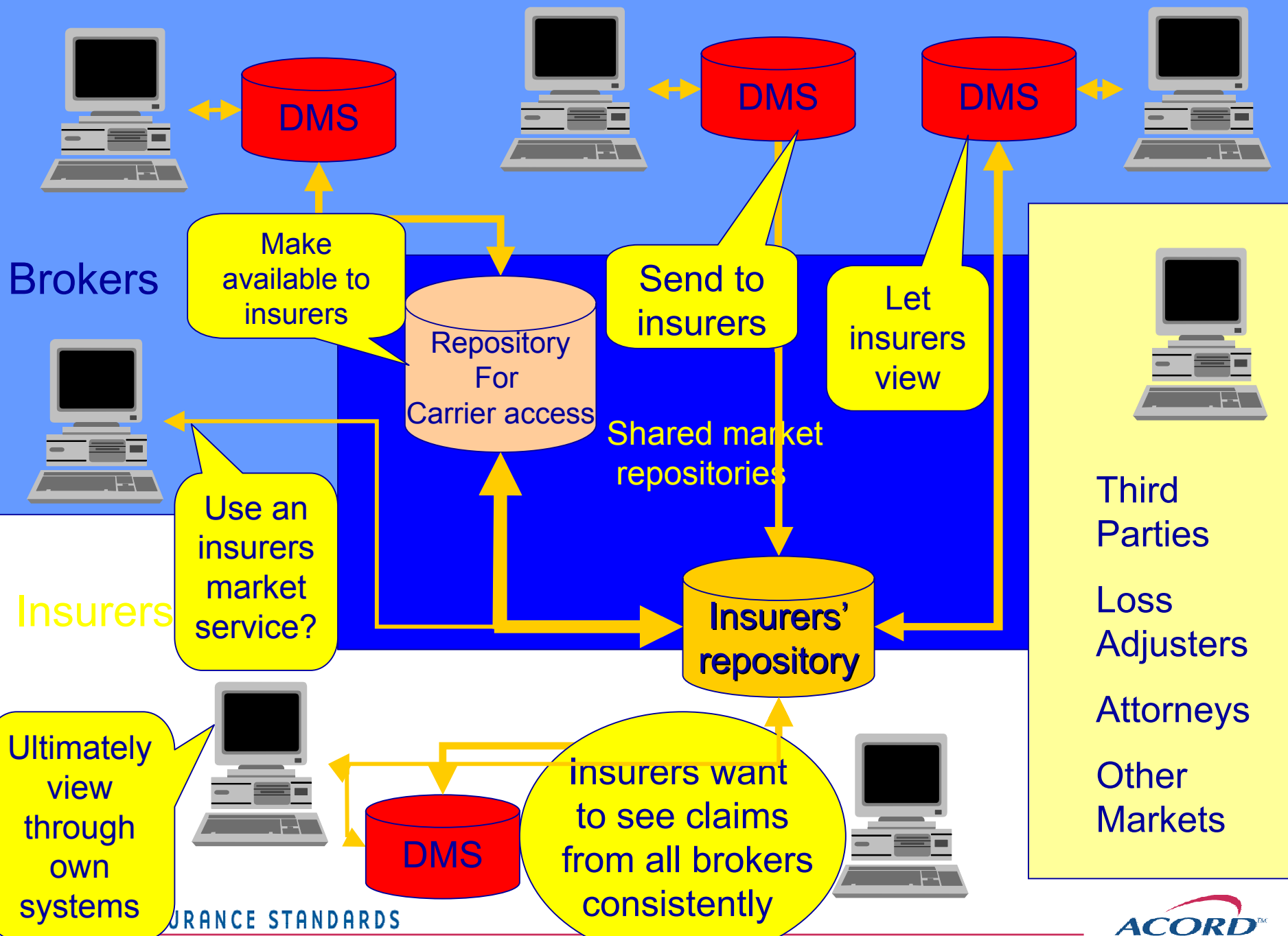
## /// Lloyd's requirements

- a central document repository for claims
- concurrent access by carriers
- Interoperability with broker, carrier and third party repositories

## /// Pilots moving forward in London

## /// Comments from the panel





Brokers

Insurers

Third Parties

Loss Adjusters

Attorneys

Other Markets

Ultimately view through own systems

Use an insurers market service?

Make available to insurers

Send to insurers

Let insurers view

insurers want to see claims from all brokers consistently

Shared market repositories

Repository For Carrier access

Insurers' repository

DMS

DMS

DMS

DMS

# Electronic Claim File Timetable

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- /// **Repositories being piloted today**
  
- /// **ACORD DRI standards completed**
  - Interoperability pilots underway
  - Standards to be voted June 2004
  
- /// **Xchanging development programme for Lloyd's**
  - 15 months with deliverables each quarter
  
- /// **Lloyd's target**
  - minimum 10% of claims electronically by end 2005

# ACORD Implementations

|  |           |   |
|--|-----------|---|
| DRI Standards<br>(Claims Accounting & Settlement)        | Draft     | Repository Interoperability                     |
| SOAP Framework   | Published | Common interest and concerns<br>RLC, P&C, Life, |
| Core Submissions and Claims<br>(Accounting & Settlement) | Published | XML Business Messages                           |



## The Innovations at Lloyd's and the London Market

Date: 22 March 2004

For: ACORD



## TRADING

LLOYD'S



66 syndicates



140 other companies

135  
brokers



57 members



Lawyers  
Accountants



Service  
Providers



Surveyors  
Loss Adjusters

## SUPPORT

# The Distribution Chain



International Client



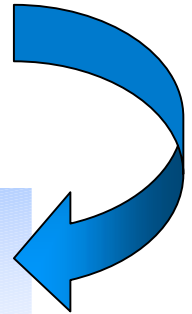
Local agent



Wholesale broker



London broker



Lloyd's and the London Market



Xchanging handles 750,000 files p.a.

Xchanging issues 120,000 policies p.a.

Xchanging handles 330,000 claims p.a.

writer



Validate, record, process and transmit data. Produce policies

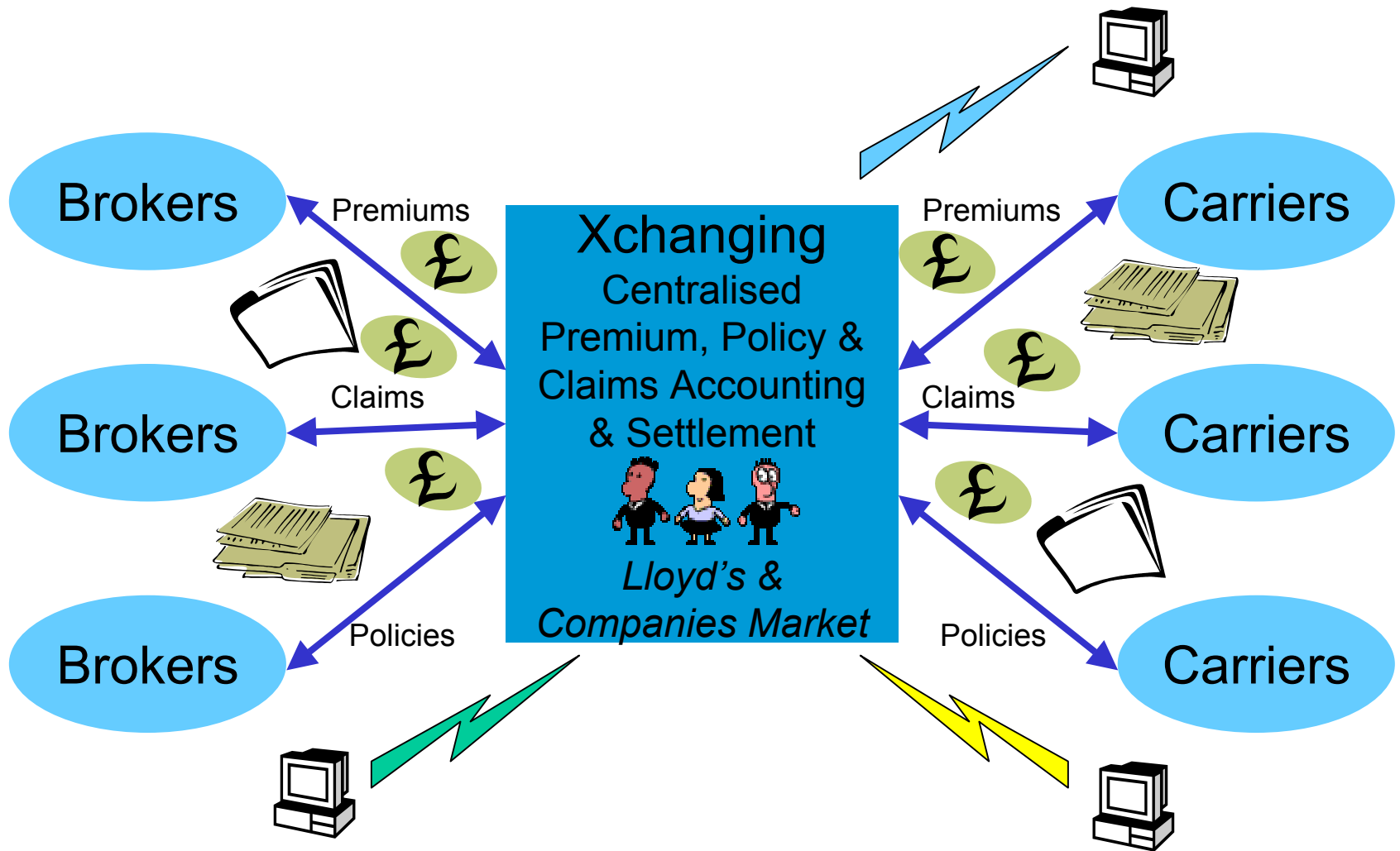
Xchanging sends 6.1 million EDI messages p.a.

Xchanging settles £60bn p.a. for the London Market

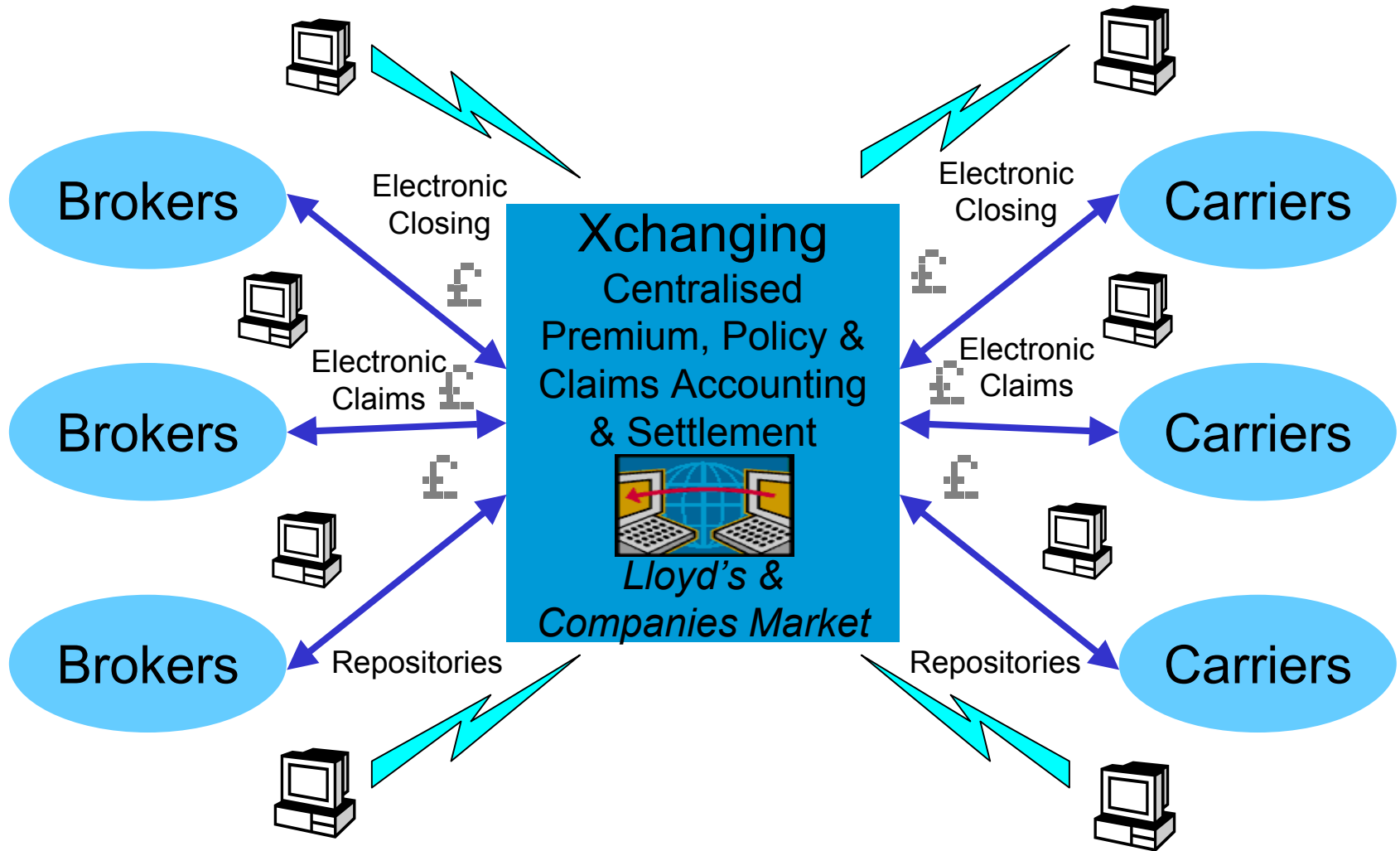


...and the subscription market

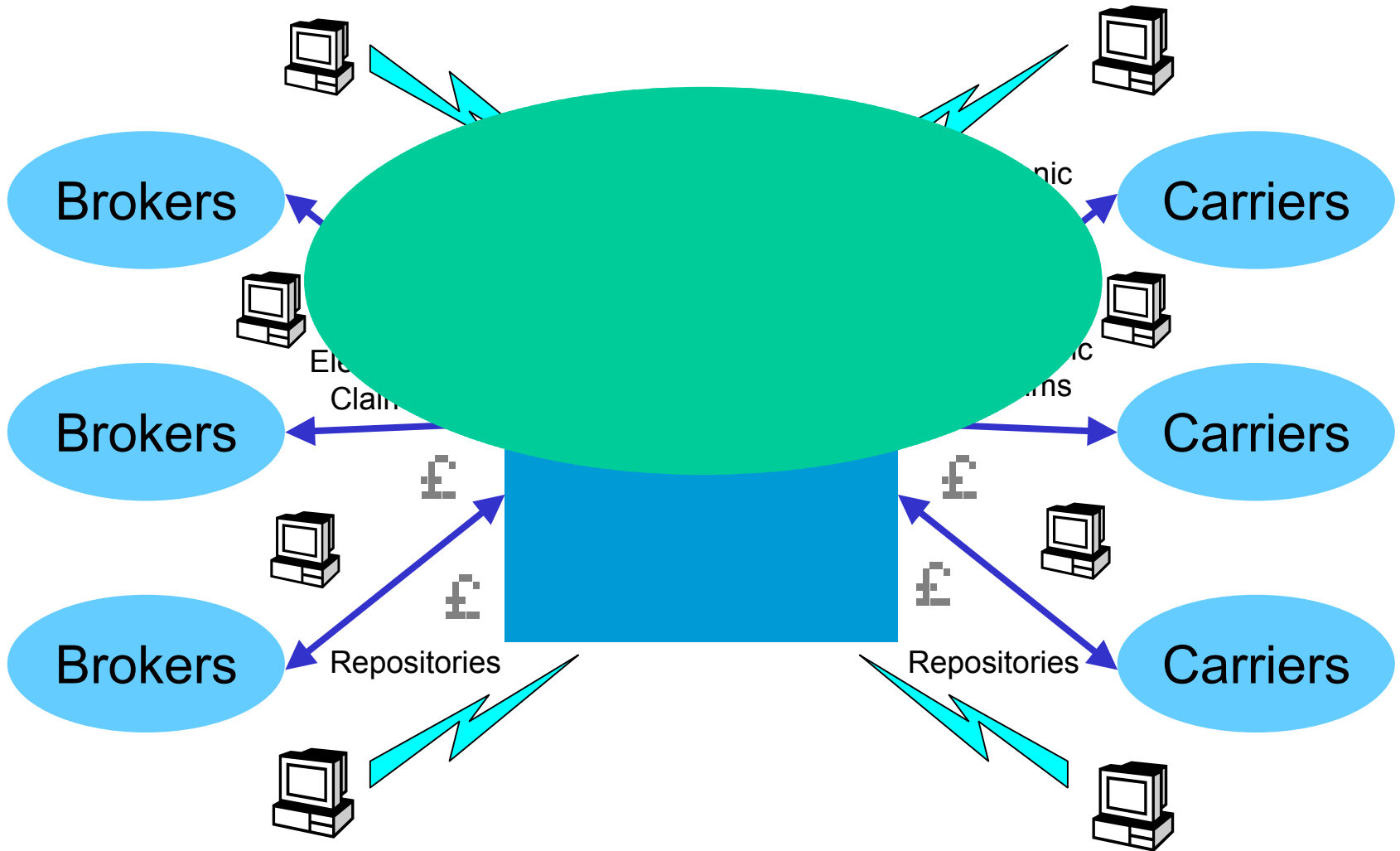
# The Position of Xchanging in the Market



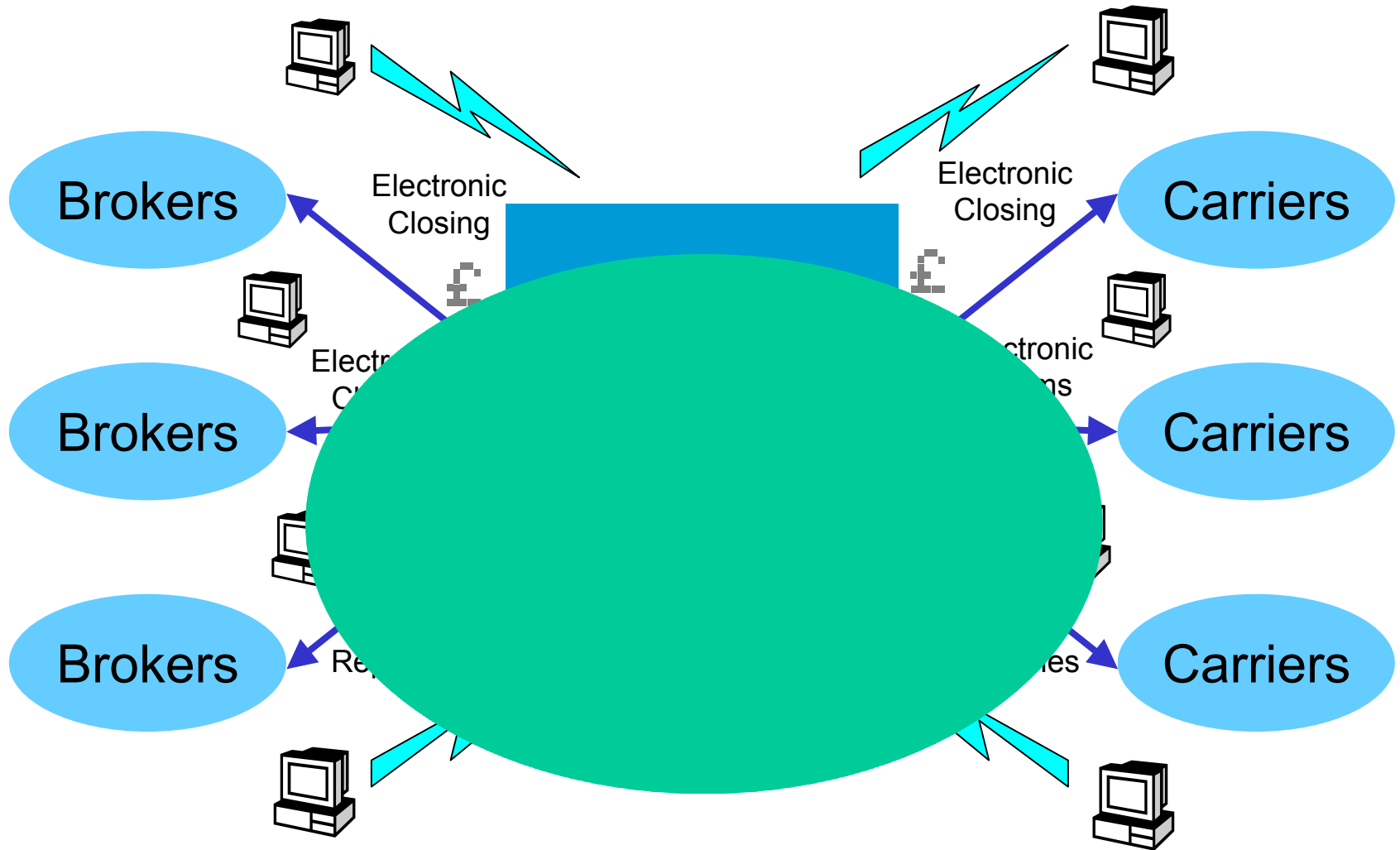
# The Position of Xchanging within ACORD



# We are implementing two major programmes



# We are implementing two major programmes





- Move away from paper to electronic processing
- Significant financial savings
- Parallel not serial processing
- Adoption of international standards
- Improve speed of processing
- Better validation of all data
- **Huge benefits for all our clients!**

