Agenda

- Some facts about London
- The Players
- The Past
  - Previous initiatives
- Current Developments
  - Where we are today
- The Future
  - Known future plans
London - some key facts

- Is not the UK insurance industry – it is a distinct, separate part of it
- Consists mainly of general (non Life) insurance and reinsurance – predominantly high exposure risks
- Gross premium is conservatively estimated to be GBP 21.7bn
- World’s 2nd largest commercial insurer and 6th largest reinsurer
- Main business types:
  - Non-Marine treaty reinsurance
  - Non-Marine direct and facultative and home- foreign
  - Marine, aviation and transport
- 50,000 people work in the London Insurance Market (40,000 based in or local to the square mile)
- Location is probably the most competitive advantage of London – close ties between the market participants
London - some key facts

- Main types of business (for Lloyd’s)
  - Reinsurance: 30%
  - Casualty: 26%
  - Property: 22%
  - Motor: 7%
  - Marine: 7%
  - Energy: 5%
  - Aviation: 3%
London - some key facts

- **Business by Region (for Lloyd’s)**

<table>
<thead>
<tr>
<th>Region</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>US</td>
<td>34%</td>
</tr>
<tr>
<td>UK</td>
<td>24%</td>
</tr>
<tr>
<td>Europe</td>
<td>18%</td>
</tr>
<tr>
<td>Other Americas</td>
<td>11%</td>
</tr>
<tr>
<td>Asia/Africa</td>
<td>7%</td>
</tr>
<tr>
<td>Rest of the World</td>
<td>6%</td>
</tr>
</tbody>
</table>
London - some key facts

- **London share of world insurance:**
  - Marine business (Market leader) 15%
  - Aviation business (Market leader) 39%
  - Reinsurance business 5-10%
    - but 25% of international available business
Lloyd’s is the best known but least understood insurance brand. It is not an Insurance Company – it is a market supervised by the Corporation of Lloyd’s. It is a Brokers’ market – Underwriters do not generally deal with clients. Has no shareholders and no liability – individual members and Corporate Capital. It is 319 years old. Lloyd’s has a franchise model, does not regulate, but monitors performance. There are 44 Managing Agents that run 62 Syndicates. 94% of FTSE companies hold policies with Lloyd’s. 93% of Dow Jones companies hold policies with Lloyd’s. GBP 14.7 billion gross premium (2004).
The London Insurance Market

The Real People
The London Insurance Market

The Key Processes
Client advises firm order

Broker prepares MR slip

Market Lead(s) review and write line

Other underwriters review and write line

Broker completes risk placement

(Broker Closes delinked)

Client pays

Broker Closes to Bureau (OR triggers delinked payment)

Contract produced

U/W / XIS agree

Contract issued to client

Debit Note sent to Client

PLACING

CLOSING

DOCUMENTATION
CLAIM ADVICE

Broker prepares documentation → Market Lead(s) review and agree → Other insurers review and agree → Broker advises Client

CLAIM SETT.

Broker prepares documentation → Market Lead(s) review and agree → Other insurers review and agree → Claim paid to client
The Role of the Bureau

- **Technical checking**
  - Policy checking
  - Premium checking
- **Policy production**
- **Central accounting**
  - Daily settlement
  - All Lloyd’s and many IUA transactions with Brokers
- **Claims Bureau**
  - Claims service for Lloyd’s and Claims Minimum standards
  - Second pair of eyes
Past Reform in the London Insurance Market (1987 onwards)

June 2007
Some History – setting the scene

- **Number of Players**
  - Brokers
  - Underwriters

- **The LIBC**

- **The Bureaux**
  - LPSO (Lloyd’s)
  - ILU (Marine Company)
  - PSAC (Non Marine Company)
Some History – setting the scene

- **LIMNET in London**
  - The Community
  - The IBM Network
  - Central resource team

- **RINET in Europe**

- **The Joint Venture – a little later**

- **Wise – later still**
Key Areas developed

- **Signings**
- **Claims**
  - ELASS
  - CLAMS
  - Lloyd’s claims agreement/Lloyd’s claims office
- **Placing**
  - EPS and EPSS
- **Closing and Settlement**
  - LORS – RI client settlement
  - ECA
Reform today in the London Insurance Market (From 2000)

June 2007
The Players - today

- **Lloyd’s Underwriters**
  - Members (capital providers)
    - 89% corporate
    - 11% individual members
  - Syndicates
  - Managing Agents

- **Company Underwriters**
- **Brokers**
- **3 Market Associations**
  - LMA
  - IUA
  - LMBC

- **Lloyd’s**
- **Xchanging Insure Services (XIS)**
- **Xchanging Claims Services (XCS)**
Electronic Messaging
Electronic Messaging – Bureau processing

- **Signing messages – for all bureau business:**
  - All daily policy, premium and claim transactions
  - Non ACORD (EDIFACT)
    - All Lloyd’s Underwriters
    - All Company Underwriters
    - Nearly all Brokers – 95% business

- **Claims (CLASS System) – for 95% transactions for Company bureau business**
  - Non ACORD (EDIFACT)
    - All Company Underwriters
    - All Brokers
    - Lloyd’s now implementing as part of ECF
Electronic Messaging - Bureau processing

- Lloyd’s Outward R/I – for 100% business:
  - Non ACORD (EDIFACT)
    - All Lloyd’s Client Underwriters
    - All Brokers
Electronic Messaging – other

- Non bureau accounting and settlement
- Non bureau claims
The London Insurance Market

The Market Reform Programme
Why Reform?

- Improve service to clients
  - Maintain existing business
  - Attract new business
- Achieve contract certainty
- Earlier documentation to clients
- Speed up down stream processing
  - Premiums payment
  - Endorsement processing
  - Claims agreement
  - Claims settlement
- Greater transparency
- Competition
Survey shows lowest satisfaction for most important aspects of business processing

Source: Lloyd’s, January 2006
Given the scope of the Market Reform challenge, it is not realistic to expect to move to the aim in one step.

**Initiatives**
- Early focus on standards, measurement, e.g., Contract Certainty
- Improves efficiency, but still largely paper based
- At same time develop system solutions
- Then transfer improved processes to new systems

**Impact**
- Early focus on paper based efficiency meets regulatory imperative
- Customer service also improves
- Cost of change likely to drive costs up before long-term savings emerge
## ACORD Roadmap for London

### Projects and Phases

<table>
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<td>ECF Repository CLASS in Lloyd’s and Companies’ Market London EDI</td>
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Endorsements, renewals, and cancellations.

Comprehensive ACORD Placing message and all related business flows (endorsements).

Note: Project phases are not linked

**Nb.**
The London Insurance Market

The Market Reform Programme
Future Reform in the London Insurance Market

June 2007
Bermuda - Key Points

- Within months of Katrina USD 18.4bn capital was raised - 7.5bn flowing into Bermuda.
- Same four years previous.
- However, some concerns by rating agencies – too narrow focused.
- Bermuda offers a market (40+ people to see), but will it ever be a market for the small business – Is it just a market for big ticket business, catastrophe excess and property business?
Why Bermuda

- Obviously enjoys cost advantage over rival reinsurance centres, particularly London.
- Tax differential of 30% cannot be ignored.
- Some say underwriters pay 10% more for their business in London (Hamilton).

Business acquisitions cost:
- Lloyd’s 26%
- London 19%
- Bermuda 17%

Combined Expenses:
- Lloyd’s 38%
- London 30%
- Bermuda 26%
However, London Has Much To Offer

1. **Market Infrastructure**
   - Level of expertise and critical mass, of course there are inefficiencies.

2. **Lloyd’s Worldwide Licence**
   - Being able to expand overseas;
     - Lloyd’s licence in China.
     - India?
     - Marketing in emerging markets.

3. **Security**
   - Central Fund at Lloyd’s;
     - Ensuring a strong rating.

4. **Distribution**
   - Complex relationships today but being resolved.
   - Brokers bring in business from all over the world into London.

5. **Regulation**
   - Knowing this is light in Bermuda – will it ever become stronger?
Summary

- Capital flows to those with best returns.
- Bermuda – Excellent two decades.
- Some say however that Bermuda has to diversify.
- Will regulators have a big say?
## ACORD Roadmap for London

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### Common End Vision
- All parties involved
- All processes fully automated
- ACORD RLC messages
- Enables remote working but does not impose it

---

Nb. Project phases are not linked
Placing

Quote

Place

Endorse
Placing

**Quote**
- MR slip
- G6 phase 1
- G6 phase 2 (Two-way messaging)

**Place**
- Implemented

**Endorse**
- Implemented
- G6
- Complete pilot end Q2 2007
- MRSIG

Implementation from June 2007
Placing

Quote
- MR slip
- G6 phase 1
- G6 phase 2 (Two-way messaging)

Place
- Implemented
- Complete pilot end Q2 2007
- Implementation from June 2007
- Published June 2007 (G6 incorporated)

Endorse
- G6
- MRSIG

PLACING IMPLEMENTATION GUIDE
- Update to include MRSIG Q3 2007

DOCUMENT REPOSITORY INTERFACE IMPLEMENTATION GUIDE
- Re-publish June 2007 with London rules incorporated

TESTING AND CERTIFICATION FACILITY
- Already implemented with London DRI rules included
- Support for placing targeted for June 2007
Accounting and settlement

**Close**
- A&S Strategic
- A&S phase 1
- ELPAN2
- Peer to Peer accounting

**Account**
- Generally available from October 2007

**Settle**
- Guide for ongoing reference
- Signing messages; BSM, CSM, USM
- Implemented internationally, not yet in London

Implemented
Accounting and settlement

Close

Account

Settle

A&S Strategic

A&S phase 1

ELPAN2

Peer to Peer accounting

Guide for ongoing reference

Implemented

Generally available from October 2007

Implemented internationally, not yet in London

ACCOUNTING & CLAIMS IMPLEMENTATION GUIDE
ELPAN2: Bureau
EBOT: Non Bureau

Publish June 2007 with ELPAN2 and EBOT requirements incorporated

DOCUMENT REPOSITORY INTERFACE IMPLEMENTATION GUIDE
Re-publish June 2007 with London rules incorporated

TESTING AND CERTIFICATION FACILITY

• Already implemented with London DRI rules included
• Support for Accounting targeted for August 2007
Claims

Advice

Payment

Settle
Claims

Advice

CLASS (Company market) implemented

CLASS (Lloyd’s) rolling out

ECF rolling out

Paymen

Peer to Peer claims implemented internationally

Settle

Signing messages; BSM, CSM, USM implemented
Claims

Advice
- CLASS (Company market) - Implemented
- CLASS (Lloyd's) - Rolling out
- ECF - Rolling out
- Peer to Peer claims - Implemented internationally

Paymen
- Implemented

Settle
- Signing messages; BSM, CSM, USM - Implemented

ACCOUNTING & CLAIMS IMPLEMENTATION GUIDE
- EBOT: Non Bureau - Publication with EBOT requirements targeted June 2007

DOCUMENT REPOSITORY INTERFACE IMPLEMENTATION GUIDE
- Re-publish June 2007 with London rules incorporated

TESTING AND CERTIFICATION FACILITY
- Already implemented with London DRI rules included
Other issues

- The role of the Bureau, hubs and central systems
- Implementation dates, but what about take up and rollout
ACORD London Agenda

- **Standards Strategy**
  - Business Process and Process Services
  - Single Business Dictionary
  - Single Data Model
  - UN CEFACT and eEG7

- **Standards Development**
  - Placing Implementation Guide
  - Electronic Facultative Claims Submission (ECOT)
  - Maintenance Requests
  - Potential Ocean Marine/Cargo Joint work with PCS Domain
  - Web Services Profile

- **Standards Implementation**
  - Enhanced Certification
  - Enhance Implementation Reporting – OARS
  - ROI Model
  - DRI for claims, A&S, placing, and wordings
  - A&S
  - Placement
  - Claims
  - Global Placing Document
  - ELPAN2

- **On-going ACORD support for:**
  - Market Reform
  - Other London Market - Non Reform initiatives (local and international)

- **Membership**
  - Growth
  - Retention
  - Participation
  - London Market
  - International Market

- **Industry and Government Affairs**
  - UK/Europe Whitepaper
  - IAIS
  - XBRL

- **Advocacy**
  - London Forum
  - ACORD LOMA Forum
  - ACORD TV
  - Other Industry meetings
  - Year in Review
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