

Electronic Support for Placing in the London Market

Getting Started

V3.0, January 2010



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Document Control

Version	Date	Author	Description
0.1	11 Oct 07	Peter Holdstock	Initial draft for review and comment
0.2	12 Oct 07	Peter Holdstock	Updated following initial review
1.0	15 Oct 07	Peter Holdstock	Published version
1.1	15 Oct 07	Rob Gillies	Cosmetic and stylistic changes only
1.2	23 Oct 07	Peter Holdstock	Added further Environment Maps to Appendix A.
1.3	8 April 08	Rob Gillies	Inclusion of vision and roadmap information. Recreating links for new LMA website.
2.0	August 2009	Rob Gillies	General update and to incorporate references to Lloyd's Exchange
3.0	Jan 2010	Rob Gillies	General update to emphasise supporting role of electronic processes; change from MRG to LMG

Note

This document deals specifically with the steps an organisation might take to get started in using electronic processes to support placing. For a more general introduction to electronic support for placing read 'Electronic Support for Placing in the London Market: An Introduction' available from the [LMA website](#).

Introduction

The Electronic Placing Steering Group (EPSG) has set the vision for electronic placing as:

The use of electronic processes, compliant with ACORD international data standards, for the submission of risk details, the agreement of terms, and contract formation for all risk placements and contract amendments in the London market, enabling the selective use of negotiation outside the electronic process where required by trading partners.

Achievement of this vision will make London a more attractive market by delivering improved levels of customer service throughout the placement process by:



- Accelerating the process and efficiency of placement regardless of geographical location, risk type and distribution route
- Improving the flow of information and quality of data between parties by entering information only once and at source and enabling the integration of data and documents into brokers' and insurers' systems
- Streamlining the placement process through the removal of paper and redundant steps
- Enabling Underwriters and Brokers to focus on complex negotiation
- Reducing costs, particularly where arising from London-specific processes, the creation and exchange of paper and redundant steps in the process
- Reducing operational risk.

Supporting the placing of insurance risks by using electronic messaging processes can be achieved in a variety of ways and depends to a large extent on the technological capabilities of you and your trading partners. The electronic market is developing rapidly in process sophistication as well as number of participating organisations.

Quite naturally, a number of technological solutions have also emerged to meet demand in the market and they provide a variety of methods of trading with a mixed degree of affordability. This provision of choice is good for the market but in itself creates uncertainty about the implications of the choices.

This document is intended to provide organisations with a step-by-step guide to the activities they will need to undertake to provide the fastest and most suitable route to the electronic market.

Overview

What does it take to start using electronic messaging to support placing? There are four stages of preparation that your organisation will need to engage in:

- Assess your Opportunities
- Initiate a Pilot Engagement
- Adapt processes to Acquired Technology
- Go Live.

Assess Your Opportunities

During this phase, you will examine the market, to discover what your potential trading partners and your competitors are doing. This information will assist in determining the timing for your involvement.



You will also need to gain an understanding of the technology required to enable electronic placing to take place, including a clear grasp of the different options and products available to you from technology vendors.

In addition, you will explore the potential benefits that could be realised as a result of moving to electronic placing, as well as the hurdles that will have to be overcome to achieve smooth electronic trading.

Initiate a Pilot Engagement

Armed with the information gathered in the previous stage, you will be able to decide upon suitable partner(s) as well as the most suitable technological approach to meet your needs. Your initial pilot may be lightweight in terms of technology to enable you to 'test the water'. It is a relatively easy matter to enhance the capability further once the new process is proven to your satisfaction.

At this stage you should consider joining the LMA's support groups. The Electronic Placing Implementation Group and groups supporting users of the Lloyd's Exchange will assist you in planning and implementing your pilot project and in realising maximum benefit from the experience.

During this pilot stage, you will not have fully engaged your practitioner teams. The purpose of the pilot is to test the technology and to examine its effects on the process, so that planning for live trading can be further refined.



Adapt Business Processes to Acquired Technology

During this stage you will agree the rules of engagement with trading partners. This includes deciding upon the classes of business for which electronic processes are to be

used and the extent to which the placing process will be conducted electronically. For example, it may be agreed that only simple single-section risks will be traded electronically.



In this stage you will initiate adoption discussions directly between traders, i.e. broker and underwriter practitioners. This is the task that is most critical to the success of the initiative in your organisation. It should be clear to all parties what is expected of them and what the benefits are, as well as the potential difficulties that may be experienced. The changes in culture and adapting to new methods of working require close management.

Finally, in this stage, you will agree the Key Performance Indicators (KPIs) that will be used to measure the success of the initiative.

Go live

You are now ready to go live, after which the emphasis shifts to one of measurement. You will closely follow the effects of change in behaviour and will report on the KPIs and take remedial action as necessary.

The Steps towards Live Trading

Assess Your Opportunities

During this phase, you will examine the market, to discover what your potential trading partners and your competitors are doing. This information will assist in determining the timing for your involvement.

Market Analysis

The LMA provides a detailed analysis of the market in the [Electronic Placing Landscape Analysis](#) which is available on the LMA website.

You will also want to know what your options are in respect of technology. There are various methods by which electronic messaging can take place. These include:

- **Electronic Forms** are the simplest option, involving the use of electronic forms for capturing or presenting information but using electronic messages to transport the information between trading parties.
- **Trading Platforms** are web-based applications offering users secure access to a trading environment which provides placement workflow and data management functionality via the internet. Risks may be bound on-line within the trading platform.

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- **Portals** can offer similar functionality but tend to be proprietary to a single broker or insurer. Such portals can be enabled to send electronic messages to trading partners.
- **Direct Messaging** refers to the ability to receive and send messages through your own gateway and integrate the documents and data directly onto your own core systems.
- **Messaging Hubs** are web-based applications offering users the ability to route electronic messages between trading partners and are used primarily to outsource connectivity configuration and maintenance workload. The 'Exchange', launched by Lloyd's in 2009, has established itself as the main message exchange mechanism in the London market. Note: some technology vendors sell messaging hubs that have electronic forms integrated with them.
- **Document Repositories** such as Lloyd's Wordings Repository and ECF Repository are also available for automatic download of documents.

Vendors often provide more than one option within their products, e.g. Electronic Forms and Messaging Hub or Trading Hub with Direct Messaging.

An overview of these options in diagrammatical form is shown in Appendix A.

The LMA also provides a detailed analysis of the technology vendors and their products focused on electronic support for placing. This is in the [Electronic Placing Landscape Analysis](#) which is available on the LMA website. Further information about the Lloyd's Exchange is available from [Lloyd's website](#).

Benefits Analysis

The potential benefits of using electronic processes to support placing will need to be understood in the context of your own organisation so that changes to current processes can be planned to achieve maximum benefit.

The LMA has developed the [Electronic Placing Benefits Model](#) which assists organisations to understand the benefits that could accrue to them, based on their unique operating model. This is supported by the Electronic Placing Benefits Guidance document which lists the benefits and describes how the model works.

Initiate a Pilot Engagement

Selecting Trading Partners

In the previous stage, you will have gained some idea of who your trading partners are likely to be and you should make contact with these organisations to determine what their plans are for extending usage to new trading partners.

The LMA can facilitate these early meetings, if you so wish, and certainly you may like to consider joining the Electronic Placing Implementation Group which will assist you in planning and implementing your pilot project and in realising maximum benefit from the experience.

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Deciding upon and implementing the Technology

You will also have formulated a view on what sort of technological options best suit your organisation and in this stage you will explore this further with a select group of vendors of suitable products.

You will need to be aware of the standards that have been agreed between trading partners who are already live. These are encapsulated in the [Placing Implementation Guide](#) which is available on the LMA website. This guide not only describes the ACORD standards that are used for the transmission of data and documents between trading parties but also deals with the nuances of the placing process, where it has been agreed exactly how processes are to be handled in the workflow, e.g. Binding of multi-section risk or handling of in-flight endorsements.

In this stage, you will decide how to manage the workflow. As the placement of risks occurs through a negotiation process, it is important that brokers and underwriters understand where they are in the process and what the next steps are. This is managed through a workflow system, which can either be bought or built. A clear understanding of the steps in the placing process can be gained from the Placing Implementation Guide.

Finally, you will establish the messaging services connections with your trading partner(s) and commence the pilot.

Running the Pilot

The object of the pilot is to test the messaging capability with new trading partners. You will receive live messages to gauge the effect on systems and more importantly you will see how electronic messages affect the current business process. Although you will receive live messages, you will likely continue the paper negotiation process in parallel for a short while as a fall-back to provide comfort to practitioners and a safety net in case of unforeseen break-downs in the process for any reason.

You will be running the pilot with a small group of brokers or underwriters and monitoring the effects on a daily basis. This will allow you to:

- iron out any technical difficulties,
- visualise how the process will integrate into your current business processes, and
- demonstrate to additional users how the process works, as a prelude to full live roll-out.

You will typically run the pilot for about three months and include one large renewal period.

Adapt Business Processes to Acquired Technology

During the pilot phase, you will be planning to go live. There are several things that you will need to do in preparation for going live.

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Make further internal enhancements

The experience of the pilot phase may lead to you further enhancing the process internally to achieve a smoother workflow or greater straight-through processing of data. Even small changes can lead to greater acceptance of the change internally.

Agree the rules of engagement

The terms within which you will be trading on a live basis will have to be agreed with your trading partners. These include:

- Deciding upon the legal framework that governs the decision points in the placing process,
- Agreeing which business units will go live and for which business classes,
- Agreeing a medium-term roll-out plan towards full electronic support across all business units and all classes,
- Agreeing the method by which technical and business issues are resolved.

Initiate trader adoption discussions

The transition from traditional paper trading to electronic trading is a business issue. The technology considerations are secondary. The success of the initiative depends entirely on acceptance and adoption by practitioners.

Resistance to change is natural but it is compounded by a misguided fear that jobs will be eroded. The truth is in fact the opposite; jobs will be enriched by removing the burdensome elements, leaving practitioners to concentrate on what they do best, pricing the risk and negotiating the deal.

Therefore, it is vital that practitioners are brought into the planning discussions early, so that they are fully aware of the strategic objectives and their fears are allayed. The most effective way to achieve this is through a collaborative effort between you and your trading partners to ensure that practitioners on both sides of the negotiating table are of one mind and are committed towards the same goals.

Collaboration between trading parties is key to the success of the initiative.

Go live

A go-live date will be set. The go-live tasks depend upon how the pilot has been run. If the pilot was run in parallel but using production systems then go live will simply be a rollout to business teams. This does not have to happen on a big bang basis but may be a gradual rollout and may also depend upon the upcoming renewals and trading partner. The key is to ensure teams are adequately trained in both system and process changes.

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A strong business and technology support structure will need to be in place to attend immediately to issues as they arise, whether it requires clarifying the business process or dealing with an incorrect message received from a trading partner.

Post-live monitoring of messaging traffic is recommended.

Contacts

For further information about this project or for a discussion about electronic placing, please contact:

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or visit the LMA's website at www.lmalloyds.com and navigate to *MarketPlaces > Operations and Change > ePlacing*.

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Glossary

A & S	Accounting and Settlement.
Direct Messaging	Direct Messaging employs ACORD standard messages to transfer data and documents directly between organisations. This may be directly between trading partners or may be via a third party service provider in the form of a Messaging Hub or Trading Platform.
DRI	Document Repository Interface: the ACORD standard that facilitates the exchange of documents between repositories.
Electronic Support for Placing	The electronic exchange of information between brokers and underwriters to support the placing and amendment of insurance risks.
Exchange	See Lloyd's Exchange
Gateway	A software product that acts as a front-door to the organisation, allowing business messages and documents to be sent and received by the company, using ACORD Web Services.
IUA	International Underwriting Association.
KPI	Key Performance Indicator. These are predefined measures that are tracked to evaluate the success of an initiative.
Lloyd's Exchange	A messaging hub launched by Lloyd's in 2009 which: <ul style="list-style-type: none"> removes the future need to maintain multiple connections with other parties and suppliers in the market, and ensures that one standard is enforced.
LMA	Lloyd's Market Association.
LMG	London Market Group
LIIBA	London International Insurance Brokers' Association
Messaging Hub	A web-based application offering users the ability to route electronic messages between trading partners. Used primarily to outsource connectivity configuration and maintenance workload.
LMGS	LMG Secretariat
Peer-to-Peer	See Direct Messaging
PIG	See Placing Implementation Guide below
Placing Implementation Guide	A series of documents which describe the ACORD Standards that are used to underpin the exchange of data and documents between trading parties, as well as describing the business placing process along with the nuances and idiosyncrasies that have been agreed between trading parties.
RLC	Reinsurance and Large Commercial: the ACORD standard for the Placing, Claims, Accounting and Settlement of Reinsurance and other contracts placed on a subscription basis.

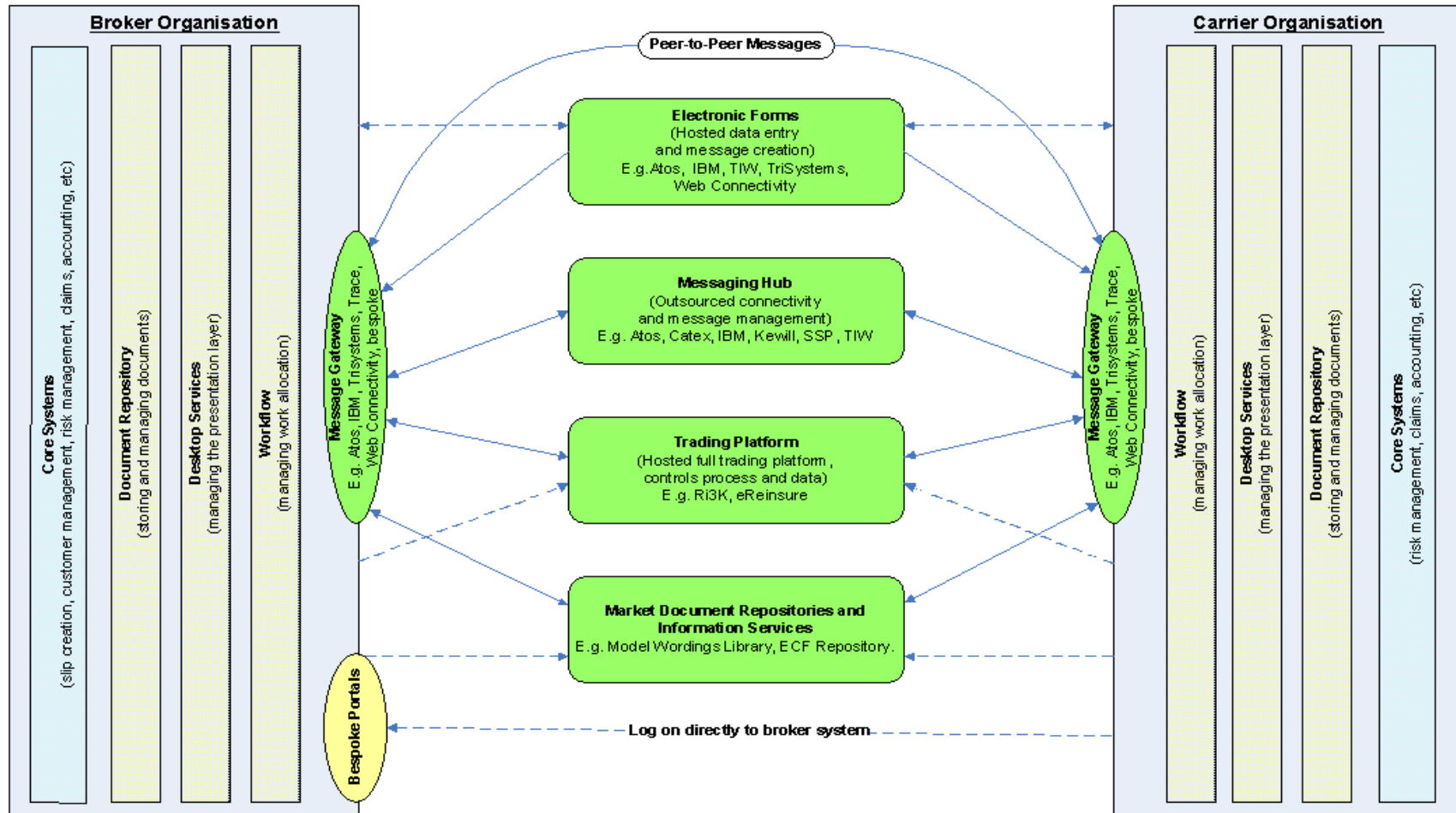
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Slip	The document containing data for a risk that is used in the placing process. Also known as the Placing Slip and, more formally, the Market Reform Contract.
Trading Hub	A web-based application offering users secure access to a trading platform which provides placing workflow and data management functionality via the internet.
XML	Extensible Mark-Up Language. A standard for the transportation of messages over the internet. Allows structured messages to be interchanged between companies computer systems. Next generation of EDI.

Appendix A - Electronic Placing Environment Maps

Electronic Processing and Messaging Environment Map

Overview

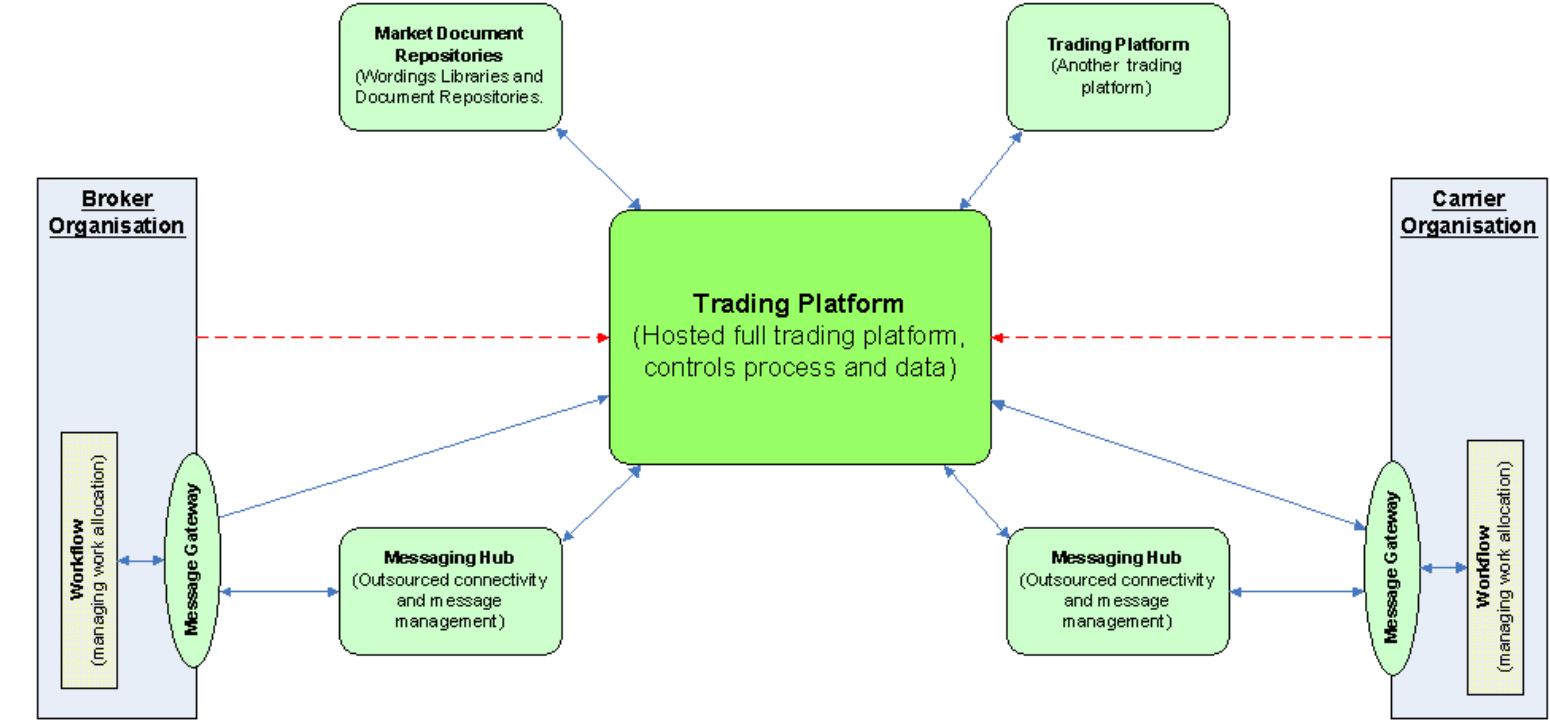


Key:
 ← → = data transfer
 - - - → = remote access

Multiple messaging architectures can co-exist and the market is likely to evolve into an environment of mixed direct messaging and multi hub messaging.

Electronic Processing and Messaging Environment Map

Trading Platforms

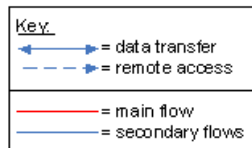
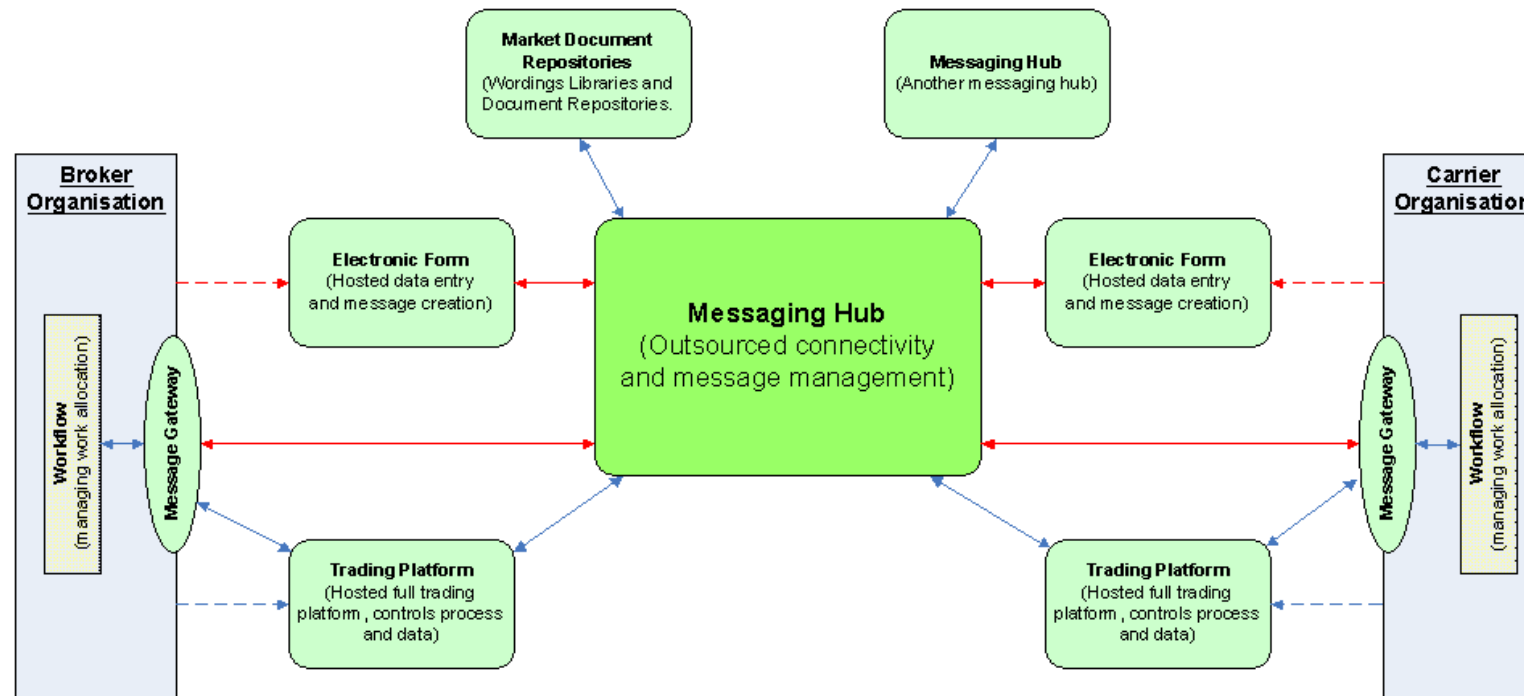


Key:
 ← = data transfer
 - - - = remote access
 — = main flow
 — = secondary flows

A **Trading Platform** is a web-based application offering users secure access to a trading environment which provides placement workflow and data management functionality via the internet. Risks may be negotiated and bound on-line within the trading platform. The primary method of placing business using a trading platform is via a secure internet log-on. This enables the user to trade on line. In addition, the Trading Platform may have the ability to send and receive structured messages. This gives the trader further options regarding methods of access and data management. He may choose to trade on the platform, and at selected points in the process upload information about the negotiation. Alternatively he may choose to use his own internal desktop and workflow systems to manage the placement process through seamless integration with the Trading Platform. Structured messages may be exchanged directly with trading platform customers, or via a messaging hub or another trading platform. The trading platform may also provide electronic links to market document repositories and services.

Candidates. Ri3K, eReinsure.

Acts as a central market facility as an active, required party in the transaction process

Electronic Processing and Messaging Environment Map**Messaging Hubs**

A **Messaging Hub** is a web-based application offering users the ability to route electronic messages between trading partners. It is used primarily to outsource connectivity configuration and maintenance workload. Note: some technology vendors sell messaging hubs that have electronic forms integrated with them.

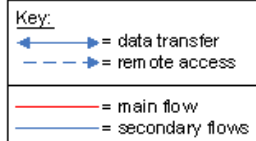
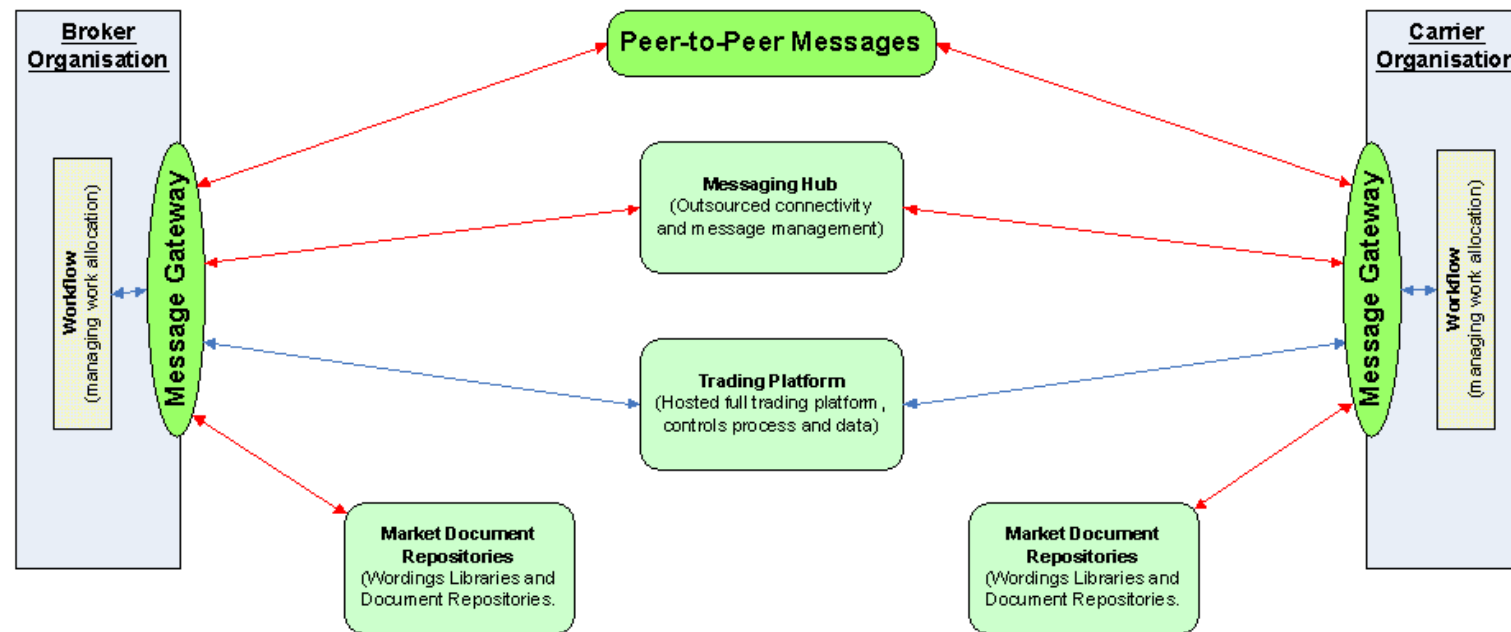
A messaging hub will, in its simplest form, be used to route XML messages and supporting documents between trading parties without providing any message validation. More advanced messaging hubs will examine incoming messages to ensure its compliance with agreed standards, and will report on deviations, and may even make corrections.

In all cases, the vendor of the messaging hub will have control features integrated into the product that allows errors and issues (such as trading partner gateway downtime, or new partner connectivity) to be effectively managed.

The trading platform may also provide electronic links to market document repositories and services.

Candidates. Atos (WritePlace), Catex, IBM (Insurer Messaging Network), Kewill, SSP (Nexus), The Insurance Workplace

Central facility without associated business processes

Electronic Processing and Messaging Environment Map**Gateways**
Direct Messaging (P2P)

Direct Messaging employs ACORD standard messages to transfer data and documents directly between organisations. This may be directly between trading partners (as per 'Peer-to-Peer Messages' above), or may be via a third party service provider in the form of a Messaging Hub or Trading Platform.

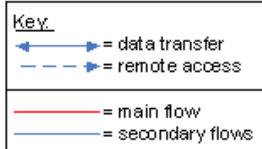
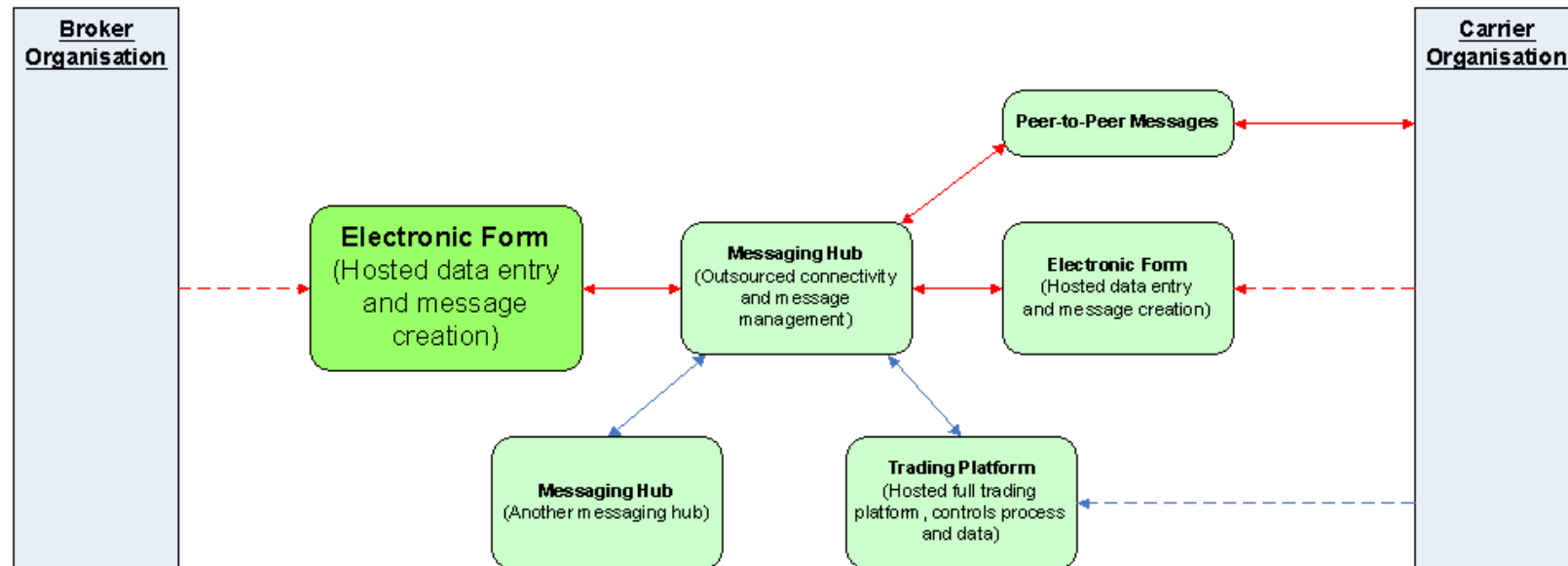
A direct messaging capability consists of two elements, data (RLC) and documents (DRI). The DRI capability can be used to link your organisation to market document repositories to enable automatic download of documents into your own core repositories.

Direct Messaging requires that you have a Gateway in place to manage the incoming and outgoing messages, and will also require that you implement some form of workflow to manage the process flow.

A **Gateway** in its most basic form, is a software product that acts as a front-door to the organisation, simply allowing business messages and documents to be sent and received by the company, using ACORD Web Services. It will keep a log of the messages, and places documents into a database. Vendors of gateways will generally provide a range of additional features in their products such as message validation, an audit log, business statistics and reporting, error management functionality, and combined handling of business data and supporting documentation.

Electronic Forms are sometimes supplied with a gateway, but these do not form part of the gateway itself, and are viewed as a separate component of the electronic placement tapestry. If electronic forms are used, the gateway may be hosted by the vendor.

Candidates. Atos (WhitePlace), IBM (Insurer Messaging Network), Perspective Technologies (onMessage), Trace Isys (TMMS), Trisystems InfoBahn (UMG), Web Connectivity (EnabledB2B & EnabledR2R)

Electronic Processing and Messaging Environment Map**Electronic Forms**

An **Electronic Form** provides an easy-to-use, dynamic front-end to business processes to help organizations quickly participate in electronic placing without incurring extensive IT development expense. The electronic form provides a structured input form which applies to a specific process (such as an endorsement request) and converts this to either an email or a structured data message that can be sent via a gateway to a trading partner.

Generally, electronic forms are used in combination with a hosted gateway. This means that the trader will log on to the hosted platform, complete the electronic form, and initiate the sending of the message through a central gateway provided by the vendor.

Candidates. Atos (WritePlace), IBM (Insurer Messaging Network), The Insurance Workplace, Trisystems InfoBahn (UMG) Web Connectivity (Easy Placement & Starter Kit)