

Electronic Placing in the London Market

Project Review and Outline Project Plan for 2009

v2.2, February 2009



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1. Document Control

1.1 Version History

Version	Date	Author	Description
0.1	18 Jun 2007	Peter Holdstock	Initial draft for review and comment
0.2	20 Jun 2007	Peter Holdstock	Updated following review by Rob Gillies
0.3	22 Jun 2007	Peter Holdstock	Updated following review by David Gittings
0.4	28 Jun 2007	Peter Holdstock	Updated following review by LMA ExCo
0.5	3 Jul 2007	Peter Holdstock	Final editorial update before publishing
1.0	3 Jul 2007	Peter Holdstock	Published version
1.1	Aug 2007	Rob Gillies	Update following feedback from EPSG member meetings
1.2	Sep 2007	Rob Gillies	Updated following EPSG review and adoption as a working document recording the direction and scope of the project as decided upon by EPSG from time to time.
1.3 - 1.5	Dec 2008 - Jan 2009	Peter Holdstock and Rob Gillies	Major updated to take into account objectives achieved in 2008 and focus for 2009. Document renamed.
1.6	Feb 2009	Rob Gillies	Updated following EPSG review.
2.0	12 Feb 2009	Rob Gillies	Version not used, see 2.1 below
2.1	13 Feb 2009	Rob Gillies	Update to executive summary to reflect changes made in versions 1.3-1.5. Published version
2.2	25 Feb 2009	Rob Gillies	Correction to summary of 'Project Activity Through 2009' to include reference to agreement of CSFs. Published version

2. Executive Summary

The purpose of this document is to review the progress made against the project's original strategy, revise and restate the project's strategy in light of the current and future business environment, and outline a project plan for 2009.

Significant progress has been made on each of the project's two objectives: creating clarity and extending adoption. A suite of documents and tools have been published supplemented by communications to the market. The number of firms live with EP and firms which have developed or are investigating EP capability has increased.

This has resulted in a current business environment where the objectives of EP are broadly understood and accepted and are seen as part of a wider move towards processes based on ACORD messaging. Further work remains however, to engage with practitioners, both brokers and underwriters. During 2009, we expect the Lloyd's Exchange to significantly influence progress and to see further major firms commit to EP.

In the context of this, the objectives of the project remain unaltered although the scope has been adjusted to embrace the use of broker and insurer portals. To provide a more effective mechanism for measuring progress, the Electronic Placing Steering Group has agreed four critical success factors for the project. Other activity for 2009 will include further work to define business processes associated with the use of EP, assessing how EP links to other parts of a risk's process lifecycle, and ensuring that our work in London is compatible with and supported by similar global developments. Education and communication work will, of course, continue.

3. Background

Since its formation, the London insurance market has been reliant on manual processes and hardcopy documentation. The associated inefficiency, high cost of handling paper, the lack of control, the lack of immediate availability and the delays in serial distribution of paper (and the associated negative impact on competitiveness) led market firms to seek methods to improve this situation by trading electronically.

In the area of EP, and in response to these requirements, a number of initiatives have been underway. In 2007, the Lloyd's Market Association (LMA) assumed responsibility for taking these initiatives into the broader business community to increase the market's understanding of EP and achieve greater levels of adoption.

A strategy for developing EP was published in an earlier version of this document. During 2007 and 2008, significant progress was made in a number of areas leading to an environment that reflects enhanced messaging capability and a growth in the number of firms that are participating in electronic placing.

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The project has been reviewed and this document presents:

- an analysis of the project's achievements against the original strategy
- an analysis of the current and anticipated future environment
- a strategy and outline project plan for EP for 2009.

4. Achievements in 2008

The objectives of the original strategy were:

- to create clarity in the market about the benefits and implications of, and options for, the adoption of EP
- to extend significantly the use of EP amongst managing agents and in the market generally.

A considerable amount of work has been, and continues to be, undertaken such that we believe that at December 2008 significant progress had been made towards meeting these objectives. A detailed review of the work undertaken and its contribution towards the project's objectives is at Appendix A. In summary, for each objective:

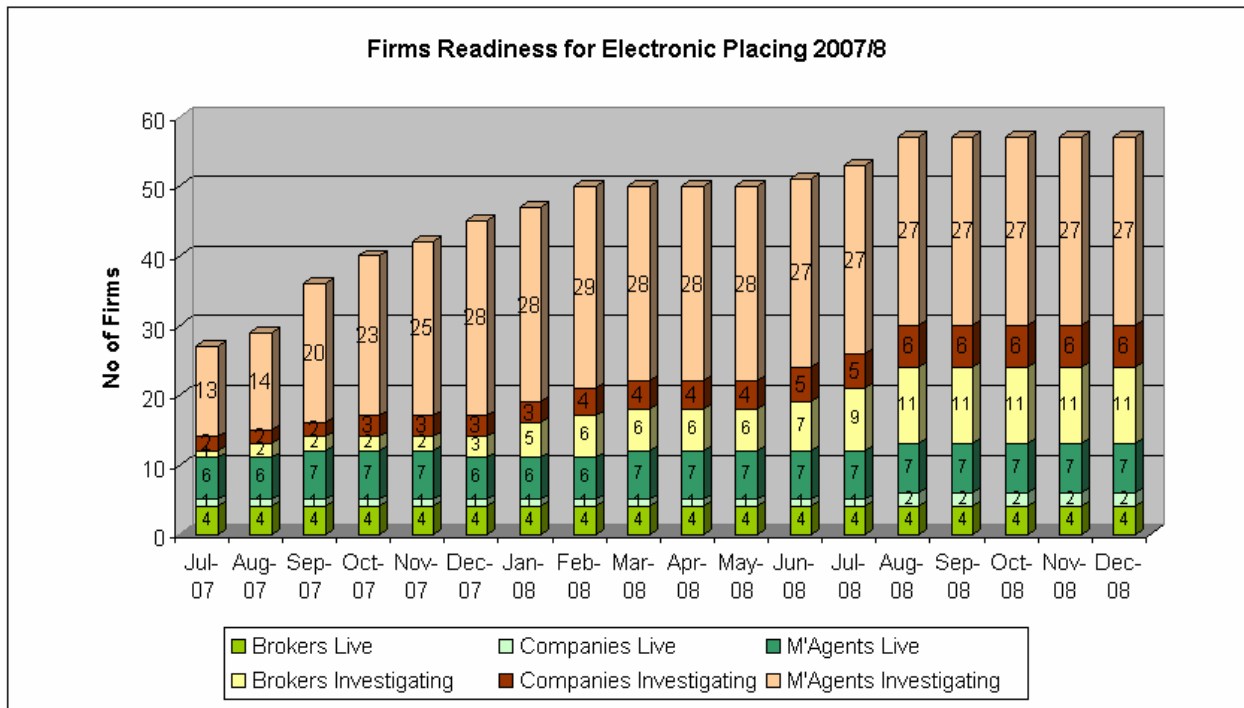
4.1 Clarity about EP

The Electronic Placing Steering Group has developed and published a vision for EP within the context provided by the Market Reform Group's aim that all risk submissions be sent electronically. Tools to assist firms understand and assess the benefits of EP have been published alongside information to help firms analyse the competitor and supplier market place. Communications to market have publicised these tools and reiterated a key message that EP enhances, not replaces, face-to-face negotiation of risks.

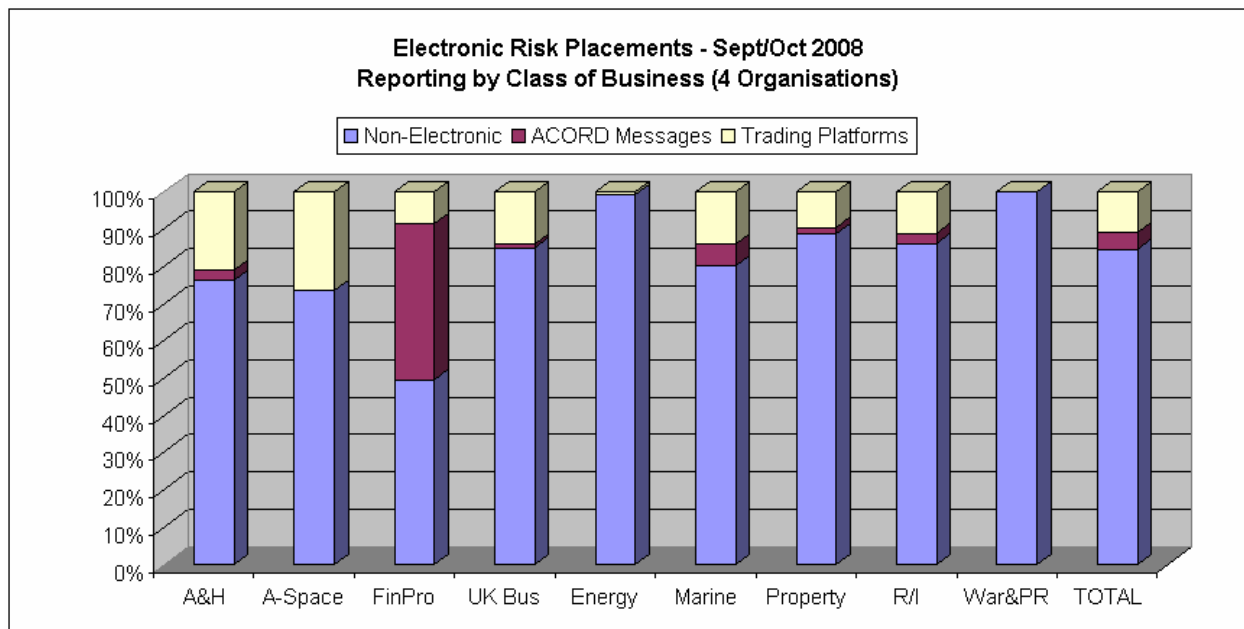
4.2 Extending Adoption

Whilst electronic transaction volumes are still low, over the eighteen months since the project commenced we have seen new brokers and carriers go live with EP and, importantly, many more firms position themselves ready to transact business electronically over the coming year.

The following chart illustrates this increasing state of readiness as regards firm's use of ACORD messaging. The increase in readiness by brokers is thought to relate to their adoption of TIW's trading platform.



A limited analysis of transaction volumes for placements by ACORD messaging reveals the following split by class of business.



Alongside this, Aon's use of RI3K has engaged 160 'markets' in the use of EP for live business. This initiative has seen in excess of 10,000 lines placed using Ri3K in 2008, along with 8,000 plus endorsements in the same period.

5. Current and Anticipated Future Environment

The current environment for electronic placing may be summarised as:

- A broad understanding of the objectives and benefits of EP, and that the exchange of data is distinct from risk negotiation, now exists amongst many senior managers within broking firms and carriers; far less is heard about electronic processes replacing face-to-face and there is less confusion about the technical options. However, this understanding still does not extend to individual brokers and underwriters who continue to display reluctance to embrace remote trading in its several current forms
- A greater acceptance exists across the market than it did eighteen months ago of electronic messaging as the de facto method of processing business, whether placing, accounting or claims
- An increasing interest in electronic accounting has highlighted the dependency on EP to create an initial data set to achieve straight through processing from placing to accounting
- One major broking firm at least has compelled carriers to transact business electronically and there is increased interest in EP from other broking firms
- Many suppliers have recognised that the future will be based on electronic messaging and have developed appropriate functionality within their system offerings
- The success of ECF has raised the credibility of electronic processes and demonstrated the tangible benefits to be achieved from their use.

Going into 2009, we anticipate seeing the following influences come to bear:

- The Lloyd's Exchange will enter live pilot and may prove to be the catalyst to stimulate appetite for adoption of EP as the de facto method of placement support
- The market will coalesce around a message standard and submit to the central management of such standards, possibly based on the Lloyd's Exchange
- We will see a growth in the use of ACORD messaging in other global markets
- We will see further development of additional trading platforms
- We will see significant progress on other electronic initiatives, such as eAccounting, which will build confidence, embed electronic messaging as the future, and offer further potential benefits through integration of different process steps (e.g. eAccounting with EP)
- Further major broking firm(s) will enter the EP arena.

6. Project Activity Through 2009

6.1 Summary

Based on what has been achieved to date and our anticipation of what will occur in 2009, the project's strategy is restated in the following sections together with the high-level project activities to deliver this strategy. In summary:

- **Scope:** This has been refined to more specifically include the use of messaging hubs and trading platforms but to exclude the exchange of unstructured information by

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email. The scope has been amended to include the use of insurer and broker portals to the extent that the project will monitor such activity and aim to encourage the adoption of ACORD standards.

- **Objectives:** The project's original objectives are reaffirmed and EPSG has agreed four critical success factors, detailed below, against which to measure progress.
- **Activities:** The project's key activities will be continued; governance and project management support, communications to the market, and technical support. In addition, new activities have been identified including agreeing and publishing details of the role that EP plays in providing input into secondary processes such as electronic accounting and claims, engaging in activities to encourage the take up of ACORD standards for EP beyond the focus of the London market.

The following sections consider this in more detail.

6.2 Project Scope

The project will continue to take this initiative into the broader business community to achieve greater levels of adoption. In doing so, all approaches to EP will be examined, including the use of trading platforms, portals and data exchanges, with the underlying objective of achieving a framework based on common standards.

The project has defined EP 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.

6.2.1 Inclusions

- Electronic risk placement and contract changes (endorsements) using ACORD messaging (including the handling and processing of associated unstructured data).
- Electronic risk placement via ACORD compliant market-wide trading platforms.
- Linkages between EP and dependent and following electronic processes, including eAccounting and eClaims.
- Definition of placement processes and data to support EP, irrespective of method of message transmission.
- The project recognises that the use of broker or insurer portals is, de facto, electronic trading, albeit not necessarily to ACORD standards. The project will work to encourage these initiatives to become ACORD compliant and communicate via ACORD standard electronic messaging and will seek and monitor data on portal trading activity.

6.2.2 Exclusions

- Discussion about the role of Xchanging, or similar 'central processing' organisations, and the implications of retaining or moving away from central processing services as offered by such organisations.
- Email endorsements using structured data (eMRCE). This initiative is encouraged but its governance and management do not form part of the EP project.

6.3 Project Objectives

Whilst this report identifies significant progress towards meeting the project's strategic objectives, it is clear there is more to be done. The project's strategic objectives therefore remain valid and are reaffirmed as:

- to create clarity in the market about the benefits and implications of, and options for, the adoption of EP
- to extend significantly the use of EP amongst managing agents and in the market generally.

To address difficulties in assessing progress towards meeting these objectives, EPSG has identified the following critical success factors for 2009:

- All functional specifications are finalised
- Broker interest has been converted into broker action with at least ten brokers achieving 'live' status
- A single implementation standard and a roadmap for migration to subsequent standards has been agreed; this single standard to be implemented by the start of Q4 2009.
- The cultural resistance amongst practitioners has been removed.

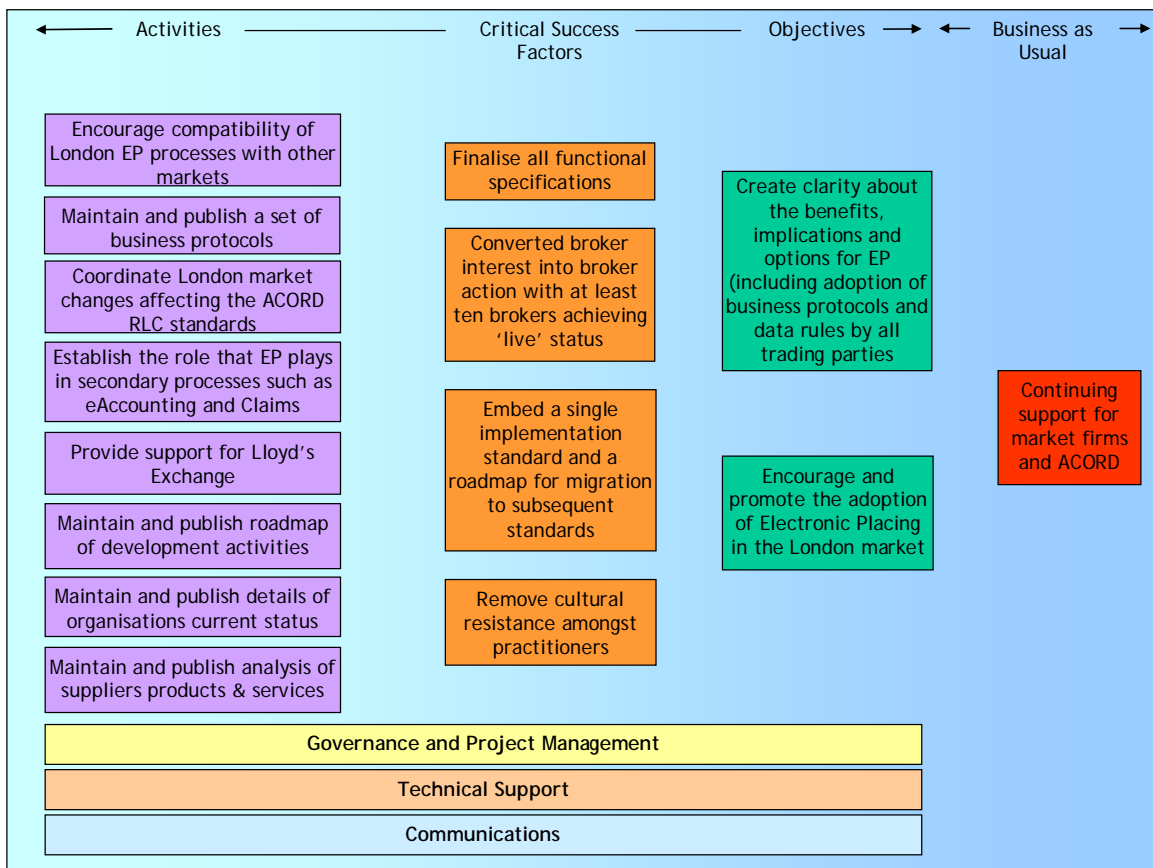
Mechanisms for monitoring progress towards achieving these success factors will be developed and agreed with EPSG in April 2009. Progress will be reported to EPSG at each meeting.

6.4 Project Activities

To meet these strategic objectives, the project will undertake the following activities in 2009:

- Continue to provide the key elements of the project's activities to date:
 - governance and project management support (details of the project's governance structure is at Appendix B)
 - communications to the market
 - technical support.
- Position the market positively to move forward with EP towards the end vision. This will involve a continuation of the communications effort including encouraging market firms to case study their own experience of EP and further effort to engage with broking firms.
- Undertake further work on the use of the EP processes, for example:
 - look at how insurers and brokers might segment their portfolios to derive benefit from EP
 - look at how adoption of EP might be simplified including examining how participants can step into or out of the EP process
 - agree and publish details of the role that EP plays in providing input into secondary processes such as electronic accounting and claims.

- Engage in activities to further encourage and facilitate the take up of ACORD standards for EP beyond the focus of the London market. This is to support the compatibility of London’s EP processes with other markets and to ensure consistency of process for global brokers.
- Continue to maintain and publish a roadmap for moving towards a greater degree of understanding in the market regarding EP and encourage activity between trading partners and between them and suppliers.
- Encourage the adoption of a common set of business protocols and data rules by all trading parties and message service providers.
- Coordinate and develop with ACORD, changes arising from the London market affecting the ACORD RLC standards.
- Examine the role and capability of suppliers of systems and products to insurers and brokers in supporting electronic placing, and to a wider extent, other reform initiatives.
- Provide support for Lloyd’s Exchange.



6.5 Project Roadmap

The project's Roadmap provides a crucial mechanism to track progress of the various work streams, identify and track progress against anticipated activity by individual firms, communicate both the current position and the developing picture to market firms, and provide a framework for decisions to be taken at EPSG. The Roadmap is a living document available from the [LMA website](#). The latest draft forms part of this document and will be developed further based on EPSG feedback prior to its next publication.

7. Communications

Effective communications are crucial to achieving the first objective of this project, i.e. *To create clarity in the market about the benefits and implications of, and options for, the adoption of EP.* The above review argues that we have achieved some success with this objective but work remains to be done.

The communications effort will continue and will include:

- Maintenance of the EP pages on the LMA website
- Maintenance of key project documentation including 'Introduction to EP', 'Getting Started Guide' and 'Benefits Model'
- Periodic briefings at market events such as the Market Reform Forum, the ACORD IT Club and LMA hosted presentations
- Selective use of the media
- The distribution of project updates to the market.

EPSG has previously decided that it will not communicate with the market on transaction volumes. This decision will be kept under review during 2009.

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Appendix A - Project activity and contribution towards strategic objectives

Strategic Objectives

		To create clarity in the market about the benefits and implications of, and options for, the adoption of EP
		To extend significantly the use of EP amongst managing agents and in the market generally

The colour coding indicates how each achievement has contributed to the two project objectives.

Project Activity

Governance and Communication

		Complete	Developed a definition of EP and fleshed out the vision for the market
		Complete	Developed and implemented a governance structure to support the project at strategic and implementation levels
		Complete	Developed and published a set of business protocols for electronic placing
		Complete	Developed a benefits case and tools to assist firms evaluate the benefits
		Complete	Developed additional support materials, such as the Getting Started Guide and various technical guides
		Ongoing	Raised the profile of EP through a programme of communications to the market, and by encouraging firms to participate
		Ongoing	Ongoing updates of the detailed picture of the changing EP landscape showing who is currently engaged in EP data exchange of any kind and who are the service providers that can assist firms in this area
		Ongoing	Ongoing updates to the roadmap showing the adoption of technological enhancements by firms on a bi-lateral basis
		Ongoing	Launch and maintenance of EP pages on LMA website
		Ongoing	Periodic publication of project updates to the market
			Knowledge and communications support for Lloyd's Exchange

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Technology

		Ongoing	Implementation of two-way ACORD messaging by carriers and brokers
		Done	Agreed and published a method for handling multi-section risks using ACORD messages
		Done	Agreed and published a method for handling conditional lines and subjectivities in contract negotiation
		Done	More information from the Market Reform Contract (MRC) has been made available as structure data in ACORD messages; the expanded data set will be implemented in 2009
		Done	The management of London-specific ACORD standards was transferred from the Data Standards Group to ACORD working groups operating within ACORD's own governance
		Done	Agreed and documented a standardised endorsement process
		Ongoing	An increase in the number of service providers who supply systems to brokers and carriers building message-enablement capability into their products

Group/Market Achievements

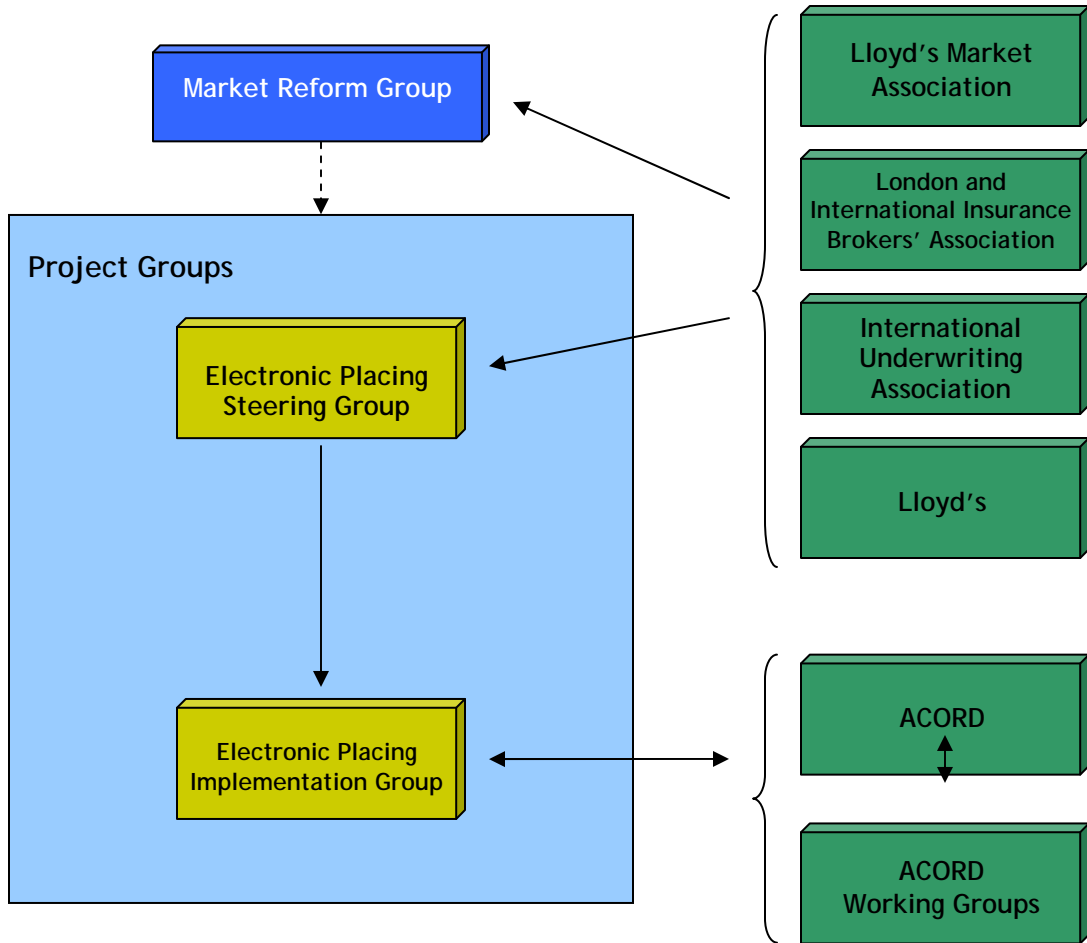
		Ongoing	Most of the London market is now engaged in electronic placing through either through a trading platform or by ACORD messaging (e.g. the AON RI3K initiative)
		Ongoing	Lloyd's announced it's intention to provide a data exchange hub for trading partners who utilise ACORD placing messages

Project Deliverables

A comprehensive LMA Roadmap for Electronic Trading, defining our 12-month objectives, along with monthly and quarterly milestones	Delivered
A comprehensive communications plan	Delivered
Take over and manage former G6 project management structures	Delivered
Management of the LMA/ACORD interactions	Delivered
A detailed Competitive Landscape analysis, looking at members and brokers current EP status and plans, as well as current technology support offering available from service providers in the market	Delivered
A comprehensive benefits model	Delivered

Appendix B - Project governance

The following diagram shows the governance structure for the project.



The project is sponsored by the Market Reform Group and is under the overall control of the Electronic Placing Steering Group (EPSG), chaired by Catlin, representing the interests of managing agents, brokers and carriers in the companies market.

The LMA chairs the Electronic Placing Implementation Group (EPIG) and other working groups, whose purpose it is to facilitate ongoing implementations of electronic placing initiatives and manage the usage of ACORD standards. The roles of these groups are described below.

Market Reform Group

Role:

Provide oversight of and support for the project within the context of market reform in the London market.

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Electronic Placing Steering Group

Role:

- Advise on the direction and implementation of the project.
- Raise awareness of the project through establishing links with all potential stakeholder groups.
- Ensure effective communication and dissemination within each of the stakeholder organisations and enable appropriate communication and consultation within the wider community.
- Resolve issues that have been escalated from any sub-groups or working groups.
- Encourage and contribute to work on the development of international agreement which will set out minimum standards for electronic placing.

Membership:

- Membership is drawn from the LMA, LIIBA, IUA, Lloyd's and ACORD based on individual's personal expertise and their firm's commitment to business process reform and improvement.

Electronic Placing Implementation Group

Role:

- To represent the interests of brokers and carriers who are currently engaged in EP implementation activity.

Membership:

- Membership is be open to all brokers and carriers who have publicly committed to implement the currently agreed scope. Firms that utilise trading platforms may elect to be represented in this group by an individual from their service provider. In view of their position as the standards body providing the framework for messaging, ACORD are also members.
- The meetings are open to other brokers and carriers who have demonstrated an interest in shaping the process and data requirements associated with EP.
- The group is chaired by the LMA.

Responsibilities:

- The group agrees and votes upon the Subscription Placing Implementation Guide. The group does not discuss the guide in detail from a technology and delivery perspective; rather it agrees the processes that underpins EP.
- Each implementer, carrier, broker or service provider should publish those components of the Placing Implementation Guide they currently support. This represents a public statement of capability. This public statement of each implementer's capabilities helps in the understanding by trading parties of what their partners can support. This way the standards will be supported but implementers are not tightly coupling their firm's delivery to the guide. The guide can continue to evolve along with a clear understanding of what each firm can support.
- The group collects statistics in respect of live placement activity, and reports these to EPSG.
- The group facilitates and monitors messaging take-up amongst its members.
- Future development and implementation of major functionality activity will be proposed by the group to EPSG.

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Attendees:

- Each member of the group is expected to provide representatives (maximum of 2) who are in a position to influence the internal decision making process within their firm. It is essential to include a business practitioner or equivalent.
- Firms that qualify for membership may chose to have their service provider attend the meeting on their behalf.