



Electronic Placing Update

The Bedrock of Market Reform

June 2009

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AVAILABLE ON LMA WEBSITE

The **Electronic Placing Roadmap** describes the development and implementation activities that are planned to the end of 2010.

A **Landscape Analysis** which shows the status of potential trading partners, as well as the positioning of suppliers in the London market.

Business Process Protocols, a set of best practices for electronic placing.

There is a **Getting Started** guide to steer organisations through the labyrinth of factors that should be taken into account when embarking upon an electronic placing implementation.

A **Summary of Market Reform Activity** showing the major pieces of work under way under the banner of Market Reform.

Various **Case Studies**.

Implementation Guides that offer assistance in understanding detailed process and data requirements for electronic placing.

Plus lots more.

[Click here](#) to go straight to the website.

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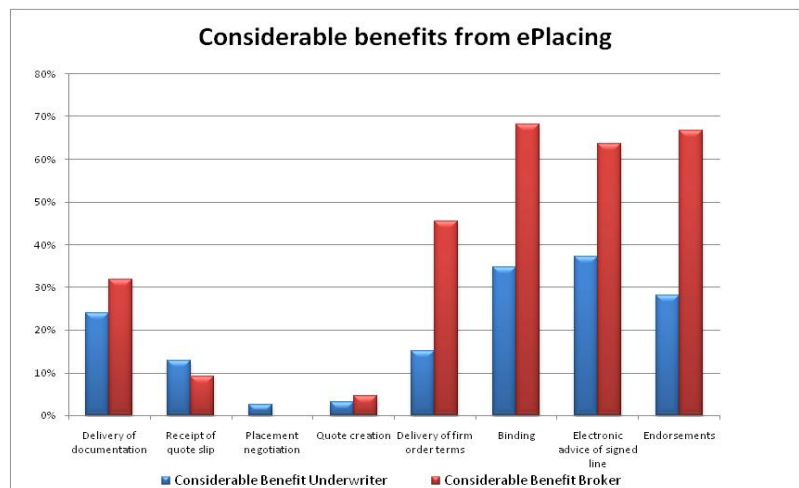
The Winds of Change

London is the leading market for the placement of mid to complex, medium to high value risks. This is made so by various factors including the strength of the Lloyd's brand, the recognised expertise of specialist underwriters in Lloyd's, and because of the nature of the subscription market (which has been made more attractive by the recent increased demand for greater spread of financial risk). It must be said that the Lloyd's market is especially efficient in negotiating with multiple markets in a short space of time. Going electronic will not necessarily improve this negotiation process - at best it will break even on time to place the risk, but will be the poorer from the loss of the social interaction between traders that would no longer be present.

So it may be argued that there is no burning platform here, no immediate threat from other insurance markets. After all, how could anyone compete with Lloyd's. The amount of business coming into the Lloyd's market shows no signs of diminishing until you consider everything else that is involved in placing a risk.

Electronic placing is not about risk negotiation. It is about making the ancillary activities associated with the placing of risks speedier and more accurate.

So it is no surprise that we see from the recently released Watertrace survey, sponsored by Aon, on electronic placement that the benefits lay in the early delivery of documents, binding on-line, and the advice of signed lines - none of which affect the negotiation. Clearly, the value-add for electronic placement comes from the delivery of data. The diagram below from that survey dramatically reflects this sentiment.



Source: ePlacement in 2009: An Update (Watertrace)



Simple risk placements and endorsements could be processed entirely electronically of course, but that's not the point. Individual organisations will seek and find competitive advantage from segmenting their books of business in such a way that straightforward risk swaps and contract changes occur virtually automatically and certainly seamlessly.

The point is that if the market does not take advantage of the ancillary benefits that ePlacing offers, other markets will, and this will chip away at attraction of placing business in Lloyd's, notwithstanding it's negotiation super-strength.

The good news is that we are seeing a sea-change in sentiment in the market. This is in part because of the take up of the Lloyd's Exchange - tangible proof that there is a commitment by many organisations to engage in electronic placing. There is a recognition at one level that change is inevitable, you can't fight automation; and on another level there is an understanding the ePlacing is not the threat it was originally thought to be. We are not talking about wholesale change. We are talking about making the inefficient pieces better and freeing up the core value pieces to have the freedom to do more of what they do best. And we are seeing evidence that insurance professionals, both brokers and underwriters, are coming to this realisation. A paradigm shift is taking place in London.

Main Electronic Placing Initiatives

The Lloyd's Exchange

The Lloyd's Exchange is a huge step forward for electronic placing in the London market. The interest that it has generated is evidence of the shift in perception in the market regarding the future of placing support. Clearly we are in a watershed year and nobody wants to be left behind.

Phase 1 testing is well under way and on schedule. Six brokers and 12 carriers have signed up for this phase and plan to be trading variously in the following classes - Reinsurance, Non-Marine CAT, Casualty RI, Marine XL, Marine Cargo, Energy, Property, D&O, Professional Indemnity, and Personal Accident. Quite a good cross-section.

By the end of the year, it is anticipated that 15 brokers, the majority of managing agents as well as a number of international companies will have signed up to the Exchange. This in itself is a great achievement.

Such is the interest in the Exchange that it has had the effect of creating some interesting and innovative marketing offerings by service providers as they compete for a portion of the pie.

Upgrade to ACORD 2009.1 Standard

The Candidate Releases of the new ACORD Placement Implementation Guide and the ACORD Message Reference Guide have been available for review for some time. Formal publication of these documents will take place early next month.

These documents are a great improvement on previous versions and now incorporate many of the peculiarities of electronic trading in a subscription market.

ACORD and various market organisations have put in a herculean effort to get the guides to this point, and a huge vote of thanks goes to everyone concerned for their efforts in driving the international standard forward.

The target date for going live on the new standard in the London market is 2 November 2009.

This implementation will on the face of it be a non-event, because the effect of it will not be immediately apparent to business users. The purpose of the upgrade is to provide the technological framework for more sophisticated business processes to be rolled out during 2010. These include the provision of a broader set of structured data, the processing of declarations under line-slips and binders, the management of in-flight endorsements, the handling of subjectivities and non-binding indications, and the processing of multi-section risks.

The LMA is facilitating analysis work that will result in documented differences between the ACORD 2005.2 and 2009.1 standards. This will assist organisations with their planning of the upgrade. Part of this work is already complete and the remainder will be available at the end of June 2009.



Current State of the Market

Electronic Placing Survey

Watertrace, sponsored by Aon recently conducted a survey of 28 firms in the market to establish how much change there had been in the adoption of electronic processes to support placing since their last survey a year ago.

The report has now been released by Aon in line with their commitment to transparency. The results are interesting.

It was found that over the last year the use of ePlacing tools has increased with a high percentage of brokers and underwriters indicating they use ePlacing support more, and they expect this to increase in the future. Progress has been made to determine the most appropriate process for ePlacing, and there is a strong impetus for the degree of anticipation and confidence surrounding the announcement of the Lloyd's Exchange technology rollout.

In addition, the number of ePlacing tools in the market is growing, and the functionality and usability of these tools has improved.

The following findings are noteworthy;

- The greatest use of electronic processes is around document delivery, binding, and advice of signed lines. Very little quotation/negotiation activity occurs electronically. This is not surprising and reinforces the assertion that ePlacing is a support function, not intended to do away with face-to-face negotiation.
- Brokers and carriers are trying to shoe-horn ePlacing into their current paper processes rather than reviewing the placing process to take advantage of ePlacing support. Underwriters who have adapted their processes to take advantage of electronic submission are seeing greater benefits.
- Greater systems integration by carriers would result in the delivery of greater benefits from ePlacing support.
- Underwriters believe that ePlacing is being driven more by broker push than by their own corporate strategy.

- The unhurried pace of take up by broking firms remains a factor that continues to put a brake on ePlacing volumes.
- There is little incentive for broking and underwriting practitioners to adapt their thinking towards electronic support mechanisms.

A number of recommendations have come out of the report, all of which will be given consideration and actioned appropriately in early course.

A summary of the report's findings is available on the LMA website [by clicking here](#). The full report is also available on the LMA website.

ACORD Messaging

There are 18 brokers and 44 underwriters in various stages of engagement in placing of risks using ACORD messaging as follows;

8 brokers live, 10 developing messaging capability, and a further three are investigating options

19 underwriters live, 25 developing messaging capability, and a further 2 are investigating options

Details of who is doing what are carried on the LMA Landscape Analysis which is available on the LMA Website.

Market Trading Platforms

Ri3K now has 280 user companies signed up and significant volumes continue to be transacted through their platform, Marketplace. BMS is now using the platform to conduct business.

Ri3K is now integrated with the Lloyd's Exchange and will push ACORD messages out to underwriters who wish to receive them through the Exchange. Once this one-way process has bedded down, Ri3K will turn on the two-way messaging capability that they have already built.

The Insurance Workplace (TIW) is now fully engaged with the Lloyd's Exchange and has gone live with three brokers, Alwen Hough Johnson, Tysers, and Windsor.

What's New in Technology

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The Lloyd's Exchange IT Service Providers Trade Fair took place on Monday 15 June in Lloyd's Old Library. The Trade Fair proved to be a useful exercise in broadening the market's understanding of the Lloyd's Exchange and provided an opportunity for the market to engage with IT Service Providers that have offerings relevant to the Lloyd's Exchange.

The following vendors were represented;

- Benchstrength - marketing their product, STIG, which is a connector, which takes any ACORD-compliant message and maps its contents into your own system. STIG is a product neutral connector and can be enabled to work from any gateway or hub to feed into any backend carrier system, general ledger or workflow application.
- Capita - marketing an enterprise workflow management system composed of modular web-enabled components that can be added at any time.
- Catex - explaining their product, Pivot Point, which is a web-based end-to-end transaction system encompassing insurance and reinsurance placement, claims and accounting for brokers, agents and carriers.
- Coverpoint - is a simple to use internet based tool that allows you and your business channel (insurer, broker, agent) to quote, bind and manage insurance products in real time online.
- GPM - marketing their document management and workflow system.
- Perspective Technologies - talking about their ACORD-certified messaging gateway, onMessage, that can be used by bureaus, brokers or insurers for secure and reliable data exchange. It incorporates a full message viewer for all incoming and out-going messages.
- RI3K - their trading platform, Marketplace, probably needs no introduction and is well known, but they outlined the way in which they would use ACORD messaging to integrate Marketplace to broker and carrier systems.
- Room Solutions - ACORD messaging is at the heart of their Insurance Processing Framework, ipf3, which delivers integrated processing for placing and all other market XML messages.
- Sequel Business Solutions - the Eclipse Broking and Eclipse Underwriting products have been designed to process ACORD messaging for all electronic (inbound and outbound) communications.
- Software Solutions Partners - SSP are partnered with The TIW Group who provide the distribution infrastructure with which the Sector product integrates.
- Sterling Commerce - markets Sterling Business Integration Suite, which is a communication and collaboration solution enabling business to business integration of key business processes, streamlining the risk placing lifecycle.
- Sword Intech - marketing Open Box, a functionally rich application that has gained increasing market share over the last few years. In partnership with Web Connectivity to provide an ACORD messaging capability.
- TIW - The Insurance Workplace is a hosted service that can be used for trading all classes of business. Working with the major software houses, TIW can be integrated into the Brokers back office offering a straight-through-processing model for all. TIW also offers a full A&S and ECF DRI facility.
- Total Objects - their product, Global XMP, provides electronic data exchange between Brokers, Underwriters, MGA's, Trading Platforms, London Market Bureaux and Third Party companies/systems. This web based application is a hosted solution, certified by ACORD, and approved by Xchanging for A&S and ECF enabling DRI and RLC messages to be exchanged.
- Trace - The Trace Managed Messaging Service is a fully hosted service providing brokers and carriers with a low-cost, quick and secure option for connecting to the Lloyd's Exchange. It supports all market messaging initiatives, including ePlacing, A&S, eAccounting, EBOT and ECF. TMMS Lloyd's Exchange Light is a stand-alone message

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management tool providing SLA-based monitoring and reporting, workflow and full auditing capabilities.

- TriSystems - Universal Messaging Gateway provides users with a means of interacting using the ACORD standard data. A library of standard forms enables ECF, ePlacing, eMRCE, and A&S interaction.
- Watertrace - Dataswitch provides business users with a way to easily integrate their systems at a data level without having to touch any software. All formats can be processed from ACORD to pdf.
- Web Connectivity marketing their well known fully featured gateway that communicates both business data and documents. It is a messaging, data transformation and document repository interface solution which covers all requirements for both Brokers and (Re)Insurers.