ASSOCIATIONS' ADMINISTRATION COMMITTEE

Associations' Administration Committee (AAC) – 2015 Report

January 2016

Dear Heads of Associations,

Introduction
The purpose of this letter is to update you on the on the progress and activities of the AAC in the period since my last Chair's letter in December 2014, which you may like to pass on to your members as customers of the Insurers' Market Repository (IMR).

The report is presented in four parts:
- Performance and maintenance of the IMR Service
- Enhancements programme and associated funding
- AAC developments and governance
- Outlook for 2016

Performance and Maintenance of the IMR Service
I am pleased to report a very stable operation overall, with 18 of our 21 service levels continuously met during 2015. The remaining 3 service levels were each met for 11 months of the year.

The IMR continues to be heavily utilised, now with some 52 million stored documents (42 million in 2014), 2.2 million 'hits' per day, over 9,000 licensed users and receiving 40,000 direct load messages a day.

Enhancements Programme and Associated Funding

ECF Write-Back
Write-Back, which allows the IT systems of London Market Insurers to interact fully with the market's central claims systems, including ECF, went live in October. Write-Back has been implemented by eight carriers: Ark, Berkley Offshore, Brit, Faraday, Liberty, Mitsui, Endurance and Talbot, and four software providers: Charles Taylor Insurance Services, DOCOsoft, FINEOS and Sequel. More carriers and software providers are expected to follow in 2016.

The new functionality increases the degree of interaction in the claims process markedly. It lets broker data flow into a carrier's system within seconds, enabling the carrier to manage and interact on the information much more quickly, while having the flexibility to build their 'view' of the claim from the enhanced pre-agreement data that is available. The carrier can then respond to the claim, sending data back into the market's central systems, enhancing the electronic claim handling and management process.

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ASSOCIATIONS' ADMINISTRATION COMMITTEE

ECF Binders

Work is well under way on the Binders work stream, which will bring binding authority and facilities business within the scope of ECF, extending its benefits and efficiencies to this significant proportion of, particularly, Lloyd's business.

Dedicated Market Acceptance Test environment

In 2016, five Market Modernisation initiatives will need to be tested against the IMR and the market's core mainframe systems, each for a duration of several months. These initiatives are IMR Re-Platform, CSRP, Binders, changes to ECF to decommission ECF1, and enhancements to the new Write-Back service. This contention on MAT environments is likely to continue in 2017 and beyond as various LM TOM projects are implemented.

The AAC commissioned a review of options for supporting MAT in 2015 and concluded that a dedicated test environment was required to accommodate all these projects and to eliminate the cost of creating and decommissioning individual test environments. This new dedicated MAT environment will be delivered in early 2016.

Funding

As you are aware, funding for enhancements is collected through a surcharge on premium and claims transactions, targeted at £3m per annum. In 2015 these funds were primarily spent on three large projects (Write-Back, Binders and the dedicated MAT environment). In total the AAC spent £4.7m, part of which was paid for using a surplus carried forward from 2014 of £1.2m, which included service credits of 0.5m. This means we will be carrying a deficit into 2016 of £0.5m. While 2016 will see the implementation of the new MAT environment and the completion of the Binders project, we do not anticipate requiring any additional funding over and above the £3m we will collect through the surcharge. Therefore the AAC does not intend to seek any change in its current funding arrangements. This means that transaction charges will be unchanged in 2016, remaining the same as they have been since 2013.

AAC Developments and Governance

Membership

During the year there was considerable change in the membership of the AAC. Louise Day (IUA), Ian Fantozzi (Beazley), Martin Scripps (XL Catlin), David Hughes (Novae), Joe Dainty (Lloyd's), Lee Elliston (ECF User Group), Steve Flood (ECF User Group), Paul Steynberg (CSRP Programme Director), Andrew Boyd (Technical Sub-Group) and Barry Le Page (LMG Secretariat) all joined, while John Hobbs (IUA), Roy Alexander (CNA), Colin Smith (ANV Syndicates), Chris Everson (Munich), Steve Hulm (LMG Secretariat) and Phil Romano (BRIT/A&S User Group) stepped down as members. A list of the current AAC membership is attached in the appendix to this letter.

I would like to thank all those who have taken part in the AAC and its sub-groups for their contribution to our efforts during 2015.

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ASSOCIATIONS' ADMINISTRATION COMMITTEE

Sub-Groups

We currently manage the AAC with three sub-groups reporting to our monthly meetings. During the year, we re-purposed the Performance Sub-Group as the Technical Sub-Group with a remit expanded to include technical oversight of the IMR Re-Platform and the new MAT environment. We disbanded the A&S Sub-Group with its work finished following the completion of the e-Accounts project.

An explanation of each sub-group is attached. AAC members and attendees are involved in each of these, highlighting the extra commitment that each are prepared to give and maximising the effectiveness of the committee.

Priorities for 2016

The continuity of the IMR Service through achievement of the contractual service levels by XIS will continue to be the focus for AAC. Central to this is the re-platforming of the IMR onto more modern technology, a necessary step to ensure the longevity of this essential market utility. We expect this work to conclude in the second half of 2016 and our focus will be on ensuring this technology upgrade is completed with minimal disruption and risk to the smooth running of the IMR, ECF and e-Accounts systems.

Our other priorities include the implementation of the new dedicated MAT environment, the completion of the Binders project, the decommissioning of ECF1 following the IMR Re-Platforming, support for the implementation of CSRP Release 1, and further on-boarding of carriers and software suppliers onto the Write-Back service. Finally, we will be investing in a training programme for ECF users, running workshops and providing online training for brokers, carriers and third-parties involved in claims handling.

I hope this summary is helpful and of interest. I would be pleased to answer any further questions, as would any member of AAC.

Yours sincerely,

Mark Chapman
AAC Chair

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ASSOCIATIONS' ADMINISTRATION COMMITTEE

APPENDIX 1 – AAC Terms of Reference

ASSOCIATIONS' ADMINISTRATION COMMITTEE ("AAC")

TERMS OF REFERENCE (2014 v2.1)

THE ROLE OF THE AAC

The AAC is a cross market group comprising representatives from the International Underwriting Association ("IUA"), Lloyd's Market Association ("LMA"), the London and International Insurance Brokers' Association ("LIIBA"), and the Corporation of Lloyd's (Lloyd's). By mutual agreement, the AAC may add representatives from other organisations as may be appropriate to maintain effective governance and delivery for the scope of its responsibilities as may be varied from time to time.

The role of the AAC is to:

a. Perform certain management functions on behalf of customers ("IMR Customers") under the Insurers' Market Repository Agreement ("IMR Agreement") as laid down in Schedule 5, and such further functions in relation to the IMR Agreement as the IMR Customers may agree in writing from time to time. In carrying out these functions, the AAC will use reasonable endeavours to:
   - ensure that the strategy and direction for the IMR service aligns with other services and related developments activity in the London insurance market (including but not limited to that of the London Market Group ("LMG"));
   - manage the priorities between Accounting and Settlement ("A&S") and Electronic Claims File ("ECF") requirements, and other actual or potential uses of the IMR service;
   - liaise with the IUA, LMA, LIIBA, Lloyd's and other market organisations regarding any potential changes to business practices arising from the adoption of the IMR service.

b. Oversee the provision of Xchanging's Electronic Accounting ("eAccounts") and Electronic Claims Files ("ECF") services on behalf of IMR Customers under the terms incorporated into the IMR Agreement for these services including:
   - managing the maintenance and enhancement of these services and managing priorities between various work programmes
   - producing an annual budget to be agreed with market associations, as detailed below
   - authorising expenditure for maintenance and enhancement work within budgetary constraints agreed with market associations
   - liaising with market associations and other market organisations regarding any potential change in business practices arising from the provision or enhancement of these services.

c. Undertake such other responsibilities for related market projects as may be assigned to it by the LMG from time to time and specified in an Addendum to these Terms of Reference. Insofar as such projects may require variation to some aspects of these Terms of Reference, those variations will be specified in the Addendum, items not specified to remain as stated in these Terms of Reference.

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ASSOCIATIONS' ADMINISTRATION COMMITTEE

BUDGETING and FINANCE

In conjunction with Xchanging and other relevant market bodies, AAC shall prepare an annual budget in relation to IMR, eAccounts and ECF. This budget shall make provision for:

a.   anticipated enhancements and changes to the services, including changes to the service levels

b.   application of the service credits that may accrue under the terms of Schedule 2 of the IMR Agreement

c.   such other expenditure as AAC may determine is necessary for the effective discharge of its responsibilities under Schedule 5 of the IMR Agreement.

AAC will recommend its approved budget to IUA and LMA for final approval and agreement by IUA's Service Review Panel ("SRP") and LMA's Xchanging Review Board ("XRB") respectively.

SRP and XRB will determine and agree with Xchanging how the required funds will be levied on companies and managing agencies respectively.

Expenditure from budget will be governed by AAC which will provide progress reports to SRP and XRB via IUA and LMA respectively at least quarterly.

AAC may not exceed the approved budget without prior agreement of IUA and LMA.

AUTHORITY TO FORM SUB-GROUPS

AAC may form permanent or temporary sub-groups to assist it in the performance of its roles and responsibilities. AAC will ensure that such groups are established under formal terms of reference, have appropriate representation of IMR Customers, keep appropriate records, and report to AAC after each meeting or quarterly whichever is the more frequent. AAC may delegate authority to approve expenditure from budget to any sub-group.

MEMBERSHIP

The members of the AAC will comprise:
- The Chairman
- Up to three LMA members nominated by the LMA;
- Up to three IUA members nominated by the IUA;
- Up to two LIIBA members nominated by the LIIBA
- Up to three members nominated by the Corporation of Lloyd's
- The Chief Executives of the IUA, LMA and LIIBA (or their nominated representative).

The membership of the AAC will be reviewed annually by the LMA, IUA, LIIBA and Lloyd's.

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ASSOCIATIONS' ADMINISTRATION COMMITTEE

CHAIRMAN

The Chairman of the AAC will be nominated by the IUA and the LMA on an alternate basis.

Unless agreed to the contrary by the members of the AAC (excluding the Chairman), the Chairman will hold office for a maximum of two years.

The Chairman will be a Chief Executive Officer or similarly senior executive of an IMR Customer.

In the Chairman's absence from any meeting, the members present at the meeting will agree by majority vote who will chair that meeting.

QUORUM

The quorum for any AAC meeting will be at least two AAC members from each of the LMA and the IUA, and one from each of the LIIBA and Lloyd's.

VOTING

The Chairman may decide that any matter be put to a vote, with each member or alternate present having one vote. The vote will be decided by a simple majority of members and/or alternates present, excluding the Chairman. In the event that a vote is tied, the Chairman will exercise a casting vote.

ALTERNATES

If any AAC member is unable to attend a meeting, the corresponding market association or Lloyd's may nominate an alternate. The alternate will be deemed to be a member for quorum and all other AAC business purposes for that meeting.

ATTENDANCE AT MEETINGS

The AAC may invite representatives from other organisations to attend meetings. This may include, for example, staff from Xchanging, market groups constituted for the purpose of representing IMR Customer's interests, and IMR Customers. Such representatives will have no voting rights at any AAC meeting.

MEETINGS

The frequency of AAC meetings will be determined by the Chairman but will not be held less frequently than quarterly.

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ADMINISTRATIVE SUPPORT

The London Market Group Secretariat will nominate an individual who will be responsible for supporting the AAC's work with proposals, papers, administration and records of meetings, advice and follow-up actions.

CHANGES TO THESE TERMS OF REFERENCE

These Terms of Reference may only be amended with the agreement of the IUA and LMA.

ADDENDUM – POST BIND SUBMISSION (EBOT DEVELOPMENT & IMPLEMENTATION)

POST BIND SUBMISSION (EBOT DEVELOPMENT & IMPLEMENTATION) PROJECT BRIEF

(To be specified by CSRSG)

BUDGETING and FINANCE

(To be specified by CSRSG)

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APPENDIX 2 – list of AAC members

MEMBERS

Mark Chapman	Global Aerospace	(Independent Chair)
Charles Brown	JLT	(LIIBA)
David Hughes	Novae	(LMA)
Ian Fantozzi	Beazley	(LMA)
James Livett	LIIBA	
Joe Dainty	Lloyd's	
Louise Day	IUA	
Mark Knight	LIIBA	
Martin Scripps	XL Catlin	(IUA)
Michael Harris	Tokio Marine Kiln	(LMA)
Nigel Edwards-Smith	Everest Re	(IUA & Chair, Finance Sub-Group)
Peter Hambling	Lloyd's	
Rob Gillies	LMA	
Shirine Khoury-Haq	Lloyd's	

IN ATTENDANCE as required

Andrew Boyd	Newline (Chair, Technical Sub-Group)
Barry Le Page	LMGS (Secretary, AAC)
Geoff Kennard	Xchanging (Service Delivery)
John Dowthwaite	DMW Group
John Niblett	Xchanging (Application Development)
Lee Elliston	LMA (Chair, ECF User Group)
Paul Steynberg	Lloyd's (CSRP Programme Director)
Steve Flood	LMA (ECF Rep)

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APPENDIX 3 - AAC Sub-Groups

The sub-group arrangements are as follows:

- **The Technical Sub-Group** is concerned with the review and validation of XIS service and plans relating to the technical and operational infrastructure that supports the performance of the IMR, ECF and e-Accounts. It is currently chaired by Andrew Boyd (Newline).

- **The Finance Sub-Group** is concerned with AAC's accountability for the IMR, ECF and e-Accounts maintenance budgets, including liaison with XIS and advising the IUA Service Review Panel and LMA Xchanging Review Board of budget collection progress against the AAC approved enhancements expenditure. It is currently chaired by Nigel Edwards-Smith (Everest Re).

- **ECF User Group (ECFUG)** is the user forum for reviewing and presenting enhancement proposals to AAC that are intended to increase and / or improve the use of the IMR-based ECF system to maximise the benefits. It is currently chaired by Lee Elliston (LMA).

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APPENDIX 4 – IMR Schedule 5 (extract from IMR Contract 2012)

Schedule 5

Associations' Administration Committee (AAC)

The AAC is authorised by the Customer to perform the following functions:

1. Following consultation with IUA, LMA and LMBC, AAC will agree in writing on behalf of all Organisations, any amendments to Schedules 1, 2, 3, 6, 7, 8 only following consultation with representative Organisations;

2. To agree amendments to the main body of the IMR Agreement and Schedule5 which shall take effect and shall bind all Organisations only when:

2.1   the proposed revisions have been agreed by AAC and Xchanging; and

2.2   the AAC has consulted with the LMBC, LMA and IUA on the proposed amendments and has obtained appropriate approval.

2.3   Customers shall be deemed to have accepted and shall be bound by the amended IMR Agreement if they continue to use the Repository after 30 days after publication of any amendment in this section 2.

2.4   A Customer who does not accept any amendment made in accordance with this section 2 shall cease to use the Repository before such amendment takes effect.

2.5   Any revised IMR Agreement that is published purportedly in accordance with this section 2 shall be deemed to have been validly published unless within 30 days of their being published AAC receives in writing an objection from any of LMBC, IUA or LMA.

3. In accordance with clause 9.1.8 of the main body of the IMR Agreement, AAC will, on an annual basis, agree with Xchanging the amount and, where applicable, the terms of the professional indemnity insurance required.

4. In accordance with clause 9.3 of the main body of the IMR Agreement, Xchanging shall notify AAC of its Disaster Recovery plans and Xchanging and AAC shall work together, in good faith, to agree business continuity and disaster recovery procedures acceptable to both parties.

5. In accordance with clause 11.1 of the main body of the IMR Agreement, ACC will approve or reject Xchanging's requests to sub-contract.

6. In accordance with clause 14.1 of the main body of the IMR Agreement, AAC shall be entitled to invoke a Service Credit on the basis set out in Schedule 2 in the event of a failure in the Services.

7. In accordance with clause 21.3 of the main body of the IMR Agreement, Xchanging shall agree with the AAC a suitable alternative to escrow that affords the Customer the nearest equivalent protection where it is unable to procure compliance with the provisions of clause 21.1 of the main body of the IMR Agreement in respect of any third party software.

8. In accordance with sections 6.1 and 6.3 of Schedule 1, at Xchanging's request, consider and as appropriate agree or reject requests for Scheduled Downtime.

ASSOCIATIONS' ADMINISTRATION COMMITTEE

9.   Xchanging will report to AAC on Service Levels as set out in sections 2 and 3, Schedule 1 and AAC shall consider the same.

10. Xchanging will report to AAC on a monthly basis its adherence to the Response Target Times as set out in section 7, Schedule 1 for incident management and AAC shall consider the same.

11. Xchanging will provide additional enhancement services as agreed with the AAC.

11.1. The process and Service Levels associated with arriving at a final cost are as follows:

   11.1.1.   AAC will produce a requirements document to submit to Xchanging. Xchanging will spend a maximum of 2 Business Days free of charge per quote supporting the production of the requirements document;

   11.1.2.   On receipt of the final requirements document from AAC Xchanging will produce a high level quotation for the total implementation cost of the project free of charge and within 21 Business Days (or other period agreed with AAC, such agreement not to be unreasonably withheld);

   11.1.3.   At the same time the high level quote is produced, Xchanging shall also supply a fixed price for the production of a functional specification. Xchanging will provide a detailed quotation for the total implementation. Once the functional specification has been approved by AAC Xchanging will produce the quotation within 21 Business Days (or other period agreed with AAC, such agreement not to be unreasonably withheld) after the delivery of the functional specification, such dates to be agreed with AAC;

   11.1.4.   On receipt of the functional specification and detailed quotation, AAC will then decide to proceed with the implementation in whole or in part. This can be on the basis of the detailed quotation, or for a fixed price that will incur a 30% premium on the detailed quotation.

11.2.   Xchanging will progress a maximum of 3 high level quotes simultaneously for each of A&S and ECF, unless otherwise agreed.

11.3.   Xchanging shall offer a 20% rate card deduction if the AAC commits in advance to spend £1 million on A&S and ECF in any calendar year as amended from time to time.

11.4.   Delivery dates will be agreed between the AAC and Xchanging.

11.5.   The AAC will arrange for testing in order to sign off the delivered enhancements. Xchanging will deliver the enhancements to the Market Acceptance Testing (MAT) environment.

11.6.   The duration and resources committed by Xchanging to the environment will be agreed on a case by case basis.

12. In accordance with section 3.8 of Schedule 1, AAC will from time to time agree the rules governing system automated access to Documents.

13. In accordance with section 3.22 of Schedule 1, Xchanging will agree with the AAC new versions of Desktop Software to be supported.

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14. In accordance with section 3.24 of Schedule 1, Xchanging will approach AAC for funding to upgrade the system in the event that an Interwoven upgrade is required to support the new version of Desktop Software.

15. In accordance with section 3.31 and 3.32 of Schedule 1, Xchanging will consult with AAC and agree actions required to maintain the defined Service Levels. Where necessary, Xchanging will approach AAC for additional funding.

16. In accordance with section 3.33 of Schedule 1, Xchanging and AAC will agree an archiving and retrieval policy and associated development work for the Services.

17. In accordance with section 4.12 of Schedule 1, Xchanging will notify AAC of any changes to the model for estimation set out in 4.11.

18. In accordance with section 5.5 of Schedule 1, Xchanging will obtain advance approval from AAC, where feasible, should it need to withdraw the post MAT testing and training environment during Core Service Hours.

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