

# Lloyd's of London

## Transforming the London Market

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# Lloyd's – what is it?

- An insurance market of 45 managing agents and 66 syndicates
- Serviced by over 150 brokers
- 316 years of innovation



# Lloyd's – A Global Business

- Licensed in 75 territories
- World's no.5 reinsurer
- 25% of the world's internationally available reinsurance
- No.1 surplus lines carrier in USA.

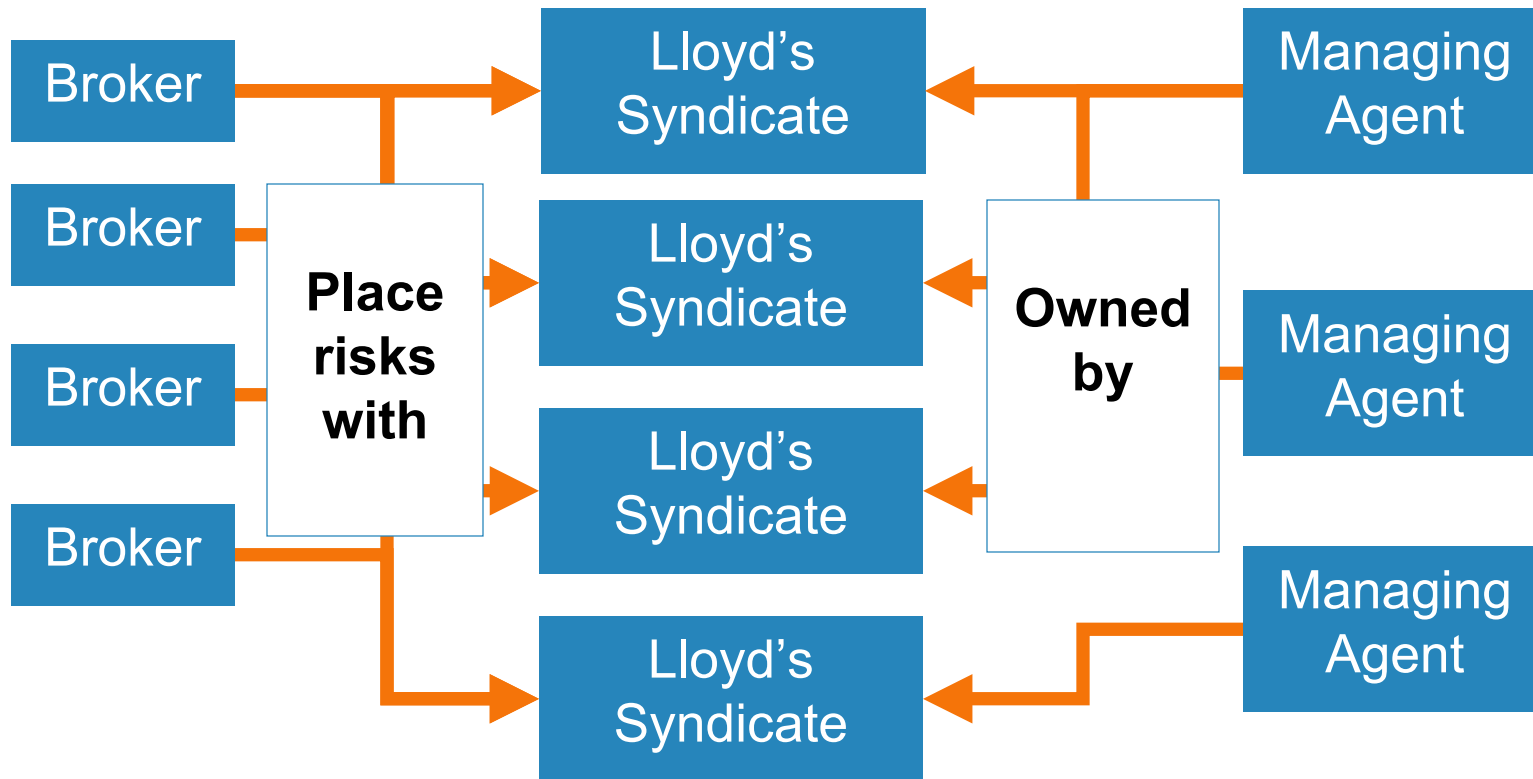


# Lloyd's – A Profitable Global Business

- 2003 Results:
  - net profit before tax  
£1,892m
  - net premium earned  
£11,711m
  - combined ratio 90.7%



# Lloyd's Market



Over 150 Brokers

66 Lloyd's Syndicates

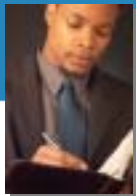
45 Managing Agents

Capital provided by Corporate Members and Individual Names

# The Distribution Chain



International Client



Local agent



Wholesale broker



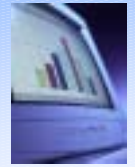
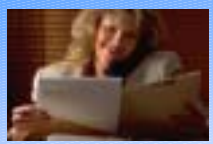
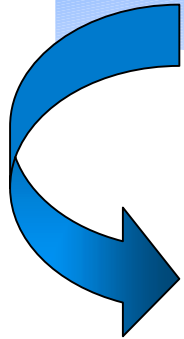
London broker



Following underwriters



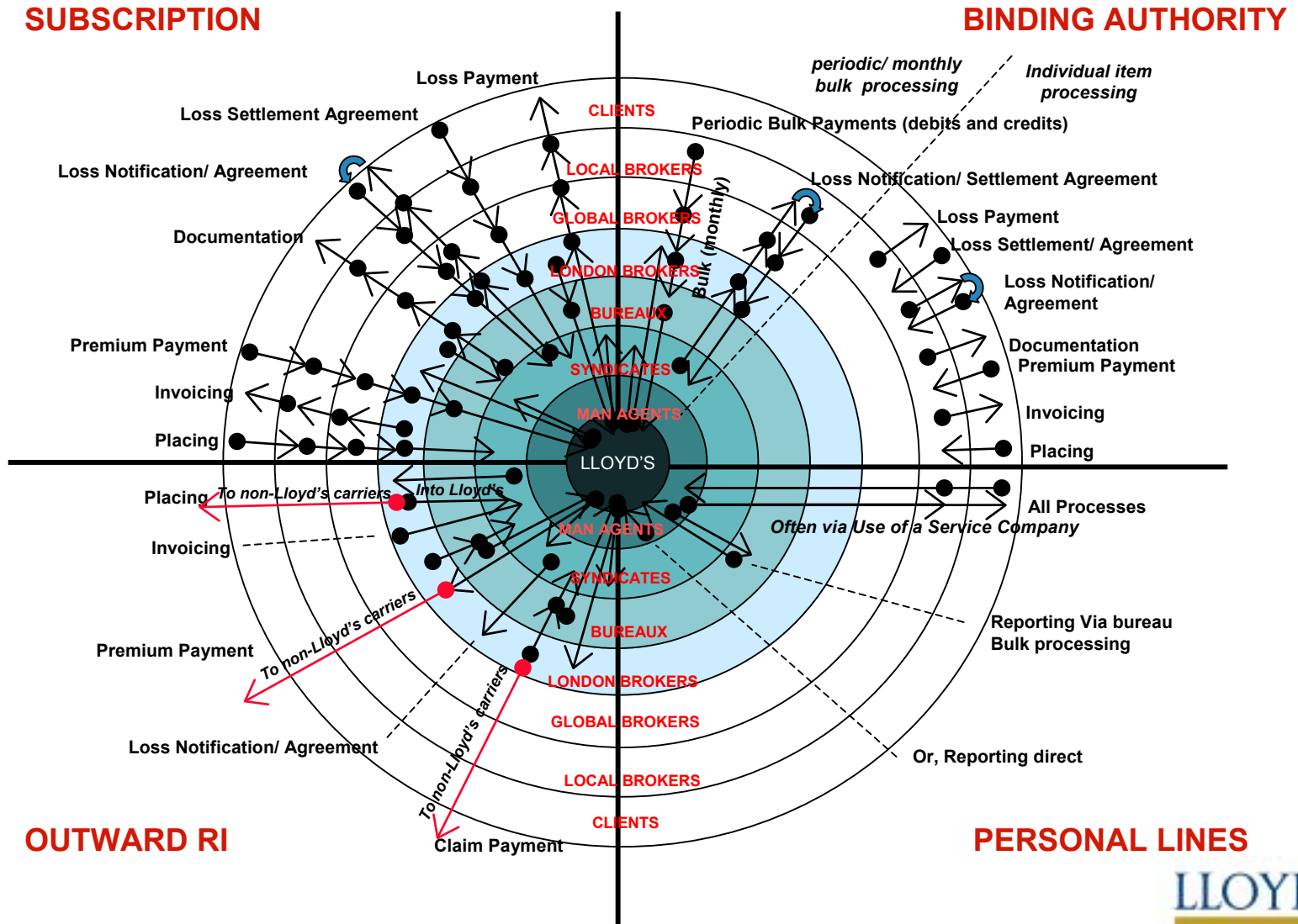
Lead underwriter



Validate, record, process and transmit data. Produce policies, initiate premium collection and claim payment



# The Business Process “Simplified.”



# Lloyd's Business Process Reform

- Improve access to Lloyd's market worldwide
  - Reducing risk through contract certainty
  - Cutting timeframes
  - Improving transparency
- Electronic processing to international standards
  - Parallel not serial processing
  - Improve speed of processing
  - Better validation of all data
- Significant financial savings

# Lloyd's reforms – business rationale

- **Contract Certainty = Fewer coverage disputes**
  - Earlier production of policies
- **Accounting & Settlement = Cost reduction**
  - Streamlined processing of premium and claim payments
  - International reach
- **Exposure Reporting = Improved reserving**
- **Electronic Claims = Faster claim negotiation**
  - Concurrent access by all subscription underwriters

# Business Reform Needs Standards

- International standards for an international business
- Across the whole spectrum of:
  - Insurance and Reinsurance
    - Reinsurance, Large Commercial, Property, Casualty, Marine Aviation and Transport
- Not just brokers and carriers
  - But also loss adjusters, attorneys and third party administrators.
- Lloyd's as catalyst
  - With regulatory drive

# Reforms and ACORD

- Standards need implementations
- Lloyd's implementing
  - Contract clarity through Kinnect, LMP Slips
  - Premium processing and claim payment: A&S
  - Policy Documentation
  - Claims negotiation: ECF, DRI
- ACORD support
  - Europe and London Office

# Lloyd's development and implementation of ACORD Standards

Mike Smith

Lloyd's of London

# Lloyd's reforms

- Contract Certainty
- Policy Documentation
- Exposure Reporting
- Accounting & Settlement
- Electronic Claims
- Document Repository Interoperability

# Contract Certainty

- Secure data in a repository.
  - Collected as close to the client as possible (Kinnect)
- Standardized wording.
  - Incorporated by reference to a database
- Interim standardized placement document (the LMP Slip) to ACORD standards
  - but moving swiftly to a data dictionary and full data support.

# Exposure Reporting

- Electronic exchange of information through whole business chain.
  - To understand exposures
  - To report risks written (binding authorities)
  - Ability to more accurately estimate PML
  - Capability to continue / expand writing of surplus lines business
- Already implemented as explained yesterday  
“ Binders and Exposures: A Success Story”  
by Cassie Smith of Hiscox

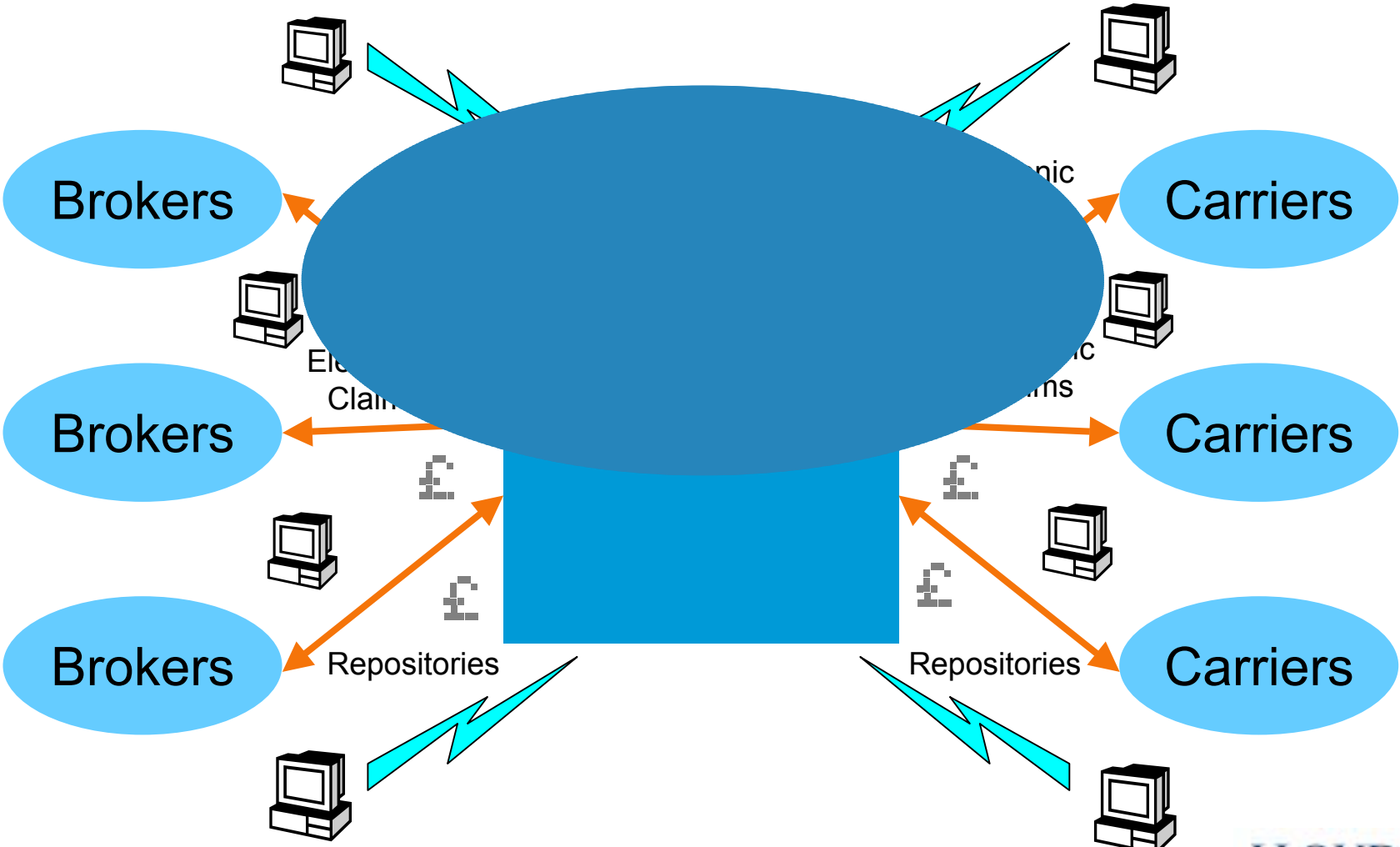
# Why Accounting & Settlement?

- London has been using EDI since 1986
  - as a replacement for punch cards
  - for premium payments, claims advices and payment requests
  - local to London - no international standards
  - all things to all people – multi function – multi data sets
- Now need to move to international standards
  - Consistency for carriers whether Lloyd's, London bureau or non-bureau
  - Consistency for brokers irrespective of carrier
  - Enables non-London brokers to deal with London carriers
  - Enables third parties such as loss adjusters, surveyors, attorneys to deal with all carriers consistently.

# What is Accounting and Settlement?

- Implementation of ACORD RLC XML messages
  - to rationalise and streamline London processes
  - for accounting and settlement of premiums and claims
- Infers process changes
  - fully de-linked
  - single use messages
- Xchanging are key to successful implementation
  - changing their systems and supporting current processes
  - allow the market to change at its own pace

# Implementing ACORD messaging & modernising the Market



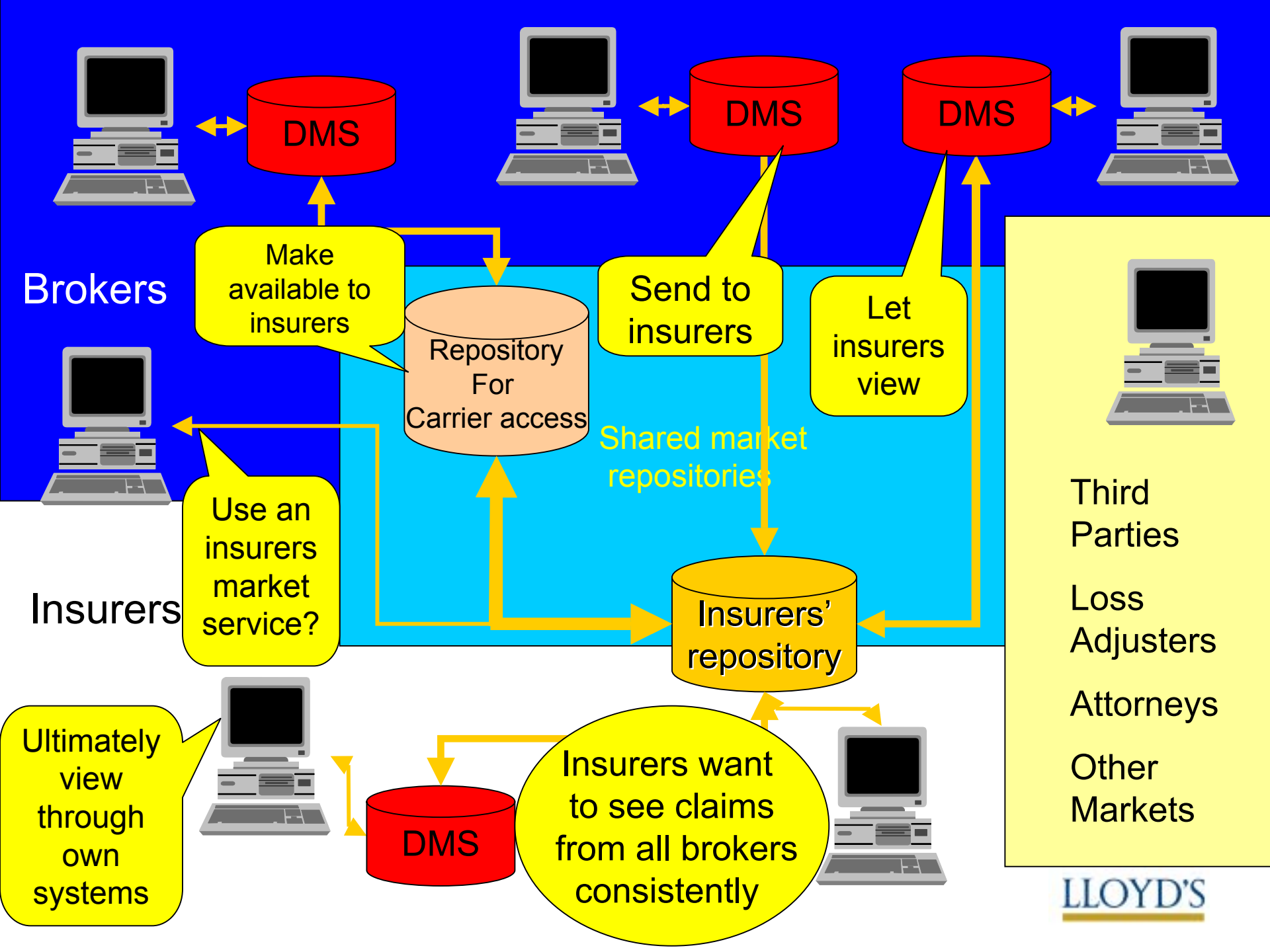
# Accounting & Settlement Timeframes

- 15 months to change Xchanging systems
- Each broker and each carrier to choose when to make their changes
  - whole market changed by 2007
- Dependencies = ACORD
  - SOAP framework
  - RLC data dictionary
  - XML messages and implementation guides

# Electronic Claim Files

- Subscription market requirements
- Document Repository Interoperability





Brokers

Insurers

Third Parties  
 Loss Adjusters  
 Attorneys  
 Other Markets

# Document Repository Interoperability

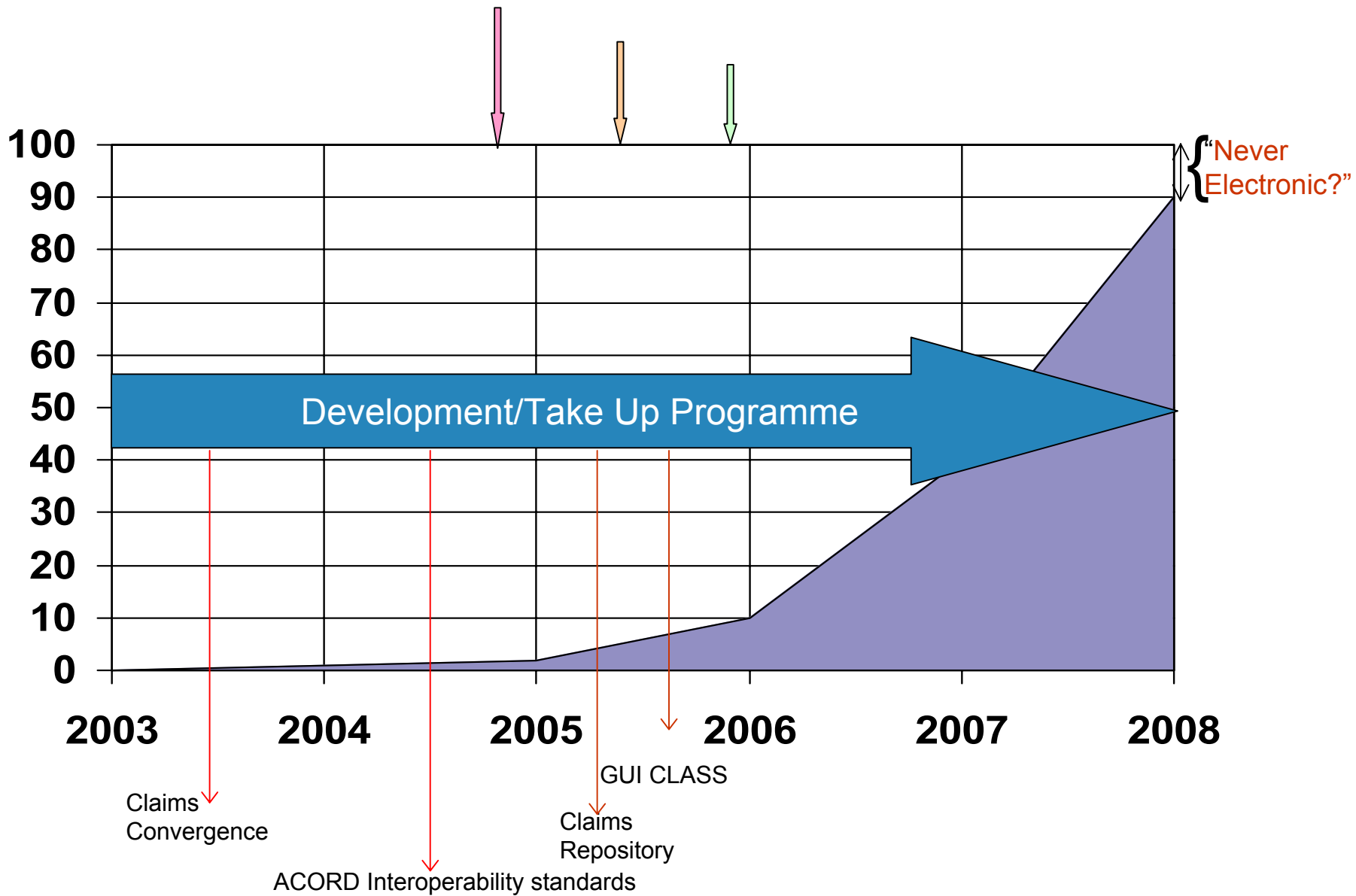
- Lloyd's requirements
  - a central document repository for claims
  - concurrent access to carriers
  - Interoperability with broker, carrier and third party repositories
  
- Pilots in operation in London

# Document Repository Interoperability

- Needed for Claims
  - To improve client service
  
- Also needed for
  - A&S
  - Contract Certainty

# Electronic Claim File Timetable

- Repositories in operation today
- ACORD DRI standards completed
  - Interoperability pilots underway
  - Standards to be voted June 2004
- Xchanging development programme for Lloyd's
  - 15 months with deliverables each quarter
- Lloyd's target: minimum 10% of claims electronically by end 2005



# ACORD Implementations

DRI Standards  (Claims Accounting & Settlement)	Draft	Repository Interoperability
SOAP Framework	Published	Common interest and concerns RLC, P&C, Life,
Core Submissions and Claims  (Contract certainty – Kinect Accounting & Settlement)	Published	XML Business Messages

# Reforming the London Market

- Key London market brokers and carriers are engaged
- Implementation has started on:
  - Contract clarity
  - Document Repository Interoperability
  - Electronic Claim Files
  - Accounting and Settlement
- All building on ACORD standards
- An international solution for an international business