Electronic Placing

Rob Gillies and Peter Holdstock
Lloyd’s Market Association

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• Why electronic processes

• The electronic placement process

• Progress, experiences and lessons so far

• The future
Agents for change

- The global marketplace
- Convergence of insurance and capital markets
- Growth of self-insurance
- High transaction costs
- Market process inefficiencies
- Restrictive practices

(with acknowledgement to Dennis Mahoney - Acord Forum London, 2007)
Market pressures

- Current electronic messaging initiatives in placing, accounting and settlement and discussion of messaging in claims e.g.
  - ELPan2 and eBOT
  - ‘Rushlikon’
  - ePlacing

- Other influences towards remote working e.g. eMCRE

- “Automation of London market processes is inevitable and needed” (Watertrace Report on Aon’s use of RI3K, May 2008)

- All major brokers have electronic trading strategies
Other drivers

- Pressure to optimise processes and back-office functions driven by need for effectiveness (speed and client service) and cost reduction and avoidance
- Increasing sophistication of risk management and risk trading by many market players will require higher data granularity (i.e. policy-level data)
- Pressure to focus attention and resources on core competency areas such as acquisition, underwriting and risk management; data processing should be straightforward
- Reporting requirements from regulatory bodies, the investment community, rating agencies and business partners will mandate transparency, data quality and information detail which can only be achieved with common data standards and electronic data transmission

(sourced from ‘Rushlikon’ briefing paper)
Global and market change

Improved efficiency
Reduced costs
Exploit strategic business opportunities

Customer service demands
Competitive pressures
Need for increased return on capital
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What is electronic placing?

Simple
- Electronic

Moderate
- Face to Face, Telephone, Electronic

Complex
- Face to Face

Negotiation

Data Exchange
Segmentation

- Complex
  - Electronic submission
    - Face-to-face
  - Remote discussion
  - Fully electronic

- Simple

(Aon, 2007)
Electronic Placing Steering Group - Vision

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.
A carrier’s perspective

- Easy access to information from multiple systems
- Less administration for underwriter - reduced re-keying of data
- Ability to direct work to available resources (workflow)
- Reporting (business activity monitoring) to assist with process transparency and management controls
- External and internal auditing and compliance
- Automatic recording of quotes
- Improved data integrity
- Increased operational efficiency through the electronic exchange of information and workflow

Drivers for electronic support of the placement process

• Client and Market desire for transparency
  – Support for their regulatory and operational requirements
  – Ability to track progress of placements
  – Ability to aggregate the overall position
  – Ability to measure service
  – Greater / earlier clarity surrounding written / signed lines

• Aon’s current regulatory environment
  – Clear audit trail of who did / was shown what and when
  – Transparency of process, who was offered what
  – Complete audit and Contract Certainty
  – Reduce E&O exposure

• Aon / Market desire to offer their clients a world class service
  – Utilisation of the ABC full electronic process
  – More time for face-to-face meetings on complex risks
  – Process efficiency, service enhancement
    ➢ Faster claims agreement and settlement
    ➢ Attractive market for insurance business

• Mutual reduction of frictional costs
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<tr>
<th>Benefit delivery</th>
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<tr>
<td><strong>Increased Operational Efficiency</strong></td>
<td><strong>Reduced Costs</strong></td>
<td><strong>Increased Regulatory Compliance</strong></td>
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<tr>
<td>- Improvement in peer review process</td>
<td>- Photocopying, scanning and indexing of paper documents no longer necessary</td>
<td>- Increased use of industry model contracts eases compliance burden</td>
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<td>- Earlier availability of data and documents for review</td>
<td>- Reduced risk data capture time through straight-through-processing</td>
<td>- Earlier checks made to meet regulatory and risk management requirement</td>
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<td>- Reduced risk of errors associated with manual processes</td>
<td>- Simple endorsements processed fully electronically</td>
<td>- Full audit trail for placing process</td>
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<td>- Faster release of capital through earlier signed lines</td>
<td>- Lowering operational costs through efficiency gains</td>
<td>- Enhanced security of information</td>
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<td>- Quotes bound on line, speeding up placement process</td>
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<td><strong>Increased Market Transparency</strong></td>
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<td>- Improved exposure management</td>
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<td>- Consistency in provision of data</td>
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<td>- Standard data re-used for A&amp;S process</td>
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**Electronic exchange of data and documents** enables **Selective use of face-to-face negotiation**

**Benefit delivery**

- **Improved operational efficiency**
  - Improvement in peer review process
  - Earlier availability of data and documents for review
  - Reduced risk of errors associated with manual processes
  - Faster release of capital through earlier signed lines
  - Quotes bound on line, speeding up placement process
  - Improved exposure management
  - Standard data re-used for A&S process

- **Reduced costs**
  - Photocopying, scanning and indexing of paper documents no longer necessary
  - Reduced risk data capture time through straight-through-processing
  - Simple endorsements processed fully electronically
  - Lowering operational costs through efficiency gains

- **Increased regulatory compliance**
  - Increased use of industry model contracts eases compliance burden
  - Earlier checks made to meet regulatory and risk management requirement
  - Full audit trail for placing process
  - Enhanced security of information

- **Increased market transparency**
  - Consistency in provision of data
  - Data seamlessly translated from one market to another

**Strategic opportunities**

- Less reliance on geographical boundaries
- Time freed up to concentrate on business acquisition
- Serve an enlarged customer base or branch network by increasing capacity to process business online
- Increase portfolio of simple, low volatility business
- Greater opportunities for market segmentation
- Global management of orders enables clear view and assignment of responsibility.

**Improved customer service + Increased return on capital**
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Who’s doing what?

Trading Platforms
- Aon use of RI3K

ACORD Messaging
- Increasing numbers transacting live business
- Increasing numbers positioning ready to participate
- Move to two-way messaging over one-way messaging

General
- Much increased general level of interest over 2007
- Other activity such as broker and underwriter portals and eReinsure
- Lloyd’s Information Exchange

Resource: Landscape Analysis
Current and Planned Activity

Roadmap

- One way placing
- Two way placing
- Multi-section risks
- Additional messaging capability
- Additional structured data
- Alignment with eMRCE
- Broker engagement
- Market wide Class of Business pilot

Implementation Group

- Business protocols
- Evidence of cover
- Adherence to validation rules

Resource: Roadmap
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“We remain convinced that electronic processing is the future for this market...”

Ian Summers, Director of Change Strategy at Aon

“Exchanging structured data to support the placing process is the way the market has to go in the next few years if we are to remain competitive”

Trina-Lane Pearce, UK Operations Manager at Catlin

“In this market, companies that embrace new technology not only improve their business today, but they also safeguard their business for tomorrow”

Lisa Gibbard, Head of IT at Aspen
Electronic Lifecycle of the Risk

- Electronic Placing
- Accounting and Settlement
- Claims adjustment and settlement
- Contract Amendments
- Evidence of Cover
- Risk Renewal
Peter Holdstock
Consultant
Lloyd’s Market Association
020 7327 8383
peter.holdstock@lmalloyds.com

Rob Gillies
Head of Market Processes
Lloyd’s Market Association
020 7327 8377
robert.gillies@lmalloyds.com

Resources: www.lmalloyds.com
- Introduction
- Getting Started Guide
- Vision and Roadmap
- Benefits Model
- Landscape Analysis
- Placing Implementation Guide
- Watertrace Report