

Inside this month:

Newsletter 101 and it is all so simple – CSRP sets out its plans for delivery and LMG seeks to embark on its most important year. Plus Apple are in town...



the LMG

Issue 101 February 2015

newsletter

A very good year...?



As Paul Steynberg's main article this month sets out, 2015 promises to be a big year for the Central Services Refresh programme. But it also promises to be a big year for LMG as a whole. We are now getting into the serious delivery phase for both of the two highest priority process modernisation initiatives we identified in our Future Process Review in 2013. Paul sets out CSRP's plans in the coming pages. Expect to see similar emanating from Placing Platform Limited shortly.

In the wider context, the publication of *London Matters* in November has had the impact we believed it

would when we commissioned the work. National press coverage – The Times; Financial Times; Economist all carried stories. A trip to Parliament – Steve Hearn and Sean McGovern appeared before the All Parliamentary Group on Insurance and Financial Services to discuss the report in December. A mention in the Chancellor's Autumn Statement – he promised to initiate work to examine the things Government could do to attract more reinsurance business to London. And a delivery on that promise – LMG is currently co-ordinating market input to the HM Treasury Steering Committee set up to deliver on the Chancellor's pledge. All are tangible signs that the profile of the market and

understanding of our issues is probably higher now in relevant circles than it has been for some time.

So 2015 for LMG as a whole will be about the market building on that. *London Matters* has been a significant success so far. But it will only have been worth doing if we now devise a programme of action that seeks to exploit the opportunities the report identified. We need to find the answers to the questions posed at the end of the report around competitiveness, development and reach. We need to understand to what extent we need to answer these questions as a collaborative market, as opposed to individual communities or firms devising their own strategies. Those are issues LMG will be considering at its awayday on 30th January. Expect to hear news of the outcome of these deliberations soon after.

Another major event in 2015 will be the change to the human modernisation landscape. Retirement plans mean that this is the last year we will enjoy the company and input of both Steve Hulm and John Hobbs. There will be time to come to celebrate the enormous input both these titans have made in their time in the market. But their plans to move on do mean we are now welcoming their replacements into the fold. Chris Buer and Barry Le Page have joined LMG Secretariat where they will be assuming Steve's work (and much more besides). And Louise Day has joined IUA as Programme Director. Welcome to all three of them. A new era dawns...

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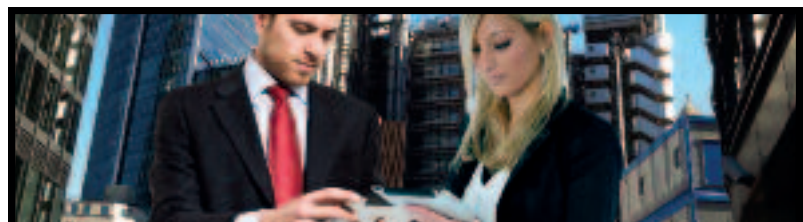
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Central plans

Paul Steynberg Programme Manager, Central Services Refresh Programme

2015 is going to be a big year for the Central Services Refresh Programme (CSRP). The work we achieved last year means that we have all the key elements for success in place – full cross market backing; a strong sense of what we need to achieve (set out in the Target Operating Model we published in the autumn); a roadmap of how we are going to go about doing it; and the right relationship with our supplier- XIS. So now we are full steam ahead working through that roadmap with the aim of putting new bureau services into production in 2016.

It is always worth reminding ourselves of the overall purpose of this work. LMG's Future Process Review in 2013 identified that there was an issue with our customers gaining access to our market. This point was confirmed and developed by LMG's London Matters report. That highlighted that clients prefer purchasing their insurance in local markets where possible – and identified 30% - 40% of London premium that could be at risk because of it. The report also set out that London is more expensive



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If you have any questions or queries, please contact Roger Oldham on roger@lmtc.club



to deal with than other markets, due to higher acquisition costs, with expense ratios 9 percentage points higher than elsewhere. All of which is driving a need to have efficient, non-London specific processing at the core of our market if we are going to continue to be successful.

That is why CSRP is one of LMG's two top priority initiatives to meet its modernisation vision. Our aim is to

- remove post-bind Londonisms;
- streamline back office processes;
- replace old technologies; and
- extend central services where economies of scale are beneficial (something we described in the Future Services Register (FSR) we published last year).

As a starting point we are looking to redefine post bind submission. This is the work that our current Target Operating Model sets out (see the diagram below). It

and eAccounts submissions – from a date to be discussed with all parties! And finally we create a Master Data Management service which is published to the market for consumption. This will help with data quality across the market.

So, how have we been getting on? We have selected a Programme Partner – KPMG – to help us run the work. We now have, as I have just outlined, a market agreed Target Operating Model. Our Steering Group has approved our Roadmap and we are now consulting on this with the three Associations' operations committees. We have set out the benefits case – which the

to note though is that, if we proceed to plan, we will be introducing the new services in the first half of 2016, with the aim of achieving full market adoption in the middle of 2018 and the retirement of paper A&S and eAccounts as a submission channel. There is a lot of work to be done, but we have the team in place to do it.

I promised a bit more on the bene-

The Business case – 2015 to 2021

Costs and Benefits Framework

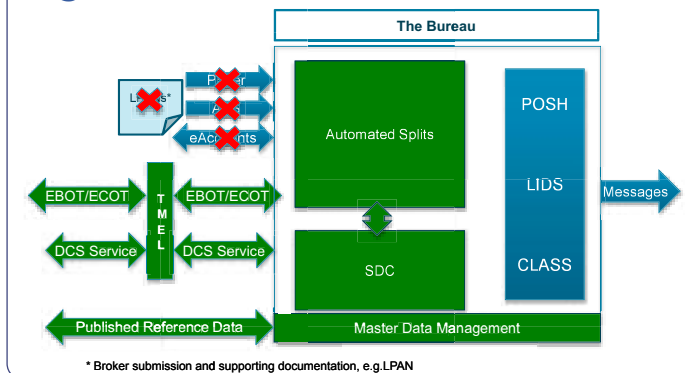
Participant Name - Description	Benefits	Cost
Carriers	<ul style="list-style-type: none"> • Less trapped premium 	<ul style="list-style-type: none"> • Implementation costs • Handling queries (transition cost)
Brokers	<ul style="list-style-type: none"> • Transfer of Accounting Spills to XIS • Single Process / Improved reconciliation • Reduced training costs • Reduced number of queries 	<ul style="list-style-type: none"> • Implementation costs • Broker software changes
Change Delivery - Programme and suppliers including XIS and TMEL	<ul style="list-style-type: none"> • Lower Market future change costs 	<ul style="list-style-type: none"> • Programme Technology • TMEL change / new run costs
Central Service Operations - within XIS	<ul style="list-style-type: none"> • Reduced query handling • Streamlined processes 	<ul style="list-style-type: none"> • Transferred Broker activities • Implementation costs
Lloyd's - Lloyd's Corporation	<ul style="list-style-type: none"> • Less processing / checking required 	<ul style="list-style-type: none"> • Process / internal system changes

Steering Group has approved in principle. We have also developed project charters and detailed project plans.

In terms of roadmap, the diagram below sets out all the work we need to do. As you can see it is quite busy. The key thing

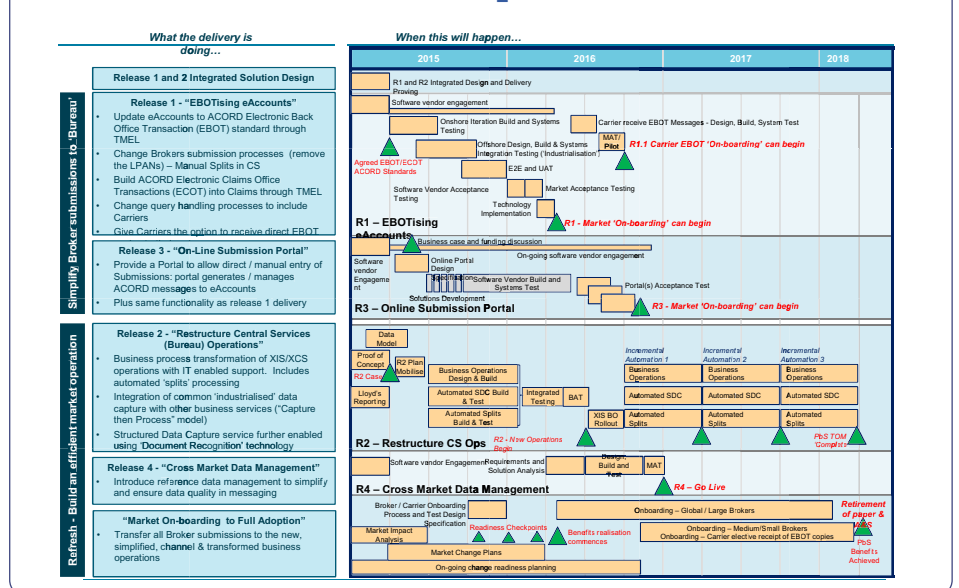
“London Matters suggested that whilst our customers do not have a positive view of our infrastructure, it is no worse than other centres. CSRP is part of the work we need to take advantage of this opportunity. We have the chance to re-establish London’s processing excellence to go with our unrivalled ability to write complex business.”

High Level TOM



will address 15 of the Londonisms brokers have identified for us. We will start by making the interface into the bureau for brokers work in exactly the same way that they use now to submit non-bureau premium messages using EBOT. And, of course, central to that will be the use of the Exchange. We then move on to making material changes to the internal processes of the bureau by splitting out the capture of the data from the processing of the data, but integrating the two so that we can capture data once and use it multiple times. The splits process will then move from a manual to a data driven rules based operation. This will involve merging our structured data capture with the current Data Capture Service. But we will ensure that the services are clearly defined and transparent to customers. It will also mean that we need to retire LPAN's with paper, A&S

Pbs 2015 to 2018 – Roadmap



fits case. The table below summarises where we see the major advantages accruing from. Based on the plan set out in the roadmap we expect that benefits will start to be realised in Q3 2016 with breakeven after 4 years (Q2 2020). And we will continue to enjoy annual net benefits from 2020. The graph you see here

“We have a collective focus and strategic vision encapsulated in our Target Operating Model. We have the team and resources in place to build that vision. We have a cross market, streamlined governance model to ensure that we keep on track. We know what we want to do and how we are going to do it. It is time for the programme to deliver.”

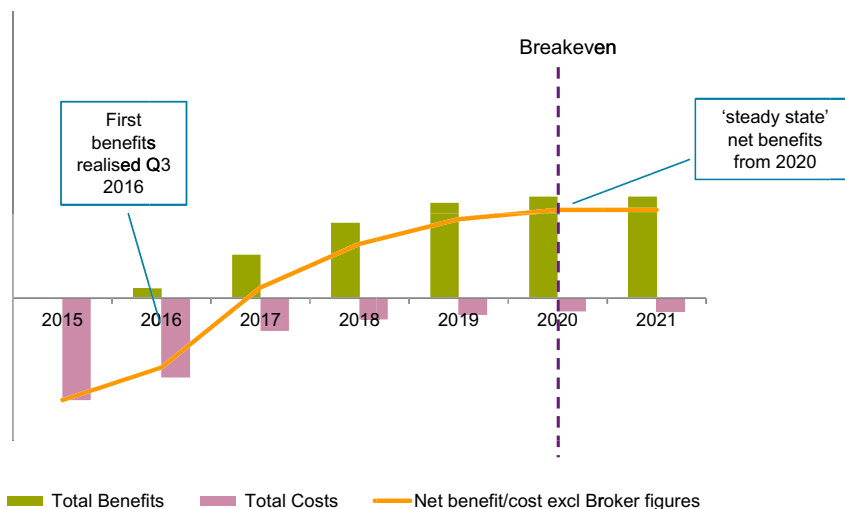
sets out how that will work.

London Matters suggested that whilst our customers do not have a positive view of our infrastructure, it is no worse than other centres. CSR is part of the work we need to take advantage of this opportunity. We have the chance to re-establish London’s processing excellence to go with our unrivalled ability to write complex business. And, as I said at the beginning we are in the right position to be able to seize this initiative. We have a collective focus and strategic vision encapsulated in our Target Operating Model. We have the team and resources in place to build that vision. We have a cross market, streamlined governance model to ensure that we keep on track. We know what we want to do and how we are going to do it. It is time for the programme to deliver.

The Target Operating Model and Future Services Register are both available on the LMG website

Summary Business case – 2015 to 2021

- **Benefits start to be realised in Q3 2016 with Breakeven after 4 years (Q2 2020)**
- **Annual net benefits continue from 2020**
- *Note: this excludes Broker cost/benefit and any GWP retention benefit*



Events...

Dates for your diary

The LMG Forum sessions are designed to provide an update on the progress of the modernisation programme and give more detailed information on particular projects or aspects of the process. Upcoming dates for 2015 are

provided below. All sessions start at 9:15am in the Willis Auditorium, 51 Lime St.

- Thursday 29th January**
- Thursday 26th February**
- Thursday 26th March**

Only those who pre-register will gain admittance.

Online booking is available via www.londonmarketgroup.co.uk Places are reserved on a first come first served basis.