

Inside this month:

Delivering a new Exchange - progress on the infrastructure upgrade. Plus co-insurance gets the Ruschlikon treatment

LMG



the LMG

Issue 97 June 2014

newsletter

Getting a better understanding...



As Steve Hearn set out at the March LMG Forum (and in these pages last month) LMG has expanded its remit to examine all elements that might affect the competitiveness of the London market. Key to this will be the research that Steve announced we will be carrying out this year. This will seek to establish a number of things. Firstly we need a common understanding of the full scope of activity that we are referring to when we say "London market business". It is a phrase that we all use a lot, but actually, if you dig beneath the surface it often means quite different things to different people. Some still use it essentially to refer just to business serviced via the bureau (although IUA's sterling work demonstrating to

size of the non-bureau market in recent years has tended to change this). But, beyond this we need to be clear about what is in and what is out of bounds. Do we, for instance, include the quite considerable amount of business that is managed through the London offices of brokers and insurers even though it is actually underwritten somewhere else?

Once we have this clear definition, we then want to see what impact we have on the UK economy – on GDP, the balance of payments, Treasury's tax take etc – and get some more detail about our share of relevant global business. As Steve set out this will fulfil to purposes. It will help us make the point to Government and regulators that we matter as a

separate entity from the rest of the City and the rest of the insurance industry. Plus it will allow us to promote the market to potential new recruits and participants as an important and interesting place to be a part of.

And then we will be seeking far more information about our customers and their buying behaviour. We want to determine where the key decisions are taken to purchase insurance and what influences in which centre that purchase is made. This will give us a much more comprehensive view of the challenges facing our market and the priority with which we should address them.

We are currently in the process of selecting a partner to help us with this work. Look out for more detail on this project in this newsletter and at the Forum in coming months.

But, as Steve emphasised, our wider remit does not mean that LMG is not still very focussed on process modernisation. So this month we hear more from two pieces of work that are a vital part of that. As our Future Process model work stressed, we see the Exchange as being a key foundation of the way the market operates and so it is great to see the work TMEL is doing to ensure the service remains slick and reliable is progressing so well. And non-bureau accounting has long been a particularly shiny jewel in our crown. Simon Squires update on the move to extend the principles into co-insurance is also good news.

For further information

LMGS Contacts

Head of LMGS

Christopher Croft

Telephone: 020 7327 5278

Email: chris.croft@londonmarketgroup.co.uk

Projects

Steve Hulm

Telephone: 020 7327 5249

Email: steve.hulm@londonmarketgroup.co.uk

Lloyd's Contacts

Exchange

James Bobbitt

Telephone: 020 7327 5248

Email: james.bobbitt@lloyds.com

LMA Contact

Rob Gillies

Telephone: 020 7327 8377

Email: robert.gillies@lmalloyds.com

LIIBA Contact

Chris Buer

Telephone: 020 7280 0154

Email: chris.buer@liiba.co.uk

IUA Contact

John Hobbs

Telephone: 020 7617 4445

Email: john.hobbs@iua.co.uk

ACORD Contact

Roy Laker

Telephone: 020 7617 6405

Email: rlaker@acord.org

Useful Links

LMG www.londonmarketgroup.co.uk

LMA www.lmalloyds.com

LIIBA www.liiba.co.uk

IUA www.iua.co.uk

ACORD www.acord.org

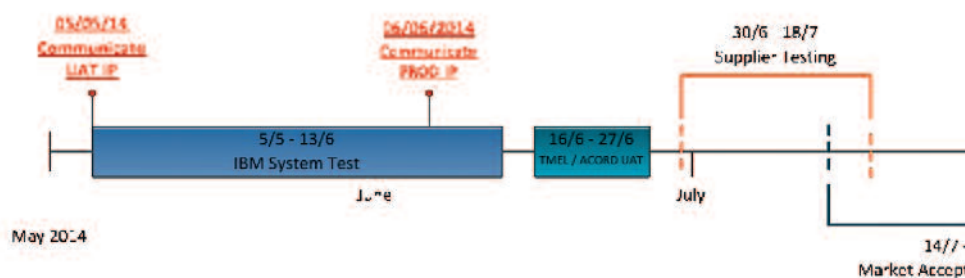
Infrastructu



As you will be aware, the Board of The Message Exchange Limited (TMEL) signed a new contract with IBM at the end of last year. As part of this, the Exchange will migrate from its current fixed infrastructure to a new, more flexible, and better future proofed approach. The aim is for the service to go live on the new infrastructure in September this year. This article provides an update on the work to deliver this upgrade – and an opportunity for firms to ensure that they understand the implications for them.

We are now well into the project and it is proceeding to plan – as you can see from the graphic below. Currently IBM is engaged in a period of system testing of the new infrastructure.

TMEL Re-Platform – High-level



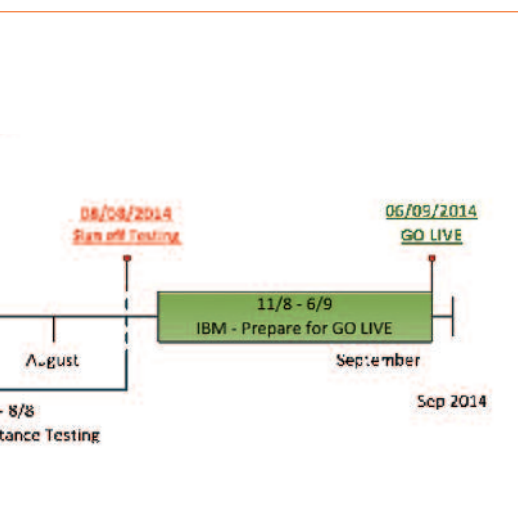
ure Exchange

As part of the migration, all connected parties will be required to make a minimal level of updates to their systems and firewalls. They will also be invited to test the new Exchange infrastructure.

Testing



Once the IBM system testing has been successfully concluded, the TMEL Support team will manage a structured regression test. This will include ACORD re-certification of the Exchange (against the standards and processes we developed with ACORD last year for verifying messaging hubs); performance testing of the new infrastructure; and a Disaster Recovery test.



Following this, we will run an 8 week structured testing phase for technology suppliers and for market firms. This is planned to commence on 30th June (to avoid any potential clash with England's involvement in the World Cup). All firms connected to the Exchange will be invited to test in agreed time slots during this period – we sent a matrix setting out these dates to firms in the week of 19th May.

TMEL will expect market firms connected to the Exchange to perform, as a minimum, a 2 way connectivity test during their allotted testing window. Further testing can be accommodated and scripts can be provided if required. Please contact the TMEL Support team (details below) to discuss this further if you would like.

You should note that no new functionality is being developed as part of this exercise. The upgrade is aimed solely at moving the base infrastructure that supports the Exchange service onto a new platform.

Required changes



Market firms will need to ensure that they or their supplier make the following changes during the upgrade period.

New IP addresses will be allocated for the new Exchange Infrastructure (for all three of the User Acceptance Testing (UAT), Market Acceptance

Testing (MAT) and Production environments). Details of the MAT changes were sent to firms in the week of 19th May. All organisations will need to ensure firewalls are updated to allow traffic to/from the new IP addresses (on ports 80 and 443).

In order for TMEL to run both old and new environments in parallel where necessary, a new URL and certificate will be issued for the new MAT environment. Details of the MAT changes were sent to firms in the week of 19th May. All connected parties will be required to update their respective UAT environments with the new URL and certificate.

All connected parties will be asked to confirm they are satisfied with the testing they have undertaken.

The existing Production digital certificate and URL will be migrated to the new service. No additional installation (other than the firewall updates for the new IP address) will be required for go live.

The new infrastructure is key to the successful delivery of the Exchange service over the next five years. Our aim is to deliver this upgrade with as minimal an impact as possible on market firms. We will continue to keep you informed on progress with the project throughout the process as well as providing you with the information necessary as set out in this article. If you need any more detail or would like to discuss testing with us, please contact the TMEL Support team (details below).

James Bobbitt
(james.bobbitt@tmel.co.uk)

Nav Sarao
(nav.sarao@tmel.co.uk)

Co-Insurance – The New Messaging Frontier

This month we bring news of a new initiative to implement the Ruschlikon process in the co-insurance market using ACORD standard EBOT & ECOT messaging protocols. In the company market, it's quite common practice to write an insurance risk with a client, but then use a co-insurance panel of trusted peer insurance companies, to place a portion of the risk. The company working directly with the client and/or broker, is referred to as the lead co-insurer, and the insurance companies supporting on the panel, are known as the follow co-insurers. The participant's then share the premiums in proportion to the agreed shares, and also pay the claims and expenses in accordance with the same proportions.

In London, the brokers split the co-insurers shares, and provide them to the individual carrier's accounts, but the practice in Continental Europe, and many other locations, is that all the funds are paid to the lead insurer who is then responsible for the communication of transaction amounts, and onward transmission of funds to the follow panel. Typically an international insurer will have multiple relationships with other international carriers, and act as a lead co-insurer, paying monies to the panel on some risks, and as a follow co-insurer, and therefore a recipient of funds, on others.

Historically, these financial transactions (both premium and claim amounts) have

been manually tracked through a combination of spreadsheets and bordereau processes, with the panel dependent on the speed of the leader, and if re-keying or other manual errors are included, these then get amplified across the whole co-insurance panel. In addition to this due to the current manual approaches, the timelines on the receipt of monies are extremely long. In initial research undertaken, one insurance carrier had over 10,000 items in the co-insurance category per annum, and the average collection performance was in excess of ten months post inception.

Faced with this dilemma as an industry, we must do better and improve the process radically. XL & ACE are now working on a pilot to become the first insurance companies to use the messaging standards and Ruschlikon process, proven on the inwards processes with the brokers, and apply this model to co-insurance bookings, and the subsequent collection and/or payment of funds.

A working group has been established, and the next version of the EBOT/ECOT standard to be released in the summer, has been updated so co-insurance can be processed, and insurance companies can transact EBOT & ECOT messages with other insurance companies, in the capacity as lead and follow co-insurers.

The business case for this new streamlined approach is as follows:-

- Using existing EBOT processes Technical Account messages (TA's) can be generated by the leader and almost in real time distributed to the follow co-insurance panel
- When monies are received the Financial Account message (FA's) can also be generated by the leader to distribute the premium shares
- The messaging approach will replace the paper statements or spreadsheets currently used, and on a conservative estimate change the timelines for payment from months (and in some cases years) to days
- Once companies, and software suppliers have delivered integrated messaging modules data can be directly interfaced saving millions on duplicate keying and allowing teams to focus on their core tasks rather than repetitive data entry

The Working Group is currently collaborating with the ACORD messaging gateway provider Web Connectivity, and is meeting as a sub-committee of Ruschlikon UK. We are also interested in working with other international insurance companies who would like to join this key initiative, whether in London, or tackling this co-insurance challenge on a global basis.

Please contact Simon at XL (simon.squires@xlgroup.com) or Peter at ACE (Peter.Houston@acegroup.com) for more information and to join this important initiative.



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 2014 are provided below. All sessions start at 9:15am in the Willis Auditorium, 51 Lime St.

Friday 30th May
Thursday 19th June
Wednesday 30th July

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.

ACORD Club dates:

ACORD Club provides an update on the latest technological innovations in the market. The venue for this is Balls Brothers, Minster Court. All sessions start at 11am. Upcoming dates are:

Thursday 26th June 2014
Thursday 31st July 2014
Thursday 28th August 2014

For more details on upcoming speakers contact Melanie Harding (mharding@acord.org)