

Lloyd's Control Framework Support for Managing Agents

Presentation to Control Framework Breakfast Group
1st May 2012

Agenda for today

What does Xchanging do today in this area?

- Two scenarios: 1) Bulk accounting; 2) Individual signings

What are the limitations of today's service?

How can Xchanging help Managing Agents and their Service Companies meet the requirements of the Control Framework?

Some statistics to provide context

10%

Volume of business seen by XIS relating to Service Company broker numbers

79%

Volume of Service Company business processed with a Slip Type of “B” - Binder

26%

Volume of Lloyd’s business processed as Binder

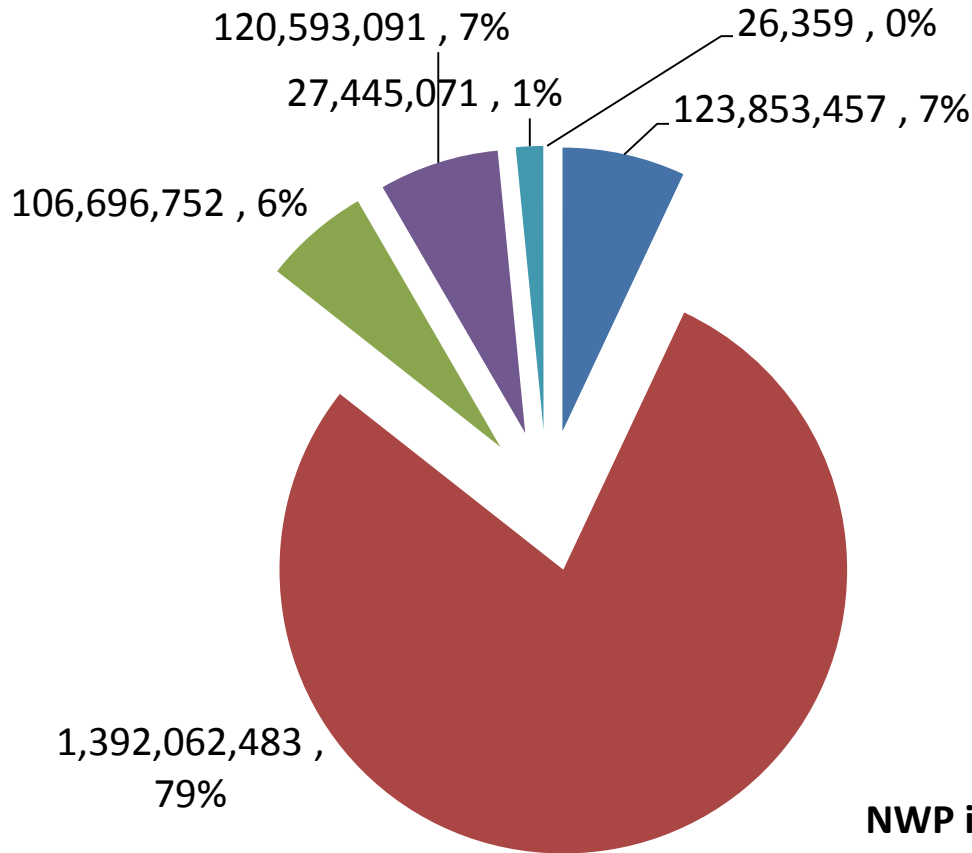
31%

Amount of Service Company business within the Binder category above (31% of 26%)

All above figures are based on 2011 data using Net Written Premium converted to GBP



Some statistics to provide context



Breakdown of Service Company business

Slip Type

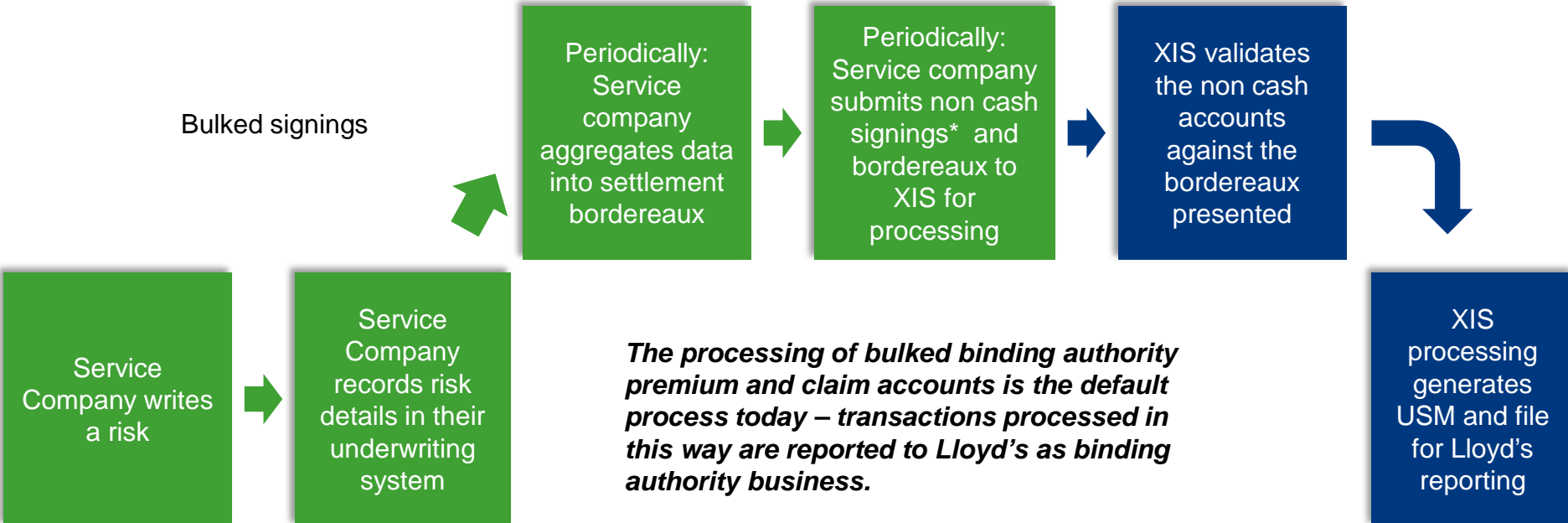
- MAIN BUSINESS
- BINDING AUTHORITY
- XOL
- TREATY
- LINESLIP
- COVER

NWP in GBP (service company business)



What happens today? – Scenario 1: Bulk Signings

Bulked signings



What happens today? – Scenario 2: Individual Signings (“pilot arrangement”)

Bulked signings

Periodically:
Service company aggregates data into settlement bordereaux

Periodically:
Service company submits non cash signings* and bordereaux to XIS for processing

XIS validates the non cash accounts against the bordereaux presented

Service Company writes a risk

Service Company records risk details in their underwriting system

A proportion of business follows an unconventional route, whereby binder declarations are processed as individual (normally open market) signings. Although this is binding authority business it is not reported as such. There seems to be a desire to process in this way from some MAs but there are some reporting implications of doing so. Any expansion of this mechanism should be considered fully before progressing further.

XIS processing generates USM and file for Lloyd's reporting

Individual signings
“pilot” arrangement

Service Company prepares non cash signing

Service company submits non cash signing* and risk details to XIS for processing

XIS validates the non cash account against the slip presented



What checking does XIS do today?

Checks are carried out for the following areas:

Work Package contents

15

MRC / MRCE

76

LPAN

37

Premium

38

Legislation

312

Payment Type

9

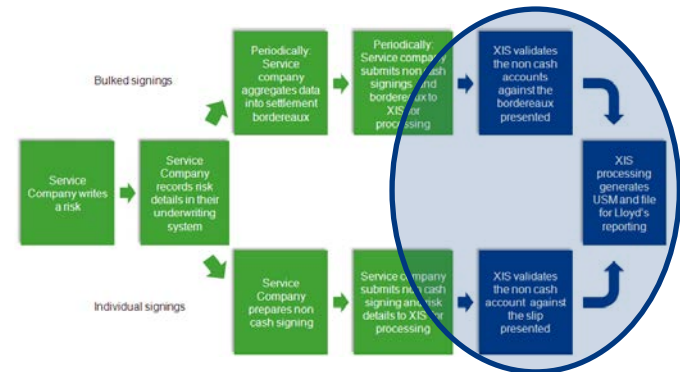
Taxation

312

799

What checking does XIS do today?

In summary, XIS provides tax and regulatory data to Lloyd's in a trusted format, often having to interpret data presented in an inconsistent way. Whether the transactions processed are bulked or individual signings, XIS currently checks the key aspects listed below:



- ✓ have centrally administered taxes been applied in accordance with Lloyd's instructions and are these reflected in the LPANs presented?
- ✓ have the required number of LPANs been presented to enable regulatory and internal Lloyd's reporting obligations to be fulfilled (FIL codes; risk codes etc)
- ✓ have the correct Trust Fund requirements been applied?
- ✓ do the gross to net calculations work and reflect what has been agreed?
- ✓ has the settlement due date been correctly applied and has the relevant underwriter agreement been provided?

In addition, for bulked signings, are the declarations listed within the territorial scope of the binding authority for which the Service Company has Lloyd's approval

What are the limitations of today's service?

Bulked signings

Periodically:
Service company aggregates data into settlement bordereaux

Periodically:
Service company submits non cash signings and bordereaux to XIS for processing

XIS validates the non cash accounts against the bordereaux presented



XIS processing generates USM and file for Lloyd's reporting

Service Company writes a risk

Service Company records risk details in their underwriting system

Service Company prepares non cash signing

Service company submits non cash signing and risk details to XIS for processing

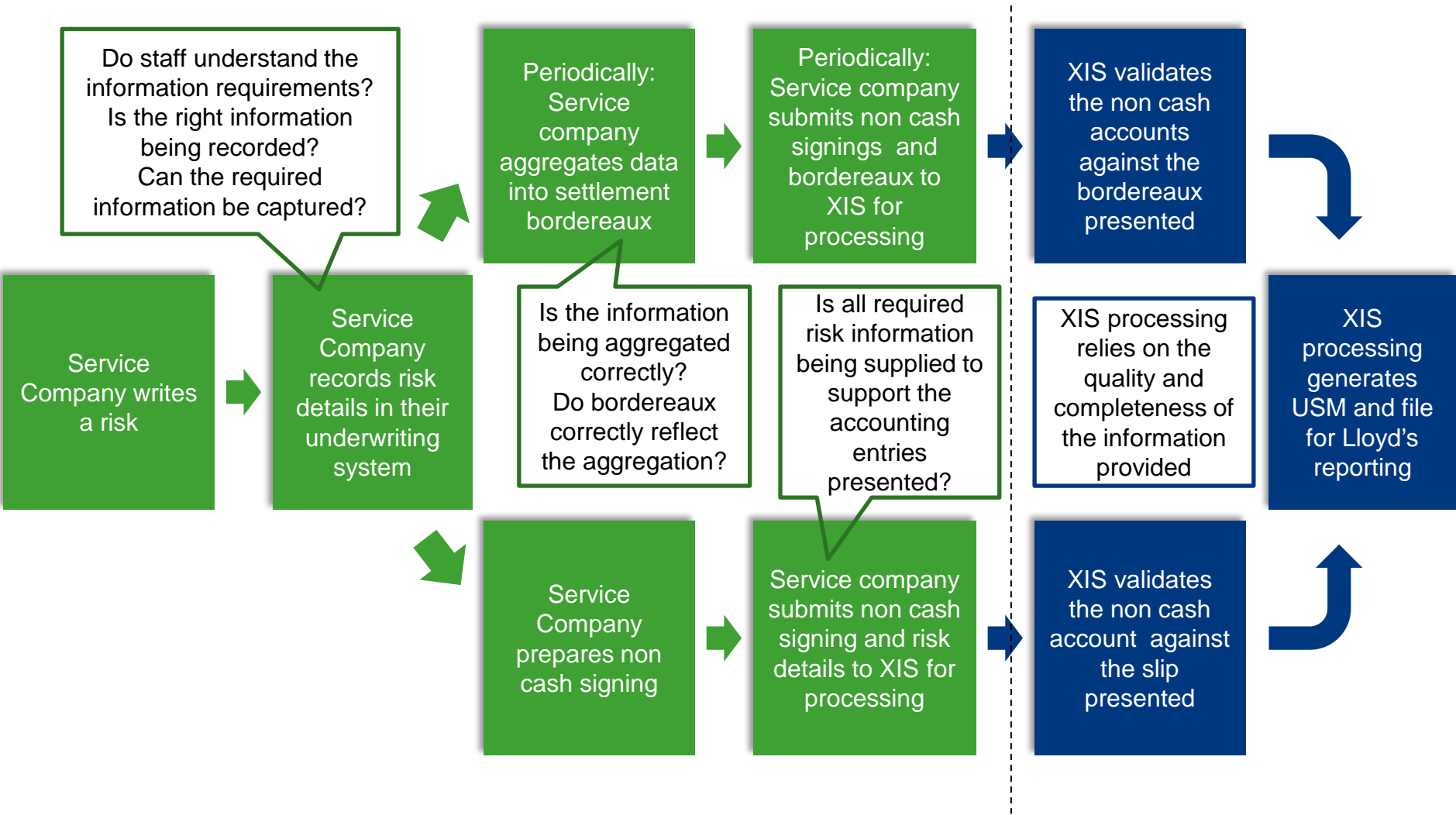
XIS validates the non cash account against the slip presented



Individual signings

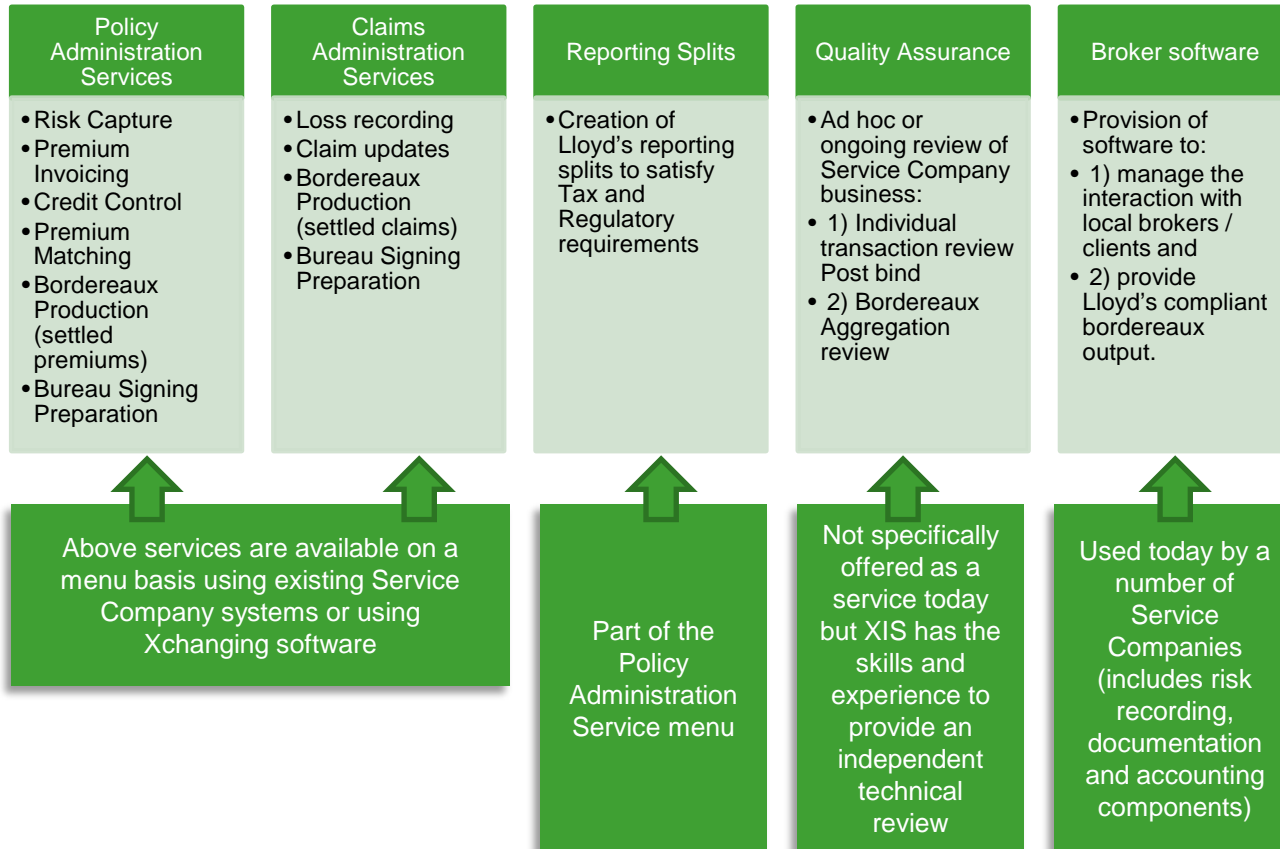


What are the limitations of today's service?



How can Xchanging help Managing Agents / Service Companies?

Xchanging can provide support in a number of areas through flexible resourcing models which provide cost savings over London based processing:



Summary

- There are a number of areas that can result in the quality of information reported to regulators being compromised.
- XIS has an important role to play in the validation of service company submissions but can only work with the information submitted.
- XIS can provide support to managing agents and their service companies via a number of elective value adding services.

Q&A

