

<b>Title</b>	Electronic Placement Mandate
<b>Purpose</b>	Updates to the requirements to use electronic placement in the Lloyd's market.
<b>Type</b>	Event
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<b>Date</b>	11 June 2018
<b>Deadline</b>	30 July 2018 for managing agents to submit their Q2 electronic placement self-certification

## Related links

Following further market consultation and feedback Lloyd's has revised its requirements about the use of electronic placement in the Lloyd's market (set out in Market Bulletin Y5170) as follows –

- In order to make measurement easier for the majority of managing agents, the inception date (rather than the date on which the contract of insurance is entered into) is now the date to be used for the measurement of in-scope contracts ("Relevant Contracts");
- Reinsurance contracts have been taken out-of-scope. Facultative reinsurance contracts will be in scope from the beginning of Q4 2018. Treaty reinsurance contracts will be added in 2019 once the functionality in PPL has been completed;

- Contracts entered into by followers will be in-scope with effect from the beginning of Q1 2019 and will have to be reported on (for management information purposes only) from the beginning of Q4 2018. (It is expected that where the Lloyd's lead has used electronic placement on a contract all Lloyd's followers on that same contract will also use electronic placement).

The revised requirements are attached at annex A.

In the meantime, below are the answers to a number of 'frequently asked questions'.

#### **How is compliance with the mandate assessed?**

*Each managing agent needs to self-certify compliance with the mandate within 30 days of the end of each period. Q2 self-certification needs to be provided to Lloyd's by the **30 July 2018**.*

*A meeting for managing agents will be held at Lloyd's in London on **28 June 2018** and full details around the data which will be required for self-certification and the process for data submission will be provided. Please save the date in your diary; an invitation will follow shortly.*

#### **What happens if the leader on a contract is not a Lloyd's syndicate?**

*The requirements still apply to the lead Lloyd's syndicate and, from Q1 2019, the following Lloyd's syndicates.*

#### **If I have exceeded the target on fourth quarter but have missed the target on the third quarter will I still be entitled to a rebate if the net position is deemed to have exceeded the target?**

*No, a managing agent must have complied with each of the target requirements in order to qualify for a rebate. However, additional fees will not be payable if the percentage by which the fourth quarter target was exceeded is greater than the percentage by which the third quarter target was missed (and vice versa).*

#### **Are reinsurance contracts 'in scope'?**

*Reinsurance contracts are not in scope until the beginning of Q4 2018, after which facultative reinsurance contracts will be in scope. Treaty reinsurance contracts will remain out of scope until further notice.*

#### **Are line slips in scope?**

*Yes. Each declaration under a line slip is an open market contract of insurance and has its own unique market reference (UMR). These declarations are in scope.*

#### **Are binders in scope for the purposes of the requirements?**

*No, the coverholder contract (binding authority) will remain out of scope until further notice. Declarations under a binder (which do not have their own UMR) are also out of scope.*

**Some brokers are not offering the opportunity for contracts to be electronically placed. Can contracts where brokers are either unable or unwilling to electronically place the business be made out of scope?**

*No. You must continue to work with your brokers in order to electronically place the business. The London & International Insurance Brokers' Association (LIIBA) is fully supportive of the mandate and continues to encourage their members to adopt electronic placement. Targets have been carefully set in consultation with the Lloyd's Market Association (LMA) to ensure they are realistic and achievable by all managing agents. A number of considerations, including current level of broker adoption, were factored into the target percentages that have been set.*

**Is it just aviation verticalised business that is out of scope?**

*No. All verticalised business will remain out of scope until further notice.*

**What electronic placing systems are currently registered as a 'Recognised Electronic System'?**

*Placing Platform Limited (PPL) is the only recognised system at the time of this bulletin.*

**How can a system become a recognised electronic placing system?**

*The owner of any system needs to confirm that the system meets all the specified criteria for it to be recognised. For more information please contact Joe Dainty, Global Head of Operations, Lloyd's [joe.dainty@lloyds.com](mailto:joe.dainty@lloyds.com).*

## Annex A

### Requirements for the use of electronic placement in the Lloyd's market

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#### 1. Requirement to use electronic placement

*These requirements are made under section 6 Lloyd's Act 1982, paragraph 12(b), 13 and 63 of the Underwriting Byelaw*

- 1.1 Each managing agent shall ensure that for each syndicate managed by it, for each period set out in the table below, no less than the prescribed target percentage of Relevant Contracts of all Relevant Contracts with an inception date commencing during that period have been entered into using a Recognised Electronic System.

<b>Period / Class</b>	<b>Q2 2018 Target</b>	<b>Q3 2018 Target</b>	<b>Q4 2018 Target</b>	<b>Q1 2019 Target</b>	<b>Q2 2019 Target</b>	<b>Q3 2019 Target</b>	<b>Q4 2019 Target</b>
All classes	10%	20%	30%	TBA	TBA	TBA	TBA
Targets for specific classes of business may be prescribed in due course							

*This table will be supplemented from time to time.*

- 1.2 Within 30 days of the end of each period set out in the table above, a managing agent shall certify to the Society whether it has complied with the requirements set out in paragraph 1.1.

#### 2. Incentive rebates and additional fees in connection with the adoption of electronic placement

*These requirements are made under section 6 Lloyd's Act 1982, paragraph 2 of the Membership (Entrance Fees and Annual Subscriptions) Byelaw and paragraph 2 of the Powers of Charging Byelaw*

*Potential partial rebate of annual subscriptions for 2018*

- 2.1 If, as at 1 January 2019, a managing agent has complied with each of the target requirements set out in paragraph 1.1 for the prior periods for a syndicate managed by it, then in recognition of that the members of that syndicate shall receive a rebate on the annual subscriptions payable by them to the Society for the calendar year 2018 equal to  $A \times B$  where –

- i. *A* shall mean a number equal to the average percentage by which the Q3 and Q4 2018 target requirements were exceeded (providing *A* shall not exceed 15); and
- ii. *B* shall mean a number in pounds equal to 1% of the annual subscription payable by members in respect of that syndicate for the calendar year 2018.

*Potential additional fees for 2018*

- 2.2 If, as at 1 January 2019, a managing agent has not complied with each of the target requirements set out in paragraph 1.1 for the prior periods for a syndicate managed by it, then in order to further contribute to the costs of modernising market systems and processes and to further the objects of the Society, the members of the syndicate shall pay additional fees to the Society equal to  $C \times D$  where –
- i. *C* shall mean a number equal to the average percentage by which the Q3 and Q4 2018 target requirements were missed (provided *C* shall not exceed 15); and
  - ii. *D* shall mean a number in pounds equal to 1% of the annual subscription payable by members in respect of that syndicate for the calendar year 2018.

**3. Capital loadings for the risks associated with failure to adopt electronic trading**

*These requirements are made under section 6 Lloyd's Act 1982, paragraph 63 of the Underwriting Byelaw and paragraph 40 of the Membership Byelaw.*

- 3.1 If, at the end of a period set out in the table in paragraph 1.1, a managing agent has not ensured that a syndicate managed by it has achieved at least 50% of the target requirement, then by no later than 30 days after the end of the period the managing agent must have prepared an appropriate remediation plan for the syndicate setting out how it will meet each of the forthcoming target requirements and have submitted that plan to the Society for agreement.
- 3.2 If, as at 1 January 2019, a managing agent has not ensured that a syndicate managed by it has achieved at least 50% of each of the target requirements for Q3 and Q4 2018 then –
- a. Lloyd's will inform the managing agent that it reserves the right to increase the properly derived economic capital assessment for that syndicate by 5% at the next coming into line date for that syndicate if the current remediation plan is not complied with; and
  - b. the managing agent must inform the members of the syndicate of the potential consequences of it not complying with the agreed remediation plan.

#### 4. Definitions and interpretation

- 4.1 *Lead Syndicate* means the first Lloyd's syndicate to underwrite the contract of (re)insurance or such other Lloyd's syndicate nominated in the contract as the lead syndicate.
- 4.2 *Recognised Electronic System* means a system recognised from time to time by the Franchise Board as meeting its required criteria for –
- (a) forming contracts of (re)insurance electronically;
  - (b) security and data integrity;
  - (c) record retention and audit;
  - (d) resilience and disaster recovery;
  - (e) usability;
  - (f) compliance with legal and regulatory standards; and
  - (g) data transmission and data standards.
- 4.3 *Relevant Contract* shall mean a contract of insurance and, with effect from Q4, a contract of facultative reinsurance, entered into by a syndicate managed by the managing agent in question (up to and including Q4 2018, only where the syndicate is the *Lead Syndicate*) other than –
- a. a contract entered into by a coverholder; or
  - b. a contract entered into on a verticalised basis (i.e. where a following syndicate subscribes to a risk at a different premium to the *Lead Syndicate*).
- 4.4 *Inception date* shall mean the start of the (re)insurance period of the contract of (re)insurance in question.
- 4.5 The Franchise Board may give such guidance or direction as to the application or interpretation of these requirements as may be necessary or appropriate.