

Market Bulletin

Ref: Y5330

Title	Requirements for the use of Electronic Placement in the Lloyd's market Requirements for 2021
Purpose	To provide an update on Electronic Placement Targets
Type	Event
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Date	4th March 2021
Deadline	Updated Electronic Placement Targets implemented from 1 March 2021 for the remainder of 2021
Related links	None

Electronic Placement Mandate

Further to Market Bulletin Y5319 on Electronic Placement dated 21 December 2020, the Electronic Responses targets for Q2 2021 and Q3 2021 with effect from 1 March 2021 are as follows:

- For submissions/quotes, a syndicate is required to meet the following requirement – the number of all electronic responses (minimum 50) issued by a syndicate to brokers as a percentage of the number of all electronic submissions received by a syndicate from brokers using a recognised electronic system is not less than 60% in Q2 and Q3 2021 (valid responses could be Quote, Decline, Expression of Interest or Request For Information). Details of the Q4 2021 target will be issued in September 2021.

An electronic response is a response in relation to a proposed in-scope piece of business that has been made through the same recognised electronic system that issued the submission.

- Members of a syndicate may qualify for a partial rebate of annual subscriptions for 2021 payable by them to Lloyd's in relation to that syndicate if all of the placement and submission targets in 2021 are met.
- The Electronic Responses targets in Q2 and Q3 2021 will not be taken into account in the assessment of any potential additional fees or capital loading that may apply under the Electronic Placement Mandate for a particular syndicate.
- Following feedback from the market, the previously used measure relating to Submissions/Quotes as a % of bound risks has been retired.

A copy of the updated Electronic Placement Mandate is included in this market bulletin.

Any questions please contact peter.montanaro@lloyds.com

Requirements for the use of electronic placement in the Lloyd's market Requirements for 2021

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 at paragraph 1.4(a), 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.
- 1.2 Each managing agent shall ensure that for each syndicate managed by it, for each period set out in the table below at paragraph 1.4(b), the number of all Electronic Responses (minimum number of 50 per quarter) that have been issued by that syndicate to brokers as a percentage of the number of all Relevant Submissions received by that syndicate from brokers during that period using a Recognised Electronic System is not less than the prescribed target percentage.
- 1.3 Lloyd's will revisit the Electronic Responses target for syndicates ahead of the fourth quarter of 2021 and will update the mandate document at that stage.

1.4

Period / Class	Q1 2021 Target	Q2 2021 Target	Q3 2021 Target	Q4 2021 Target
(a) All classes (Relevant Contracts)	80%	90%	90%	90%
(b) All classes (Electronic Responses)	N/A	60%	60%	TBC

Targets for specific classes of business may be prescribed in due course

This table will be supplemented from time to time.

- 1.5 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 paragraphs 1.1 and 1.2.

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 2021

- 2.1 If, as at 1 January 2022, a managing agent has complied with all of the target requirements set out in paragraphs 1.1 and 1.2 for the prior periods in 2021 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 2021 equal to $A \times B$ where –

- i. A shall mean a number equal to the average percentage by which the Q1-Q4 2021 target requirements under paragraph 1.1 were exceeded (provided A shall not exceed 5 if the Bind Volume is less than 600 and 10 if the Bind Volume is 600 or more); 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 2021.

Potential additional fees for 2021

- 2.2 If, as at 1 January 2022, a managing agent has not complied with all of the target requirements set out in paragraph 1.1 for the prior periods in 2021 for a syndicate managed by it and if the managing agent has also not achieved the Threshold Amount in 2021 in respect of that syndicate, 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 Threshold Amount in 2021 was missed (provided C shall not exceed 5 if the Bind Volume is less than 600, 10 if the Bind Volume is between 600 and 1199 and 15 if the Bind Volume is 1200 or more); 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 2021.

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 1.4 a managing agent has not ensured that a syndicate managed by it has achieved at least 50% of a target requirement for Relevant Contracts, 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 for Relevant Contracts and have submitted that plan to the Society for agreement.

- 3.2 If, as at 1 January 2022, a managing agent has not ensured that a syndicate managed by it has achieved at least 50% of a target requirement for Relevant Contracts set out in paragraph 1.1 for the prior periods in 2021 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 *Recognised Electronic System* means a system recognised from time to time by the Lloyd's Council 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.
- 4.2 *Relevant Contract* shall mean a contract of insurance or a contract of facultative reinsurance or a contract of reinsurance treaty, entered into by a syndicate managed by the managing agent in question (either as a leading syndicate or as a following syndicate) either 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).
- 4.3 *Bind Volume* is the total number of Relevant Contracts that a syndicate managed by the managing agent in question has entered into using a Recognised Electronic System during 2021.
- 4.4 *Inception Date* shall mean the start of the (re)insurance period of the contract of (re)insurance in question.
- 4.5 *Threshold Amount* shall mean an average percentage throughout Q1-Q4 2021

of at least 80% of Relevant Contracts of all Relevant Contracts with an Inception Date commencing during any of those periods having been entered into using a Recognised Electronic System by a syndicate managed by the managing agent in question.

4.6 *Electronic Response* shall mean a response in relation to a proposed in-scope piece of business that has been made through the same Recognised Electronic System that issued the submission and valid electronic responses would be quote, decline or request for information.

4.7 The Lloyd's Council may give such guidance or direction as to the application or interpretation of these requirements as may be necessary or appropriate.