

# Central settlement supporting multinational

# How does central settlement facilitate multinational?

Lloyd's multinational proposition is underpinned by the provision of central settlement services, ensuring that market participants receive timely and accurate payments.

Given the complex global nature of multinational programmes, reducing the administrative overhead for brokers and managing agents is of fundamental importance to our stakeholders.



**Lower cost**

**Simplified processes**

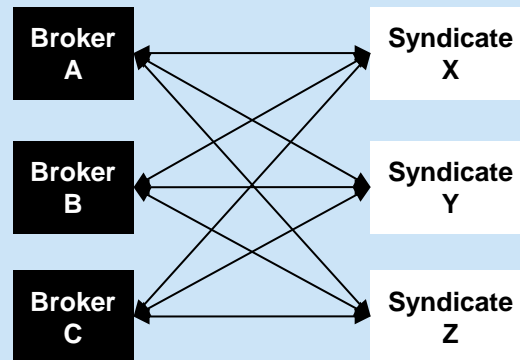
**Multi-currency support**

# How does central settlement work

Through the provision of central settlement services, Lloyd's functions as a clearing house between brokers and syndicates. This ensures that market participants are paid what they are owed when they are owed it. This reduces accounting and operational complexity for both brokers and syndicates. For multinational programmes, this is of particular benefit given their complex and global nature.

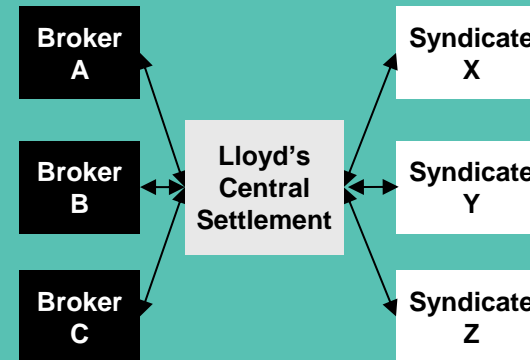
## Without Central Settlement

Each broker and syndicate needs to maintain an account in respect of their mutual transactions. Accounts are agreed and payments made periodically. The addition of a new broker syndicate requires additional accounts to be set up and the creation of counterparty risk



## With Central Settlement

Each broker and syndicate needs only to maintain one account with Lloyd's Central Accounting. There is daily settlement of amounts owed to each party, and these are netted (i.e. premiums vs claims) to reduce the number of required transactions. Payments are guaranteed to remove counterparty risk



## Key Features

### Daily settlement

Amounts owed to each broker or syndicate are calculated instantaneously and payments are made overnight

### Netting

Cash transfers minimised through the transaction netting (premiums vs claims), syndicate/broker relationship netting and market wide netting

### Payment Guarantee

Lloyd's is a co-signatory to all broker and syndicate bank accounts, allowing it to process and guarantee timely payments

### Multi-Currency

Transactions in 14 principal currencies are supported

### Regulatory Reporting

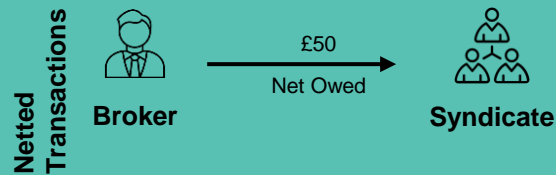
Central services transaction data used to provide regulatory and tax reporting on behalf of managing agents

# What is netting?

Netting is the process of offsetting amounts owed to parties with the amounts they owe to others. Lloyd's Central Settlement Services uses netting to simplify financial transactions, reduce transaction costs and improve cash flow management. Netting is used at the following levels at Lloyd's:

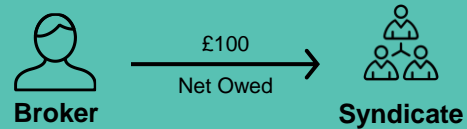
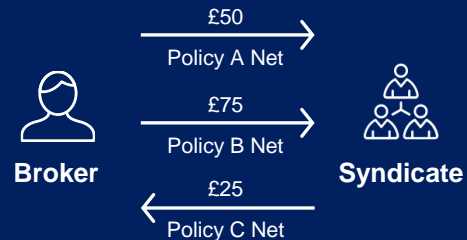
## 01 Transaction Netting

Claims related to individual transactions / insurance contracts are offset against each other to produce a single figure that is transferred between the parties



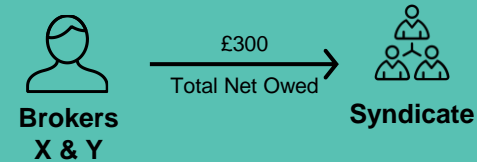
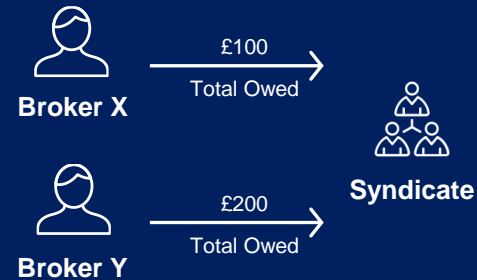
## 02 Syndicate/Broker Netting

The net position (premium less claims) of all transactions/contracts between a given broker and a syndicate are aggregated together



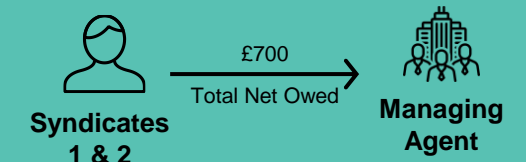
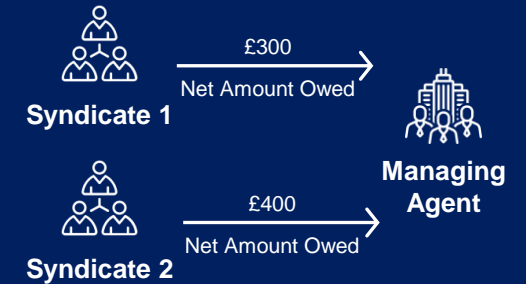
## 03 Market-Wide Netting

The net syndicate-broker relationship amounts are aggregated together for each syndicate across the entire market to produce a single figure



## 04 Managing Agent Netting

For syndicates under the management of the same managing agent, the syndicate level positions are then aggregated to achieve a single managing agent position



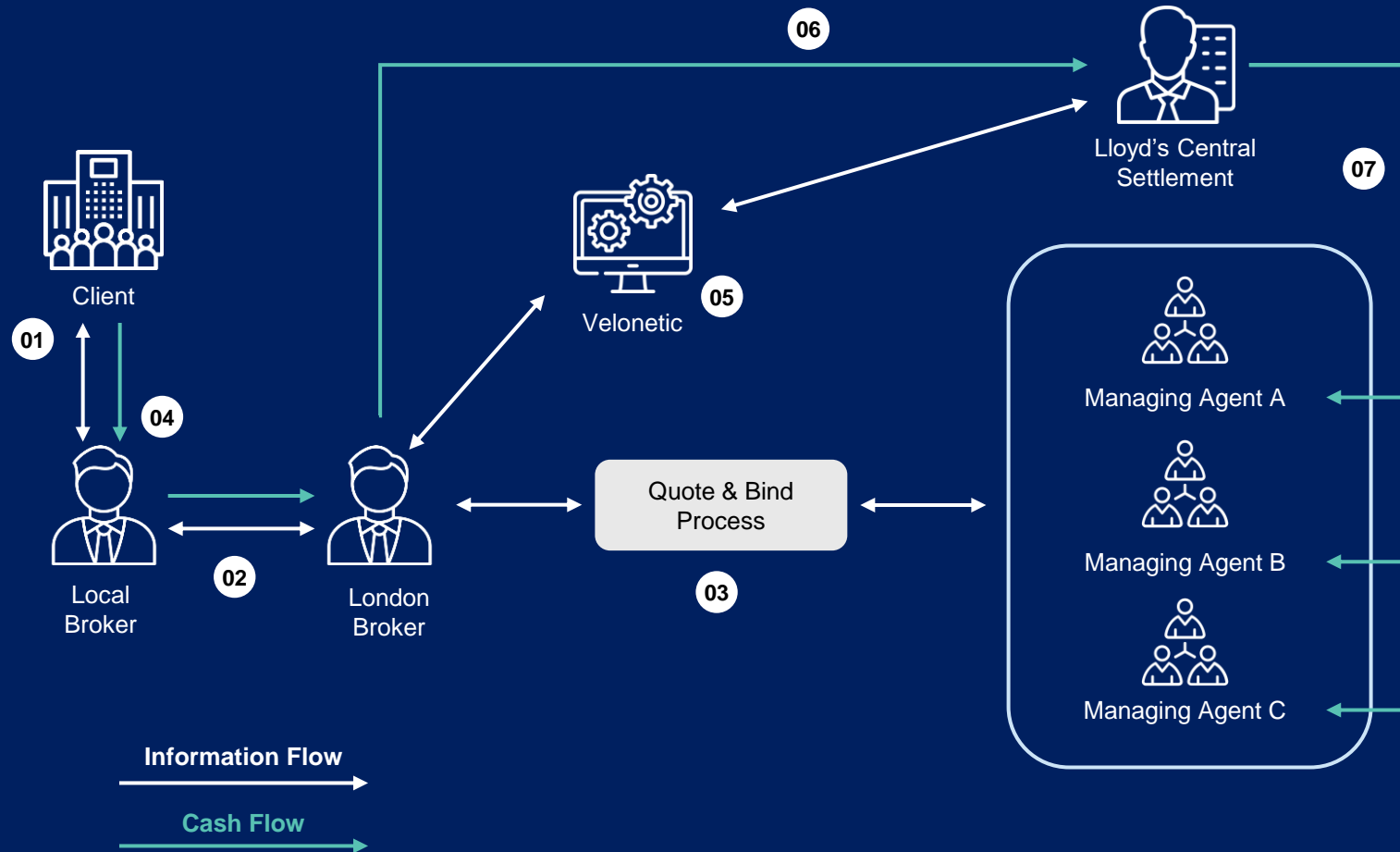
# Benefits

Cost	Process	Global Coverage	Guaranteed Payment	Regulatory and Tax
Lower transaction and headcount costs	Streamlined operations for market participants	Settlement available in 14 principal currencies	Premium and claim settlement daily	Reporting information extracted from source
<p>Netting is used to minimise the number of bank transfers required to settle accounts</p> <p>This simplified accounting system also reduces the number of accounting staff required, and removes the need to develop complex bespoke in-house systems</p>	<p>Central settlement negates the need for brokers to keep separate accounts for each syndicate (and vice versa).</p> <p>For managing agents, central settlement functions as an effective means of collecting market fees, levies and charges, removing the overhead of credit control and arrears collection.</p>	<p>Premiums/claims can be settled in 14 currencies. These are currencies are primary currencies in markets representing 36% of global GDP, and 92% of GDP in Advanced Economies (IMF)</p> <p><b>Settlement available in:</b></p> <ul style="list-style-type: none"> <li>•USD      • JPY      • DKK</li> <li>•EUR      • ZAR      • NOK</li> <li>•CAD      • HKD      • SGD</li> <li>•AUD      • SEK      • NZD</li> <li>•CHF</li> </ul>	<p>With Lloyd's acting as a signatory to all broker and syndicate bank accounts held with the Corporation, all premium and claim payments are guaranteed on a daily basis.</p>	<p>Through central settlement, Lloyd's can extract the necessary information for regulatory and tax purposes.</p> <p>This provides regulators with the assurance that figures are accurate and aids Lloyd's' engagement with governmental bodies.</p> <p>Transactions are also split by risk factors (e.g. risk code, territory, tax codes) for Lloyd's internal reporting purposes</p>

## What this means for multinational at Lloyd's?

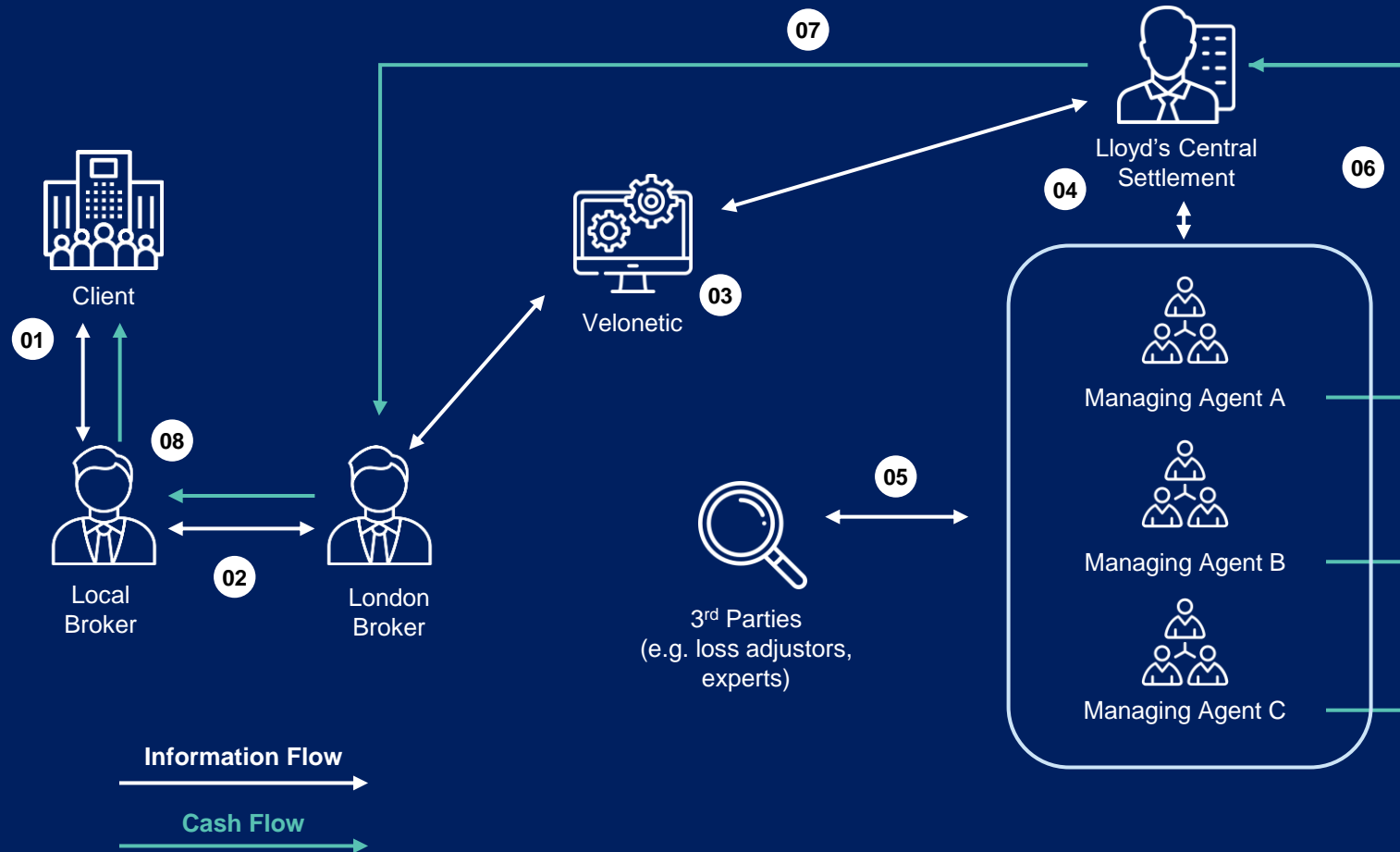
- Lower transaction costs
- Lower headcount costs
- Lower system development costs
- Better managing agent & broker resource utilisation
- Focus on value-add activities
- Clients able to pay premiums and receive claims in currency of their choice
- Multi-currency programmes can be structured
- Key value differentiator vs non-Lloyd's alternatives in the market
- Peace of mind for clients
- Lower regulatory burden placed on managing agents
- Reduced administrative overheads

# Multinational premium flow overview



- 01** Client provides local broker with information
- 02** Local broker passes information to London broker who has access to the London market
- 03** Exchange of information between London broker and selected managing agents. Client agrees to terms and pricing.
- 04** Client pays local broker in one of Lloyd's 14 settlement currencies, who in turn pays London broker
- 05** Broker submits contract to Velonetic and handles any queries raised. Velonetic send settlement triggers to Lloyd's Central Settlement
- 06** Lloyd's Central Settlement takes the total premium owed by the Client out of the London broker's account
- 07** Lloyd's allocates the collected premium to each managing agent based on the submitted contract


# Multinational claims flow overview



- 01** Customer reports claim to local broker
- 02** Local broker passes claim information to London broker
- 03** London broker submits claim to Velonetic
- 04** Lloyd's Central Settlement Bureau orchestrates the claim agreement process between the lead and following markets
- 05** Submissions made by 3rd parties such as loss adjustors and expert witnesses as necessary
- 06** Lloyd's Central Settlement collects claim payments from managing agents according to agreed claim value
- 07** A single payment is made from Lloyd's Central Settlement to the London Broker for the full claim amount
- 08** The London broker pays the local broker, who in turn pays the client the agreed claim amount



# Learn more today

 [Multinational@Lloyds.com](mailto:Multinational@Lloyds.com)

One Lime Street  
London  
EC3M 7HA

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