

Blueprint One

# The Future at Lloyd's

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Bruce Carnegie-Brown

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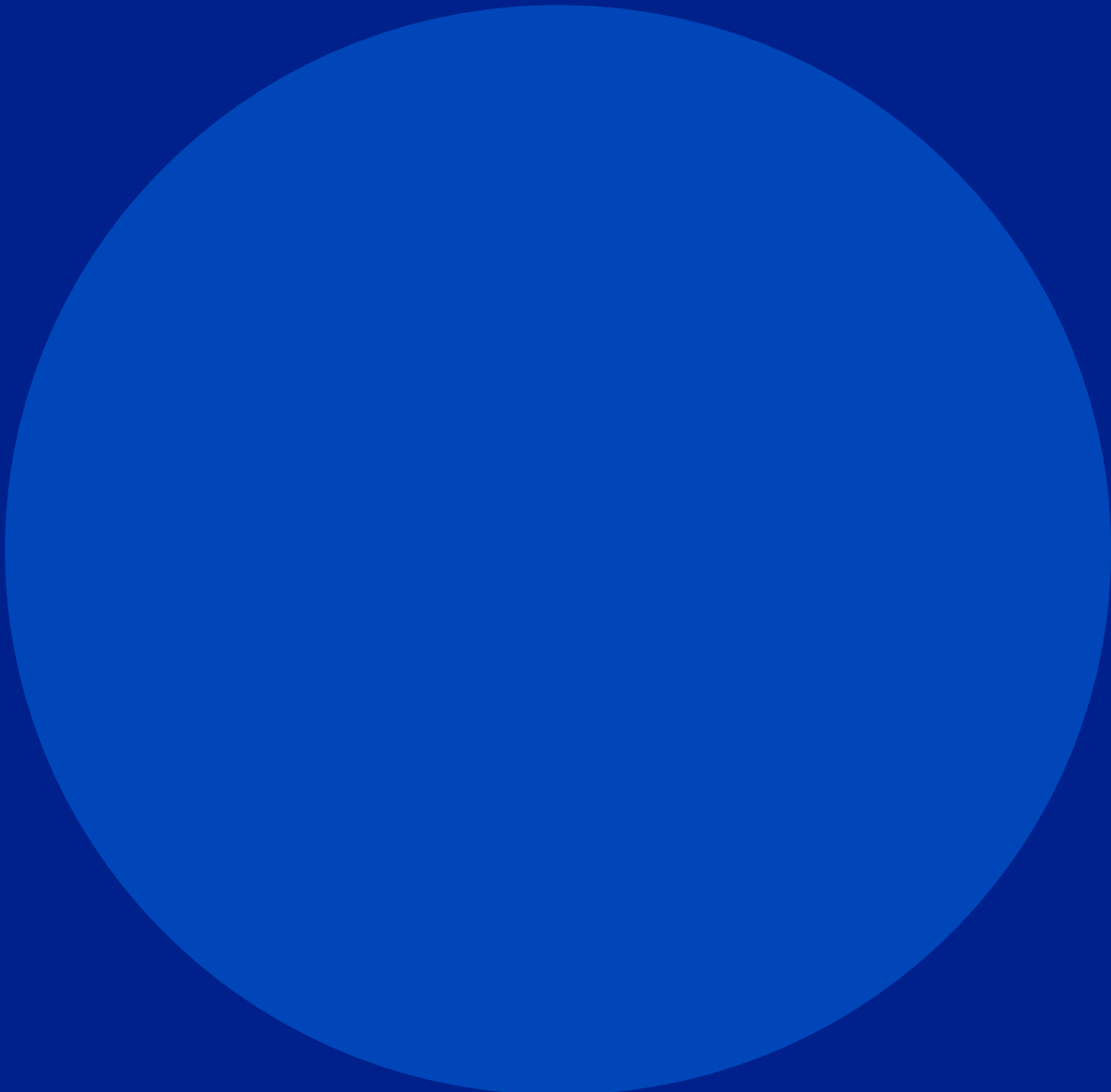
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# Foreword from the Chairman



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## Foreword

This first Future at Lloyd's blueprint marks an exciting new chapter for Lloyd's. It sets out how we are going to combine data, technology and new ways of working with our existing strengths to transform the culture we work in and everything we do – from placing risks and paying claims to attracting capital and developing new products.

In the prospectus, published on 1 May 2019, we suggested ways we could:

- Offer better solutions to the risks faced by our customers
- Deliver better products and services to our customers and capital providers
- Simplify the way we work by being more efficient and reducing costs
- Build an inclusive culture where everyone feels valued

Blueprint One sets out how we are going to achieve these goals. This is illustrated in the infographic with this blueprint and you can find further details in the full document at [lloyds.com/thefutureatlloyds](https://lloyds.com/thefutureatlloyds).

Blueprint One is deliberately ambitious. When we asked you last year how we should change, you told us to be bold. You said this is Lloyd's best opportunity to build a relevant and successful market for the future – and that we must seize it.

You also told us to maintain a high level of ambition while making sure the plan is achievable. We will do this by delivering the Future at Lloyd's in stages. A phased approach will allow thorough testing of each component and will accelerate our time to market. This means we will start delivering value to customers and the market quickly. We will regularly communicate our progress as we move through the phases.

Getting to this stage has been a collaboration between the Corporation of Lloyd's, the Lloyd's market, market associations, customers and many others. Every detail you read in these pages is based on consultation feedback, market input through the design labs and advisory council guidance. Thank you to everyone who has helped so far. You have shown once again what the market can achieve when it unites behind a common purpose.

Now, as we move from design to executing the plan, the hard work really begins. Please read the blueprint, support the solutions and commit to working with us to deliver the Future at Lloyd's.

This is a special time to be working at Lloyd's. The changes we are making over the next few years will last for generations and will secure the future of this market we are all so passionate about.

I have no doubt we have the ambition, the plan and the commitment to succeed.

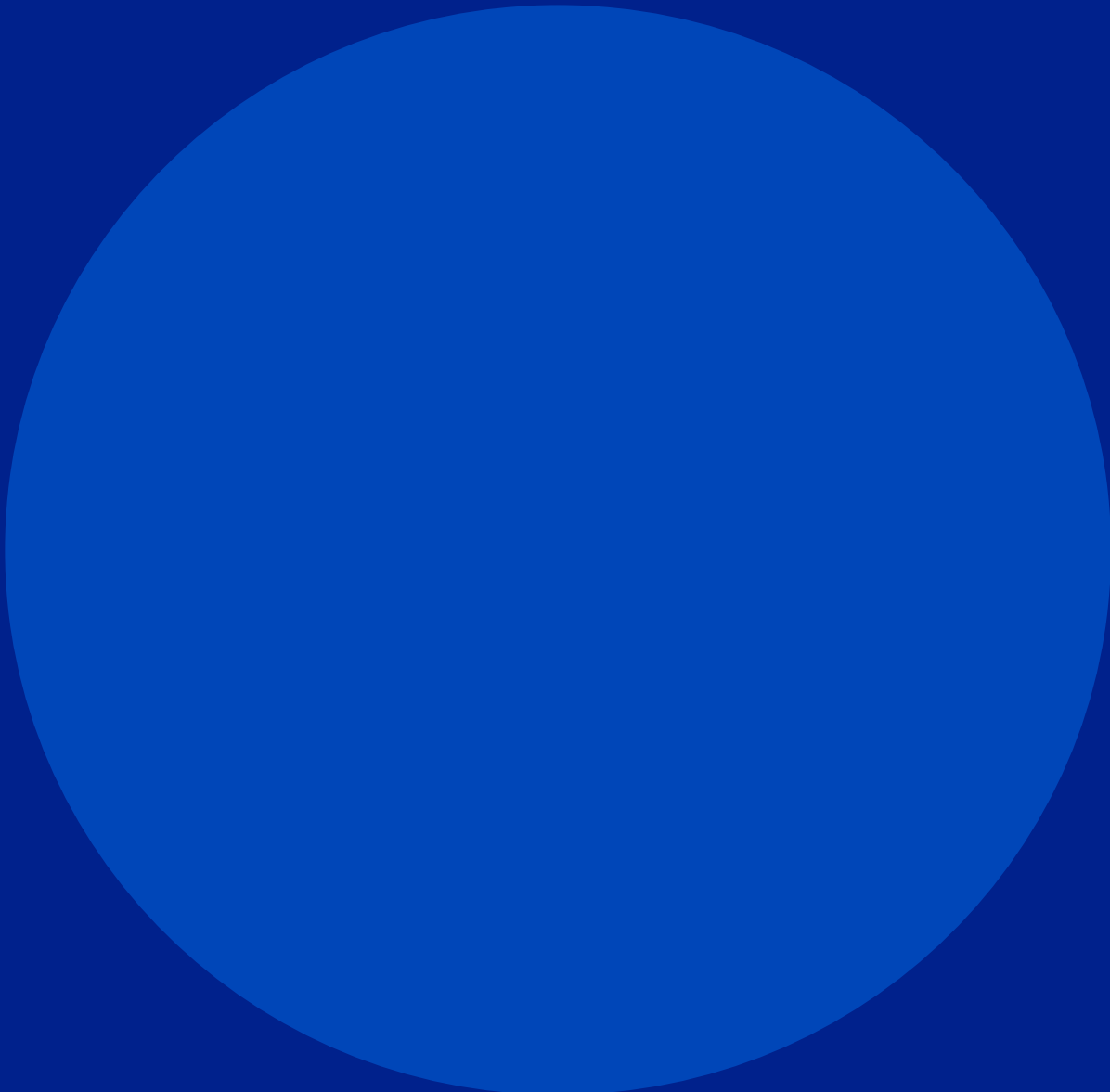


**Bruce Carnegie-Brown**

Chairman, Lloyd's

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# Overview of Blueprint One



## Our route to Blueprint One

On 1 May this year, we published our Future at Lloyd's prospectus, setting out a vision for transforming the Lloyd's market. In it, we committed to producing a blueprint that showed how we would achieve that vision.

The prospectus was our response to the concern that Lloyd's (like the insurance sector in general) is in danger of becoming less relevant and helpful to our customers. This comes at a time when customer needs are rapidly changing – and when we need to improve the performance of the market.

The Future at Lloyd's work began back in October 2018 when we asked Lloyd's customers, as well as managing agents, other insurers, brokers, coverholders, capital providers, members, members' agents, market associations and regulators, how we should build a successful Lloyd's marketplace for the future.

You told us we should build on the market's many strengths, while acknowledging that some of our historic, unique selling points no longer differentiate us as they used to. You told us to be more customer-focused. You told us that while we should be brave and bold in our ambition, we must phase our plans thoughtfully if we are to deliver it successfully.

So we used this feedback to redefine our value proposition and bring Lloyd's unique qualities to the fore:

- **Choice:** the world's largest insurance marketplace and global distribution network, competing and collaborating to share risks.
- **Confidence:** paying all valid claims, protecting people, businesses and communities, and, most importantly, helping them recover in times of need.
- **Partnership:** a market built on trusted relationships and mutual respect in order to best serve our customers.
- **Expertise:** bringing together leading talent and expertise to create innovative risk solutions for customers.

- **Insight:** Lloyd's insight, experience and judgement informing decision-making, enabling innovation and ensuring our customers stay protected.
- **Ecosystem:** as a marketplace, Lloyd's provides consistent standards and shared business services, improving performance and unlocking new opportunities.

You also told us to think about how we could transform the Lloyd's marketplace to enhance our value proposition for our customers. In the prospectus, we said we would do this by offering even better insurance solutions, simplifying access to products and services, reducing the cost of doing business, and building an inclusive and innovative culture (*see The vision on page 8 for full details*).

We suggested six potential, transformative ways we could achieve this (*see chapters 2-7*) and between May and July this year we consulted across the insurance industry to test, challenge and refine these ideas.

Your responses have been overwhelmingly positive (*see chapter 1*), accompanied by constructive suggestions which we have been using over the past few months to develop the solutions for the Future at Lloyd's.

Blueprint One presents the results of this work and our action plan going forward.

## At a glance: The Future at Lloyd's will build the most advanced insurance marketplace in the world, where:

- Everyone wants to work because we have the most inclusive culture, the most talented people and the best working environment
- Customers and distribution partners find solutions specifically designed for them
- Business will be underpinned by a data-first approach, evolving over time from a document world to a document-plus-data world to a data-first world
- The greatest value for customers is assured by better access, relevant products and lower costs of doing business
- Everyone operates and behaves to the very highest standards
- World-class underwriting results are delivered
- Accreditation is recognised and sought the world over
- Technology and simpler rules draw investors to match capital to risk
- Solutions are developed, tested and released in phases, using agile ways of working

### What this will need from the market

- Assistance and partnership at each stage to ensure every solution is designed in close and continuous collaboration with the market
- Passion for the vision, and rapid support and adoption of the solutions
- New, agile ways of working; fewer documents, more data
- Complementing Lloyd's traditional skills with the new skills required to operate the best marketplace in the world – and ensuring we attract and retain the best talent

## What this blueprint is – and what it is not

Blueprint One marks the start of a transformational next stage of the Future at Lloyd's. It is the beginning of our plan to create a modern, more relevant Lloyd's market and, in doing so, lead the insurance industry for the next generation.

This blueprint is:

- Our strategic intent, describing our vision for how the Lloyd's market of the future will look.
- Our current thinking on each of the six solutions, informed by our consultation.

- Detail of Phase I plans for each solution, describing what will happen next and what will have been achieved by the end of 2020.
- Our requests of all Lloyd's market participants to help build the Future at Lloyd's.
- How and why we will succeed.

This blueprint is not the definitive answer – there is no such thing in our continually changing world. We will be working in a fast, agile way to ensure our plan evolves in step with our customers' changing needs. And so we will use the transition and planning phase, from 1 October 2019 for six months, to develop our thinking in several areas, to ensure we are ready to execute the plan.

This is the first in a series of blueprints which we will publish periodically, at least annually, in the middle of the year to inform market participants' own strategy and business planning.

## The vision

The Lloyd's we create will be the world's most customer-obsessed and advanced insurance marketplace, with the widest range of products and services.

Everyone working with the market will be able to plug into its platforms to trade simply and efficiently. Capital providers will have access to a range of flexible opportunities to improve their current investment as well as to support new products as they come to market. The market will be underpinned by a diverse and inclusive culture that champions innovation and will attract the brightest people.

We will create a market which attracts new risks, new customers, new forms of capital and operates with materially lower costs. When we achieve this, the market will be bigger and more relevant.

A refocused Corporation of Lloyd's will uphold the highest service and performance standards, maintain the Lloyd's ecosystem, as well as carry out licensing, regulatory and rating functions on behalf of the market. Together, we will outperform our competitors.

The prospectus set out the four ways this ecosystem will enhance the current Lloyd's market value proposition. This is through:

### Offering even better solutions for our customers' risks

Customers will be able to choose from a wider and more innovative range of insurance products because Lloyd's will promote and facilitate innovation, and will make it even more attractive for innovative underwriters to join the market. Businesses, supported by technology and capital, will be able to bring new products to market quickly, increasing the choice on offer. Customers will continue to benefit from the market's unrivalled underwriting and broker expertise, and its extensive global licence network.

### Simplifying the process of accessing products and services at Lloyd's

Lloyd's will build on the London Market Target Operating Model (LM TOM) work to redesign core activities, making it simpler and more efficient for customers and market participants to trade. The entire insurance lifecycle, from buying a policy to paying a claim, will be transparent and accessible. Customer service excellence will be guaranteed by performance standards and underpinned by Lloyd's trusted global brand.

### Reducing the cost of doing business at Lloyd's

We will reduce significantly the cost of doing business. For the simpler risks, we will make the market more efficient by using standardised data, automated processes and administration, and IT solutions that allow market participants to plug directly into Lloyd's ecosystem to trade. The costs of processing and settling claims will be reduced by using technology to assess losses and automate payments. A services hub will give access to high-quality shared and bespoke services, provided at competitive cost that reflects the brand and size of the market.

### Building an inclusive and innovative culture that attracts talented people to Lloyd's

The Lloyd's market will be built on an inclusive culture, and we must all play a part in promoting the importance of diversity within our own organisations and across our market as a whole.

A highly skilled workforce will comprise a combination of traditional skills (such as underwriting and claims) with newer skills (such as data science and technology engineering). We will role model these changes within the Corporation, and support the London Market Group's talent initiatives to help the market make this transition. The Corporation will combine the technical skills needed to maintain and develop the ecosystem with its traditional regulatory, performance and licensing capabilities, attracting a wider pool of potential employees. Different routes into Lloyd's



(such as the capital solution and syndicate in a box) will attract new talent from around the world.

## The Lloyd's ecosystem

The Lloyd's ecosystem will be *the* global marketplace to buy and sell insurance, offering a one-stop shop of high-quality, cost-efficient products and services to cover even the most complex risk needs. It will comprise six integrated solutions (*see chapters 2-7*) that together provide exceptional value for customers and market participants:

### 1. Complex risk platform

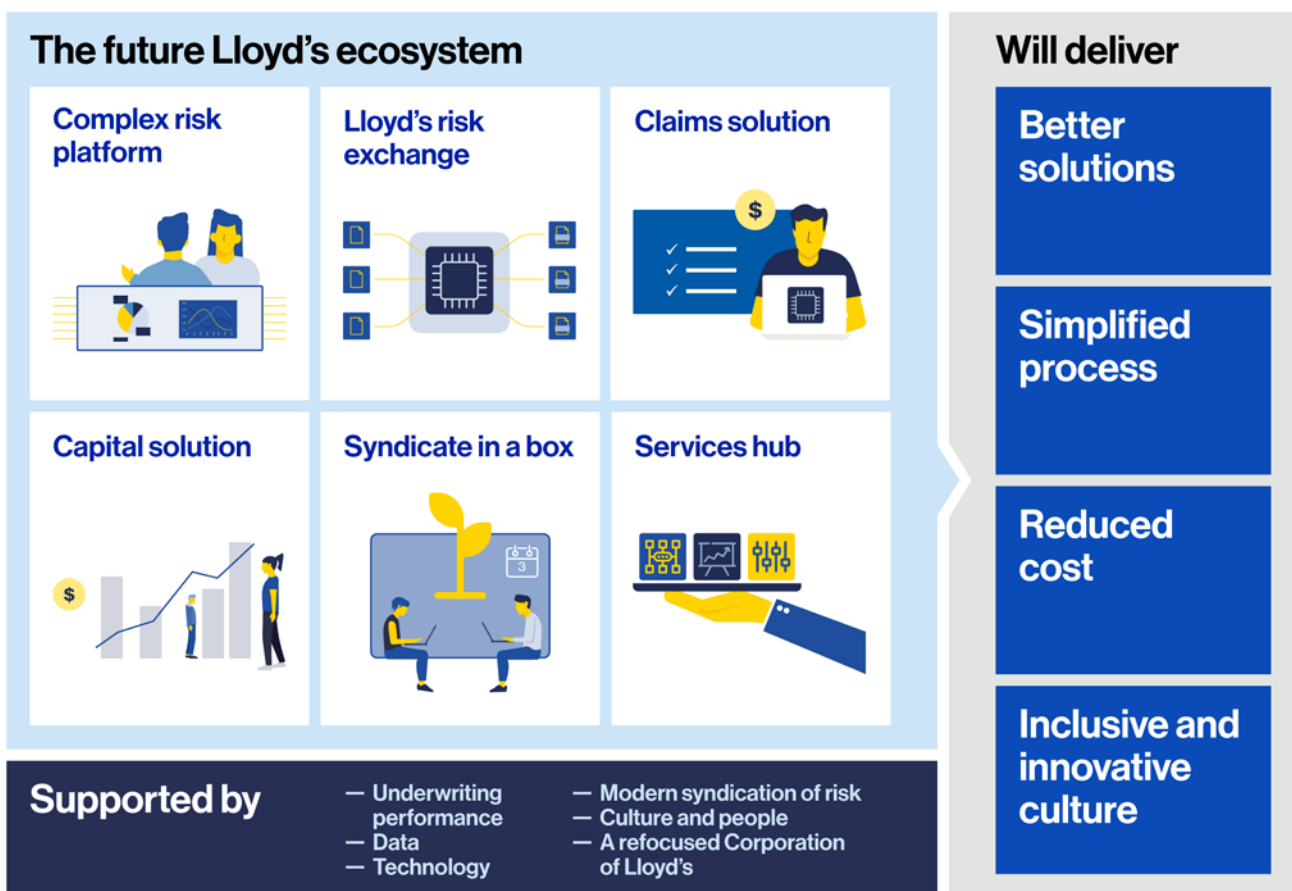
A platform that enables risks to be bought and placed using standardised data. Initially, we will invest in a next generation of PPL to deliver a 'document-plus-data' platform with an improved

user experience and a core data record. We will simultaneously prototype and develop a 'data-first' capability that will deliver a significantly improved broker, customer and underwriter experience, a more efficient and transparent claims service, and optimised support processes and insights. Over time, we will switch over to a data-first platform, securing Lloyd's reputation as the go-to global marketplace for complex risks (*see chapter 2*).

### 2. Lloyd's risk exchange

An exchange for underwriting relatively non-complex, high volume, low-value risks that enables policies to be created and bought digitally, whilst providing brokers and coverholders with an easy-to-use, end-to-end way of accessing Lloyd's products and services. Risks will be automatically rated by algorithms to speed up placement and reduce costs (*see chapter 3*).

Exhibit 1: The future Lloyd's ecosystem



### 3. Claims solution

A solution that transforms the claims process by automating simple claims, using straight-through processing, resolving standard claims handling on behalf of the market and empowering lead underwriters to handle the most complex claims. This will deliver a better experience, make it easier for customers to track their claims and speed up payments (*see chapter 4*).

### 4. Capital solution

A solution that offers capital providers more options to attach to risk more flexibly, for the benefit of all participants. It will make the market more attractive and accessible to all traditional and new forms of capital (including financial investors), while maintaining strong underwriting discipline. Managing agents will be able to offer new capital products as well as optimise their capital (*see chapter 5*).

### 5. Syndicate in a box

A new way to bring innovative, accretive, and profitable business into the market for a set period, without the need for a physical presence in Lloyd's, but subject to the same performance and regulatory controls as all new market entrants. Syndicate in a box will provide a testing ground for improvements, including the way we attract and onboard. We will extend relevant improvements to all new entrants in due course (*see chapter 6*).

### 6. Services hub

A set of high-quality value-add services to support the market's business, including access to Lloyd's data, insights and analytics, business support functions and product innovation accelerators, accessed via an online portal. The Corporation will ensure quality by defining a set of common standards which all participants will have to meet (*see chapter 7*).

## Foundations

The solutions are built on six foundations in order to create their full potential value:

#### – Underwriting performance

World-class underwriting performance and strong performance management will always be a priority for Lloyd's. We will maintain the highest standards to protect customers, the market's reputation, the Central Fund and our credit rating. It means our market will be here to meet our customers' needs for generations to come.

#### – Data

The Future at Lloyd's will be a data-first marketplace, capturing high-quality data as early as possible in the risk lifecycle. This will enable benefits including efficient automated processes, better decision-making and a single source of information that is accessed throughout the risk lifecycle (*see chapter 8*).

#### – Technology

Solutions will include application programming interfaces (APIs) and open architecture, and will build on existing technology within the London market and other proprietary systems. This will ensure customers' and market participants' systems are compatible with the Lloyd's ecosystem (*see chapter 9*).

#### – Modern syndication of risk

The ability to syndicate specialty risk is the cornerstone of the security that Lloyd's offers its customers. The way this is done today has been the product of natural evolution over time but it is not universally reflective of efficient business practice. So, Lloyd's will modernise the way that business is syndicated, including the practice of lead-follow, to give a much better experience for customers, brokers and syndicates (*see chapter 10*).

#### – Culture and people

The market needs to attract, retain and develop the most talented people globally. This will include a more diverse and inclusive culture, a different mix of talent (with greater emphasis on data and analytics), and a greater focus on customer service, innovation, collaboration and new ways of working (*see chapter 11*).

## – A refocused Corporation of Lloyd’s

The Corporation will continue to deliver its existing remit of performance management, oversight and regulation, maintaining the licence network and promoting the brand globally. The shared services provided will adapt to the requirements of operating a digital ecosystem, including: ensuring data and technology standards are consistent; controlling technology solutions; modernising the physical working environment; and creating an agile operating model (*see chapter 12*).

## How developed is our thinking?

Building the Future at Lloyd’s is both complex and exciting, and we are determined not to do things too quickly at the expense of doing it right. Whilst we are clear on our thinking about what the end state for each solution will look like, we are at different stages of thinking about how we will go about delivering the activities for each.

This is where we should be at this stage, and is why we are adopting a test-and-learn, phased approach to development and delivery (*see Roadmap for delivery chapter 13*). This will enable impactful, early wins whilst we continue to develop the full execution plan.

Blueprint One articulates where we have got to in our thinking for each area and the phased deliveries we are planning for each.

## Why we will succeed

One of the common themes expressed in the consultation feedback was our collective ability to deliver the Future at Lloyd’s. This is understandable given the complexity of the market, the scale of our ambition and our inconsistent track record of delivery.

To minimise execution risk, the Future at Lloyd’s will be delivered using a modular, phased approach. There are eight principles we are applying. We will:

- **Capitalise on prior market investments** including elements of recent market modernisation initiatives. Market assets will be

built upon where possible including PPL, Workbench and DA SATS (Delegated Authority Submission, Access and Transformation Service).

- **Learn from the past.** The Lloyd’s and London markets have a long history of driving change and innovation, but the execution of plans has not always been good. Our collaborative approach to building the Future at Lloyd’s will ensure the solutions are designed for the benefit of Lloyd’s and the wider London market.
- **Communicate regularly,** consulting with the market and regularly sharing ambitious but realistic plans.
- **Ensure the Corporation and the market has the right skills to deliver the plan.** Capabilities will need to be expanded in several areas, such as digital, service design, data and analytics, and programme and change management.
- **Deliver value to the market quickly,** phase by phase. Policy and process changes will be put in place at low cost, as soon as they are ready to roll-out. The market will benefit in the medium term from smaller-scale releases that build on each other as the full solutions are developed.
- **Deliver the technology in parts.** It will eventually come together to form the whole ‘jigsaw’, but it will be delivered in parts, rather than all at once. This will allow each component to be tested and refined based on the market’s experience of using them. It will also reduce complexity, and development costs and times. We will enhance existing solutions and integrate third-party solutions.
- **Retain control and operational responsibility** for the technology platforms. This will ensure the solutions are cohesive and self-reinforcing, providing better end-to-end functionality and accountability.
- **Ensure the appropriate governance is in place,** led by the Corporation but supported by the market, to ensure we deliver according to Future at Lloyd’s success metrics. Decision-making will reside with the Corporation.

## How we will measure success

By significantly reducing costs and making Lloyd's more relevant for customers, we anticipate the market will be materially larger. This will create value for all market participants.

From the work that we have been doing to develop the blueprint, we believe that digitisation, automation and simplification could reduce the cost of doing business from 40% to 30%. Moving to lower-cost channels (such as the risk exchange and straight-through claims processing) could reduce that further to 25%. Initial analysis from the design labs suggests up to 40% of volume will eventually be traded on the risk exchange and 15-30% of claims would be straight-through processed. Market participants will themselves determine how these efficiencies are used to support market growth or to create new, lower cost models of operating.

Lloyd's will measure and track the value that is created for the market across several quantifiable metrics.

- **Gross written premium:**
  - Profitable growth in premium volumes over the next ten years.
  - Products for risk managers' top risks will be available at Lloyd's (per published annual global risk reports).
  - Lloyd's will be considered a highly attractive marketplace to every global carrier.
- **Combined operating ratio:**
  - A significant reduction in the expense of operating at Lloyd's.
  - Profitable and innovative underwriting result.
- **Customer outcomes:**
  - Industry-leading brand reputation.
  - An outstanding customer experience metric.
  - Improved retention of customers at renewal.

Benchmarks and targets will be developed during the transition and planning phase.

## Delivering early value through Phase I

The feedback was clear: we need to maintain a high ambition for the Future at Lloyd's and quickly deliver significant improvements and value; we also need to ensure the plans are challenging but realistic. We will do this by taking time to ensure we are ready and through a phased delivery approach.

We will spend six months from 1 October 2019 in a period of transition and planning, when we will resource and prepare for the execution and build phases which will begin from January 2020.

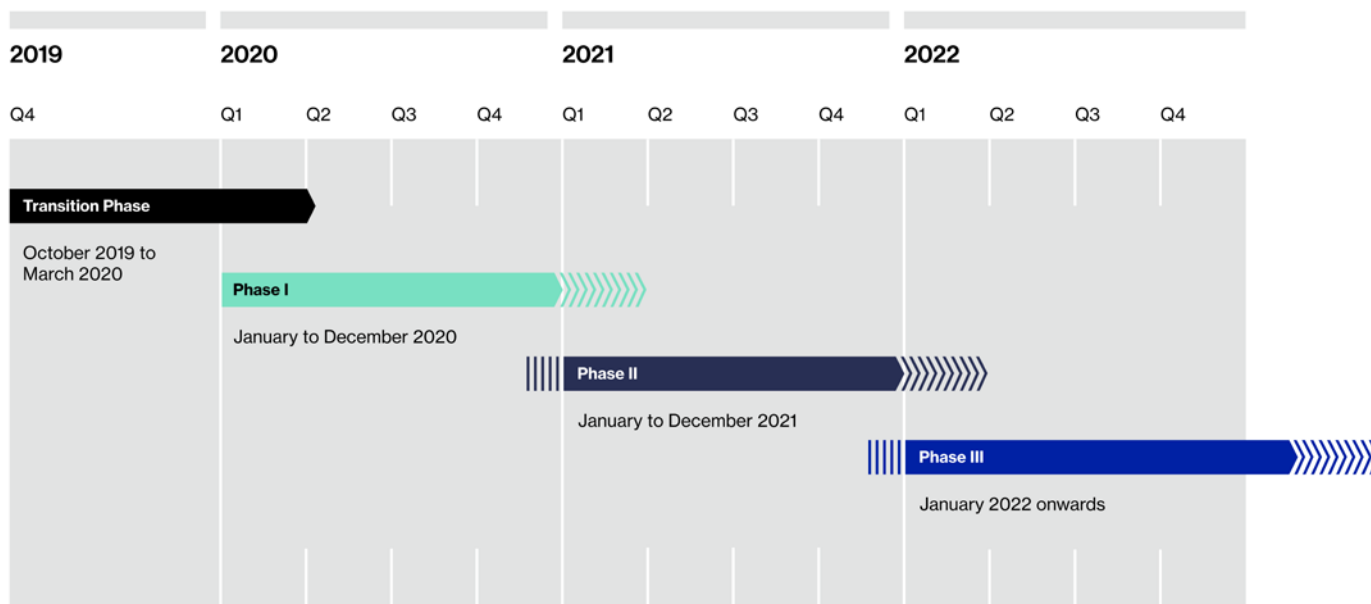
Phase I will consist of delivering a mix of quick wins, together with a series of initiatives which you told us would have big impact. These include:

- A set of defined data standards and data structures.
- Early build of a document-plus-data solution for complex risks ready for testing and feedback, and selection of technology solutions for the 'data-first' platform.
- Early build of risk exchange components for select risk classes, connected via APIs to a small number of existing e-trading systems, ready for testing and feedback.
- Pilot components of the claims solution, including a triage engine for automatically segmenting simple, standard and complex claims with partner managing agents and brokers, and the first release of an interface which clients and brokers can use to submit claims.
- An initial tranche of capital platform pilot use-cases in the market, and a refined set of rules and processes for capital at Lloyd's.
- A new framework and set of rules for leading and following at Lloyd's.

## How will we fund the investment?

The Future at Lloyd's will require significant investment if the market is to remain relevant and successful. Detailed business cases are being developed to test feasibility, and will be finalised during the transition and planning phase. Decisions must be underpinned by a strong and compelling business case.

## Exhibit 2: Phased approach to implementation



We remain committed that the investment will not be funded by passing an additional levy on to Lloyd’s market participants and adding to the expense burden. We are pursuing three potential funding opportunities, through a combination of available cash and low-cost debt, that can meet the foreseeable obligations of the Future at Lloyd’s:

- Lloyd’s could use surplus funds and cash.
- Lloyd’s could raise senior debt.
- Lloyd’s could securitise (if needed) against future income flows of the market.

Over time, the intention is for the ecosystem at Lloyd’s to repay the initial investment. A range of truly valued services will be available for market participants (and, in some instances, wider industry players), provided by the Corporation as well as a range of accredited service partners.

### The market’s support is essential for success

Lloyd’s is a unique institution that has been the heartbeat of the insurance sector since it began more than 300 years ago. The market has thrived because it has always responded to changing circumstances and customer needs by working

together to create new products, services and business models.

Today, we must do so again to remain compelling to our customers and competitive with our peers.

Building the Future at Lloyd’s will be a challenging journey – and it will only be successful if the market is prepared for the changes, and is involved in designing and delivering the solutions. Close collaboration will be critical as we move into delivery and we need your help to make things happen. So we ask that you:

- Engage with us throughout the transition phase. How can your people help us to deliver the plan? How might they learn and develop from involvement in Future at Lloyd’s user testing groups and design labs?
- Think about how your value proposition to end customers might change. What new opportunities will be presented? How will you take advantage of them?
- Begin to consider the implications for your technology so it can plug into the Future at Lloyd’s solutions. What are the implications for your planned investments in technology? Do you have the right systems and delivery capabilities?

- 
- Reflect on how technology will impact the way that people in your business carry out their day-to-day work. How will you support them through this change? How should the Corporation support them?
  - Consider what people and capabilities you will need in the future. Do you have the right mix of skills? Who do you need to start recruiting now to be ready for 2020?
  - Consider how you will make your organisation a more diverse and inclusive place, both in terms of skill and demographic. How will you address Lloyd's diversity and inclusion agenda?
  - Factor Future at Lloyd's activity into the change agenda in your own business.
  - Identify what else you need to know to adopt the Future at Lloyd's.

We also need your help to design, test and refine each of the components described in this blueprint.

There are three ways to get involved with the Future at Lloyd's. These are:

- Partner: work with Lloyd's to test early components.
- Integrate and scale: provide feedback and assist in user testing during Phase I, and be an early adopter of technology in Phase II.
- Adopt: make changes to internal systems as solutions are rolled out.

Lloyd's recognises that not all firms will have capacity to be extensively involved, but all participation is welcomed and appreciated no matter how small. You can refer to each chapter and [lloyds.com/thefutureatlloyds](https://lloyds.com/thefutureatlloyds) for specifics.

The whole market must work together to make the Future at Lloyd's a success. This is a once-in-a-lifetime opportunity to be part of Lloyd's next chapter – and to secure the future for the next generation, so please do get involved.

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**01**

**Feedback  
from the  
consultation**



# Feedback from the consultation

The blueprint has been informed by a consultation exercise of unprecedented scale in Lloyd's history. Leading up to the publication of the prospectus on 1 May 2019, the Corporation of Lloyd's consulted with almost 1,000 stakeholders. From May until July, we consulted with a further 1,100 people on the aims of the Future at Lloyd's and the six proposals to transform the market. We are grateful for the time and effort that so many have taken to contribute and shape the Future at Lloyd's blueprint.

There was strong overall support for the aims and ideas presented in the prospectus. As anticipated, there was extensive and constructive input to the design and prioritisation of the six proposed solutions. There were also several overarching themes which have directly informed the blueprint design and the approach to execution.

Lloyd's stakeholders told us to:

- **Strengthen the market's value proposition.** Each group that was consulted highlighted the importance of Lloyd's value proposition to their organisations and of acting decisively to ensure the best customer and market outcomes, working in partnership with existing distribution relationships. The Future at Lloyd's must preserve and build upon the strengths of the marketplace as it seeks to deliver more value to customers and grow profitably.
- **Pursue a holistic solution.** The vast majority of qualitative feedback and 70% of respondents to the online survey believed the proposals, taken together, would deliver the Future at Lloyd's aims. Each stakeholder group highlighted differing priorities with regard to the

proposals, reinforcing the view that the Future at Lloyd's should be delivered as a whole package in order to realise maximum value for all customers and stakeholders.

**Focus on execution.** We agree with the many respondents who said that execution is key. There was a clear request to de-risk implementation by phasing the work. The build will, therefore, be modular, beginning with making improvements to existing systems and processes and conducting technical experiments, followed by building solutions which can be scaled. This approach will deliver value quickly by the end of 2020, and in parallel, will work towards a full transformation of the market by 2023.

During the transition and planning phase (October-March 2019), we will begin by:

- Continuing to engage with stakeholders and advisory committees, and identifying opportunities for collaboration.
- Validating business cases and developing detailed execution plans.
- Mobilising for Phase I by creating an expanded Future at Lloyd's team, and formalising the Future at Lloyd's structure and governance.
- Developing early technical experiments and validating approaches, and completing targeted improvements to existing processes and systems.

*(See Roadmap for delivery chapter 13 for details.)*



## Exhibit 1.1 Consultation highlights



Each stakeholder group consulted, including carriers, capital providers, intermediaries and customers

**10-week** consultation



**300+** interviews

**500+** survey responses



**1,100** stakeholders engaged

**600** people at events



**30+** written responses from across the market and its members

- 
- **Emphasise talent and culture.**  
The importance of making sure the market retains and attracts talent was raised many times in the consultation feedback. Keeping and developing talent within a supportive culture that embraces change was seen as necessary for Lloyd's future success.
  - **Reuse existing technology and infrastructure, where possible.** Respondents said they wanted the Future at Lloyd's to build on their investment in the London Market Target Operating Model (LM TOM) and its systems (e.g. PPL) whilst developing a data-first environment and the ability to plug into the new platforms.
  - **Modernise practices for risk syndication.**  
The Future at Lloyd's provides an opportunity to set clearer standards and processes that differentiate market leaders and followers (e.g. service level agreements, required capabilities, oversight and reporting). Doing so could raise underwriting standards and make subscription business placement more efficient by reducing duplication and cost, ultimately improving the experience for customers. Formalising lead-follow roles could make it easier to deliver several of the most critical Future at Lloyd's solutions (e.g. the complex risk platform and the claims solution). Although not initially a distinct part of the Future at Lloyd's prospectus, this work will be folded into the Future at Lloyd's in partnership with the Lloyd's Market Association.
  - **Ensure clear, simple governance but be relevant to the broader market.** There was strong support during the consultation for the Future at Lloyd's to be governed by the Corporation. However, the feedback also said the solutions need to be relevant to the London company and global specialty markets, and to be compatible with market participants' existing technology infrastructure. *(See Roadmap for delivery chapter 13 for details.)*

In addition to these cross-cutting themes, there were specific points related to each of the ideas presented. These are summarised in the chapters describing each solution.

The conversation is not closed, and we will continue to seek your feedback over the coming months.

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02

# Complex risk platform



# Complex risk platform



*A digital, end-to-end platform that complements face-to-face negotiation to submit, quote, bind, issue, endorse and renew complex risks for insurance and reinsurance business. This will evolve over time from a 'document-plus-data' to a 'data-first' solution.*

## What is the strategic intent of the complex risk platform?

The complex risk platform will support the sourcing and efficient placing of complex risks. It will deliver a significantly enhanced market participant and customer experience, a more efficient and transparent claims service, and optimised support processes and risk insights. It will sustain Lloyd's as the go-to marketplace globally for complex risks and support the market's evolution from a document-first, to a document-plus-data world, and eventually to a data-first world. It will:

- Support the negotiation process with the latest collaboration tools and a common data set.
- Enable efficient processing through better data, using clearly defined data standards (from submission and quote to bind endorsement and renewal) and a core data placement record.
- Integrate with other technical solutions used by market participants through APIs.
- Use data and business rules to automatically check that negotiated risks are compliant with territory-specific regulatory rules, correctly subscribed, signed and fully priced with taxes and premium certainty.
- Enable structured data capture and data enrichment at the start of the risk-placing process, followed by straight-through processing to back-office systems.
- Deliver the ability to analyse wordings using artificial intelligence and create a digital policy record to help measure and manage legal and compliance risk, and to improve efficiency.
- Enable access to data and processing services that deliver core data enrichment, standard wordings, terms and conditions libraries and digital services such as Know Your Customer, Anti-Money Laundering and sanctions checks. These will deliver a richer user experience, better risk insight and more efficient processing.
- Enable the matching of risks to capital to allow capacity to be added more easily once terms have been agreed with the leader, based on syndicates' risk appetite and the risk's fit with their existing portfolio.

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## Maturity of thinking

Defining the complex risk platform has proved more challenging than originally thought, particularly around how to shift from a document-centric world to a data-first world.

Over the past couple of years, the market has increasingly adopted electronic placement. This has allowed the market to think about the best role for e-placing and data. Investments in PPL upgrades will continue to support the current momentum around adoption and to improve the user experience. Therefore, the Corporation proposes to acquire a financial interest in PPL to help influence and fund its future direction, and enable the market to build on its investments to date. It will:

- Invest in a next generation of PPL that addresses users' feedback on the current version, makes it better to use, and meets many of the short-term needs of the market. The new solution will be a 'document-plus-data' solution with an improved user experience, document collaboration capabilities and a core data record. It will offer a mobile-friendly interface and will be able to capture the data needed for more efficient downstream processes.
- Simultaneously develop the 'data-first' solution that uses structured data and tools to create the insurance contract, assess legal and compliance risks, and gradually adapt Lloyd's reporting requirements to be in line with other global markets.

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## At a glance: Complex risk platform

### What it is

A digital, end-to-end platform that complements face-to-face negotiation to submit, quote, bind, issue, endorse and renew complex risks for insurance and reinsurance business. This will evolve over time from a 'document-plus-data' to a 'data-first' solution.

### What it includes

- **Placement module** to help the broker and underwriter structure risks, match risk appetites and visualise placements
- **Negotiation module** to support real-time collaboration on high-quality contracts and more efficient endorsements and renewals using key data
- **Customer portal** to capture submission data from risk managers in a structured format, with a 'data room' to store customer-specific unstructured data
- **Enabling services common across the Future at Lloyd's**, including:
  - Simplified accounting and settlement to support the straight-through processing of funds and automatic generation of technical accounting
  - Automated tax calculator to allow tax certainty at the point of trade
  - Centralised compliance checks (Know Your Customer, Anti-Money Laundering and sanctions checking) to minimise duplication
  - Connection to approved clause and wordings libraries that can be added to by market participants
  - Common data platform and data enrichment services to straight-through process claims, reduce re-keying, improve data quality and automate Lloyd's reporting

### What will be delivered in Phase I

- **Begin testing of early build of document-plus-data** solution with a range of market participants. The Corporation proposes to make a significant financial investment in PPL to influence the development of PPL's technology platform
- **Create prototypes for the data-first solution** and plan for Phase II build
- **Establish connectivity with other digital solutions**, and publish the first set of data standards for the core data record and digital interfaces

## Consultation feedback and influence on the design of the complex risk platform

Much of the consultation feedback on the complex risk platform noted the importance of the market's future capability to place complex risks. While there

was a recognition that many market participants have adopted PPL, the feedback recognised the need to improve the user experience and underlying technology. All of this feedback informed the design principles underpinning the complex risk platform's design (*see table 2.1 below*).

Table 2.1: Consultation feedback and design principles

Consultation feedback ... <i>The complex risk platform should:</i>	... informed the design principles
<ul style="list-style-type: none"> <li>— Ensure complex risk placement remains at the core of the Lloyd's value proposition, brand and reputation.</li> <li>— Be bold in its ambition and deliver an effective and efficient multi-market, multi-jurisdictional platform.</li> <li>— Emphasise the personal touch (e.g. support for face to face, video and chat capability).</li> <li>— Be best in class for data, including collection, enrichment, consolidation and analysis.</li> <li>— Use the latest technology and collaboration tools, including cloud services, common data stores, an intuitive user interface and APIs with common data standards and structures.</li> <li>— Be able to price products at the point of trade and automate all pre- and post-placement processes to reduce time spent on low value-add activities.</li> <li>— Build on investment in the London Market Target Operating Model (LM TOM), e.g. PPL.</li> <li>— Recognise that executing the plan and phasing its delivery are the key to success.</li> </ul>	<ul style="list-style-type: none"> <li>— <b>Build on today's world and start the journey to deliver the Future at Lloyd's.</b> Significantly enhance the capabilities of PPL (implement a core placement data record, publish API standards, deliver an intuitive user experience) and begin the journey of delivering a data-first digital platform.</li> <li>— <b>Define the standards.</b> The Corporation will work with the market to define the data standards and process rules. Common industry standards will be used as a basis, but will be adapted to meet specific needs or to enable more rapid delivery.</li> <li>— <b>Adopt a best-in-class data approach to differentiate Lloyd's from competitors.</b> Putting structured data at the heart of the complex risk platform to support more efficient transactions and to build an end-to-end process.</li> <li>— <b>Increase use of clearly defined structured data.</b> Enforce data standards and structure, and focus on data quality and process simplification.</li> <li>— <b>Finalise price.</b> Ensure data and processing is available to finalise the price of the risk, including tax calculation.</li> <li>— <b>Focus on open market and reinsurance.</b> Design for both complex open market and reinsurance business that cannot be defined according to a set of parameters (and hence placed on the Lloyd's risk exchange).</li> <li>— <b>Design for flexible capacity and placing strategies.</b> The design will support more flexible lead negotiation and follow capacity participation.</li> </ul>

## Technical details

### Complex risk platform placement components

Exhibit 2.1 provides an illustration of the complex risk platform. The platform will be designed so it can connect to other e-placing solutions through APIs.

Many of the components and features in the design of the complex risk platform exist today for some complex business across the industry. The complex risk platform will integrate existing technology and features that have been used outside and inside the market at scale, in a way that will be new to the Lloyd's market and will provide a better, integrated user experience.

#### 1. Placement module

The placement module will support all brokers and carriers in the risk placement chain by connecting brokers with potential markets and enabling the submission and quote processes.

##### Appetite search

A tool that will give brokers an up-to-date, online view of which syndicates have the risk appetite and expertise to lead on the type of business they are looking to place.

##### Digital lead market placement

For a new quote, brokers will create a submission record by either entering the details of the business they are looking to place directly onto the complex risk platform or by uploading the information from their own systems. They will be able to request quotes from their networks or the markets they have identified through their appetite search. Once underwriters have been invited to quote, they will be given access to the structured submission data. Any additional information they request will be uploaded to the 'data room' (centralised repository of structured and unstructured data) by brokers for them and other potential leads to access. Once brokers have analysed the quotes they will choose who they wish to lead.

Renewal quotes will be able to follow the same process, but will use prior year data, which may be

updated by brokers to reflect changes required by customers.

### Digital follow markets placement

For risks requiring syndication, once leaders have bound a line, brokers may invite potential additional follow markets to participate, giving them access to contract details, including submission data, agreed policy terms, conditions and wordings and the data room.

As the complex risk platform is developed, it will connect with the Future at Lloyd's capital solution, creating new opportunities for follow market capacity to be matched to risk more efficiently.

*(For more details on the capital solution, see chapter 5.)*

#### Placement visualisation

A tool that helps brokers structure and place risks. For multi-layered risks, brokers will first map the risk layers based on input from the policyholder and the producing broker. As placing brokers look for capacity, the tool will automatically update the information based on quotes received and will show several options.

#### Pricing tool

The complex risk platform will connect to market participants and third-party pricing tools. Risk data will flow through the platform to these pricing tools, removing the need to re-key information.

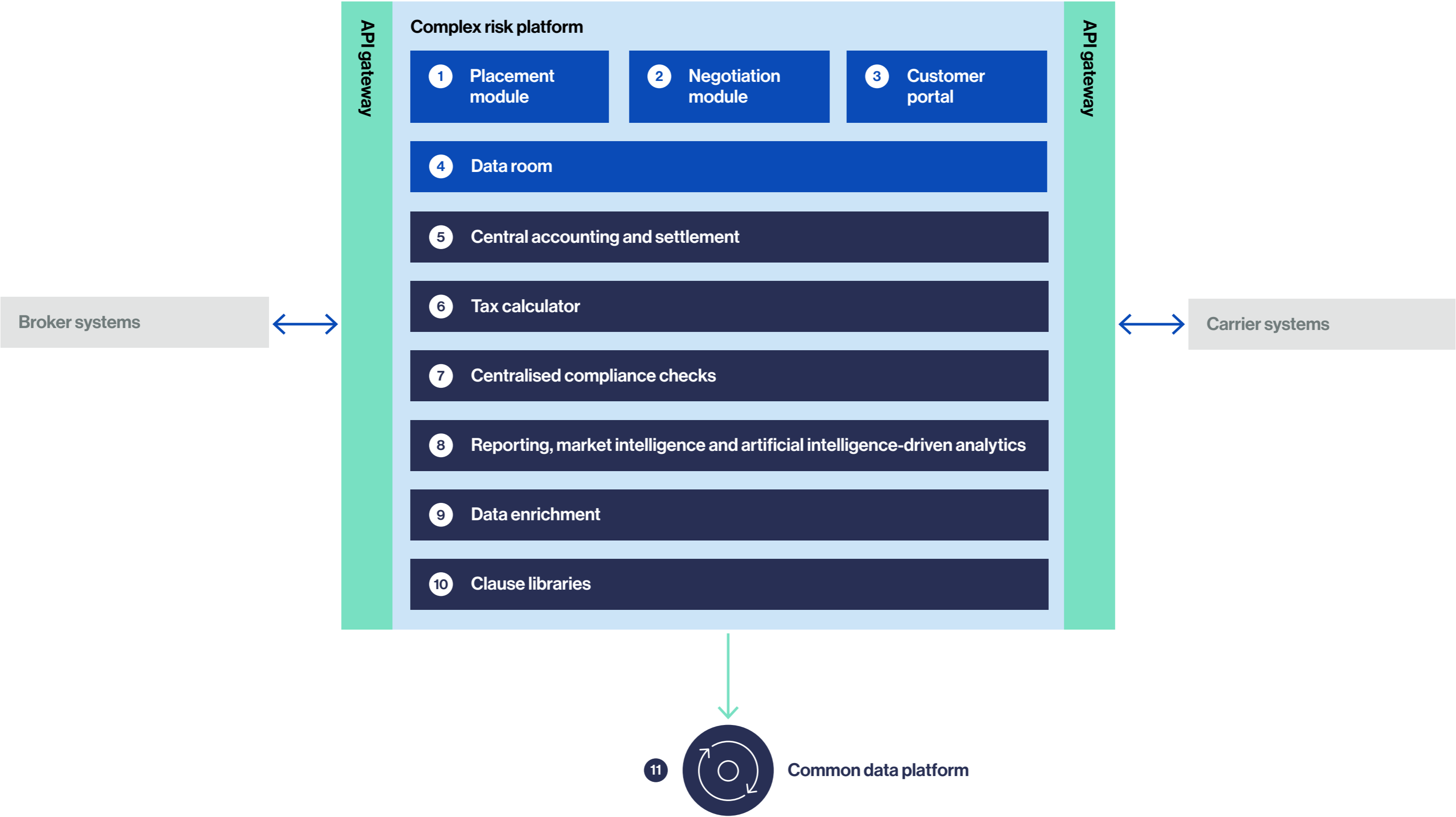
### 2. Negotiation module

The negotiation module will support rapid contract creation and efficient, collaborative negotiation of terms and conditions. It will be accessible to placing brokers, lead underwriters and customers. It will support various communication methods, including face-to-face, tablets, video chat and messaging. It will enhance face-to-face negotiation by enabling users to edit and annotate contracts in real time and will be compatible with mobile devices to allow remote working.

Initially, the complex risk platform will support contract negotiation in two ways: document-plus-data and data-first.



Exhibit 2.1 Components of the complex risk platform



## Document-plus-data contract builder

In a document-plus-data world, contracts will be created using document collaboration tools that allow both parties to amend the document separately or together and highlight changes online in real time, providing an audit trail. The tool will access standardised terms and conditions from clause libraries. In parallel with document creation, a core data record will be generated from information entered through APIs or directly onto the platform. These data fields will be incorporated into the final market reform contract such that the data within the core data record takes priority over subsequent language in the contract document.

## Data-first digital contract builder

As part of data-first capability, the insurance contract (data-first contract) will be built using a digital contract builder. This tool will draw on submission data, quote details, rules engine and selections from clause libraries (*see Data and Technology, chapters 8 and 9*) to build the contract digitally. The contract will be closer to 'contract certain' and compliant with regulations much earlier in the process, eliminating many compliance checks later in the process. Bespoke clauses can be added, but will be flagged to focus the work of wordings specialists, legal and review teams on these fields. Frequently used bespoke clauses will be added to libraries over time.

This approach to contract construction will support a contract risk assessment rating for legal and regulatory risk. It will also allow brokers and syndicates to subsequently identify contracts containing company-specific or market clauses that have been challenged legally so that they can be addressed.

## Finalising to firm order

Brokers, having identified the markets and negotiated the terms and conditions, will submit a series of offers as firm orders. The platform will tightly control data access to ensure underwriters only see what they are permitted to. For example, price may be excluded in a verticalised placement.

Underwriters will review the firm orders and decide on whether to accept, reject or accept 'subject to' (and specify certain conditions/subjectivities). Any proposed conditions should be agreed before firm

orders can be bound. The platform will manage the workflow and audit trail.

Once all the acceptances to fill the order have been received, the platform will help facilitate the signing down of the risk to the correct order level (i.e. 100% of the risk).

The platform will automatically calculate taxes at bind if there is sufficient structured data.

Regardless of whether the contract has been created through the document or digital builder, at bind, an agreed version of the insurance contract will be created as a PDF and saved to the central market contracts repository.

## Post-bind processing

Once binding has been completed, the platform will provide automatic updates of the signed line to all relevant participants and will produce an automated accounting and settlement record for the settlement process.

## Corrections

If mistakes are made in the contract, the platform will allow users to agree edits to firm orders and replace with correct versions, highlight changes and notify relevant parties.

## Endorsements

Brokers will create a new endorsement as either a quote request or a firm order endorsement, depending on whether they need to negotiate the content, price or both. The endorsement record will be created from the original placement record.

The platform will facilitate the negotiation, acceptance, completion and processing of the endorsement in a similar way to the original placement. In the data-first world, a replacement contract will be created by incorporating the changes into a new, updated contract.

## Renewals

A key advantage of the platform and the common data store will be the support of the renewals process. Brokers and underwriters will have better visibility of risks nearing renewal. The existing placement record will be used as the basis for the renewal: a new placement record will be created,

and will highlight where information may have changed and request validation.

The renewal process will be easier if the contract was originally created in the data-first contract builder.

The platform will facilitate automatic renewals where renewal parameters have been agreed by the parties as part of the original placement record. If those renewal parameters are met, it will be possible to complete processing to a bound firm order and to notify all parties.

### Reinsurance placement linking

Whilst the insurance and subsequent reinsurance contracts are distinct, there is an inherent link between them, particularly in facultative placement. The platform could simplify the reinsurance placement by automatically generating a draft facultative placement record for brokers, saving time and reducing errors. Linking the direct and facultative records could enable cedants, reinsurers and brokers to see (possible) net exposure for a given risk, aiding decision-making about the placement.

### 3. Customer portal

Customers will have access to a portal where they can upload information about their organisation, its assets and other risks to their business to develop a bespoke customer profile. Customers will be able to use the portal to analyse their organisation's risk profile and determine which risks to mitigate and which to transfer. Once established, data for risks they want to transfer will be automatically uploaded to the complex risk platform where their broker can see it. This will be the start of the complex risk placement journey.

After brokers have submitted the risks, customers will be able to track the placing process through the portal, communicate with underwriters and brokers via collaboration tools including video and chat, access their insurance contracts and manage any changes to their risks or coverage.

### 4. Data room

Each customer will have their own data room, accessible by all parties to the contract, as a store of the unstructured data required for underwriting to supplement their submission. Brokers will set

visibility and access rights to portions of the room as appropriate.

### Common services (see *Data and Technology chapters 8 and 9 for details*)

The complex risk platform will centralise supporting services that are common across the market and are duplicated in the current world. This will reduce costs and enable straight-through processing in the data-first environment.

#### 5. Central accounting and settlement.

A streamlined and automated technical accounting service will be required, supported by a range of settlement services. In the data-first environment, the platform will automatically generate accounting entries and pass them on to carriers and brokers via APIs. In the document-plus-data environment, brokers will continue to submit to central services to create accounting records. Both approaches will pass on the data for central settlement.

**6. Tax calculator.** Tax calculation will be centralised to make it easier for users to meet the demands of evolving tax requirements across numerous territories. The tax calculator will ensure the correct data is automatically provided at contract creation and provide tax certainty. This will simplify accounting, processing and reporting to tax and regulatory authorities.

#### 7. Centralised compliance checks (Know Your Customer, Anti-Money Laundering and sanctions).

The platform will collect required compliance information during submission, carry out checks, and will share the results with all parties, indicating where further action may be required.

**8. Reporting, market intelligence and artificial intelligence-driven analytics.** Data from the common data platform will be referenced automatically, eliminating manual processing, reducing syndicates' reporting requirements and providing users with management information (e.g. exposure management).

**9. Data enrichment.** Data enrichment will enable users to share or upload a minimum amount of data about a customer and their risk coverage needs, which will be automatically enriched using data from external databases.

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**10. Clause libraries.** The complex risk platform will provide access to Lloyd's and the London Market Association's clause libraries. Brokers and carriers will be able to create company-specific clauses on the platform or access their own clause libraries via APIs.

**11. Common data platform and other data services.**

The common data platform will hold the single, definitive data record, serving as the source of information that feeds all market processes, services and insights. One data structure will contain the life cycle of a risk (through underwriting, bind and claims). The data platform will be segmented by risk and participant, with robust security to ensure it can only be accessed by authorised participants.

The common data platform will aggregate all information from the risk exchange and the complex risk platform to enable the straight-through processing of data and allow real-time exposure management analysis as well as inform claims processes downstream. It will provide the Corporation with performance management and regulatory reporting information directly.

The Future at Lloyd's will also provide a set of data services. These will include a data framework, data and quality standards, data governance, data security and additional data-related services.

## Dependencies

### PPL

The design of the complex risk platform recognises the significant investment made by the market in PPL. During the next phase of the Future at Lloyd's, the Corporation intends to invest in PPL and help influence the future design. This means the Corporation will work with PPL in the development of the document-plus-data component of the complex risk platform.

The re-platforming of PPL and the early piloting of data-first capability will allow the design to be refined and improved. This will inform the design and delivery timetable for the complex risk platform. The Corporation will share this timetable with the market at the end of the transition phase and at each major decision point.

### Accounting and settlement

Currently, Lloyd's uses manually-intensive accounting and settlement processes. During the transition phase and Phase I, the Future at Lloyd's will explore potential to streamline accounting and expand settlement services.

### Lloyd's risk exchange

The complex risk platform will operate closely with the risk exchange. If a broker enters a risk onto the complex risk platform that is simple enough to be auto-quoted on the risk exchange, they will be directed to the risk exchange for auto-rated quotes.

The complex risk platform may also be used to place certain risks that originate from the risk exchange. Examples include:

- Risks entered into the risk exchange that are outside the limits of the relevant delegated authority. In this case the complex risk platform would create a direct connection to a syndicate underwriter.
- Risks entered into the risk exchange where no suitable product is found. In this case customers' requirements will be transferred automatically to the complex risk platform for placement.

- The binding authority agreement. This agreement can be created on the complex risk platform, where a broker can select capacity and agree the delegated authority under which contracts of insurance can be bound. Information about the delegated authority agreement will be passed to the risk exchange, where the products can be configured. Coverholders and brokers can then search the risk exchange to quote and bind individual contracts of insurance within that binding agreement.

The complex risk platform will also be integrated with the other Future at Lloyd's solutions and participant systems:

- Compatibility with existing systems: The complex risk platform will connect to brokers' and syndicates' existing IT systems through APIs and user interfaces.
- Claims solution: Structured data will flow from the complex risk platform to the claims solution to improve the quality and speed of claims processing. Aggregated data will flow into the complex risk platform, so market participants can use consolidated policyholder and risk class data to generate customer insights and inform underwriting.

## Phased approach to implementation

Table 2.2: Overview of phases

Transition <i>Six months beginning Oct 2019</i>	Phase I <i>Jan-Dec 2020</i>	Phase II <i>Jan-Dec 2021</i>	Phase III <i>Jan 2022 onwards</i>
Complete plan, design, and ramp-up for document-plus-data solution and data-first solution.	Early build of the document-plus-data solution and prototype of data-first capability.	First production release of document-plus-data solution, and early build of data-first solution for specific risk classes.	First production release of the data-first solution and roll-out to additional lines of business, integrating with automated back-office services.

### Transition phase

During transition, the complex risk platform lab will develop detailed plans for build.

Phase I will only begin once a set of criteria are met. These will include: validating the solution business case, addressing interdependencies and having the right resources in place.

**Document-plus-data:** during the transition phase, the data required in the core data record to support efficient processing must be identified. This will be answered by mapping each desired outcome to the core data required.

**Data-first:** the Corporation recognises the complexity of moving from wordings to data-first contracts. During transition, the lab will explore options to assess feasibility/flexibility of systems that work across multiple risk classes and multiple market participants. It will also explore which risk classes to prioritise for the platform (e.g. marine cargo).

### Phase I

Throughout 2020, the lab will work on the early build of the document-plus-data solution and a prototype of the data-first solution. By the end of 2020, vendors will have been selected and the early build and prototype will be complete, ready for testing and feedback. Specifically, the following will have been delivered:

**Document-plus-data:** an early build of the document-plus-data solution will be ready for early testing, feedback and refinement by a group of selected market participants. This version will:

- Provide an improved user experience.
- Capture a core data record (a mandated minimum data record) that will expand over time as standards are developed and market participants' digital capabilities increase.
- Connect to broker and syndicate platforms via APIs and interact with pilot digital services, such as Know Your Customer checks.
- Support the early build, testing and feedback on priority common services (e.g. the tax calculator for simple class and jurisdiction combinations).

**Data-first:** prototypes and technical experiments will have been tested and feedback received. These prototypes will be for a solution that uses data to generate the insurance contract for select risk classes. This version will:

- Automate and bring upstream currently manual processes.
- Focus on the most important functionalities, including integrating with priority common services.
- Prepare for first production release of the data-first solution for select lines of business in Phase II.

**Technology:** build for the API gateway and common data platform will be under way. This will provide essential central components of the Future at Lloyd's technology architecture.

## Phase II

By December 2021, the document-plus-data solution will be in first production release. The first production-release-ready version of data-first solution will have been built for a small number of risk classes. Both solutions will be integrated with the most important automated back-office services (e.g. tax calculator).

- **Document-plus-data:** complete and roll-out the solution to every market participant.
- **Data-first:** roll-out the first version of the solution to selected risk classes. This version will feature only core functionalities (e.g. structured market reform contract creation, terms and conditions collaboration and a data room).
- **Priority common services:** connect both solutions to the most important components (e.g. tax calculator).

## Phase III

The data-first solution will be fully functional and rolled out to additional lines of business. Both the document-plus-data and data-first solutions will have been integrated with the newest back-office services (e.g. regulatory reporting).

## Collaborating on the complex risk platform

Building the two-pronged approach to the complex risk platform will be a challenging and exciting journey.

We encourage market participants to continue collaborating with us. The team is seeking the following engagement from the market:

- **Partner and pilot:** 4-6 brokers and 4-6 managing agents interested in seconding employees to shape the early document-plus-

data build and give input into the design of the data-first technical experiments during Phase I (beginning in January 2020).

- **Integrate and scale:** commitment from 10-15 brokers and 10-15 managing agents to carry out user testing towards the latter part of Phase I and throughout Phase II.
- **Adopt:** all market entities to consider their API capabilities, including implications of data standards, and build these into their change and technology road maps. Ensure a change manager is assigned to keep up to date with the latest complex risk platform developments through the Change Network (a monthly forum of market Change Managers run by the Corporation).

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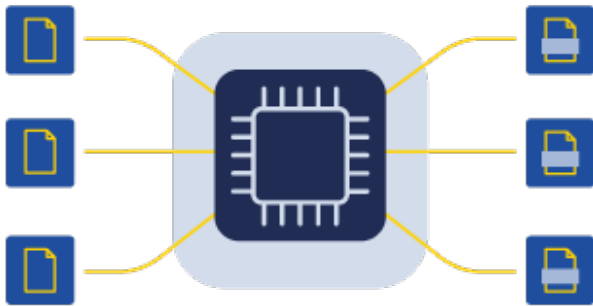
03

# Lloyd's risk exchange





# Lloyd's risk exchange



*A Lloyd's digital exchange that connects to existing systems or provides a new user interface and enables instant search, quote, bind and issue for less complex risks, improving the speed of placement and customer experience.*

## What is the strategic intent of the Lloyd's risk exchange?

Almost half of the risks traded through Lloyd's today are relatively simple, high volume and low premium. Traditionally, these have been placed through binding authorities or lineslips. These sorts of risks will continue to be a potential growth area as new opportunities arise worldwide to provide simple or parameterised policies. However, Lloyd's will only be able to benefit from these new opportunities if it can access a much wider customer base and handle these risks more efficiently.

The strategic intent of the risk exchange is to allow Lloyd's distribution partners (including brokers and coverholders) to link their front-end sales systems into a central exchange which automatically finds possible coverage solutions for their customers. It will do this by searching all the relevant products that underwriters and coverholders want to promote and which they have linked to the exchange.

All distribution partners and syndicates will be able to connect to the risk exchange, so they can trade with each other digitally, whilst following the same set of common standards.

For syndicates and coverholders that do not yet have rating engines, and those coverholders with

no API capability, the risk exchange will provide the necessary technology in due course, to enable them to participate.

As part of the risk exchange development, work on the digitisation of the coverholder journey, from initial onboarding, through to contract creation and reporting will be completed.

The risk exchange will make Lloyd's more efficient so that market participants can spend more time on sourcing new distribution, developing new products and providing value-add services to their customers. The risk exchange will deliver straight-through processing and allow participants to benefit from the Future at Lloyd's claims solution.

The risk exchange will build on the market's current investment in e-trading platforms and other technologies to digitise the placement of less complex risks. It will not replace these systems, but will integrate them so they are compatible. This will benefit market participants by giving them access to a wider customer base, enabling them to leverage the Lloyd's brand, its global distribution network, economies of scale and lower costs.

To achieve this, the risk exchange will provide the following:

- A flexible interface that connects to existing distribution systems, where possible, and a user interface where not.
- Centralised 'trading' functions (e.g. a search-and-match engine) that connect to participants' rating engines through APIs. This will allow participants to offer a broad range of products through the risk exchange and the opportunity

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to increase coverage by aggregating different products.

- A set of back-office systems to support and standardise processing and reporting (e.g. eliminating bordereaux by automating risk and premium processing).

Over time the Future at Lloyd's will create a fully automated platform that:

- Enables management of policies through their life cycle for coverholders and provides a dashboard that allows stakeholders to monitor performance, capacity and catastrophe aggregate usage.
- Connects market participants to existing broker exchanges.
- Provides instant search, quote and bind for simple risks, matching customer requirements with relevant products and underwriting appetite.
- Captures and enriches data once at the source and provides straight-through processing for instant binding and simplified settlement.
- Draws on centrally maintained tax and regulatory rules to provide instant quotes and creates central utilities to reduce duplication (e.g. Know Your Customer, Anti-Money Laundering and sanctions checks).
- Reduces cost through the use of straight-through processing and smarter, more efficient distribution.

## Maturity of thinking

The maturity of the thinking on the risk exchange is not complete, but is well-developed. It is the result of extensive interaction with and feedback from market practitioners, demonstrations of other technical solutions and work in the design lab. During the transition phase, thinking will continue to be refined in a number of areas through technical experiments and further design work. This will feed directly into Phase I and build plans.

## At a glance: Lloyd's risk exchange

### What it is

A Lloyd's digital exchange that connects to existing systems or provides a new user interface and enables instant search, quote, bind and issue for less complex risks, improving the speed of placement and customer experience.

### What it includes

- **Flexible access to the risk exchange**, a flexible interface, API or user interface (UI) connecting the exchange to distribution systems and rating engines
- **Configurators** that enable underwriters or coverholders to define their products available on the risk exchange in terms of risk and coverage
- **Search, match and quote engine** that enables the risk exchange to return instant quotes from rating engines
- **Connection to Delegated Authority Submission, Access and Transformation Service (DA SATS)** to facilitate straight-through processing of binding authority data
- **Reporting dashboard** that coverholders, brokers and underwriters can use to view real-time performance
- **Certificate production**, a facility that allows an insurance policy and certificate to be constructed automatically by drawing on the regulatory rules engine and clause libraries
- **Enabling services common across Future at Lloyd's solutions, including:**
  - Simplified accounting and settlement to support the straight-through processing of funds and automatic generation of technical accounting
  - Automated tax calculator to allow tax certainty at the point of trade
  - Centralised compliance checks (Know Your Customer, Anti-Money Laundering and sanctions checking) to minimise duplication
  - Connection to a library of territory-specific mandatory clauses for inclusion in insurance certificates
  - Common data platform and data enrichment services, to straight-through process claims, reduce re-keying, improve data quality and automate reporting

### What will be delivered in Phase I

- **Inflight delegated authority solutions**, including: API connection with DA SATS enabling direct reporting; continued improvements in delegated authority onboarding and approval; and Lloyd's coverholders' operations system, including rating, quote and bind functionality for selected territories
- **Early version of instant quote and bind functionality** for a small portion of delegated authority business (e.g. 1-3 risk classes in a single territory) ready for testing and feedback. This will start by connecting a small number of syndicates, brokers and coverholders already using e-trading platforms

## Consultation feedback and influence on the design of the Lloyd's risk exchange

The Corporation received a lot of feedback on the risk exchange proposal. Many stakeholders were supportive and excited about a new opportunity to

write less complex risks that would expand Lloyd's distribution reach and reduce costs. Multiple syndicates said they had already built online rating engines that are ready to be plugged in. Several brokers and coverholders have built exchanges and some of their business is already distributed through e-trading platforms.

Table 3.1: Consultation feedback and design principles

Consultation feedback ... <i>The risk exchange should:</i>	... informed the design principles
<ul style="list-style-type: none"> <li>– Reduce costs and support profitable growth in the market.</li> <li>– Recognise the importance of distribution partners within the end-to-end process and seek their engagement and adoption across Lloyd's global network.</li> <li>– Prioritise coverholder business and enhance the role they play.</li> <li>– Build on investments already made across the market.</li> </ul>	<ul style="list-style-type: none"> <li>– <b>Support the placement and processing of the simpler risks placed in the Lloyd's market, and improve the customer experience.</b> 'Simpler risks' are those that meet a set of defined criteria (<i>see exhibit 3.1</i>) and where cover and premium rates are rules-generated.</li> <li>– <b>Focus primarily on binding authority and lineslip business, as well as open market business where a quote-and-bind engine can be used with standard policy wordings.</b> Analysis of risk classes indicates that a significant proportion of delegated authority business can be parameterised.</li> <li>– <b>Centralise and automate functions to reduce costs.</b> Centralised services will remove duplication across the market. Processes will be automated so that increases in volume do not increase costs.</li> <li>– <b>Enable market participants to retain control over distribution.</b> Syndicates, coverholders and brokers will retain control over who can distribute their products. Coverholders' own binding authority agreements will take precedence when they search for coverage options. Coverholders may search products that are publicly distributed if they are seeking a product for a customer that they do not have an existing binding agreement for (effectively acting as a broker if allowed by local regulation and licensing).</li> <li>– <b>Complement rather than replace existing market systems.</b> The new Lloyd's delegated authority onboarding process will complement the risk exchange by simplifying coverholder onboarding. Syndicate e-trading platforms and DA SATS (Delegated Authority Submission, Access and Transformation Service) will be connected via APIs, leaving ownership, control and access to intellectual property intact.</li> <li>– <b>Provide a user interface as an alternative if users do not have existing systems that can link to the risk exchange.</b> Rating engines will also be offered to users that do not have them.</li> </ul>

Exhibit 3.1: The risk exchange is designed for risks that meet five criteria

	<b>Suitable for the risk exchange</b>	<b>Less suitable for the risk exchange</b>
<b>Algorithm-based quotes</b>	Rating engines can provide instant quotes based on product selection and rating variables	Quote needs to start with a dialogue on coverage and needs, rating engine does not provide an instant quote
<b>No iteration on coverage and terms</b>	Standard coverage and terms are available	Extensive ongoing discussion on coverage and terms
<b>Reliable third-party information</b>	Information required can be provided by policyholders or sourced from reliable external and/or public sources	Underwriters often need additional information and clarification that cannot be sourced from external or public sources
<b>No need for onsite inspections</b>	There is no need to conduct onsite inspections	Extensive onsite inspections needed (e.g. risk assessments, inspections of fire fighting equipment)
<b>No layering</b>	No independently structured layers	Broker often splits the risk into different layers that are often negotiated independently

## Technical details

The design principles set out above were used to design the components of the risk exchange illustrated in exhibit 3.2.

### Specific risk exchange components

#### 1. Flexible access to the risk exchange

The risk exchange will connect to existing systems through APIs where possible and will provide a user interface where not:

- **The front end** of the risk exchange will enable coverholders and brokers to search for coverage solutions for their customers. It will be accessed via a Lloyd's portal or through connections to distribution channels/broker systems.
- **The back end** of the risk exchange will connect to syndicate and coverholder systems, allowing them to register their products, return quotes, bind risks and share documents.

#### 2. A structured product and distribution configurator

Products must be defined as a set of parameters and data structures that will be listed and searchable on the risk exchange. Coverholders and syndicates that have systems that already define products in this way will connect to the risk exchange through APIs. For those that do not, a structured product configurator will facilitate this step.

Coverholders will be able to register products underwritten under their binding authority agreements and select how their products are distributed by selecting which distribution partners can search for and sell them. The distribution configurator will specify user access rights and distribution preferences based on existing Terms of Business Agreements.

#### 3. Instant search, quote and bind

This system will search for and offer product options that meet customers' needs, connecting to

syndicate and coverholder rating engines through APIs. The search engine results will depend on how widely coverholders or syndicates want their products to be distributed, and regulatory restrictions.

For example, a search by a coverholder may return only coverage options under its own binding authority. Where local regulation allows, the risk exchange will enable upselling and cross-selling by suggesting additional products to customers based on their profiles.

The majority of syndicates and coverholders will be able to connect their own rating engines. Where this is not possible, coverholders will initially be offered a simple rating engine as part of the delegated authority ecosystem. This will support them to structure risks and allow them to set the price.

#### 4. Connection to DA SATS

All binding authority data will be passed directly through to DA SATS from where it can be accessed by brokers and syndicates, or transferred into syndicates' own data repositories for analysis.

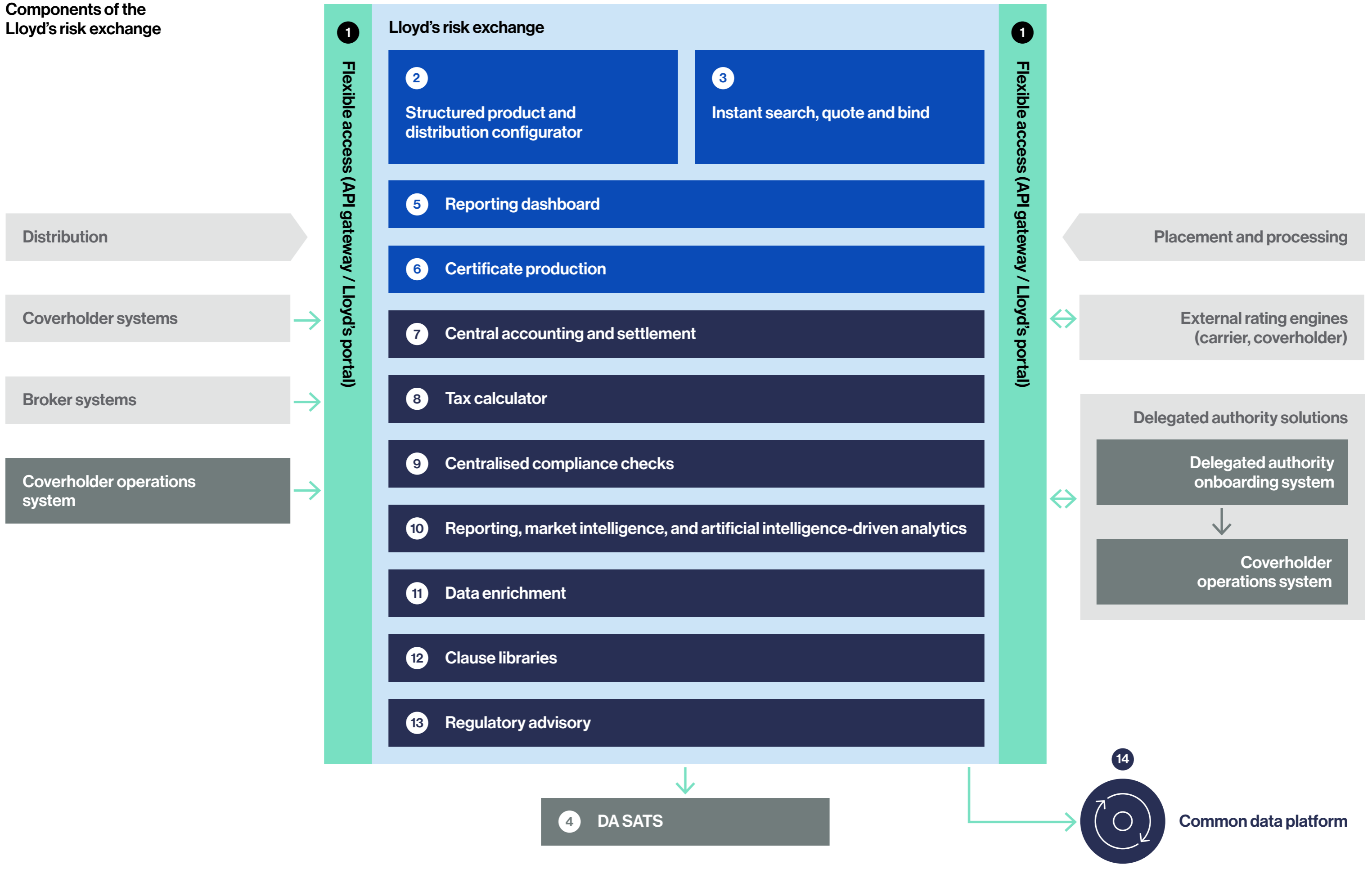
#### 5. Reporting dashboard

The risk exchange will provide a dashboard that market participants can use to analyse real-time performance of their Lloyd's portfolio. The tool will provide information such as their profitability, capacity and aggregate use, as well as conversion and renewal rates. Underwriters will be able to view and manage their exposure in real time.

#### 6. Certificate production

Certificate production will construct policies and certificates by drawing on regulatory rules and clause libraries. Where needed, an automated workflow will ensure that Lloyd's local offices review, sign and underwrite policies, removing the need for existing additional processes.

Exhibit 3.2  
Components of the  
Lloyd's risk exchange



Key     Market participant systems     Common services     Existing / inflight systems     Unique to Lloyd's risk exchange

**Common services** (see *Data and Technology chapters 8 and 9 for details*)

## 7. Central accounting and settlement

A streamlined and automated technical accounting service will be required, supported by a range of settlement services. Post-bind, customers or their brokers will be able to pay premiums directly to the risk exchange (subject to regulatory restrictions). Funds will be split automatically to pay commissions to brokers and coverholders, and premiums to underwriters. This will reduce administration and credit control activities.

## 8. Tax calculator

A central service that maintains tax rules for all territories will make it easier for users to meet the demands of evolving tax and regulatory requirements across territories. This will enable tax calculation at the quote and bind stage. To do this, the service will centrally hold and maintain tax rules that can be accessed by rating engines.

## 9. Centralised compliance checks (Know Your Customer, Anti-Money Laundering and sanctions)

The system will collect and check all information required early in the submission process and make the results available to all stakeholders.

## 10. Reporting, market intelligence and artificial intelligence-driven analytics

Data will be referenced automatically from the common data platform, eliminating manual processing, reducing syndicates' reporting requirements and providing management information (e.g. exposure management).

## 11. Data enrichment

Data enrichment will enable users to input or upload a minimum amount of data about a customer and their risk coverage needs, which will be automatically enriched using data from external databases to ensure data quality and completeness. Where data cannot be enriched using external data sources, but is required for catastrophe modelling purposes, it will be sent to a data cleansing and enriching service on behalf of the market, removing duplication.

## 12. Clause libraries

A library of mandatory territory-specific clauses for inclusion in insurance certificates.

## 13. Regulatory advisory

A service that maintains the regulatory rules in a digital format for all territories and informs automated processes downstream to help ensure they are regulatory compliant. This may include providing constraints on which policies may be written in a given territory, mandatory clauses and language, licensing requirements and counterparties with whom Lloyd's syndicates may trade.

## 14. Common data platform and other data services

The common data platform will hold the definitive data record, serving as the single source of information that feeds all market processes, services and insights. One data structure will contain the life cycle of a risk (through quote, bind and claims). The data platform will have robust security to ensure access by authorised participants only.

The common data platform will aggregate all information from the risk exchange, the complex risk platform and any data provided by other sources to enable straight-through processing of validated data and allow real-time analyses of exposure management, as well as inform claims processes downstream. It will provide performance information and regulatory reporting directly.

The Future at Lloyd's will also provide a set of data services. These will include a data framework, data and quality standards, data governance and security, and additional data-related services.

## Dependencies

The risk exchange will interact closely with the claims solution and the complex risk platform. For the claims solution, structured data will be available from the risk exchange to improve the quality and speed of the claims process. The claims solution will make data available to the risk exchange to form a consolidated view of customer and risk class data, allowing relevant market participants to perform real-time performance analytics. For the



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complex risk platform, enhanced workflow and data transfer will make it possible to switch any unsuccessful product searches on the risk exchange to the complex risk platform.

## Phased approach to implementation

Table 3.2: Overview of phases

Transition <i>Six months beginning Oct 2019</i>	Phase I <i>Jan-Dec 2020</i>	Phase II <i>Jan-Dec 2021</i>	Phase III <i>Jan 2022 onwards</i>
Complete plan and design of roll-out by risk class and region.  Explore end-to-end functionality needed for development of API requirements and standards.	Continue roll-out of inflight delegated authority solutions, coverholder onboarding and operations systems.  Complete early build of the front-end (search engine, structured product and distribution configurators).  Commence initial API connections: connect risk exchange to existing e-trading platforms that have functioning back-end functionalities.	Complete build and deployment of the front-end functionalities (e.g. expand risk classes).  Complete early build of the search user interface/Lloyd's portal.  Connect the risk exchange to an initial set of centrally procured systems (e.g. tax calculator and regulatory rules engine).  Scale up API connections: connect the risk exchange to additional carrier, broker and coverholder systems.	Complete build and deployment of the search user interface/Lloyd's portal.  Connect the risk exchange to the remaining set of centrally procured services (e.g. KYC, AML and sanctions checks, accounting and settlement services).  Scale up API connections: expand connectivity to additional coverholders, brokers and syndicates.

### Transition phase

Phase I will begin only once a set of criteria are met. These will include validating the solution business case, addressing interdependencies, and having the right resources in place.

In addition, there are several areas where thinking will continue to be refined during the transition phase:

- **Which regions will be prioritised for the roll-out?** The US generates more than half of Lloyd's global insurance business and represents the largest proportion of binder business; hence is expected to be of high priority and a significant source of future volume. During the transition phase, the Future at Lloyd's will continue to explore the regulatory requirements, opportunities and benefits of

launching the risk exchange in the US and other priority territories.

- **Which risk classes will be used for the early build?** Based on the parameterisation criteria for risks suitable for the risk exchange, the Future at Lloyd's will work with syndicates, brokers and coverholders with e-trading platforms to identify the risk classes to prioritise and to validate volume assumptions. US Property is an early hypothesis.
- **What data and standards are needed to help define the API gateway?** The Future at Lloyd's will explore the end-to-end functionality needed to connect the risk exchange to broker and coverholder systems, through rating engines to DA SATS and into the claims solution.

## Phase I

Between January and December 2020, the Future at Lloyd's will continue to improve the current state, and deliver early builds of some end-state components and connections for testing and feedback.

Inflight delegated authority solutions: Improve existing systems that will integrate with or complement the risk exchange.

- Onboarding of coverholders: continue to focus on the delivery of the new delegated authority onboarding systems, allowing new coverholders to find capacity and onboard, and all coverholders to build right-first-time binding authority agreement contracts.
- Coverholder 'out of the box' operations system: the initial version will provide an end-to-end solution for coverholders who do not have compatible operating systems. Given regulatory limitations, this solution is expected to be available initially only in some territories.
- DA SATS, APIs: functionality will be implemented in DA SATS to enable straight-through reporting of risks, premiums and claims using APIs.
- Lloyd's direct reporting system (LDR), APIs: the current method of reporting directly to Lloyd's via its direct reporting system will be replaced by the ability to report directly to Lloyd's via DA SATS using APIs.

### Early build of front end

- Early build of the search engine: this will enable brokers and coverholders to search for products on the risk exchange. In Phase I, the Future at Lloyd's will also focus on connecting the risk exchange to select third-party data sources.
- Early build of the product and distribution configurator: to create a catalogue of products on the risk exchange and define users' access to the products. The Future at Lloyd's will prioritise those products which are already being e-traded on existing platforms.

### Initial integration

- Early build of the API gateway: develop the strategy and operating model for the API gateway to connect the risk exchange search

engine to existing syndicate platforms and broker exchanges. It will be based on the following three key foundations:

- Design API requirements specific to the risk exchange: develop the API scope such as vision, definition and architectural design.
- API architecture: develop a complete end-to-end solution for connecting the front end to existing systems, and the back end to DA SATS.
- Implementation: develop deployment plan and change management plan, and outline the performance metrics.

Early builds of the solution and inflight work will lead to benefits for market participants which will expand as the solution is built in subsequent phases:

- Increased distribution and access to products: the risk exchange will connect to existing e-trading platforms, increasing coverholders' and syndicates' distribution reach, and providing brokers with access to more products.
- Simplified onboarding process: the continued development and delivery of the inflight delegated authority solutions (including London Market Target Operating Model solutions) will over time make it easier to onboard coverholders and create binding agreements. All data provided as part of binding authority agreements will be stored in one system, providing a single source of reference for all parties.
- Straight-through processing of data for reporting purposes: data required for Lloyd's direct reporting will be extracted directly from DA SATS.
- Basic quote and bind functionality: the coverholder operations system will be available to coverholders who do not have their own systems and rating engines. Over time the Future at Lloyd's will provide a more sophisticated rating engine as part of the complex risk platform.

## Phase II

The scope of business being processed on the risk exchange will be larger, distribution functionality will have increased, and integrations with existing

systems will continue to progress. It will be connected to purchased or newly built back-office functionalities such as the tax calculation tool and policy production functionality.

### Phase III

At the end of Phase III, the risk exchange will be in production with all back-office functionalities. Focus will shift to scaling up across regions and expanding its product range.

## Collaborating on the risk exchange

We encourage market participants to collaborate with the risk exchange lab. The lab seeks the following types of engagement from interested participants:

#### — Partner and pilot:

- 1-3 managing agents and 1-3 brokers who have e-trading platforms to help prioritise risk classes and territories for roll-out, and define the set of data fields and structures required to build the search engine and product configurators and assist with the API data requirements and standards.
- 2-3 brokers and 2-3 coverholders to help develop the user journey and help design the user interface.
- 3-5 people from managing agents, brokers and coverholders to help detail and specify requirements for the common services (e.g. tax calculator and KYC/AML and Sanctions).

#### — Integrate and scale: 3-5 managing agents and brokers to test (i) Instant quote functionality for 1-3 risk classes by connecting existing e-trading platforms to the exchange for non-live transactions through the API gateway, (ii) Initial integration of the centrally procured systems (e.g. tax calculator).

#### — Adopt:

- 3-5 managing agents, brokers and coverholders to deploy the risk exchange as the primary platform for the available risk classes and territories.
- All market entities to consider their API capabilities, including implications of data

standards, and include these in their change and technology roadmaps. Ensure a change manager is appointed to keep abreast of risk exchange developments through the Change Network (a monthly forum of market Change Managers run by the Corporation).

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04

# Claims solution



# Claims solution



*A digital solution that triages and routes claims, automates decision making for the simplest claims, and assists complex claim handling, underpinned by a new claims orchestration platform, therefore delivering an improved customer experience.*

## What is the strategic intent of the claims solution?

The Lloyd's market's outstanding reputation for paying claims gives customers across the world the confidence to place their most important insurance risks here. Through its claims service, Lloyd's can improve customer experience, providing greater transparency, faster processing and lower operational costs.

The Future at Lloyd's will embrace these opportunities by delivering a next generation claims solution, powered by modern technology, data and advanced analytics. These will transform the current claims service, allowing the Lloyd's market to differentiate itself from competitors and attract business as a result. Specifically, the claims solution will deliver:

- An interface for policyholders and all other market participants to improve communication and transparency.
- Artificial intelligence-powered triaging and segmentation, routing claims to the right place throughout the claim lifecycle.
- A new claims orchestration, messaging and workflow platform to support streamlined processes.

- Full straight-through processing for certain non-complex claims.
- A 'one-stop shop' market claims service that handles non-complex claims on behalf of the market, using leading technology, analytics and centrally procured services.
- Greater empowerment of the lead underwriter to handle complex claims.
- Faster payment processing by enhancing accounting, payment and settlement services.

The claims solution will transform customers' experience for new claims related to policies placed or renewed through the risk exchange or complex risk platform. It will increase transparency, rapidly settle low-complexity claims and provide the market with better support for the most complex claims.

As part of the Future at Lloyd's, customer experience, speed and cost of processing for claims on existing policies will also be materially improved. This will be delivered through targeted initiatives, process re-engineering and delivery of new technology components based on the work and proposed solutions of London Market Target Operating Model.

Over time, Electronic Claims File (ECF) and associated claims infrastructure will be replaced with a market-wide and flexible orchestration platform.

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## Maturity of thinking

The thinking for the claims solution is well developed. It is the result of extensive feedback from claims leaders and experts across the market, and work in the design lab. This thinking will be tested further as the pilot claims solution is built. However, there are some areas (e.g. operational design of the market claims service) where the Future at Lloyd's will continue to collaborate with the market to refine its thinking during the transition phase. There is also significant work to be done to plan the replacement of ECF and associated infrastructure. This will begin in the transition phase.

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## At a glance: Claims solution

### What it is:

A digital solution that triages and routes claims, automates decision making for the simplest claims, and assists complex claim handling, underpinned by a new claims orchestration platform, therefore delivering an improved customer experience.

### What it includes:

- **An interface** enabling simple and digital submission of loss information, improving transparency, and enhancing customer experience
- **Accurate, intelligent triaging of claims (at first notification of loss and throughout the lifecycle of the claim)** to route claims to one of three handling processes: straight-through processing, non-complex and complex
- **Smart workflow with new market-wide claims messaging and orchestration** for effortless claims agreement and process flow
- **Automated straight-through processing** from first notification of loss to payment for the simplest, high-volume claims through business rules and automated checks
- **A market claims service** taking advantage of technology and economies of scale in the assessment and processing of high volumes of non-complex claims
- **Greater empowerment for the lead underwriter to handle and settle complex claims**
- **A suite of centrally procured tools and services** (e.g. event insights, rapid catastrophe response services, ring-fenced expert network) to efficiently manage claims and provide improved service
- **Enhanced payment, accounting and administration service** to speed up claims payments
- **An event observer that integrates external data sources** to automate remote assessment of simple claims and improve decision-making for other claims

The claims solution will also draw upon a set of enabling services common to the Future at Lloyd's, including a common data platform and data enrichment services that support claims handlers and processes

### What will be delivered in Phase I:

- **Improvements to the current state:** updated Lloyd's claims scheme; automated agreement for low-value payments; enhanced catastrophe management service; repatriated loss funds; short-term improvements to selected existing processes
- **Detailed design and foundational elements planned** in preparation for replacement of ECF and associated claims infrastructure
- **Pilot new components of the claims solution for a selected class of business:** a pilot of the multi-channel interface, triage engine, and mechanism for straight-through claims processing for the pilot class of business



## Consultation feedback and influence on the design of the claims solution

During the consultation, stakeholders expressed strong support for the vision of a next generation claims solution. This feedback informed design of the claims solution.

Table 4.1: Consultation feedback and design principles

Consultation feedback ... <i>The claims solution should:</i>	... informed the design principles
<ul style="list-style-type: none"> <li>— Use this opportunity to make material improvements for the benefit of customers.</li> <li>— Build on the expertise in the market that supports complex, challenging claims.</li> <li>— Remove any unnecessary bureaucracy and manual interventions, and accelerate payments for less complex claims.</li> <li>— Ensure claims services can still be used by managing agents to differentiate themselves from competitors while agreeing a common approach for some specific types of claims.</li> <li>— Simplify and increase the consistency of how claims in the binder business are processed and treated.</li> <li>— Ensure the delivery phasing is realistic, and takes account of market participants' own plans.</li> <li>— Build on work carried out under the London Market Target Operating Model (LM TOM) and other claims forums wherever possible.</li> <li>— Ensure the claims solution delivers value to brokers.</li> </ul>	<ul style="list-style-type: none"> <li>— <b>The claims solution will address all claims on policies placed or renewed through the risk exchange and the complex risk platform</b>, with allowed level of flexibility and customisations for Delegated Authority and Reinsurance. Not all components of the full claims solution will apply to claims on existing policies (i.e. claims on existing policies that are not renewed on the risk exchange), however, the status quo will be materially improved.</li> <li>— <b>The claims process must be as transparent as possible for policyholders.</b> Policyholders will be able to engage with market participants, access the claims solution to submit loss information, and view the status and progress of their claims.</li> <li>— <b>The Corporation of Lloyd's will control and maintain a central claims triaging system with input from the market</b>, which will route claims to the appropriate market participant and process.</li> <li>— <b>There will be no human intervention for the simplest claims, and a common market claims service for standard claims.</b> Simple, low-value claims will be dealt with via straight-through process without human intervention. A market claims service will manage non-complex claims requiring one or two human interventions to reach conclusion.</li> <li>— <b>Where components require a phased roll-out, small scale pilots will be developed to prove their benefits.</b> After taking these benefits and other considerations into account (e.g. class of business, distribution channel and age of claim), the Corporation may mandate the use of components.</li> </ul>

## Technical details

The design principles set out in the previous section were used to develop the end-state components of the claims solution (*see exhibit 4.1*). The application of these components to new claims coming through all channels (open market, delegated authority and reinsurance), will be phased, using a pilot, test-and-learn approach.

### 1. An interface

Customers and brokers will report a claim, submit essential information and documentation, and communicate through an interface to the claims solution (this interface will be customisable for each user and works across devices). This will standardise loss data and ensure adherence to data standards. Where brokers, managing agents and third-party providers like TPAs have existing digital claims submission portals, the interface will connect and receive this data through APIs. The claims solution will offer real-time transparency and access to data. Availability of data and information will depend on market participants' access rights.

Common communication methods will be supported (e.g. web, mobile, tablets, email, phone), enhancing the customer experience, increasing collaboration, and strengthening relationships between brokers and policyholders. Brokers will be able to white-label the interface and extend it to policyholders for digital claim submission, to support their own communication channels.

### 2. Triage, segmentation and first notification of loss

The triage engine will segment and automatically route claims into one of three branches for handling (straight-through processing, non-complex handling or complex claims management). This will depend on the level of expertise and human interaction, and acknowledgement that ultimate cost is only one driver of complexity. Approximately 48% of open market and

reinsurance claims closed between 2016 and 2018 were £5,000 or below, accounting collectively for less than 1% of total indemnity value. Conversely, the top 3% of claims represent 66% of total incurred claims costs (*see exhibit 4.2*). A governing body (with market representation) will set the business rules for complexity and indemnity thresholds for triaging. These thresholds and business rules will be based on market-wide risk appetite, and underwriting and claims handling strategies of market participants.

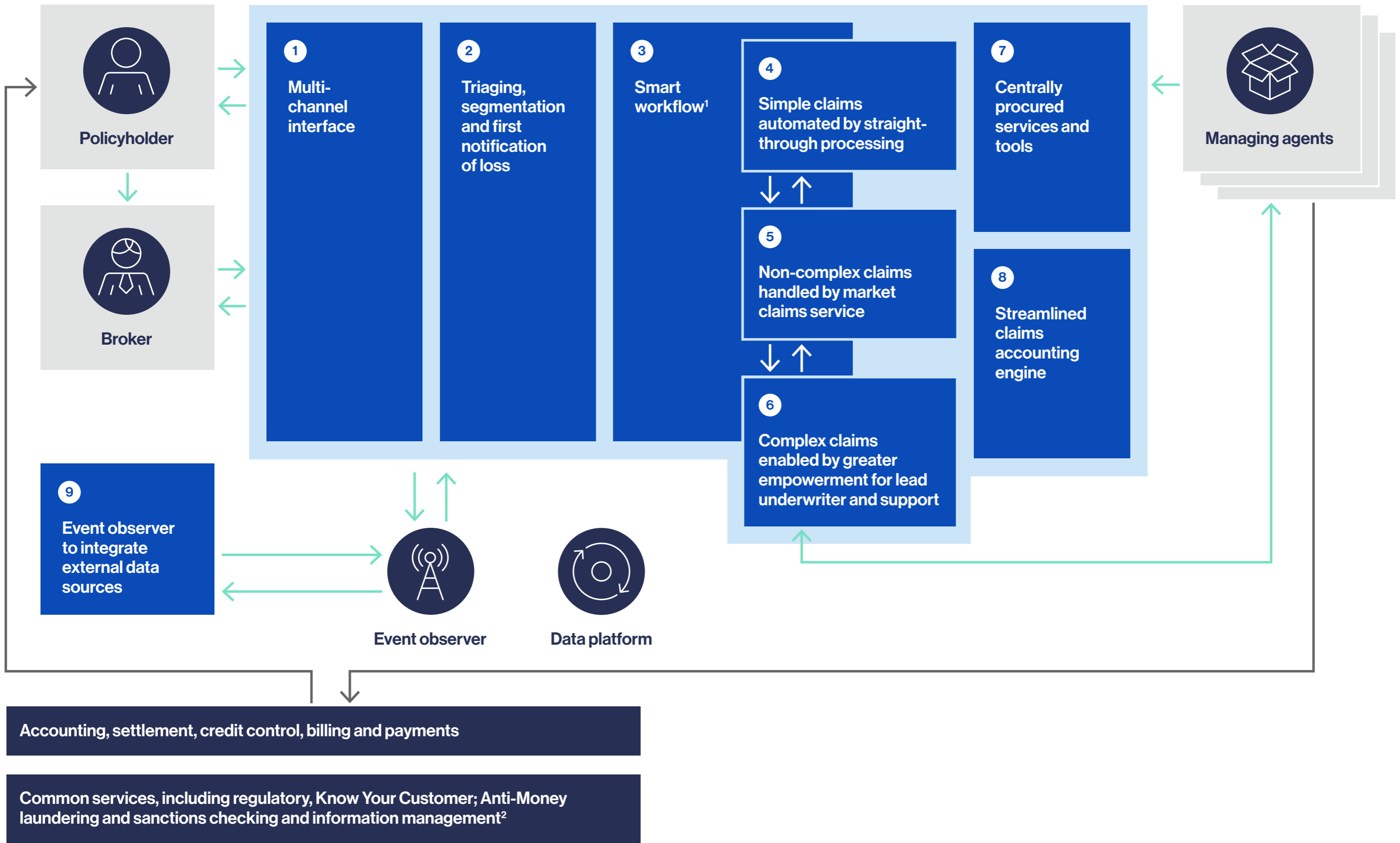
The triage engine will use first notification of loss data to automatically access policy information (e.g. from the risk exchange) and to retrieve critical external information from third-party providers pertinent to the claim (e.g. data vendors). Advanced analytics, structured data and aggregated historical market data will support 'intelligent' recommendations on the likely indemnity amount and its volatility, coverage decisions and the likelihood of fraud.

Triaging will continue throughout the claims lifecycle, with claims moving across branches as needed.

### 3. Smart workflow with market-wide claims messaging and orchestration

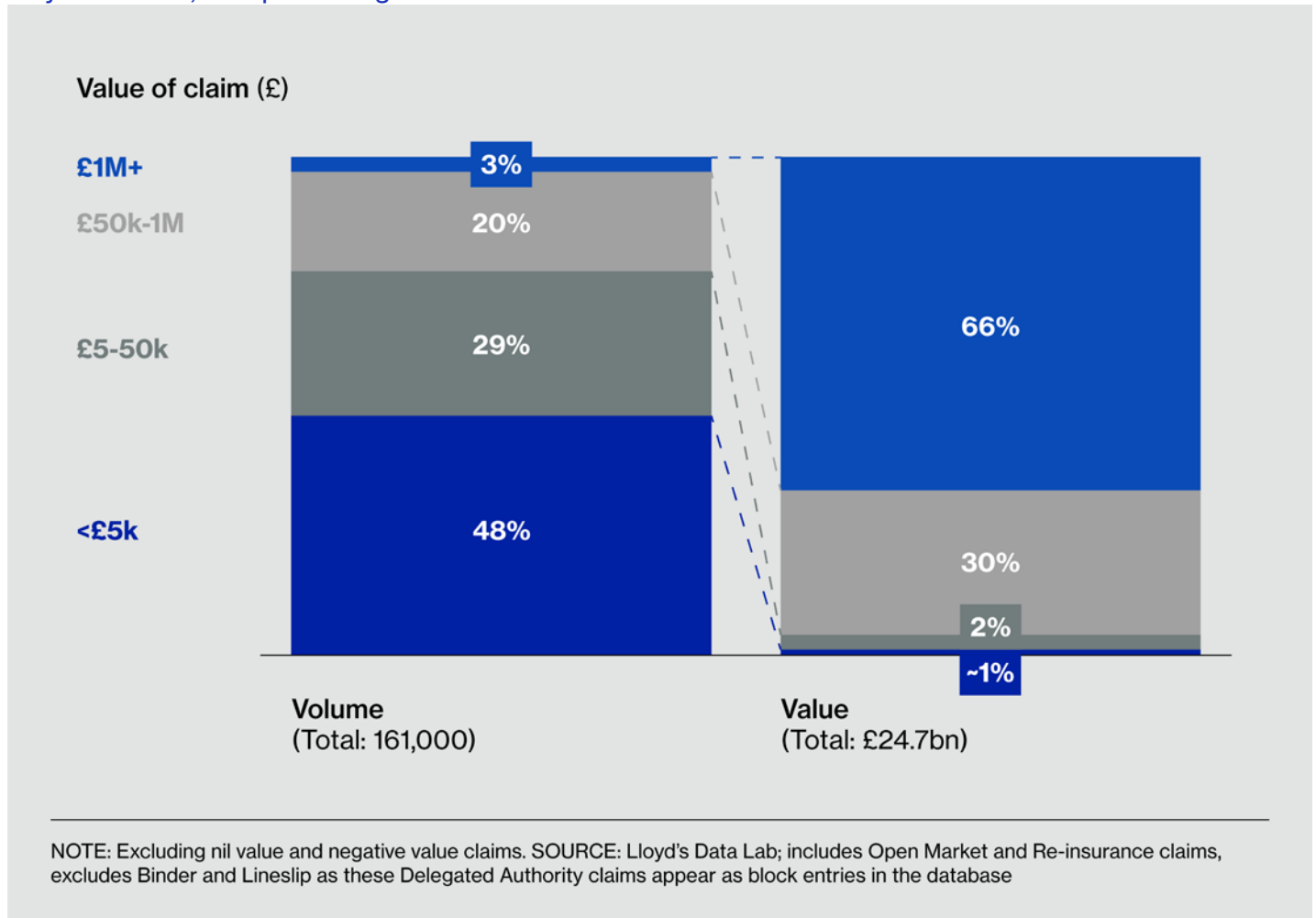
Claims will be orchestrated across the end-to-end process by a new component that will define and manage the business rules, workflow, and messaging to ensure that the appropriate market participant is taking the right action, at the right time. This will maintain common standards in data and in messaging to minimise re-keying and reduce iteration in the workflow. Modern, flexible technology will support faster, easier negotiation and resolution of claims queries within the claims agreement process. Supported by the common data platform, this will also ensure maintenance of a single version of the truth for a claim within the London Market. This component will also replace the existing market-wide agreement mechanism and infrastructure in ECF for claims on existing policies.

Exhibit 4.1 Components of the claims solution



1 Includes claims agreements and market orchestration layer    2 Includes reporting capabilities

Exhibit 4.2: Open market and reinsurance claims volume and value closed from 2016 to 2018 in the Lloyd's market, as a percentage of volume and value



#### 4. Automated straight-through processing

Simple, high-volume claims will be automatically processed from first notification of loss to payment, prioritising a fast and superior customer experience. This will be delivered using artificial intelligence and data-driven business rules (built using market participants' experience), which will eliminate manual processing. Simple claims processing, from the loss date to final settlement, could be reduced to as little as two days. In addition, the Future at Lloyd's will build an 'event observer' to collect external data (detailed later in this section), enabling the solution to send early notification alerts and assess claims before policyholders are aware of insured losses. Future-forward products, such as parametric contracts and insurance linked securities, will further benefit from straight-through processing, where simple triggers will enable 'touchless' claims payments. Brokers, managing agents and other market stakeholders will continue to engage with

customers after payment is made to ensure their needs are fully met.

#### 5. A market claims service

A market claims service will be created for managing agents to delegate non-complex claims to, based on a set of pre-defined criteria. This will deal with those claims that require some level of simple human intervention but not the bespoke claims expertise required for complex claims.

The market claims service will automate a significant proportion of claims activity through best-in-class technology and tools (e.g. automated expert matching to a loss adjuster with the right skillset for the claim, third-party analysis). It will have access to a suite of centrally procured services (e.g. a Lloyd's approved loss adjuster network) to complete the claim process efficiently and effectively. Collaboration tools will enable real-time interaction with experts and stakeholders, speeding up decisions. Advanced automation will

mean that many claims can return to the straight-through process branch after only one or two human interventions. Analytics based on internal and external data sources will make simple decisions on coverage determination, aided by the service. A larger, richer pool of data will enable quick and accurate indemnity calculations. Where relatively complex or precedent-setting coverage decisions are required, the service will escalate claims to the lead managing agent, providing a complete summary of claim history and operational tasks already performed.

The service will be composed of several strands, each handling different process steps for efficiency (e.g. expert management, basic coverage checks, reserving) rather than a single-entity handling claims end-to-end. The operational design (including management and governance) of the service will be developed with the market during Phase I. Delivery of the service will be phased, based on claims volume and realised benefits from the service, which may vary by class of business, distribution channel and age of claim.

In addition to non-complex claims handling, the Market Claims Service will partner with data and technology experts to form an innovation hub for data science and artificial intelligence. It will provide improved claims insights derived from multiple data and analysis sources. It will benefit from a larger, aggregated pool of data available at Lloyd's.

Detailing resourcing, operational design, and implementation plans for the market claims service will be a critical activity during the transition phase and Phase I.

## 6. Greater empowerment for the lead underwriter, and supporting insights

Lloyd's managing agents will continue to deploy their best experience and expertise for the most complex claims. Lead underwriters will be empowered to make most decisions on behalf of follow capacity (recognising the value of peer review in some situations). The Lloyd's Claims Scheme already empowers the lead underwriter to play the primary role in claim investigation and determination within Lloyd's.

Empowering the lead underwriter will streamline and accelerate the claims process, reducing demands and obligations for the follow market (e.g.

through simplified reporting requirements and standards). Leaders will have access to centrally-provided, data-driven insights through dashboards to support complex claims handling. Followers will also have access to the same data and can elect to be notified immediately in specific circumstances.

## 7. A suite of centrally procured tools and services

The Corporation will procure a suite of central services that can be used by the market claims service, managing agents, coverholders and third-party administrators. It will only procure services where there is an advantage in doing so (e.g. satellite imagery and drone services). These services will support risk mitigation, and fast catastrophe response, claims investigation and litigation, to further improve indemnity outcomes and to provide a better claims service to customers.

The central services will comprise both people services and emerging technologies, including networks of Lloyd's-approved experts (e.g. loss adjusters, lawyers, water-damage mitigators), third-party data sources (e.g. satellite imagery, internet of things data feeds, geographic information system service providers), central catastrophe response services, and subrogation services.

## 8. Streamlined payment, accounting and administration processes

The Future at Lloyd's claims solution will benefit from a streamlined payment process using the most advanced banking technologies. Accounting and settlement processes will be enhanced to further support faster claims processing and payment. This will improve the standard Lloyd's payments process which currently result in some managing agents developing manual workarounds to ensure they can meet broker and policyholder requests. Streamlining this process will remove this burden and be hugely beneficial to the market.

## 9. An event observer to integrate external data sources

The claims solution will use external data from a range of sources, which could include internet of things devices, and satellite imagery. These will provide early warnings of loss events thereby

increasing opportunities to mitigate the risks. The event observer will lead to automatic generation of event-driven claims, based on triggers written into the contract (particularly for parametric policies). In addition, it will provide cost-effective and trusted information sources that can be used to remotely investigate and assess existing claims.

## Use of solution

Where small-scale pilot components of the solution have been adequately developed and their benefits proven, the Corporation will consider mandating their use. This may differ by class of business, distribution channel and age of claim. A test-and-learn approach will be adopted during build and implementation phases.

## Open market

Each of the components described above applies to open market claims.

## Delegated authority

The components will be applied in a customised way for delegated authority claims. This ensures coverholders and third-party administrators will still be able to provide quick, bespoke local services, while eliminating bordereaux and loss fund management, which are key pain points in today's claims process. The solution will include access to straight-through processing, deliver efficient, at-scale processing of a significant portion of outside authority claims by the market claims service, will be supported by enhanced accounting and settlement services, as well as centralised third-party administrator approval and oversight.

Delegated authority claims can be accepted through the new multi-channel interface (available for use and white-labelling by coverholders/third party administrators). Alternatively, third party administrators can continue to use their existing intake systems and connect to the claims solution through APIs. In either case, central data standards will be mandated to ensure granular claims information is captured. This structured loss data and risk exchange connectivity will enable automatic individual processing of binder claims, removing the need for creation and processing of bordereaux.

After intake, these claims will pass through an adaptation of the triage engine, providing recommendations to the coverholder/third party administrator on whether the claim is eligible for straight-through processing, as well as identifying whether the claim is outside of the delegated authority permissions. For those claims that can be straight-through processed, the solution will enable a consistently unrivalled cycle time. Claims requiring additional steps, that are within third party administrator authority, can be handled by them. If outside authority, the third-party administrator will escalate the claim to the market claims service or relevant managing agent, informed by the intelligent recommendation from the triage engine. Over time, third party administrators (and coverholders handling claims) will increasingly align with the rules for open market claims and use the triage engine to automatically route claims.

The shared accounting and payment services will support claims-level direct accounting and settlements for all delegated authority claims, eliminating the need for loss funds. In addition, centrally procured services (e.g. expert network, catastrophe management, complaints resolution) will be available for use by third party administrators. The Corporation will approve, continuously govern and monitor third party administrators to deliver more consistent customer experience and reduce the burden on managing agents.

## Reinsurance

Specific types of reinsurance will be radically streamlined. For treaty/quota share claims, the multi-channel interface will eliminate cedants' administrative burden by using essential data inputs to generate automatically structured and standardised documents for submission (e.g. treaty statements, bordereaux of underlying claims). Low value-add manual checks will be straight-through processed or handled by the market claims service.

## Legacy systems and migration

The claims solution's initial scope does not include processing claims on existing policies. This includes claims on policies not placed or renewed on the risk exchange or complex risk platform, or claims that are open when the claims solution is delivered. As stated above, the solution will not

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include a large-scale migration. This means market participants will need to ensure their teams are set up to handle claims on existing policies for the next three to five years.

The Future at Lloyd's will adopt the following approach to ensure that customers receive a better claims service, and enable market participants to reduce costs, even for claims on existing policies:

- **Make it easy to transition on to the risk exchange or complex risk platform through policy renewals:** Renewals will be the mechanism to transition from old processes and systems to the new claims solution.
- **Use aggregated historical data to build and train analytical models** (e.g. triage): Historical data gained from handling millions of claims will give greater insights into how to handle existing claims more efficiently. This data will be sourced from managing agents who will help to build the pilot claims solution.
- **Make existing systems available and stable over multiple years:** This will be crucial to ensure long-tail claims that persist on old platforms and systems for several years can continue to be serviced.
- **Re-engineer current processes to improve claims on existing policies:** A potential service gap may arise between claims still dependent on existing systems and new claims coming through the claims solution. Where long cycle times result due to inefficient processes (rather than circumstances like litigation), process re-engineering will address the following root causes:
  - Highly manual processes that create delays and bottlenecks, and slow down throughput because of the high workload they generate for claims handlers.
  - Lack of demand management, resulting in expert appointments for claims that may not require expert input.
  - Multi-party agreements being required even for some non-complex claims.
  - Communication gaps and a lack of collaboration tools that prevent distribution partners from working efficiently on a claim together.

## Phased approach to implementation

Table 4.2: Overview of phases

<b>Transition</b> <i>Six months beginning Oct 2019</i>	<b>Phase I</b> <i>Jan-Dec 2020</i>	<b>Phase II</b> <i>Jan-Dec 2021</i>	<b>Phase III</b> <i>Jan 2022 onwards</i>
<p>Complete plan and design, prepare for and mobilise resources towards building pilot components of claims solution.</p> <p>Detail scope and implementation plan for process re-engineering and other initiatives to improve current state.</p> <p>Hold discussions with incumbent supplier to assist Phase I design and planning.</p>	<p>Deliver improvements to current state through targeted initiatives (e.g. automating settlement of low-value claims), re-engineering of existing processes.</p> <p>Conduct detailed design and planning for replacement of ECF and associated claims infrastructure (e.g. new orchestration platform).</p> <p>Pilot of components for a selected class of business including multi-channel interface, triage engine and straight-through processing.</p>	<p>Build new flexible orchestration platform to replace ECF and associated claims infrastructure, and an enhanced multi-channel interface built to ingest and provide transparency across all claims.</p> <p>Build remaining components of claims solution and implement across 5-7 classes of business, including scaling up the market claims service, delivering dashboards and insights for complex claims and claims-specific accounting components.</p>	<p>Roll-out claims solution across all classes of business and further scale up the market claims service based on volume of claims.</p> <p>Integrate claims solution with enhanced accounting and settlement services to deliver rapid claims settlement.</p> <p>Begin execution of decommissioning plan for legacy technology.</p>

### Transition

Phase I will only begin once a set of criteria are met. These will include: validating the solution business case, addressing interdependencies, and having the right resources in place. In addition, the team will develop the thinking in the following areas:

- **Composition and phasing of the market claims service for non-complex claims:** including decisions on operational design, (e.g. design could consist of virtual services and/or physically located teams), talent strategy, detailed governance, process and ownership structure.
- **Ownership and access to information across the claims process:** detailing implications of data ownership and security, balancing appropriate level of data aggregation to benefit

from scale in data and analytics with preserving confidentiality and regulatory compliance.

- **Payment architecture for claims:** engaging with the accounting and settlement workstream to ensure that Phase I and II solutions preserve the benefits of a common market while delivering claims payments to customers.
- **Outline charging model and financial benefits case,** including alignment on financing for each component of the claims solution.

In addition, the Corporation will lay the groundwork and mobilise resources for Phase I:

- Pilot managing agent(s) and broker(s) partnering with the Future at Lloyd's signed up for Phase I; priority class of business selected for pilot of claims solution in Phase I.



- Preliminary list of business rules to be applied in triage compiled, including clarifying how appetite levels are set for participants and reaching preliminary agreement in the technical experiments.
- Data requirements from partner managing agent(s) and broker(s) defined in order to start build of analytical models in Phase I.
- Diagnostic of current process completed to identify scope for process re-engineering (which will start in Phase I).
- Preliminary set of new customer-centric standards drafted by the Future at Lloyd's, and shared for feedback from the market.

## Phase I

By December 2020, the Future at Lloyd's will deliver improvements to the current state by streamlining existing processes.

It will take significant steps as part of a multi-year programme towards replacing ECF and associated claims infrastructure, including detailed design and planning.

In parallel, the Future at Lloyd's will build towards the ultimate vision by delivering pilots of end-state components, and adopt a rapid test-and-learn approach to gathering market feedback.

### Improve current state

The Future at Lloyd's will carry out short-term improvement of some existing processes:

- Streamlined claims management processes to reduce delays and complexity in the claims value chain: including speeding up settlement and payment, automating loss adjuster and expert appointments, and improving communication processes.
- Centrally procured expert services for the market: the Future at Lloyd's will work with managing agents to identify high-value services that will be centrally procured and available for use by the market (e.g. satellite imagery, loss-mitigation firms).

- Industry-leading customer-centric standards will be introduced including operational metrics, approach to measuring customer satisfaction, and rating of experts.

The Future at Lloyd's will also deliver targeted initiatives to improve customer experience and efficiency within existing processes:

- Lloyd's claims scheme<sup>a</sup> updated: The Future at Lloyd's will empower lead underwriters by substantially increasing the standard triage threshold to £1m for direct business and £5m for reinsurance, and adjust the non-financial soft trigger criteria. The updated claims scheme will launch in Q1 2020, after incorporating market feedback during the transition phase.
- Automatic agreement for low-value payments: existing unused ECF functionality will be enhanced to enable low-value payments to be agreed automatically.
- Enhanced catastrophe management service: the market catastrophe response plan will be enhanced, and will enable a remote intelligence and satellite imagery service (for which a vendor is already contracted).
- Loss fund repatriation: redundant loss funds will be identified and returned to managing agents, with the process embedded in ongoing operations by Q2 2020.
- Centrally managed registration and compliance oversight of Delegated Claims Authorities: the Future at Lloyd's will take the first step towards central approval, management and performance oversight of third-party services.

### Preparatory work to replace ECF and associated infrastructure

The Future at Lloyd's will work with the market claims community to replace ECF and associated infrastructure. This will be a multi-year programme, but the following will be delivered in Phase I:

- Detailed scope of work defined for replacement of infrastructure.

<sup>a</sup> The Lloyd's Claims Scheme, issued in September 2011, applies to all in-scope subscription market claims in the Lloyd's market. It is designed to streamline the claims agreement process for claims with multiple Lloyd's insurers on risk. Application of the Claims Scheme is mandated for all

syndicates by the Franchise Board. The Scheme currently caps a standard claim requiring no second agreement at £250k (with some limited exceptions capped at £500k).

- A new data model defined to drive towards greater insight and analysis potential for existing claims.
- Detailed functional design built for the flexible orchestration platform to support an enhanced and efficient claims process.
- Technical architecture designed, and transition approach detailed for infrastructure replacement.
- Strategic technology partners selected and delivery model for implementation defined.

### Pilots of new components

Pilot components of the claims solution will be built. These will handle live claims for a prioritised class of business, in partnership with select managing agents and brokers. This will consist of a:

- **Multi-channel interface and claims portal** that allows policyholders and/or brokers to submit their claims for the priority class of business. This pilot will allow simple, standardised and digital collection and sharing of loss information. Brokers will still be able to input loss information through their own integrated systems.
- **Triage engine for a selected class of business** to triage claims in a selected class of business. This will require digitising existing policies and historical data for the specific class until structured policy data is available.
- **Mechanism for straight-through claims processing for priority class of business.** A 'decision engine' will perform checks (e.g. premiums paid, loss date) to generate a payment instruction for straight-through process claims. As of December 2020, these are still likely to require one human intervention to confirm coverage.
- **Pilot option for the market claims service to determine appropriate model for handling non-complex claims.** This will include a small central team to support interim activity (e.g. temporary manual workarounds required to connect legacy systems to the pilot version of the claims solution). In addition, this team will co-ordinate claims handling decisions to achieve path to straight-through processing.

- **Interim connection of pilot claims solution to central services.** The pilot will still need to connect to the current accounting and settlement service. Claims triaged as standard or complex will continue to be processed through existing systems.
- **Customer satisfaction metric defined across the market.** Policyholder and broker feedback collected through the new multi-channel interface will be used to calculate net promoter scores.

### Value delivered

The pilot will begin delivering benefits at the end of Phase I. These benefits will expand as the claims solution is built up in subsequent phases. Customers will benefit from:

- Faster claims processing, both in the priority class of business (as some claims go through straight-through/expedited process) and from re-engineered existing processes.
- Improved claims submission experience through an early version of a digital interface.
- Increased transparency with ability to view claim status, including real-time progress tracking for the pilot class of business.

Brokers will benefit from:

- Increased transparency on the pilot class of business, allowing brokers to have more informed conversations with customers.
- Reduced administrative burden of setting up ECF entries and other tasks for the priority class of business, as data is ingested in a standardised way through the interface.
- Increased ability to attract business to Lloyd's (especially in priority classes of business) due to improved speed and customer experience scores.

Managing agents will benefit from:

- Improved customer experience scores across the market.
- Operational efficiencies through reduced claims handling costs for the priority class of business, and through access to centrally procured, high-priority services.

- Improved indemnity outcomes on priority class of business through artificial intelligence-driven triage, richer data and reduced cycle times.

## Phase II

In Phase II, the claims solution will begin to deliver enhanced efficiency across additional classes of business, reducing costs for market participants. Central services and the market claims service will be available to the market. Improved indemnity outcomes will be realised.

Components replacing ECF and the associated claims infrastructure will be delivered. The components of the claims solution will be built, and the solution implemented, including:

- Enhanced multi-channel interface (refined based on user feedback gathered from pilot).
- Triage models built, comprehensive checks implemented to enable straight-through processing and an event observer plugged in with high-value external data sources to enable these additional classes of business.
- Market Claims Service scaled, with 2-3 high-priority supporting tools procured or built (e.g. expert auto-match).
- Additional central services prioritised and procured at scale (e.g. ring-fenced loss mitigators, dispute resolution services).
- APIs and other integrations required to seamlessly pass complex claims to lead managing agents.

In addition, process re-engineering initiatives recommended in Phase I will be implemented. A draft decommissioning plan for legacy components will be launched to the market for feedback. Additional feedback loops will be established to track performance of solution.

## Phase III

By the end of Phase III, the claims solution will be fully operational. The market will be using data to develop analytics and insights at scale, increasing revenue and decreasing costs for market participants:

- Claims solution connected to accounting and settlement service.

- Claims solution integrated with risk exchange and complex risk platform.
- All components of the solution built, and all remaining classes of business onboarded.
- Customised functionalities delivered for Delegated Authority and Reinsurance.
- Data science and analytics centre of excellence established to continuously improve functionalities like triage and automated coverage decisions.
- Market Claims Service scaled up.
- Event observer enhanced with additional external data sources as required for remaining classes of business.
- Execution of decommissioning plan for legacy components in progress.

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## Collaborating on the claims solution

The Corporation encourages market participants to collaborate with the claims solution team. The team seeks the following types of engagement from interested participants:

- **Partner and pilot:**
  - Sign up to partner on pilots of components in Phase I.
  - Agree on secondments, and resourcing for early builds; co-create technology and data sharing requirements for pilot; identify one priority class of business.
  - In Phase II, build additional integrations to claims solution for 4-5 classes of business, identify high-value external data sources to be plugged into the event observer for remote claim determination and drive.
- **Integrate and scale:**
  - In Phase I, participate in idea generation sessions to diagnose current state claims processes, share ideas for process re-engineering, and contribute to user testing.
  - In Phase II, evaluate current internal technology stack to understand potential integrations with claims solution; build APIs to connect to claims solution for 4-5 selected classes of business.
- **Adopt:** Adopt claims solution and build necessary integrations to ensure accurate and automated routing of claims in Phase III.

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**05**

**Capital  
solution**



# Capital solution



*A new end-to-end journey for investing at Lloyd's with simpler, nimbler rules and processes and new structured investment opportunities, supported by a new capital platform, improving the experience of existing members and attracting new alternative capital providers.*

## What is the strategic intent of the capital solution?

Investors today are increasingly seeking to invest in insurance risk because its returns are uncorrelated to financial markets. Lloyd's is an attractive place to invest in due to its diversity of risks, brand, licences and financial ratings. This attractiveness is enhanced for those investing via Insurance Linked Security (ILS) funds by 2017 legislation permitting tax-transparent structures in the UK.

Lloyd's managing agents will be able to attract these new investors to further optimise their capital mix, evidenced in part by 20 managing agent-led proposals to pilot new investment opportunities for capital providers during the blueprint phase.

Lloyd's therefore has an opportunity to significantly improve its investment offering to members and new capital providers. To do so, Lloyd's must enhance investors' experience and make it easier to deploy capital, while maintaining strong underwriting discipline.

The capital solution will attract a diverse set of capital sources by establishing simple and efficient rules and processes for capital, and will facilitate the development of new legal structures and new investment opportunities. These changes will be underpinned by a state-of-the-art digital platform,

enabling the matching of risk and capital with Lloyd's-endorsed documentation and reporting.

Through these changes, the experience of participating at Lloyd's will improve for all:

- Customers and society will benefit from broader coverage of more risks at an affordable premium driven by increased capital diversity and a more efficient capital placement process.
- Existing members could earn higher returns on capital employed and enjoy new ways of accessing the market. They will benefit from a more efficient and cost-effective market with revised processes including capital entry and exit, and a modern way to assess the value of, and ultimately self-trade, their capital (Funds at Lloyd's).
- New capital providers will be attracted to the market by an array of new investment opportunities and an improved investor experience. They will benefit from greater efficiency, easier-to-navigate processes, Lloyd's-endorsed reporting, and a digital platform transparently offering a variety of structured investment opportunities.
- Managing agents will be able to operate in the market more efficiently and cost-effectively, write new risks more easily, further optimise their capital mix, and generate new income streams. They will be able to benefit from the entry of new capital, as needed, and the ease of establishing and marketing new investment opportunities through new legal structures via a new digital platform.

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The benefits will be confirmed by the pilots, several of which will launch in early 2020, including ILS. These pilots have already identified specific risk opportunities, and capital raising is underway. All pilots will be subject to the Corporation's underwriting controls and, if successful, have the opportunity to grow the market's premiums.

## Maturity of thinking

During the blueprint phase, the Future at Lloyd's capital lab offered current and potential new market participants an opportunity to lead pilots for new capital investment opportunities that were scaleable, and could, therefore, benefit the entire market without diluting prudent underwriting discipline which might unduly expose the Central Fund. There was strong interest from a wide range of groups, including capital providers, managing agents, and members. Approximately 20 proposals were received to lead pilots, and the capital lab is supporting all proposals that were in line with the overall vision and aims of the capital solution.

The proposals received were broadly related to three opportunities: ILS at Lloyd's, follow-only, and tracker products.

With the benefit of considerable market feedback, specifically from the pilots, the art of the possible and the priority areas to change during Phase I are well defined, with thinking at an advanced stage.

The detailed thinking on end-state designs is less mature, and will continue to evolve, driven by the experience of current and future pilots, further market feedback, and feasibility constraints (e.g. regulatory, legal).

The details of the full scope of potential investment opportunities that will be included are also less mature, as the market will shape those opportunities which expect to evolve as work on the capital solution develops. This might lead to the introduction of other new opportunities, or deprioritisation of ideas currently under discussion.

The changes contemplated by the capital solution are designed to benefit all members and capital providers. Naturally, the Future at Lloyd's capital lab will continue to consult the market as the changes are further developed.

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## At a glance: Capital solution

### What it is

A new end-to-end journey for investing at Lloyd's with simpler, nimbler rules and processes and new structured investment opportunities, supported by a new capital platform, improving the experience of existing members and attracting new alternative capital providers.

### What it includes

- **Simpler, nimbler capital rules and processes** (such as varying investment durations, capital withdrawal) and appropriate legal structures to increase ease and cost-effectiveness of navigating Lloyd's for capital providers
- **New, complementary structured investment opportunities** (such as ILS cell-structures, follow-only, and tracker products) providing capital providers with new, simpler-to-understand, more attractive ways to participate in the market
- **A central capital platform** that increases the ease of matching risk and capital, and improves the investor experience by making it easier to operate at Lloyd's and providing greater transparency of performance and risk

### What will be delivered in Phase I

**Improvements to current-state rules and processes** for 2021 year of account at the latest, including:

- Improved capital rules and processes, and appropriate legal structures
- A new digital system to manage capital (Funds at Lloyd's)

#### **End-state components**

- A first production release of the central capital platform
- New structured investment opportunities with live transactions across use cases, including the first ILS transaction through the new capital solution at Lloyd's



## Consultation feedback and influence on the design of the capital solution

In addition to the formal consultation, the Future at Lloyd's capital lab gathered feedback through interviews with more than 60 current and potential future market participants, including managing agents, ILS fund managers, leading investors, members agents, corporate and private capital

members, brokers and market associations. The feedback from the market has been overwhelmingly supportive of the direction of travel, particularly around adapting capital rules and processes, and increasing the flexibility of capital.

Based on this feedback, and the specific feedback from the market-led pilots, the work of the capital lab will prioritise the internal changes to capital rules and processes, and oversight, ahead of building a digital platform.

Table 5.1: Consultation feedback and design principles

Consultation feedback... <i>The capital solution should:</i>	... informs design principles
<ul style="list-style-type: none"> <li>— Improve capital setting and business planning rules and processes for all members, giving greater clarity and transparency for capital requirements, and making it easier to deploy capital.</li> <li>— Open the market to alternative capital/ILS, given the trends and competition in the global market.</li> <li>— Ensure that new capital can only be deployed with first-class, prudent, underwriting.</li> <li>— Ensure that increased entry and exit opportunities for capital do not create volatility in the market, and that Lloyd's security and stability is maintained.</li> <li>— Ensure all opportunities are open to existing and new participants, and do not compromise the rights of existing members.</li> </ul>	<ul style="list-style-type: none"> <li>— <b>Lloyd's will retain the chain of security, and fairness and mutuality of the Central Fund, while significantly improving the capital rules and processes.</b> The Corporation will ensure the changes made do not unduly expose the Central Fund, and that all capital providers, existing and new, benefit from the changes. All changes must benefit the whole market, not just specific segments, unless there is a compelling reason for the change.</li> <li>— <b>The capital platform will be managed and promoted by the Corporation,</b> but the design will be driven by the feedback from market participants to ensure it attracts a wide variety of capital, to support the risks being written. The platform will be built with open IT architecture to ensure it is widely accessible and will be underpinned by standardised investor documentation and reporting.</li> <li>— <b>Market participants will remain free to determine which of these opportunities to take advantage of,</b> and what new sources of capital they embrace.</li> <li>— <b>Lloyd's will attract new capital and risks</b> to the market while retaining its strong underwriting discipline and financial strength.</li> </ul>

## Technical details

The design principles set out in the previous section were used to create the end-state components of the solution.

**1. Simpler Lloyd's rules and processes** to modernise and streamline the investor journey and make it easier and more cost-effective to operate in the market.

- More nimble, simpler capital process. We will make capital requirements (Funds at Lloyd's) simpler, more transparent, and easier to determine, supported by an IT solution, making Lloyd's more attractive to investors. We will review the top-up/release of capital process (Coming into Line) to increase the speed of capital exit once it is off-risk, increasing the internal rate of return (IRR) for capital providers. We will also increase the flexibility of capital (e.g. making it easier for investors to carry out Funds at Lloyd's trades), enabling capital providers to increase investment returns.
- Simple, flexible, appropriate legal structures to complement existing structures, increase simplicity and transparency, and reduce the frictional costs of doing business in Lloyd's. Specific changes will need to be refined and agreed with regulators and market participants during Phase I. A particular focus will be on enabling ILS capital to participate more easily at Lloyd's.

**2. Additional ways for investors** to access the market, complementing the traditional member/syndicate participation routes. Facilitating these new access points as well as increasing the flexibility and simplicity of capital rules and processes will attract new and alternative capital with differing risk/reward profiles at scale. It could prove attractive to existing capital, including private members, operating via some form of investment vehicle. New structured investment opportunities will be developed by the market with the Corporation's support. Opportunities currently being piloted include:

- **ILS:** introducing third-party capital through ILS structures (now possible through tax-transparent structures in the UK) including targeting new and constrained risks. By investing through Lloyd's, capital providers will

benefit from the Lloyd's brand, licences, ratings, and access to a broader range of risks (in particular non-US risks) compared with ILS structures in other jurisdictions. They will also benefit from Corporation -endorsed, standardised documentation and reporting requirements, offering transparency, consistency and reliability. Managing agents will be able to offer a range of structured investment opportunities for ILS capital, and benefit from access to this lower cost of capital. Existing members will benefit from these opportunities: ILS pilots being developed include proposals based on a syndicate supported by private capital.

- **Cost-effective follow-only capacity:** complementing work already underway with the Lloyd's Market Association on lead/follow, creating structures whereby follow capital can easily and cost-effectively support risks in the market. The capital solution will make it easier for lead underwriters or brokers to find follow capacity for specific risks or follow funds from capital providers, reducing duplication (e.g. underwriting and compliance functions).
- **Market-tracker:** a specific form of follow capacity designed to 'track' multiple syndicates across a single line, or a range of lines, of business. An investment opportunity of this nature could be made available through the platform and would provide investors with access to a diversified book of risk and managing agents with fee income.

**3. A central 'capital platform' that is transparent and easy to navigate** to enable the efficient matching of risk with capital and facilitate new capital entry points.

- Capital seeking (re)insurance risk can be brought to the platform by a range of capital providers, including current members, who will be able to access risk through a variety of structured investment opportunities that will be marketed and offered through the platform by managing agents.
- These risks could be of varying types and durations, and could be specific opportunities or structural 'follow' funds.
- The platform will be a modern, open IT architecture able to facilitate a wide range of

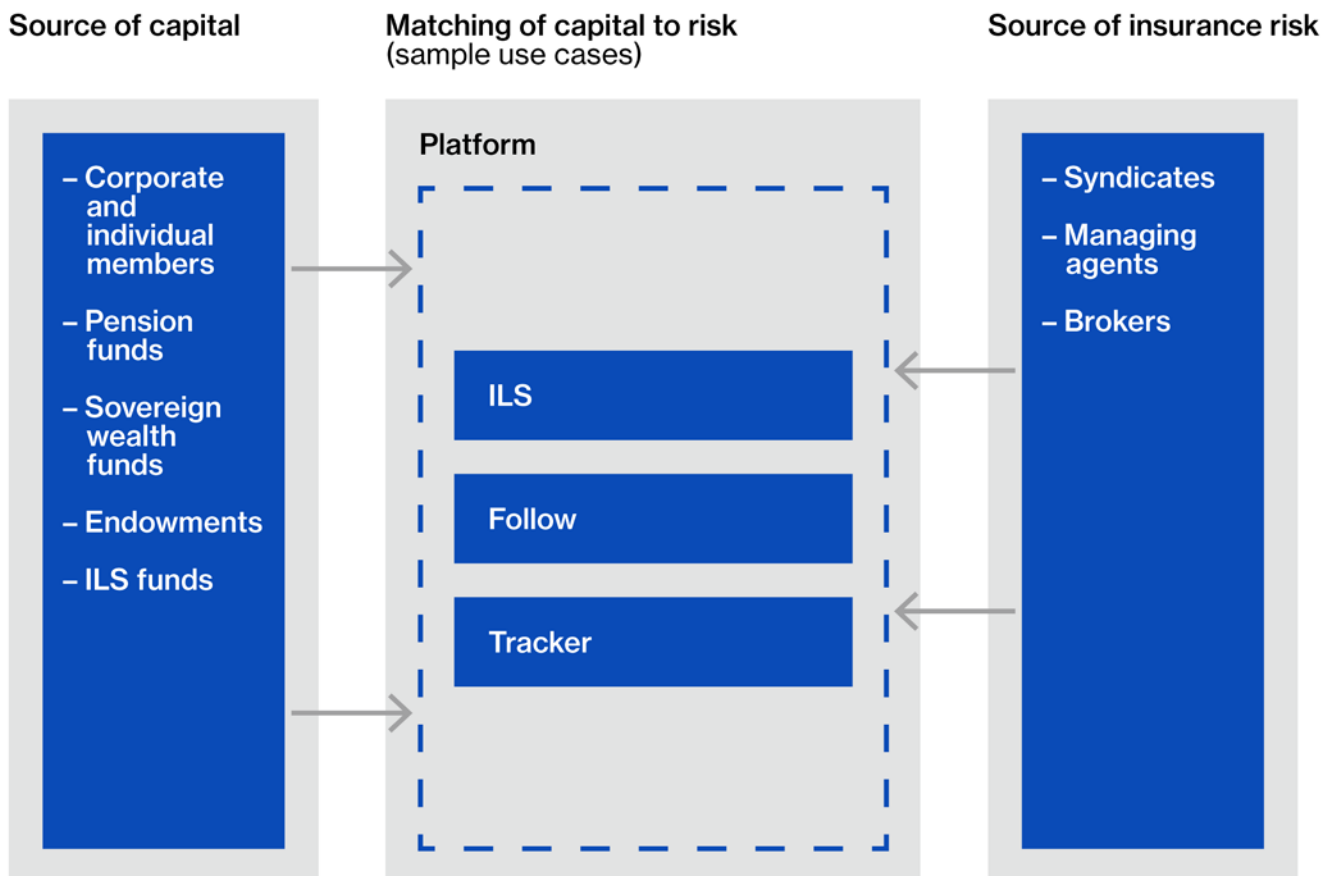
structured investment opportunities today and offering flexibility in the future.

- Documentation and reporting will be subject to a mandated minimum requirement and standardised wherever possible, while enabling managing agents and members' agents to differentiate themselves from competitors.
- The Corporation will continue to act as ambassadors to promote the Lloyd's market as a whole and, going forward, potentially raise the initial interest from investors, and could support

capital providers in navigating Lloyd's. The Corporation will not offer investment advice nor promote individual managing agents, syndicates or risks.

- To complement the capital platform, the Corporation will launch a digital and customer-centric system for Funds at Lloyd's administration. This will enable capital providers to assess the value of their Funds at Lloyd's and ultimately self-trade their assets in real time.

Exhibit 5.1: How the platform supports new, complementary investment opportunities



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## Dependencies

The capital solution will, jointly with the risk platforms, make risk placement more efficient (chapters 2 and 3). The complex risk platform and risk exchange will be the go-to platforms for managing agents to underwrite risks. Once the lead has priced the risk, follow capacity (if required) could be filled in conjunction with the capital platform.

The total impact of changes to market practices for syndication of risk, including reduced costs for follow-only syndicates will depend on the outcomes of that work during the transition phase.

The capital solution will build on changes made by syndicate in a box (*see chapter 6*), including a simpler and more cost-effective new entrant process and differential oversight.

## Phased approach to implementation

Table 5.2: Overview of phases

Transition <i>Six months, beginning Oct 2019</i>	Phase I <i>Jan-Dec 2020</i>	Phase II <i>Jan-Dec 2021</i>	Phase III <i>Jan 2022 onwards</i>
Continue pilot support for new investment opportunities.	Implement updated rules and processes in time to support 2021 year of account.	Make additional changes, e.g. change in investment duration, and support secondary transactions on the capital platform to offer additional options for easier capital exit.	Not applicable – all major changes for capital solution should have been delivered.
Complete plan and design for target end state of rules and process changes, and begin implementation.	Launch first production release of capital platform, supported by roll-out of standardised documentation and reporting.		
	Launch the first ILS transaction through the capital solution.		

### Transition

Phase I will only begin once a set of criteria are met. These will include: validating the solution business case, addressing interdependencies, and having the right resources in place. In addition, thinking will continue to be refined during the transition phase in the following areas:

- **How precisely should the ILS structures at Lloyd’s work to deliver tax-transparent access for investors?** The Corporation will engage with regulators and tax authorities to begin defining a clear roadmap for existing and new market participants.
- **What are the constraints and boundaries for changes to capital rules and processes?** The Future at Lloyd’s will continue its work on the pilots to refine the end-state capital solution and explore the implications of the changes in more depth, working with regulators.
- **What standardised documentation and reporting should be created for the platform?** The Future at Lloyd’s will continue to explore what market-standard documentation is appropriate based on data availability and

investor needs, while allowing market participants to differentiate themselves.

- **What else can the Corporation do?** The Future at Lloyd’s will explore with existing market participants what else would complement the ongoing work.

In addition, work will begin on delivering specific quick wins, including deployment of the IT system to make capital requirements easier to determine, and capital rules.

### Phase I

The priorities for Phase I have been guided by market feedback received during the consultation phase (*see consultation feedback section, page 65*).

The focus of Phase I is on delivering improvements to the current-state rules and processes, with an aim to implement these changes in time to support the 2021 year of account at the latest. During Phase I, multiple market-led pilots will be launched, including the first transaction involving a tax-transparent ILS at Lloyd’s through the new capital solution.

### Improved current-state rules and processes

Existing capital rules and processes will be improved to make Lloyd's a more attractive place to deploy capital.

- Capital and internal oversight: revised capital rules to increase the flexibility of assets held; revised capital calculation rules to increase transparency of requirements and enhanced process for capital release once it is off risk to increase speed of capital exit.
- Legal structures: legal frameworks will be adapted as required by other changes.
- Capital platform: in advance of further changes, a new digital, customer-centric system will be put in place to help capital providers manage their capital requirements.

specific circumstances) subject to regulatory constraints and without adversely affecting existing members.

### End-state components

- Capital platform: a first production release of the platform that can be used for initial use cases.
- Structured investment opportunities: work is already underway to launch live transactions across use cases, including the first ILS transaction through the new capital solution at Lloyd's. This will help deliver a clear roadmap for managing agents and ILS funds that shows how to create the relevant structures.

As a result of changes made during Phase I, participants will benefit from:

- A simpler, lower cost way to deploy capital in Lloyd's.
- Easier ways to operate in Lloyd's.
- Easier and faster matching of capital to risk for capital providers and managing agents.

### Phase II

By the end of Phase II, the Future at Lloyd's will have fully built and marketed the platform, and begun to execute live transactions at scale across use cases, including secondary sales.

Further changes will be implemented that have been developed during Phase I, potentially including a simpler way to offer structured investment opportunities with different durations. This may include a review of 3-year-accounting (e.g. to permit syndicates to close after one year in

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## Collaborating on the capital solution

We encourage market participants to continue collaborating with the capital lab. Over the transition phase and Phase I, there will be several opportunities for collaboration:

- **Partner and pilot:** In the transition phase and Phase I, lead additional pilot(s) for new investment opportunities such as, but not limited to: ILS at Lloyd's, follow-only syndicates, or tracker products.
- **Integrate and scale:**
  - In the transition phase and Phase I, provide further feedback and help shape target end-state for capital changes, through joining sub-forums.
  - Early in Phase I, provide user testing for the capital platform ahead of full roll-out.
  - Provide on-going support and feedback to ensure standards for documentation and reporting are fit-for-purpose.
- **Adopt:** Adopt the capital platform, standardised documentation and reporting, and new legal structures, in particular to structure new investment opportunities for capital. In addition, work with the Future at Lloyd's lab to understand updated rules and processes, and benefit from the changes made.

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06

# Syndicate in a box





# Syndicate in a box



*A new way to bring innovative new syndicates into the Lloyd's market and give them the best chance of success*

## What is the strategic intent of syndicate in a box?

Syndicate in a box encourages new, accretive and innovative business and talent to come to Lloyd's.

Lloyd's is a unique marketplace where syndicates can underwrite risks on highly-rated paper through an extensive global licence network, as part of the world's foremost commercial insurance brand. Lloyd's has a track record of providing innovative entrepreneurs with the platform to serve their customers and grow their businesses.

Syndicate in a box will ensure that this continues by offering a new way of bringing new syndicates into the market and giving them the best chance of success. The syndicate in a box solution will:

- Adjust the participation and entry criteria to make it easier and more capital-efficient for smaller entrepreneurial businesses to enter and trade at Lloyd's.
- Create an environment that facilitates testing and learning, with fast success or fast failure.
- Balance quicker, more transparent entry processes and proportionate capital requirements with constraints that limit the potential downside for the market.

- Have instant access to a Lloyd's ecosystem that can provide smaller, focused underwriting teams with the infrastructure and services they need to operate.
- Apply the same regulatory responsibilities and Lloyd's minimum standards as for other syndicates.
- Operate to the same standard of performance management and oversight as other syndicates. The Performance Management Director is chair of the Business Opportunities Committee, which oversees the new entrants process.

The Corporation will also apply the lessons learned and efficiencies created by syndicate in a box to other, new 'full' syndicates. It will support all new market entrants by:

- Piloting greater flexibility around capital setting for large and lower-risk new full syndicates.
- Assessing the success of new process and rule changes to determine whether they should be applied to all new entrants.

## Maturity of thinking

The syndicate in a box solution is well developed. The initial plans involve changing existing market rules of participation, which will be applied from the beginning of 2020 for syndicates in a box. These plans will develop as the framework is tested.

## At a glance: Syndicate in a box

### What it is:

A new way to bring innovative new syndicates into the Lloyd's market and give them the best chance of success.

### What it includes:

- A way of entering the market to prove a business proposition over an initial three years, *that gives applicants the best chance of success*
- A transparent set of qualifying criteria *so that applicants understand whether they fit*
- A clear and streamlined entry process *to enable approval within three months*
- Specific rules of participation *to balance opportunities and constraints (see below)*
- Quarterly review and annual assessment carried out by the Corporation *to ensure that the business remains accretive, profitable, and delivers to its original business plan*
- Access to the Lloyd's services hub and integration with other Future at Lloyd's solutions *to enable syndicates in a box to operate efficiently*

### What will be delivered in Phase I

From the beginning of 2020, a live syndicate in a box pilot will be operating under the new conditions and the Corporation will start considering applications for new syndicates in a box. During 2020, the Corporation will assess which aspects of the new entry process should be applied to all new syndicate entrants in the future.

### What will be different:

Opportunities	Constraints
Reduced initial capital load proportionate to the risks written. Option to defer enhanced Central Fund contributions until years four to six	Restrictions on type of business that can be written through a syndicate in a box
Option to graduate to a 'full' syndicate after three years if success criteria are met, or reapply to continue as a syndicate in a box	Agree exit plan as part of application, to facilitate fast, safe, failure, as well as fast success
Proportionate oversight to reduce administration through: flexibility in line size; option to use Lloyd's benchmark model for three years; reduced reporting requirements	Success criteria at the end of years one, two and three agreed on entry; underwriting permissions removed if the criteria are not met
No requirement to be located in London	No box space permitted
Business plans for years two and three will be automatically approved if there is no material deviation from the initial three-year plan agreed at the outset	Limit total proportion of market GWP that can be placed through syndicates in a box
Fast approval, and lower-cost application fee of £100,000	Supported by a managing agent that will attest that the syndicate in a box meets all minimum standards
Access to the services hub as well as the claims, risk and capital platforms	Requirement to connect to all relevant platforms (e.g. electronic placement, risk exchange, complex risk platform, capital solution) and adhere to all standards

## Consultation feedback and influence on the design of syndicate in a box

During the consultation, stakeholders shared a lot of feedback on the syndicate in a box proposal. While some were very positive that it will help enable Lloyd's to retain its place as the home of insurance innovation, others expressed concern about the potential impact on the existing market.

Table 6.1: Consultation feedback and design principles

Consultation feedback ... <i>Syndicate in a box should:</i>	... informed the design principles
<ul style="list-style-type: none"> <li>– Avoid creating a two-tier system that could damage the market, where syndicates in a box receive preferential treatment.</li> <li>– Ensure there is no increased risk to the Central Fund.</li> <li>– Continue to uphold Lloyd's high-performance standards for all market participants.</li> <li>– Apply the more streamlined entry process and more efficient participation rules for syndicates in a box to all syndicates.</li> </ul>	<ul style="list-style-type: none"> <li>– <b>Not favour new entrants over existing participants.</b> A business plan will not be approved through this process that would not have been approved for a comparable team at an existing syndicate.</li> <li>– <b>Deliver something additional to the market</b> (e.g. a product, market, portfolio or distribution channel).</li> <li>– <b>Not materially increase risk to the Central Fund.</b> It will replace the need to have additional capital in the first three years with underwriting restrictions and conditions for removing underwriting permissions.</li> <li>– <b>Enable the testing of specific new business propositions</b> through a fast success or failure, low-cost, lower-capital vehicle.</li> <li>– <b>Test which improvements can be applied to all new syndicates in future.</b></li> <li>– <b>Improve over time</b> as the solution is tested and refined, and as more infrastructure and services are provided.</li> </ul>

## Technical details

### 1. A way of entering the market to prove a business proposition over three years

Syndicates in a box can initially enter the Lloyd's market for a fixed period of three years, after which they have three options:

1. Reapply to continue as a syndicate in a box.
2. Graduate to a 'full' syndicate.
3. Cease trading if annual performance conditions are not met. Syndicates in a box will agree an exit plan as part of the entry process.

### 2. A transparent set of qualifying criteria

To participate in the Lloyd's market as a syndicate in a box, new entrants must meet specific criteria:

- **Profitable:** By the end of year three at the latest, net combined ratio for syndicates in a box must be <100% and net expense ratio must be <35%.
- **Accretive or innovative:** Syndicates in a box must be accretive and/or innovative to Lloyd's (where accretive means enhancing the Lloyd's franchise by introducing new business and/or distribution opportunities, and innovative means new products, services, or methods of distribution).
- **Developing:** Syndicates in a box should aspire to become a full syndicate and must start with GWP not exceeding £100m in their first year, to limit risk to the market.
- **Covering limited types of business:** Syndicates in a box should have limited exposure to Lloyd's peak perils (currently US/Caribbean Wind, US/Canadian Earthquake, Japanese Earthquake, Japanese Typhoon and European Wind).
- **Shorter-tail risks for new businesses:** This will enable success to be judged within three years. Longer-tail portfolios will be considered when there is evidence of a good track record.

### 3. A clear and streamlined entry process

Underwriting for syndicates in a box will be assessed within three months without reducing standards by:

- Publishing qualifying criteria, guidance and templates on Lloyds.com and requiring that all information be submitted at once.
- Placing greater reliance on the sponsoring managing agent's assessment of compliance with Lloyd's minimum standards.
- Setting Lloyd's Board appetite for syndicates in a box annually. In 2020, up to 2% of total planned market GWP can be written through syndicates in a box.
- Being transparent. The syndicate in a box application fee is £100,000, plus £52,000 if a new member is required. The difference between the syndicate in a box and syndicate application fee will be payable only when it graduates to become a full syndicate.

### 4. Specific rules of participation

The constraints on what business can be written, their smaller scale and the rules surrounding their underwriting permission, will limit the risk posed by syndicates in a box. This allows the Corporation to remove some of the rules that apply to new syndicates in their first three years and apply oversight and underwriting rules proportionate to the risk posed. This will reduce the initial capital requirement, administrative burden and operating costs without reducing Lloyd's market standards.

#### Capital setting

- Removal of the 20% new entrant uplift. This uplift is currently applied to the capital that new syndicates must hold today for three years to protect the Central Fund from the inherent operational risk of a new business operating at Lloyd's.
- No requirement to develop an internal model in the early years. There will be an option to use the Lloyd's benchmark model for the entire three years (compared to two years today for a new syndicate).
- Option to defer enhanced Central Fund contributions from years 1-3 to years 4-6.
- Permitted to use own performance experience in agreeing business plan and setting capital, if adequate historical track record provided. Where there is none, the Corporation will use loss ratios based on market experience.

- The capital requirement will now be based on the actual premium planned to be written in each year of account, rather than the annualised premium, when the syndicate begins trading mid-year.
- The method of hypothecating reserves that is currently used in the first three years of syndicate operations will no longer be applied.

### Oversight

- *Flexibility in line size dispensations.* The Corporation will consider line sizes using a risk-based approach commensurate with their lower premium size.
- *Optimised reporting* proportionate to the risk. Syndicates in a box will be restricted by what they can write, meaning that the Corporation takes a more risk-based view of reporting. Ultimately, the ambition is to access the required data directly from all syndicates, rather than receive manual reports.
- *More streamlined annual business plan submission.* If there is no material deviation from the initial three-year plan, business plans for years two and three will be automatically approved.

### Underwriting

- *Syndicates in a box will operate remotely without box space in the Lloyd's building.* This will allow syndicates in a box to access diverse underwriting talent, get closer to their customers and reduce operating costs.

## 5. Quarterly review and annual assessment carried out by the Corporation

The syndicate in a box solution includes quarterly reviews and annual assessments for monitoring and support. The Performance Management Division will be responsible for this monitoring and support, and for ensuring that standards are being maintained.

At the outset, each syndicate in a box will agree with the Corporation success criteria for each year, which will include:

- A path to profitability (net combined operating ratio of <100%).

- Net expense ratio <35% by year three.
- Continued writing of accretive and/or innovative business.

If not met, the syndicate in a box's underwriting permissions will automatically end and they will be placed into run-off.

## 6. Access to the Lloyd's services hub and integration with other Future at Lloyd's solutions

Over time, syndicates in a box will integrate with the services hub and be provided with infrastructure and services, which could include a policy administration system, an internal model, run-off support and direct data access for reporting. Syndicates in a box should require a small, focused team and a different type of service from a third party, or potentially a Lloyd's Corporation managing agent.

Syndicates in a box will integrate with other Future at Lloyd's solutions (as will 'full' syndicates):

- **Capital platform:** Syndicates in a box will be able to match risk with capital through the capital platform during their entry process.
- **Complex risk platform:** All syndicates in a box will have access to the Future at Lloyd's risk placement platforms and will be expected to comply with the minimum standards for electronic placement.
- **Claims solution:** Syndicates in a box will be able to plug directly into the claims solution, reducing costs.
- **Overall technology:** Syndicates in a box will benefit from the data platform, which will reduce reporting costs by automatically extracting financial data from all syndicates for oversight purposes.

## Exhibit 6.1: Comparison of requirements for syndicates and syndicates in a box

● Requirement

Requirements	Syndicate in a box	Syndicate
<b>Transparent set of qualifying criteria</b>		
– Profitable	●	●
– Expense ratio	< 35% by year three	c. 40
– Accretive or innovative	●	●
– Box space permitted		●
– Developing business: GWP<£100m in year 1	●	
– Limited peak perils* exposure	●	
– Short tail (unless historical track record of long tail)	●	
<b>Entry process</b>		
Fees	£100k	£200k
Time	3 months	5-12 months
<b>Efficient rules of participation</b>		
Capital setting:		
– New entrant capital uplift		●
– Market average loss ratios mandated		●
– Annualised premium		●
– Hypothecated reserves		●
– Internal model required	After graduation	Not for two years
– Enhanced Central Fund contributions	Deferred until 4-6 years	●
Oversight:		
– Flexible line size dispensations	●	
– Optimised reporting	●	
– Streamlined business plan submission	●	
<b>Annual review lifecycle</b>		
Timebound	●	
Fast fail assessment with run-off plans	●	

\*Peak perils are currently: US/Caribbean Wind, US/Canadian Earthquake, Japanese Earthquake, Japanese Typhoon, and European Wind).

## Phased approach to implementation

Table 6.2: Overview of phases

<b>Transition</b> <i>Six months beginning Oct 2019</i>	<b>Phase I</b> <i>Jan-Dec 2020</i>	<b>Phase II</b> <i>Jan-Dec 2021</i>	<b>Phase III</b> <i>Jan 2022 onwards</i>
Launch pilot and prepare for applications in Phase I.	Accept applications for syndicate in a box and assess which components should be applied to all new syndicate entrants in future.  Onboard new syndicate in a box.	Apply identified refinements to all new syndicate entrants and integrate with the services hub, claims, risk and capital platforms.  Identify if further changes are required to reduce the cost to new entrants.	Continue to refine as appropriate.

### Transition phase

Phase I will only begin once a set of criteria are met. These will include: validating the solution business case, addressing interdependencies, and having the right resources in place. During the transition phase, work will focus on:

- Ensuring that the pilots is ready to commence underwriting from the start of 2020.
- Building the capability to track and process applications within three months.
- Discussions with potential applicants interested in applying at the start of 2020.

### Phase I

From the start of 2020, the syndicate in a box workstream will:

- Have a live syndicate in a box pilot operating under the new conditions.
- Accept applications for new syndicates in a box, with a target of approving successful applicants within three months.

By the end of Phase I, the syndicate in a box workstream will:

- Have identified refinements to the syndicate in a box qualifying criteria, entrant process and participation rules.

- Have assessed which aspects of the syndicate in a box entry process should be applied to all new syndicate entrants (to be implemented in Phase II).

### Value delivered by the end of Phase I:

For customers, access to a greater choice of risk solutions from the Lloyd's market, as well as a broader range of carriers to provide them.

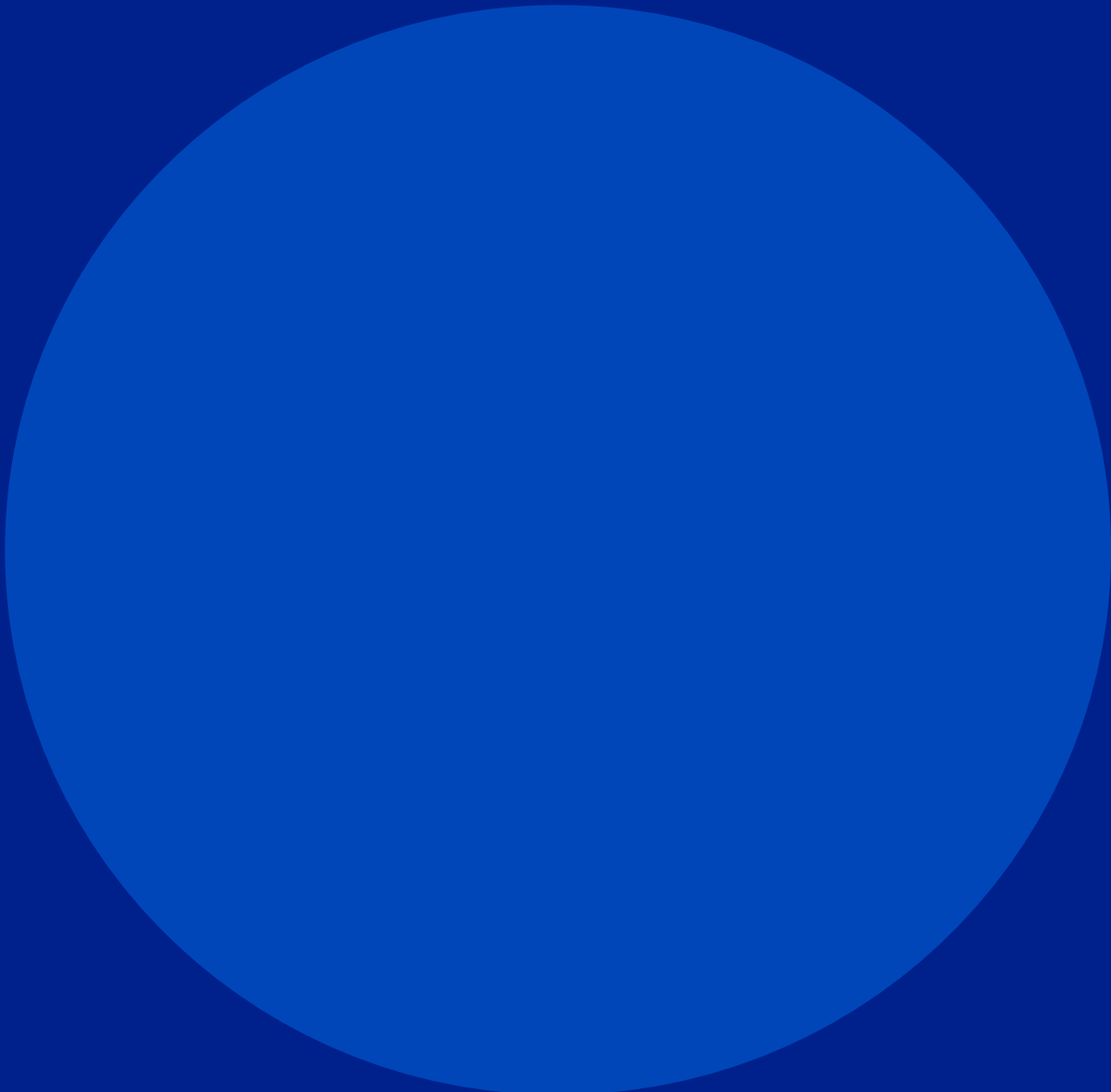
For managing agents, the ability to use a syndicate in a box to take advantage quickly of an opportunity they have developed, to prove a specific proposition over three years in an environment that will give them the best chance of success.

For capital providers, including third-party members, the ability to support the testing of new ideas within the Lloyd's environment. New members supporting syndicates in a box will be able to defer their enhanced Central Fund contributions until the syndicate in a box has graduated to full syndicate.

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07

# Services hub





# Services hub



*The services hub is at the centre of Lloyd's future value proposition, building on existing capabilities and providing new, innovative services that offer value to market participants, customers and competitive advantage for Lloyd's.*

## What is the strategic intent of the services hub?

Participation in the Lloyd's market offers distinct advantage and opportunity for everybody involved. The Future at Lloyd's will enhance this value proposition by providing a wide range of innovation and business services to the market participants and customers.

The Corporation of Lloyd's will continue to provide today's services including performance management, licensing, single market rating, physical infrastructure and member services. The Future at Lloyd's will build on these core activities to include extensive central services, flexible access to advanced technology, new product innovation accelerators, unique data and insight and scalable business support services.

These services will create new opportunities to realise the value created by the Lloyd's ecosystem for the benefit of market participants. They will enable market participants to best serve customers and unlock operational efficiencies.

The services hub will be the mechanism to identify, develop, manage, monetise and continually refine new capabilities on behalf of the market. It will be supported by a common services portal which will

simplify access, enhancing the user experience and providing a personalised user interface. This will mean that customers, brokers and managing agents spend less time searching for experts, information, solutions and services.

The Corporation will work with market associations to develop a set of standards aimed at delivering high-value capability for the market that will be used to accredit providers.

## Maturity of thinking

The Future at Lloyd's prospectus outlined a vision for an ecosystem of services. Whilst the substance of this idea was similar to the services hub described in this chapter, consultation responses and further analysis sharpened the focus onto services for the marketplace.

The Lloyd's market is itself an ecosystem, comprising different market participants competing and collaborating. The services hub is a central component of that ecosystem. The services hub will be led by the Corporation, which will enhance its capabilities through internal and planned market-facing initiatives such as Market Data Collection and the Lloyd's Access Framework.

Developing a detailed design for the services hub will take place during Phase I, allowing it to be informed by the high-level design and architecture of the other solutions, and further, focused market engagement on its scope and design.

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## At a glance: Services hub

### What it is

The services hub is at the centre of Lloyd's future value proposition, building on existing capabilities and providing new, innovative services that offer value to market participants, customers and competitive advantage for Lloyd's.

### What it includes

- Design, development, access, management and monetisation of the **services that underpin the future Lloyd's ecosystem**
- **Lloyd's service design and management framework**, tailoring the design to user needs and setting standards for all services in the Lloyd's ecosystem
- **Accreditation process**: third-party service providers will be accredited against Lloyd's standards in order to offer services via the hub
- **A common portal** through which participants can easily access all services available within the Lloyd's ecosystem

### What will be delivered in Phase I

- Development and first release of service design and management framework, including standards, Service Level Agreements, Key Performance Indicators and options to monetise future services
- Development of a catalogue of Lloyd's current services
- Assessment of operational, regulatory, tax and legal implications of the services hub – to include opportunity to reduce duplication of activity with other stakeholders
- Identification of future services and design of 'end state' model for services hub
- Identification and engagement of capabilities required within the Corporation to run the services hub
- Development and first release of accreditation process and associated standards
- First wave of services prioritised, developed and launched
- Services portal pilot delivered

## Consultation feedback and influence on the design of the services hub

The concept of an ecosystem of services attracted many responses from stakeholders, and these have informed a set of design principles which will be further refined and applied to the design of the services hub during the transition phase.

Table 7.1: Consultation feedback and design principles

Consultation feedback ... <i>The services hub should:</i>	... informs design principles <i>The Corporation will:</i>
<ul style="list-style-type: none"> <li>— Maintain and enhance the advantage of participating in the Lloyd's market.</li> <li>— Include new services that enable product innovation and cost / operational efficiency.</li> <li>— Unlock the opportunity to monetise the services, for the benefit of market participants.</li> <li>— Make it easy to access the services in a single place, and increase awareness of what is on offer.</li> <li>— Reduce duplication of services and activity, but not at the expense of reducing competition.</li> <li>— Recognise data as a key asset for all market participants and help them to use it in the most beneficial way.</li> <li>— Foster a culture of collaboration and innovation.</li> </ul>	<ul style="list-style-type: none"> <li>— <b>Manage and operate</b> the services hub.</li> <li>— <b>Protect and govern access to data</b> to ensure customer, managing agent and intermediary competitive intellectual property is protected.</li> <li>— <b>Define standards for participation</b>, so that all services are compatible with the Future at Lloyd's solutions. These standards will be developed in consultation with market participants.</li> <li>— <b>Accredit third-party service providers</b> before they can offer services via the services hub, so that market participants will consistently receive high standards and high value.</li> <li>— <b>Provide services</b> as well as curating those provided by third-parties.</li> <li>— <b>Select services based on their ability to enhance the Lloyd's value proposition</b> and drive benefit for all market participants.</li> <li>— <b>Deliver a standard service design and management framework.</b> Service design will be used to make services flexible and accessible based on user need. The management framework will allow the Corporation to measure and report on service availability and performance.</li> <li>— <b>Monetise selected services for the benefit of market participants</b>, and likewise allow fees to be charged for some services.</li> </ul>

## Services and components

### Scope of services

The services hub is the overarching framework to design, develop, access, manage and monetise new services for the market. The services will include:

- **Existing market services:** these enable Lloyd's current value proposition, including performance management, licensing, rating and chain of security, physical infrastructure and member services.
- **Data:** Access to a unique, aggregated, secure pool of data generated from the risk exchange, the claims solution, the capital platform, and other well-established Lloyd's and external data sets. To additionally include the development of data analytics capability within and on behalf of the market.
- **'Lloyd's only' insights and analysis:** Insights derived by the Corporation or third-parties from Lloyd's datasets (e.g. performance benchmarking).
- **Supplier services and data:** Provided by the Corporation or third-parties that market participants can use to improve their operational performance or product offering (such as data enrichment services, a loss-adjuster finder tool, catastrophe response teams, and agreed professional services rates negotiated centrally on behalf of the market).
- **Business support services:** Core services offered as an integral part of the Future at Lloyd's platforms (such as Know Your Customer checks) made available for use by company market participants or third-parties (*see Technology chapter 9*).
- **Innovation capability:** A market community and supporting infrastructure that helps people to work together on product, process and technology innovation. The Corporation will provide a proportionate regulatory environment that encourages and promotes innovation.
- **Expanded Lloyd's Lab:** to enable the market to work together with customers, Insurtechs and other stakeholders to drive ongoing innovation in data, products and technology.

Some market participants may not wish to use all services within the hub. Therefore it is likely that the services hub will include a series of core (mandatory) and also some optional services. This will be considered during Phase I.

### Services portal

The services hub will include a single services portal for all Lloyd's market participants to access any service across the Lloyd's ecosystem. The portal will provide:

- Easy access to the full set of Lloyd's and accredited third-party services, shaping its content to be relevant to market participants.
- Search capabilities to identify available services suppliers.
- An up-to-date view of supplier performance.
- Ability to subscribe to new services.
- Ability for new services to be added.

### Service design and management framework

The Corporation will develop a consistent Service Management Framework that each of the services deployed via the Service Hub will adhere to. The framework will ensure that all services:

- Have consistent design principles.
- Have clear ownership and support capability.
- Have an agreed set of performance indicators including SLAs and KPIs.
- Provide an up to date view on current performance against each indicator.
- Have identified and managed dependencies on other services in the Lloyd's ecosystem.

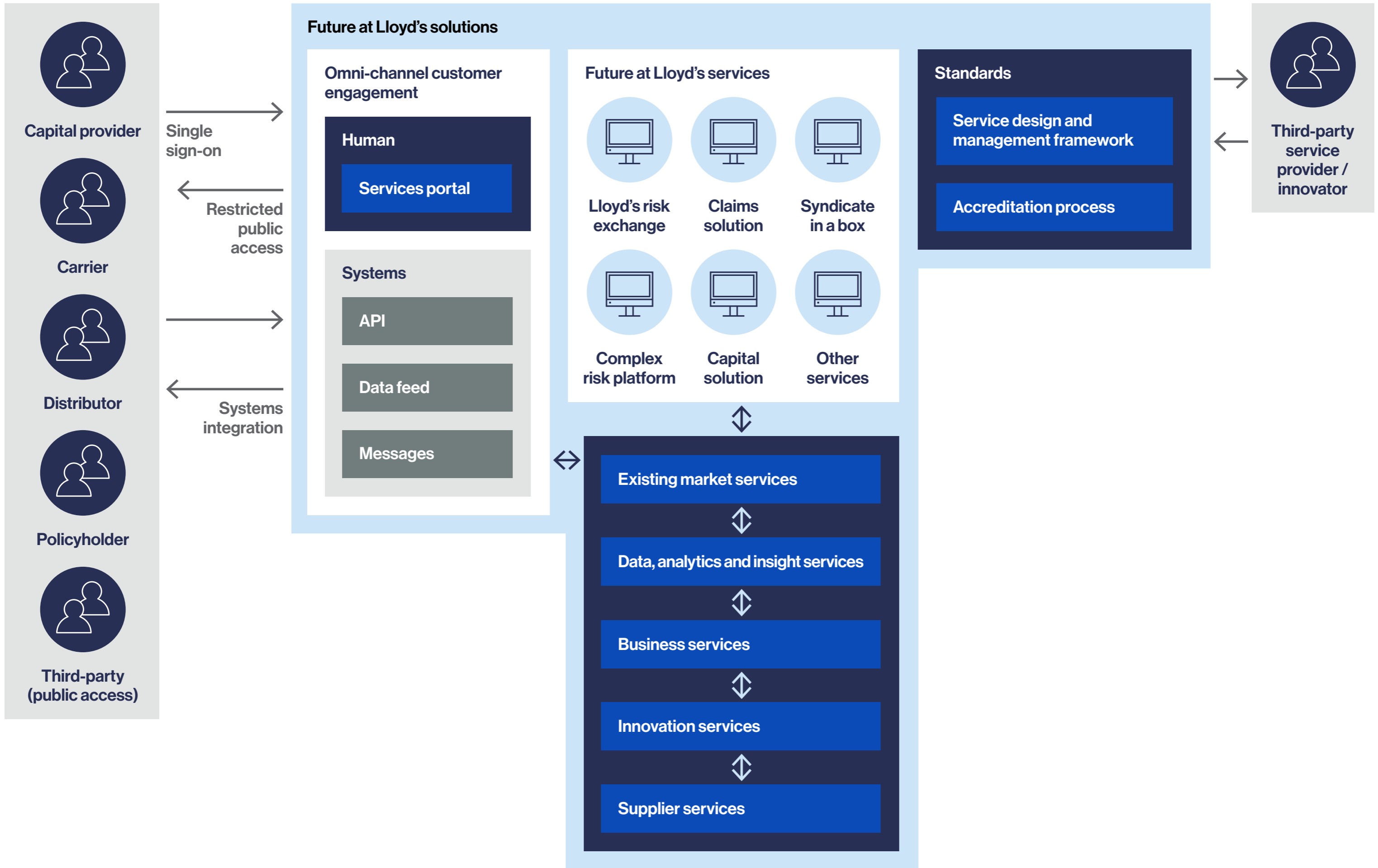
### Accreditation

In consultation with market participants, the Corporation will create, manage and maintain a set of leading practice standards across all functions including regulatory, legal, IT security, and data protection.

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These standards will form the basis of an accreditation process that will be used to assess any candidate third-party services provided via the services hub. Each service offering will be reviewed against the relevant standards. The Corporation will work with successful candidate service providers to be integrated into the Lloyd's ecosystem.

Exhibit 7.1 Components of the services hub



## Technical details

Whilst the detailed design of the services hub will be developed during Phase I, early service opportunities and potential further services have been identified (*see exhibit 7.1*).

### Early opportunities

The Future at Lloyd's will continue the delivery of three key initiatives as the basis of the services hub:

- **Setting ourselves up for Success:** a programme underway for the Corporation that will enhance Lloyd's ability to deliver its current value proposition and associated services.
- **Market Data Collection:** new capability to simplify and automate market reporting.
- **Lloyd's Access Framework:** single sign-on capability for existing market services.

Three new services are being developed as a priority during transition and Phase I:

- **Insights hub:** this new Lloyd's service, available through a secure user interface or directly via APIs, will allow market participants to access relevant analysis and data to obtain risk insight data into their own data quickly and easily. The Corporation will regularly add new hub content but will begin with syndicate information on premium written, claims paid, performance and financial investments. Data will include benchmarks that allow users to analyse speed of claims payments (at the level of a single claim) and information on new global insurance opportunities based on economic and demographic research. This analytics platform will become the way that the Corporation produces and shares data and insights with the market and embeds these into other Lloyd's services.
- **A product innovation facility** that creates an innovation space where underwriters can experiment with new ideas in a controlled way, in a way which balances appropriate oversight with the need to innovate quickly. Lloyd's horizon-scanning followed by thought leadership will identify opportunities and the facility will explore such non-standard risks that might not fit the traditional market (e.g.

intangible assets, new technologies and others).

- **Data analytics:** a service focused on widening data analytics capability across the Lloyd's market. To initially include a range of training courses that market participants can use to upskill and reskill their workforce to make the most of the Future at Lloyd's solutions. During subsequent phases, this could be extended to provide market participants with access to capability including analytics technology and data scientists.

### Potential further services

Further services will be identified and scoped during transition, Phase I and beyond, by the Future at Lloyd's and third-parties. Initial ideas to be explored include:

- **Value-add services**
  - **Risk forecasting services:** a 'First Alert' service would provide market participants with new insights to help identify potential perils in advance of an event. The service would include alerts related to natural perils such as extreme rain and windstorms, and additionally forecasts for man-made risks such as political tensions, economic indicators and changing safety levels in cities.
  - **Risk forecasting services:** a 'First Alert' service would be provided to market participants to enable them to foresee perils. The service would not only include natural perils such as extreme rain and windstorms, but would also include best in class forecasts for man-made risks such as political tensions, economic indicators and safety levels in cities.
  - **Live event response service:** immediately following a major loss event a 'call' for support services would be announced. The services hub would host accredited suppliers allowing Managing Agents to quickly access the diverse options for loss analysis, loss adjustment services, and specialist legal advisors.

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- **Business support services:** the ecosystem will include specific services targeted at driving operational efficiencies for market participants. Initially, these may be focused on helping syndicates in a box to be successful when they join the Lloyd's market. These services might focus on generic and non-differentiating process (e.g. credit control, payroll, reporting, or potentially policy administration) They might also be tailored (e.g. providing run-off support services).
  - **Using Lloyd's purchasing power:** The Future at Lloyd's will identify and work with approved suppliers to purchase in bulk and secure discounts for non-differentiating services that are widely used by market participants (e.g. equipment, professional services, software licences).
  - **Innovation**
    - **Lloyd's product development lab:** the Lloyd's Lab is already a successful hub for technology-led innovation. By expanding its current scope and enabling greater collaboration between Lloyd's expert underwriters and brokers, customers and potentially interested capital providers, the development of new products and services can be enhanced to help the market collectively tackle the emerging risks faced by customers.
    - **Greater support for innovation:** the Lloyd's Lab currently runs ten-week cohorts as standard. An extended 'accelerator' cohort could be created, to stimulate early-stage innovation both externally and from within the market. Successful services developed through the programme would be procured and made available via the services hub.
    - **Innovator masterclass programme:** aspiring innovators within the Lloyd's market, via a competitive application process, would be given space on a unique programme which provides training in entrepreneurial methods, product development and creation techniques, market potential assessment tools and approaches for promoting and selling.



## Phased approach to implementation

Table 7.2: Overview of phases

<b>Transition</b> <i>Six months beginning Oct 2019</i>	<b>Phase I</b> <i>Jan-Dec 2020</i>	<b>Phase II</b> <i>Jan-Dec 2021</i>	<b>Phase III</b> <i>Jan-Dec 2022</i>
Develop detailed plan and concept design; mobilise for Phase I.  Begin delivery of early opportunities.	Develop detailed design.  Stand up services hub; pilot services portal, standards and selected priority services.	Extend hub to third-party services.	Complete all functionality of services hub.

### Transition phase

The transition phase will focus on developing a detailed plan for the services hub and getting ready to deliver Phase I. The lab will:

- Capture current Lloyd's service catalogue and identify long list of potential future market services.
- Develop concept design for services hub.
- Progress initiatives underway and begin identified early opportunities.
- Detail planning and mobilisation for Phase I.

### Phase I

Phase I will deliver:

- Assessment of operational, regulatory, tax and legal implications of the services hub.
- Service design and management framework, including standards, SLAs, KPIs and options to monetise future services.
- Design of the services hub, including the framework and capability requirements to develop and manage the services and technology architecture for the services portal.
- Define design principles for accreditation, and legal, regulatory and procurement framework for third-party participation. Define high-level revenue model and business case.

- Prioritisation of future market services, including core vs optional services.
- Assessment of the opportunity to reduce duplication of services and activity with other market stakeholders.
- Establishment of initial services hub.
  - A pilot of the services portal.
  - The first wave of existing services accredited and managed by the services hub.
  - Selected new services accredited and piloted by the services hub.
  - First release of accreditation standards and service management framework.
- Delivery of Setting ourselves up for Success, Lloyd's Access Framework and Market Data Collection.

### Phase II and III

Phases II and III will deliver:

- Fully functioning services hub and associated services portal.
- All existing services accredited.
- Hub fully open to accredited third-party services.
- Subsequent versions of accreditation standards and service management framework.

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## Collaborating on the services hub

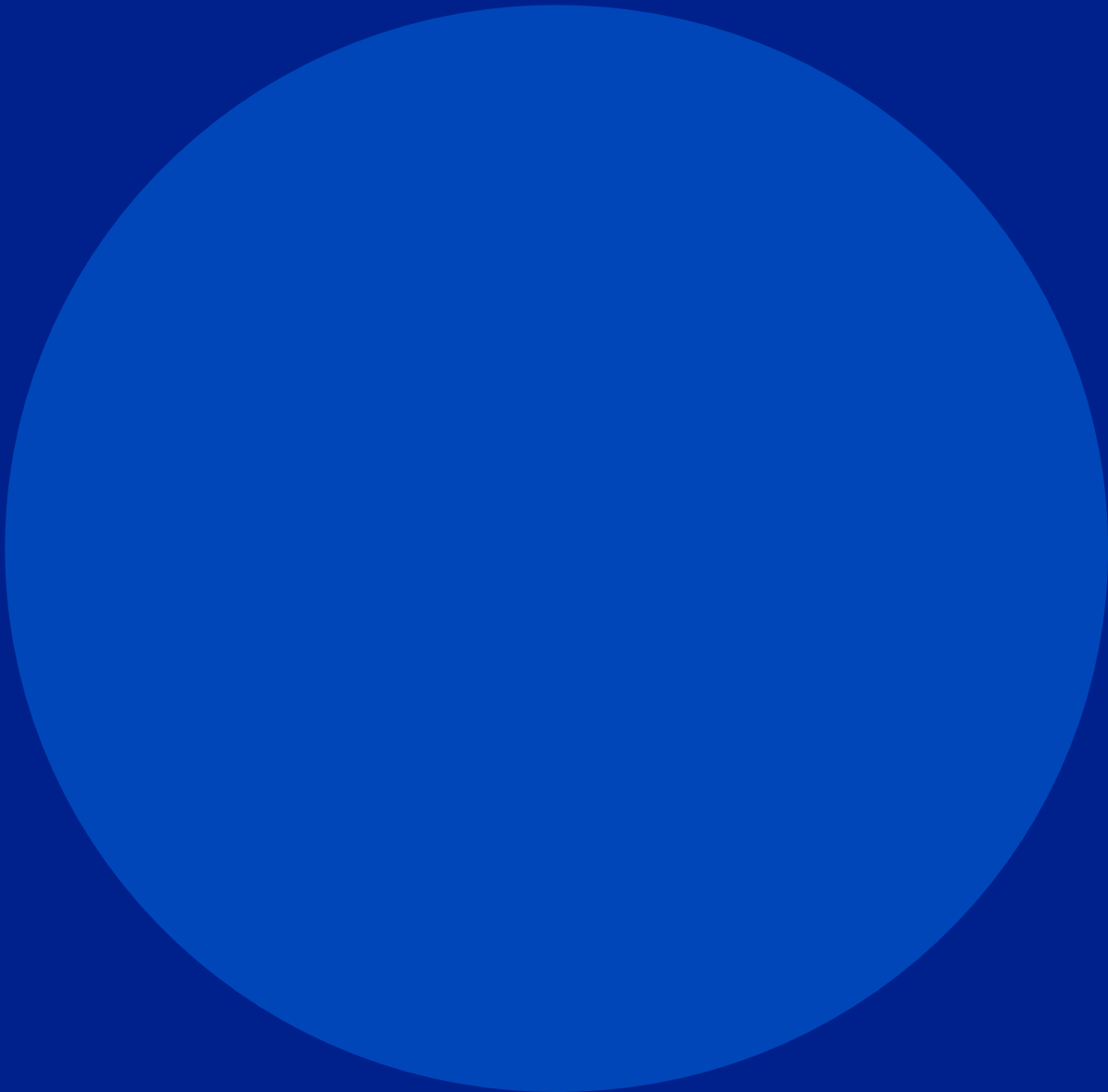
The Corporation encourages market participants to continue collaborating with the services hub lab. The team seeks the following engagement from the market:

- **Partner and pilot:**
  - Consumers of services to participate in market engagement to shape scope and standards for services hub.
  - Suppliers of services to propose services that could be piloted during Phases I and II.
- **Integrate and scale:** consumers of services to begin using the services hub to access services, and to use data and services from the hub to innovate in customer offering.
- **Adopt:** all suppliers of services to apply for accreditation and ensure that their services meet Lloyd's standards.

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08

Data



# Data



*A single source of structured, standardised data which captures risk information and acts as the basis of a modern, digital and efficient marketplace, universally available to those with the necessary permissions.*

## What is the strategic intent of the overall data approach?

Modern, digital marketplaces are built on clearly defined and enforced data standards, ensuring access to high-quality data by all relevant market participants at all stages. Structured data will be a critical initial foundation of the Future at Lloyd's solutions.

Data is not exciting by itself until it is defined, standardised and made available to the appropriate people; then, data is truly transformational to everything built on top of it. The Future at Lloyd's will be a data-first marketplace, capturing high-quality data as early as possible in the risk lifecycle. This will deliver benefits including efficient automated processes, better decision-making, and a single source of information that is accessed throughout the risk lifecycle. This will be a journey, and the Corporation will drive the market to evolve over time from a document-first world, to a document-plus-data world, to a data-first world.

This data-first approach will:

- **Define a data framework** for the market that sets clear guidelines for data. The framework will distinguish between the use of data to: (1) perform efficient automated transactions (core data); and (2) produce enhanced insights to differentiate decision-making.
- **Define data and quality standards** for the market. The Corporation of Lloyd's will be accountable for setting and maintaining the data definitions and requirements, collaborating closely with market associations and others to support consistency across the London market.
- **Enforce data and quality standards** with appropriate mandates, consequences for non-compliance, and a minimum data set which increases over time.
- **Secure data**, protecting market participants' data assets and market integrity with embedded permissions, controls, and audits. Establish compliance and privacy adherence from day one.
- **Secure data ownership**, respecting customer confidentiality and market participant intellectual property, meeting relevant jurisdictional requirements.
- **Enrich data captured by the Future at Lloyd's solutions** via machine learning and data services to produce insights for market participants.
- **Build and maintain a consolidated source of information** in the common data platform for data captured by the Future at Lloyd's solutions, supported by modular, high-performing database technology.
- **Ensure easy access** to the Lloyd's data-first marketplace for participants with clearly defined access, e.g. via open APIs.

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## At a glance: Data

### What it is

A single source of structured, standardised data which captures risk information and acts as the basis of a modern, digital and efficient marketplace, universally available to those with the necessary permissions.

### What it includes

- **Data framework** defining clear data requirements and guidelines for usage of data by the Future at Lloyd's solutions, to provide clarity on the way of working with data in the future market
- **Data and quality standards** driving consistency and efficiency across the market, enabling seamless business operations
- **Data governance and security** defining clear ownership and privacy controls to protect market participants' and customers' assets
- **Additional data services** enhancing the data provided to the solutions, from which new insights can be produced
- **Common data platform** providing the complete and definitive set of information for each risk, and appropriate access to all who need it

### What will be delivered in Phase I

- **Define the data framework and standards**, prioritising risk classes covered by the risk exchange, complex risk platform, and claims solution
- **Implement prioritised standards** onto the common data platform to support the scope delivered by the labs

## Consultation feedback and influence on the approach to data

Feedback from the consultation consistently emphasised the importance of adopting a data-first approach when designing new systems and processes. This included clearly defined common data standards applied and appropriately mandated across the market, and automatic validation of data quality, which will enable automated back-office processes to reduce errors generated by re-keying. They asked that the approach to data includes data security by design, and also clearly defined data ownership.

### Value of the data-first approach

Moving to a data-first approach and aggregating quality data from the start of the risk lifecycle, will create value for market participants in a number of ways:

- **More efficient placement processing.** Capturing a minimum amount of structured data early in the placement process will mitigate the need for participants to re-key information. This data can then be augmented through third-party data sources, providing full structured information about the risk (*see Complex risk platform and Lloyd's risk exchange, chapters 2 and 3*).
- **Better insights and risk coverage.** Deeper insights about risks will be available through analytics and machine learning, allowing market participants to highlight coverage gaps and recommend products to customers.
- **Improved customer outcomes.** Structured data at submission will enable brokers and coverholders to search for a broader set of product options that meet the customer's needs.
- **Automated common services.** Validated data from the platforms will form the basis of simplified, automated services, reducing delays and the overall processing cost. This will also enable the automation of services like compliance checks that support the relevant platforms, services and market participants to reduce duplication (*see Technology, chapter 9*).
- **Enablement of the claims solution and associated benefits.** Access to structured customer and risk data will enable the intelligent triaging of claims, limit the need for manual oversight, and reduce both the cost and delays in claims handling through a streamlined and transparent process. Indemnity outcomes will also be improved by access to richer data (*see Claims solution, chapter 4*).
- **Product innovation and market growth.** Deeper insights on markets and customers will improve overall performance, and drive innovation and market growth.

### Capturing this value

These benefits depend on the availability of a minimum set of structured, validated data, defined in the data framework. The value that market participants realise depends on the quality of data provided. For example, the claims solution requires accurate risk (including endorsements) and claims data to be made available through APIs (or entered directly through the platforms).

Capturing customer, risk, premium, and claims information accurately, efficiently, and reliably is essential to unlock the overall benefits outlined in this blueprint. Market participants can prepare through ongoing digitisation of their businesses, specifically by:

- **Improving data quality and standardising data collection** to ensure data passes validation checks across all channels. Market participants can either capture data through the Future at Lloyd's user interfaces or use their own systems and connect through APIs.
- **Adopting common data standards defined** by the Corporation in collaboration with the market and supported by appropriate mandates. Knowledge and lessons from the market will form the basis of these standards to minimise disruption to those who have embraced existing standards.
- **Developing talent and capabilities** across data science, data governance and advanced analytics to maximise the benefits enabled by the Future at Lloyd's solutions.

The Future at Lloyd's will prepare for a data-first future by defining and maintaining the framework and standards going forwards. Improving the

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overall quality of data in the market is central to the Future at Lloyd's vision, and will be supported by technology and appropriate mandates.

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## Services and components

### 1. Data framework

The Corporation, in collaboration with the market, will define, deliver and maintain the data framework to operate and differentiate the marketplace in a digital world. This will include the data definitions, classifications and fields required. This will define the role of the Corporation as a consumer and producer of data; consuming data to enable efficient, automated transactions and then using this to produce data for use by relevant market participants, enabling operational decision-making.

### 2. Data and quality standards

Good data quality is required for straight-through processing in the Future at Lloyd's solutions, and is a foundational component of a digital marketplace. Today's marketplace requires a high level of manual processing due in part to poor data quality. To address this challenge, the Future at Lloyd's will work with the London market to ensure an appropriate minimum data standard for data quality is achieved, enforced by appropriate mandates. Clear, consistent guidance, data standards, data quality tools, and training will underpin the Future at Lloyd's solutions.

### 3. Data governance and security

The ownership and use of data will be clearly defined within each solution's terms and conditions, with advanced security used to protect data across the network and throughout the risk lifecycle. Data will be supported by a modular database technology, secure by design and isolated to geographical regions to meet ever-changing legislative and jurisdictional compliance.

### 4. Additional data services

A range of services will be provided, including data enrichment (from both proprietary Lloyd's data as well as third-party sources) and machine learning, which will increase the amount of data available to underwriters and claims adjusters, and improve its quality. Users will be asked to enter, or share automatically through their own systems, a minimum amount of information about customers and their risk coverage needs, which will be automatically enriched using data available from

external sources. The Future at Lloyd's will also offer data-derived insights, using data from the six solutions to enable market participants to deliver more value to customers.

### 5. Common data platform

A common data platform will hold the single, definitive data record of every insurance transaction. It will be the single source of information that feeds all market processes, services, and insights. The lifecycle of each risk will be contained within a single set of data (risk, premium, and claims data). Information about any given risk will build up as the risk passes through the solutions and platforms, starting with the basic risk details.



## Evolving to a data-first marketplace

Establishing the data framework in collaboration with market participants and enforcing data standards will be critical. Although the strategic intent is to move to a data-first marketplace, this will be an evolution over time, moving from a document-first world, to a document-plus-data world, to a data-first world. Market participants may want to transition at different paces, depending on ambition as well as existing systems and processes.

As digital coverage increases via incremental delivery of the Future at Lloyd's solutions (e.g. a risk exchange for select risk classes), relevant new and renewed policies will be placed on the new platforms. The appropriate use of mandates will speed up adoption.

Existing document-first contracts will run their natural course (including endorsements) on document-first platforms (i.e. there will be no immediate migration of policies, outside of renewals, from the current document-first platforms to the new Future at Lloyd's solutions). During Phase I, options for inflight transactions and history will be developed.

To achieve this, future solutions will build on existing assets. Current platforms will need to be integrated and upgraded to improve functionality. The Future at Lloyd's will support the market on this transition journey. For example:

- Building on PPL will facilitate the transition to a data-first world (e.g. through additional core data fields that enable other services) (*see Complex risk platform chapter 2 for details*).
- Enhancing DA SATS (Delegated Authority Submission, Access and Transformation Service) with validation, using it as the basis for consuming bound risks, paid premiums, and claims for delegated authority risks not bound directly on the risk exchange (*see Lloyd's risk exchange chapter 3 for details*).

Achieving this data-first marketplace is an inherently collaborative process. This will involve testing solutions regularly with market participants – following agile design principles – and refining them rapidly based on the feedback provided.

## Data transition and migration

As the market transitions to a data-first world, determining how to manage the legacy transition and, potentially, migration will be critical. This will include developing a plan to effectively manage the legacy world and the new world, and ensure they can co-exist, potentially for a significant period of time.

The Future at Lloyd's will work with the market and incumbent suppliers to develop robust solutions. Detailed plans will be developed in Phase I.

## Phased approach to implementation

Table 8.1: Overview of phases

<b>Transition</b> <i>Six months beginning Oct 2019</i>	<b>Phase I</b> <i>Jan-Dec 2020</i>	<b>Phase II</b> <i>Jan-Dec 2021</i>	<b>Phase III</b> <i>Jan 2022 onwards</i>
Define structure and approach to data framework.	Finalise overall data framework.	Support development of any data translation services agreed with market participants.	Deliver additional data services based on market appetite (e.g. further data enrichment services).
Begin to consolidate existing data standards.	Define and publish data standards.	Continue to test and improve governance and change management processes.	Drive the ongoing evolution of the data framework.
Define ownership, governance, and security requirements for the common data platform.	Support the technology builds to develop solutions in line with data requirements.		

### Transition phase

Thinking in several areas will continue to be refined during the transition phase. The focus will be to:

- **Plan and prioritise** in conjunction with the labs, to identify risk classes and territories to be used for the early builds.
- **Define the structure and approach to the data framework**, including data types and classifications to differentiate clearly between the core data that enables efficient automated transactions, and the proprietary data that enables differentiated decision-making and enhanced insights.
- **Begin to consolidate existing data standards** and collaborate with standards groups. This will be planned and set up as a focused workstream within the Future at Lloyd's, building on the knowledge and learning from the market, combined with Lloyd's risk classification standards.
- **Define requirements for the common data platform**, including data ownership, governance and security. The logical data structure for selected risk classes will be developed.

### Phase I

The focus of Phase I is to finalise the overall data framework, laying the foundation for successive platforms and services to be rolled out.

This includes:

- **Support the initial build of the common data platform**, with logical data structures of all risk classes covered in Phase I.
- **Define and publish data standards** for the risk classes and territories prioritised for Phase I and Phase II by the risk exchange, complex risk platform and claims solution.
- **Establish ongoing governance** and maintenance models, including access rights, data use policy, and change management process for standards.
- **Support definition of API standards** needed to enable end-to-end flow of data between market participants through the common data platform.
- **Develop talent and capabilities within the Corporation** to support the market as they develop their data strategies and execution plans.
- **Support the in-progress integration of Lloyd's Direct Reporting and data validation**

in **DA SATS** to ensure data can flow seamlessly through DA SATS from coverholder systems to broker and carrier systems, enabling direct reporting.

## Phases II and III

After Phase I, the focus will be on evolving the data framework and supporting the Future at Lloyd's labs to deliver solutions iteratively. This includes defining standards and logical structures for additional risk classes, as they get added to the risk exchange, complex risk platform and claims solutions, and ensuring minimum quality standards already defined are adhered to.

In addition, the data workstream within Future at Lloyd's will continue to:

- Drive the ongoing evolution of the data framework in consultation with market participants.
- Deliver additional data services based on market appetite, e.g. data enrichment services to minimise the amount of data required from customers to understand their risk coverage needs.
- Continue to test and improve the governance and change management processes based on market feedback.
- Support development of any agreed data translation services, to mitigate barriers to adoption and enabling automated conversion of data formats used by market participants today to formats required by the solutions.

## Collaborating on the data approach

The Corporation encourages market participants to collaborate with the data team, which seeks the following types of engagement from interested participants:

- **Partner and pilot:** Help to define data standards for market-wide use, building on existing knowledge and learning; this will begin by contributing currently-used standards as part of the consolidation process in the transition phase.

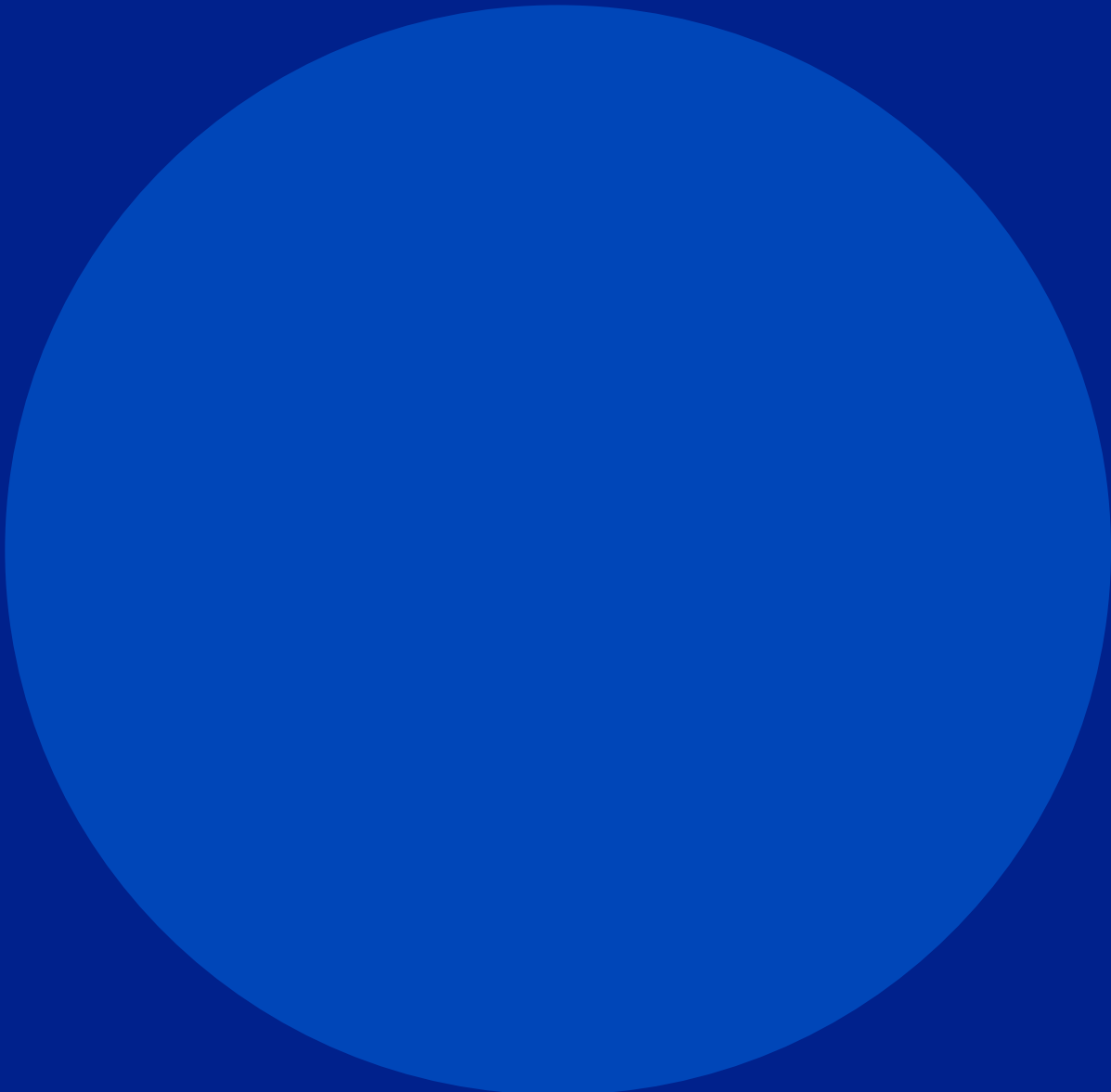
### — Integrate and scale

- Shape the Future at Lloyd's solutions by engaging regularly to test data-first solutions throughout Phases I-III.
- Contribute ongoing thought-leadership regarding market best practices and exemplary use cases to support the evolution of solutions in line with market participants' requirements.
- **Adopt:** Adopt data standards during roll-out in Phases I-III.

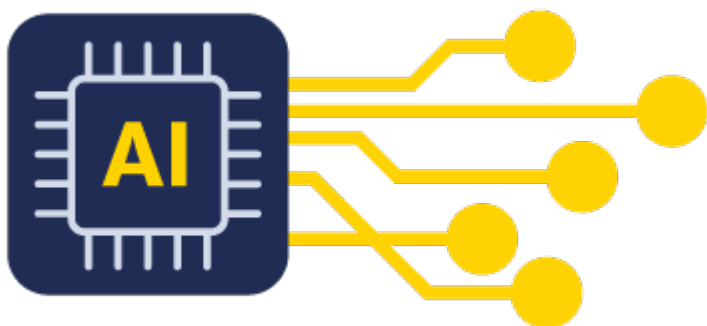
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09

# Technology



# Technology



*The Future at Lloyd's technology will enable the creation of a modern, digital, easy-to-access marketplace, improving market and customer experience, driving innovation and ensuring the seamless flow of information across the end-to-end value chain.*

## What is the strategic intent for Future at Lloyd's technology?

The future Lloyd's ecosystem rests upon a foundation of modern, digital technology. This technology will be a critical enabler of the market's transition from a document-first world, to a document-plus-data world, to a data-first world. The Corporation will control, govern and provide the Future at Lloyd's technology solutions to the market, requiring it to build a focused, agile organisation with an expanded pool of high calibre people with digital and technology skills (*see Role of the Corporation chapter 12*).

The Future at Lloyd's technology architecture will be open by design, use best-of-breed components, and will follow a modular build approach to support a phased delivery of solutions for the market.

Cloud infrastructure will enable faster delivery and support advanced analytics, strong security and better service design. It will allow market participants to integrate with new solutions using their existing systems through open APIs, facilitating adoption and reducing the impact of change.

This digital marketplace will enable all participants to improve the experience they offer to customers, drive innovation, and ensure the seamless flow of

information across the end-to-end value chain. A suite of common services will facilitate greater automation and increased transparency and, together with the Future platforms, will comprise an interconnected end-to-end service.

Technology in the Future at Lloyd's will build upon existing technology, e.g. in the London Market Target Operating Model (LM TOM), where the technology is aligned with Future at Lloyd's requirements. This will be supplemented by developing new technology solutions.

To inform the Future at Lloyd's technology plans, the Corporation has conducted several technical experiments following agile development methods during the blueprint phase. These demonstrated three separate capabilities: data enrichment through third-party data capture, claims triaging, and product configuration through an intuitive user interface.

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## At a glance: Technology

### What it is

The Future at Lloyd's technology will enable the creation of a modern, digital, easy-to-access marketplace, improving market and customer experience, driving innovation, and ensuring the seamless flow of information across the end-to-end value chain.

### What it includes

- **Core technology platform:**
  - **Cloud infrastructure** for fast and scalable delivery
  - **Common data platform** providing a central source of information
  - **APIs** to connect participants' systems to the Future at Lloyd's
- **Common services integrated across the Future at Lloyd's solutions, including:**
  - Central accounting and settlement services that interact with all Future at Lloyd's solutions
  - Tax calculator based on tax rules for all territories
  - Certificate production based on clause libraries and regulatory advisory service
  - Centralised compliance checks that makes results available to all relevant parties
  - Reporting, market intelligence and artificial intelligence-driven analytics to increase efficiency and support decision-making
  - Data enrichment to augment information with data from third-party sources
  - Clause libraries to enable the creation and review of contracts
  - A regulatory advisory service to provide clear standards and guidelines on licences and regulatory rules

### What will be delivered in Phase I

- **Common data platform on cloud infrastructure**
  - Cloud infrastructure environments provisioned for Phase I
  - Deliver early build of the common data platform to support the labs
- **Priority components for common services as required by the labs**
- **API architecture and gateway**
  - Establish the technical standards for APIs, extending London Market Target Operating Model work
  - Deliver APIs

## Consultation feedback and influence on the approach to technology

During the consultation, stakeholders said the technology approach should:

- Minimise disruption to existing business processes, and use existing assets where possible.
- Define clear technology standards to facilitate integration across the market.
- Improve consistency and change management through Corporation control and governance of the technology.
- De-risk execution and deliver value quickly.

As a result, the approach to technology will:

- **Design solutions focused on market participants' needs.** Start with end users, regularly test and incorporate their feedback into the design.
- **Incorporate smarter service design, starting with user journeys.**
- **Build on existing technology in the London market,** (e.g. LM TOM), where aligned with Future at Lloyd's requirements, supplemented by developing new technology solutions.
- **Ensure solutions are built using APIs and open architecture,** working collaboratively with participants to ensure seamless integration of the Future at Lloyd's platforms with their own systems.
- **Ensure the Corporation develops the technology capabilities and talent** needed to design, build and manage the platforms and solutions.
- **Engage technology communities** in the London market for ongoing engagement and develop in the open.
- **Prioritise fast and iterative development,** procuring existing solutions where possible, and regularly rolling out solutions so market participants can benefit sooner.

## Value for market participants

The overall technology architecture will create value for market participants in several ways. It will:

- Deliver a user-centric experience that enables brokers and carriers to develop a greater understanding of their customers' needs.
- Ensure all coverholders and brokers can transact electronically with syndicates.
- Reduce bordereaux and regulatory reporting for carriers and coverholders through automated data reporting.
- Automate reporting, accounting and settlement submissions from the common data platform.
- Ensure technology can be rapidly developed and upgraded, and create an open platform that supports third-party innovation.

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## Approach to adoption

The success of the Future at Lloyd's depends on easy access to the marketplace. This will be enabled by:

- **A best-of-breed technology architecture**, not tied to any specific technology provider, allowing greater flexibility for technology decisions in the future.
- **Simple connectivity**: the open data architecture will be backed by API libraries, glossaries and taxonomies, that can be accessed by market experts and systems.
- **Automation**: conversion of existing data standards used by market participants into standard formats required by the Future at Lloyd's solutions, aiming to reduce the overall cost of integration.
- **User-friendly interfaces** to access the Future at Lloyd's solutions for market participants wanting to move away from their own systems.
- **Enriched data and validation** to help brokers, carriers, and coverholders improve data quality. This will also speed up adoption of the data-first risk exchange, complex risk platform, and claims solution, and minimise the time brokers and carriers must spend on data collection and entry.



## Services and components

While the Future at Lloyd's solutions are discussed individually in the previous chapters, by design they will be integrated with each other to increase the value to all market participants. Exhibit 9.1 shows how the platforms will interact, the core technology platform that will underpin them, and the common services that will support them.

### 1. Core technology platform

The Future at Lloyd's solutions will rely on a foundational core technology platform. This will be made up of three components:

- **Cloud infrastructure:** the Future at Lloyd's solutions and services will run on a cloud environment, using an open architecture to facilitate market adoption. This will enable faster and cheaper delivery, and support rapidly evolving artificial intelligence and analytics capabilities, advanced security, faster innovation, and rapid scaling.
- **Common data platform:** the platform will provide market participants with one consolidated source of information, which is sufficient to complete a quote and firm order, finish the bind process, and support downstream processes. The data in this platform will be supported by modular, high-performing database technology, secure by design, and isolated to geographical regions to meet ever-changing legislative and jurisdictional compliance.
- **API gateway:** a central gateway through which a set of open APIs will enable seamless integration between technology solutions. Technology standards will be defined to ensure robust and reliable interaction with Future at Lloyd's solutions.

### 2. Common services

A suite of shared functionalities will be built to support the Future at Lloyd's solutions. These will follow a modular and phased build approach, but be integrated to provide an end-to-end service. These include:

- **Central accounting and settlement:** a streamlined and automated technical

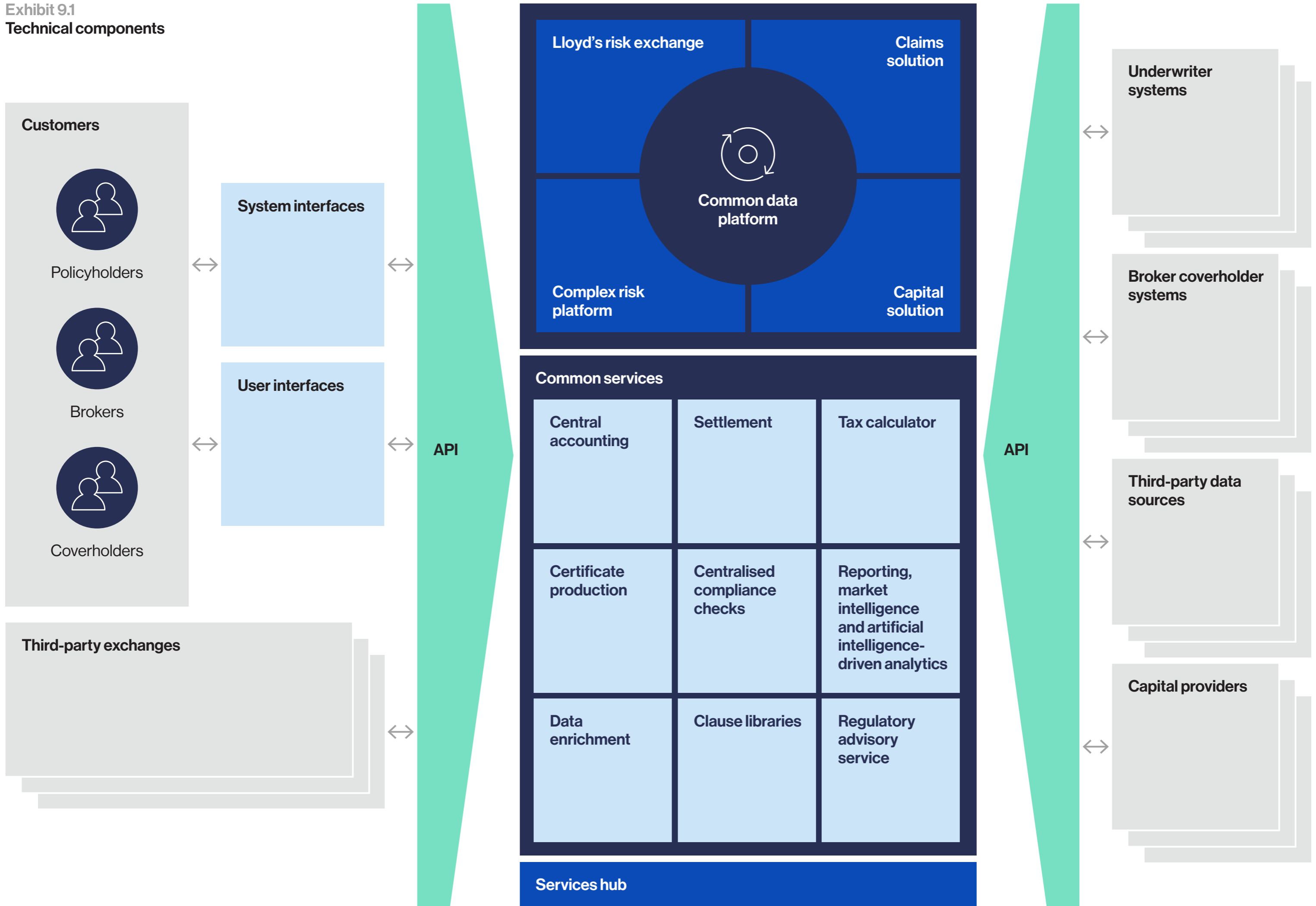
accounting service will be required, supported by a range of settlement services.

The central accounting service will need to take transactions from the risk exchange, complex risk platform, and claims solution, and create technical accounting transactions and settlement instructions for market participants. Separating the tax and regulatory reporting processes from accounting will significantly simplify accounting and enable greater automation.

A range of settlement services will provide choice to market participants, allowing funds to flow quickly to any party. The settlement services will supply information to the accounting service, and to the common data platform, ensuring a complete record of payments alongside the risk and claims information.

- **Tax calculator:** a rules engine that will maintain tax rules for all territories and calculates correct insurance taxes to be charged based on criteria, such as risk type and location.
- **Certificate production:** a facility that will allow an insurance policy and certificate to be constructed by drawing on the regulatory advisory service and clause libraries.

Exhibit 9.1  
Technical components



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- **Centralised compliance checks:** including Know Your Customer, Anti-Money Laundering, sanctions screening and politically exposed persons checks. The results of these checks will be available to all Future solutions and relevant market participants.
  - **Reporting, market intelligence and artificial intelligence-driven analytics:** these will be automated to reduce costs, support more efficient data analysis of performance and claims, improve the overall decision-making, and support innovation.
  - **Data enrichment:** this will enable users to input or upload a minimum amount of customer and risk coverage data, which will be automatically enriched using data from external sources.
  - **Clause libraries:** enable creation and review of contracts digitally and collaboratively, speeding up quote-and-bind processes, reducing inconsistency in policy wordings across the market and expediting claims handling processes.
  - **Regulatory advisory service:** provide standards, clear information and guidelines on Lloyd's licences and regulatory rules for all territories to enable consistent regulatory adherence across the market. The Corporation will ensure the Future at Lloyd's processes are compliant. This may include providing constraints around the territories in which a policy may be written, clauses that are mandatory, and licensing requirements.

For all the common services, including accounting and settlement, requirements will evolve through Phase I alongside the risk exchange, complex risk platform and claims solution, running technical experiments to validate the approach as appropriate.

## Phased approach to implementation

Table 9.1: Overview of phases

Transition <i>Six months beginning Oct 2019</i>	Phase I <i>Jan-Dec 2020</i>	Phase II <i>Jan-Dec 2021</i>	Phase III <i>Jan 2022 onwards</i>
Establish design authority to govern major decisions.	Set up the common data platform within the cloud.	Expand common data platform and develop API integration for newly-supported risk classes.	Expand common data platform and develop API integration for all risk classes
Set up cloud infrastructure and development environments to support build activities.	Define API standards; deliver APIs. Procure solutions for priority common services.	Deliver additional common services	Build out remaining common services Test support model for all upgrades, maintenance and operation of the Future at Lloyd's solutions
Develop strategy and operating model for APIs.			

### Transition phase

Thinking and design for the technology architecture and approach will continue to evolve during the transition phase. During this period, the Future at Lloyd's will:

- Establish a design authority to govern significant technology and design decisions. This will include deciding whether to buy or build Future at Lloyd's solution components, and the overall procurement approach.
- Expand the capability and talent needed to design, procure and build the Future at Lloyd's solutions (e.g. service design, ways of working, user experience).
- Set up the cloud infrastructure and provide the capability to support build activities.
- Develop the strategy and operating model for the APIs to connect existing systems and exchanges with Future at Lloyd's solutions.

### Phase I

The focus of Phase I is threefold: expand the core technology platform on which the Future at Lloyd's solutions will be built; define common API standards building on existing work in the market;

and prepare for the delivery of priority common services (e.g. tax calculation).

### Expand the core technology platform

- **Set up the common data platform within the cloud** to host data securely and implement the data framework and standards for risk classes prioritised by the risk exchange, complex risk platform and claims solution.
- **Deliver the API gateway.** This includes setting up for production readiness and outlining performance metrics.
- **Define standards for a consistent user experience** across all user interfaces of future platforms and solutions.
- **Scale Future at Lloyd's delivery and implementation capability** by building dedicated high-calibre teams staffed across the labs as part of a sustainable delivery model.

### Define API standards

- **Establish the technical standards for APIs** (e.g. design principles, protocols, security frameworks) aligned to the data framework (*see Data chapter 8*), to ensure easy access for existing and new solutions within the Lloyd's marketplace. This will build on the knowledge of

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the London Market Target Operating Model (LM TOM) data integration work, combined with the Lloyd's risk classification standards.

- **Support the in-progress API integration and data validation in DA SATS** (Delegated Authority Submission, Access and Transformation Service) to ensure data can flow seamlessly from coverholder systems to broker and carrier systems through DA SATS.
- **Support the rollout of the DA onboarding tool.**

### Set up for delivery of priority common services

Technology selection and procurement for priority common services will be carried out in parallel to building the core technology platform. As far as possible, common services will be procured to accelerate value to market. The ambition for Phase I is to:

- **Procure solutions for priority common services**, specifically those that are essential to move a risk through the platforms, and those that generate the most value to market participants (e.g. tax calculation prior to bind).
- **Identify requirements for the accounting and settlement services.** Phase I will focus on refining requirements for these services, defining the delivery approach, and planning for delivery in Phase II.

### Phases II and III

During Phases II and III, the technology lab will:

- Expand the common data platform to support the logical data structure for all risk classes and territories, as prioritised by the labs.
- Develop APIs needed to access all Future at Lloyd's solutions and platforms, and integrate all solutions to ensure end-to-end service.
- Deliver all common services prioritised by market appetite

## Approach to current platforms

Although the ambition is to move to a fully data-first environment, the current platforms and systems used across the market will continue to support existing document-first policies until the transition to data-first solutions is complete. Therefore, there will be a period of ‘parallel run’ that supports both data-first and document-first solutions.

Until the Future at Lloyd’s platforms are fully deployed, they will integrate with current platforms to provide end-to-end functionality (e.g. the claims solution will need to integrate with the existing central services until the accounting and settlements services are deployed) to ensure no disruption to services, and to minimise the work required by market participants to switch over.

To achieve this objective, future technology will build on existing assets. The Corporation has had initial discussions with our incumbent delivery partner, DXC, and we will take these forward in the coming phases.

Current platforms and assets will need to be consolidated and upgraded to improve functionality (e.g. by adding API connectivity to DA SATS) and to extend their lifespan. This will take place in parallel with the delivery of the Future at Lloyd’s solutions:

- Brokers, carriers and coverholders will be able to use their own systems to do business with Lloyd’s via APIs.
- PPL will underpin the document-plus-data part of the complex risk platform, while the Future at Lloyd’s simultaneously develops data-first capability.
- Electronic Claims Files will be replaced with a market-wide claims portal, a stable and associated claims infrastructure, and a flexible orchestration platform to agree claims effortlessly.
- DA SATS will be enhanced with validation checks and APIs, so market participants can use it through their own IT systems. It will be used as the basis for consuming bordereaux of bound risks, paid premiums, and claims for risks not bound directly on the risk exchange (*see Lloyd’s risk exchange chapter 3 for details*).

- The DA onboarding tool will be used to manage the oversight and approval of regulated participants, including coverholders and third-party administrators. It will also provide the contract builder and library of binder contracts (*see Lloyd’s risk exchange chapter 3 for details*).
- Market data collection will be used to manage market returns; the common data platform will be used to pre-populate these returns.

Once the new solutions become operational, there will be a period of parallel run for those services that have a distinct current equivalent. During Phase I, options for optimising the parallel run period will be developed and analysed, including the use of mandates, alongside shaping the new solutions and services. These options will balance the cost of parallel run with the complexity and risk of migrating inflight transactions and history to new platforms.

The Future at Lloyd’s will integrate the best of existing assets with new technology solutions to deliver the modern, digital, and accessible Lloyd’s marketplace.

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## Collaborating on the technology approach

While the Corporation will govern significant technology and design decisions, market contribution to, and engagement with, those decisions is strongly encouraged. The team is seeking the following types of engagement from interested participants:

- **Partner and pilot:** Input into technology design decisions, API definitions and standards, building on existing knowledge and learning, as well as the London Market Target Operating Model (LM TOM) data integration work; this input will be channelled to/through the design authority.
- **Integrate and scale:** Regularly test technology solutions throughout Phases I-III (*see specific chapters*).
- **Adopt:** Adopt technology solutions and standards during roll-out in Phases I-III.

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10

**Modernising  
the way risk  
is syndicated**





# Modernising the way risk is syndicated



*Modern, efficient and digitally empowered ways of working will enable risks to be syndicated by leaders operating to accredited world-class standards, with followers who trust them.*

## What is the strategic intent?

The ability to syndicate specialty risk is a cornerstone of the security that Lloyd's offers its customers. The way this is done today is the product of natural evolution over time and is not universally reflective of efficient and optimal business practices.

Lloyd's must modernise the way business is syndicated, including the way the practice of lead-follow works, to give a much better experience for customers and brokers as well as syndicates and their capital providers.

All too often, syndicates conduct exactly the same activity as each other on exactly the same policy or claim. The Corporation has similar expectations for syndicates leading on a risk and for syndicates following on a risk; and oversight does not always significantly differ between the two.

It will always remain critical that every syndicate understands and appropriately manages the risks they write, but the consultation highlighted the opportunity to review and modernise the market's approach to syndication and lead-follow practices. The Lloyd's Market Association (LMA) and the Corporation together have already begun looking at how the approach can be changed.

Modernising syndication practices should raise underwriting standards, strengthen market

performance and therefore benefit Lloyd's customers. It will also remove unnecessary duplication carried out by followers (such as detailed wordings reviews, actuarial review of pricing models, data entry and certain reporting requirements).

Syndicates will be accredited as leaders by Lloyd's and recognised for that throughout the industry; this includes being incentivised to provide a range of quality services to customers, syndicates and other carriers.

Follow markets already provide a vital service in syndicating risks on behalf of Lloyd's customers. Whilst they would not necessarily require specific product skills, they *will* need to be world class in activities such as data analytics and portfolio management.

## Maturity of thinking

The Corporation and the LMA have been working in partnership through 2019 to review how modern syndication of risk could work. This was reinforced through the consultation, as lead-follow practices were identified as an area that should be explored and incorporated into the Future at Lloyd's. The Corporation and the LMA will continue to build on this lead-follow work, and proposals will be developed over the course of the transition phase.

## Technical details – what it could look like

Technical details for modernised syndication practices are still under development. The Corporation will seek feedback on an initial model through a consultation led by the Corporation, in conjunction with the LMA.

The new model might include:

- Clear, significant and appropriate differentiation between 'leading' and 'following'.
- The ability and choice for any syndicate to be either a leader or a follower, in different classes of business or across the whole syndicate.
- Definition and accreditation of a leader syndicate at Lloyd's.
- 'Best practice' standards for leaders at Lloyd's, and amending Lloyd's' Minimum Standards to differentiate the requirements for followers in processes, capabilities and expertise.
- Frameworks that enable transparent and appropriate compensation for leaders, in order to provide the right services to followers and to continue to invest and innovate.
- Service level standards for leaders to deliver to followers, including providing the data they need to select and accept risk.

## Leaders in the Future at Lloyd's

Leaders in the future will:

- Operate to best-practice underwriting and claims standards.
- Consistently deliver world-class underwriting results against agreed metrics and standards.
- Deliver good-quality, sustainable underwriting performance and growth.
- Maintain and develop deep client and broker relationships and partnerships.
- Innovate within leading classes of business.
- Provide appropriate data and services to followers.

- Nurture and develop underwriting talent in lead classes of business.

## Followers in the Future at Lloyd's

Followers in the future will:

- Meet Lloyd's Minimum Standards for compliance, best practice, due diligence, portfolio management and reporting (amongst others).
- Build collaborative and innovative partnerships with leaders.
- Operate with a lower cost structure.
- Contribute to good quality, sustainable underwriting performance and growth.
- Undertake high-quality portfolio management.
- Provide development opportunities for the pipeline of underwriters who aspire to be the leaders of the future.
- Be able to become leaders by meeting leader accreditation standards.

## Value created for the market, and synergies with the Future at Lloyd's

Modernising syndication practices will create many benefits:

- Customers and brokers will receive assurance of underwriting excellence and capacity, delivered in the most efficient way.
- Leaders will be accredited and recognised as market leaders in their classes of business, meaning they offer best-in-class capability, capacity and innovation to the market.
- It will be easier for smaller, niche syndicates to operate at Lloyd's, as either leaders or followers.
- Followers will have the ability to 'test the water' in a new class before committing substantial investment.
- Both leaders and followers will see a reduction in costs through the efficiencies created.
- Leaders may be remunerated by followers to recognise the lead services provided; this will incentivise them to innovate in new products and services and invest in developing people.
- Leaders could perform administrative activity on behalf of followers, such as Know Your Customer and sanctions checks.
- Followers will benefit from more efficient and proportionate governance and oversight.

Modernised syndication will enable a smoother implementation of many of the Future at Lloyd's solutions:

- Data standards required for each class of business on the complex risk platform will be aligned and negotiated by a group of lead underwriters and brokers.
- Developing and maintaining the appetite-matching functionality on the complex risk platform will be streamlined with defined leaders, enabling brokers to more quickly match risks to underwriters.
- On the capital platform, articulation of lead or follow status will make it easier to permit follow-

only capacity for specific risks, or follow funds from capital providers.

- A simpler decision-making workflow will be designed for the claims platform, where lead-only claims are more clearly defined.
- The Future at Lloyd's solutions will also ensure all lead and follow syndicates have a single source of truth on things such as placement and claims status, final terms and conditions, and exposure.

## Phased implementation

Table 10.1: Overview of phases

<b>Transition</b> <i>Six months, beginning Oct 2019</i>	<b>Phase I</b> <i>Jan-Dec 2020</i>	<b>Phase II</b> <i>Jan-Dec 2021</i>	<b>Phase III</b> <i>Jan 2022 onwards</i>
The Corporation and the LMA to continue with the work begun.  Undertake market consultation.	Design new standards and accreditation.  Deliver proofs of concept for specific classes and/or geographies and/or market participants.	Expand proofs of concept into further classes of business and/or geographies and/or market participants.	By the end of Phase III, the entire market will be trading syndicated business in this way.

There are a number of questions that require answers as these proposals are developed. These include:

- How might Lloyd's develop an accreditation process, whilst ensuring there are appropriate numbers of leaders and followers?
- How does Lloyd's ensure that lead-follow market practices are prudential – neither too lax nor too restrictive?
- What are the implications for risks syndicated with markets outside Lloyd's?
- What considerations must be made with regard to competition in the market?
- What are the implications for customers, other market participants and Members in terms of evolving responsibilities and capturing benefits?
- How might leader compensation frameworks work in practice? What are the implications for the duty of care between leaders and followers, and limits of liabilities?
- Does this impact the regulatory responsibilities of any syndicate?
- How does Lloyd's ensure that followers continue to fulfil their duties to their syndicates?

The Corporation, in collaboration with the LMA and market participants, will review syndication practices and will answer these questions.

During the transition phase, the consultation will be completed, and recommendations determined and published. A detailed plan for Phase I and high-level plans for Phases II and III will be delivered. This will include identification of areas to improve and quick wins that could rapidly bring value to the market.

### Collaborating on syndication

In working with the LMA, the Corporation will look for market participants to:

- **Partner and pilot:** Second individuals into working groups to design the new standards and the accreditation process.
- **Integrate and scale:** Join pilots when launched in specific classes of business: support, test and refine approach.
- **Adopt:** Prepare for launch of new standards and processes for 2022 (Phase III).

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**11**

**Culture  
and people**



# Culture and people



*Culture and people are one of the foundations on which we will build the Future at Lloyd's. This will be a marketplace of high-performing people with a diverse range of skills and experiences, working with pride in an inclusive and trusting environment.*

## What is the strategic intent for culture and people?

Working in the Lloyd's market has always been a source of pride for many people. Generations of underwriters and brokers working in the market have created a sense of community, something bigger than their own firm. People at Lloyd's are proud to be making an important contribution to society, paying all valid claims and getting people and businesses back on their feet in times of need.

Lloyd's will attract the most talented people in the world, within and beyond the insurance industry. Talented people will come to work at Lloyd's because of our brand and reputation. The open and inclusive culture will attract a diverse group of individuals, allowing us to serve our customers in new ways.

The Corporation cannot – and will not – attempt to create this on its own. What we can and will do is ensure that we have the right people at the Corporation, operating in a working environment where people thrive with the right mix of traditional and new skills. We will role model this, and share our learnings with the market.

We will also set high standards for the way in which every individual and organisation in the Lloyd's market must operate and behave. Boards and CEOs are responsible for setting their own culture

and people agendas, and will be held accountable for doing so.

The Future at Lloyd's will build on existing market investments in culture and people, such as the London Market Group (LMG) report on [The Future of Skills in the London Market](#). We will collaborate with the LMG to build on this work as we develop programmes and campaigns to upskill our existing teams and to attract people with different skills, knowledge and experience.

We will focus on three themes:

- **The right culture in the Lloyd's market.** The most talented people will come to and stay with the market because of the diverse environment that allows them to thrive. This requires representing all aspects of diversity to better reflect and respond to the societies in which we operate.

The results of the first [Lloyd's culture survey](#) show that there is still a lot to do. In collaboration with the market, the Corporation will create a culture built on the best shared values that shapes the behaviours, choices and actions of people working in the market, addressing the themes arising from the culture survey and underpinning the Future at Lloyd's.

- **A diverse and modern future workforce empowered to do the work of tomorrow.** Working with a diverse set of leaders, market participants and associations, the Corporation will contribute to a common understanding of the skills and capabilities required in the future Lloyd's workforce, and take steps to prepare for this changing working environment.

- 
- **The right people and capabilities at the Corporation.** The Corporation will continue to oversee and champion the market, and will continue to provide a services hub of valued services to market participants. In addition, the Corporation will play a stronger role in setting standards, accrediting services hub participants and building and operating technical solutions. This means that more digital and tech-focused capabilities (including data architecture, engineering, data science, design) will be needed. Executing the blueprint will require expanded capabilities, drawn from the industry and beyond.

The Corporation will create and test a new culture and workforce, and role model this across the market. The team charged with building the Future at Lloyd's will adopt new, agile ways of working. We will share our learnings with the market.

## Maturity of thinking

The vision and action plan for strengthening the market's culture are well-developed as part of our response to the culture survey.

The thinking on the people requirements for the Corporation and the market's future workforce are less developed. A more detailed view will be developed and refined during the transition phase, working closely with market participants and a wide range of other people with different skills, knowledge and experiences.

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## At a glance: Culture and people

### What it is

Culture and people are one of the foundations on which we will build the Future at Lloyd's. This will be a marketplace of high-performing people with a diverse range of skills and experiences, working with pride in an inclusive and trusting environment

### What it includes

1. **The right culture in the Lloyd's market that attracts and retains the best people** to serve customer needs both now and in the future
2. **A diverse and modern future workforce** empowered to do the work of tomorrow, leading and creating innovative solutions to better meet customer needs
3. **The right people and capabilities at the Corporation** to fulfil its existing role, as well as new, more technologically-focused roles operating in a digital marketplace

### What will be delivered in Phase I

- **Market culture:** a dashboard that measures progress against cultural transformation and newly established gender balance targets
- **Future market workforce:** agreed approach in collaboration with market associations to respond to the Future at Lloyd's people and capability implications
- **Corporation people and capabilities:** a strategic workforce plan, including innovative campaigns to attract the right people, and a refreshed reward and recognition approach
- **The Future at Lloyd's as a role model:** a model office established within the Future at Lloyd's team, role-modelling and sharing new ways of operating



## Consultation feedback and influenced on the design principles

Culture and people were considered by many respondents to be critical to the success of the Future at Lloyd's.

Table 11.1: Consultation feedback and design principles

Consultation feedback ... <i>Lloyd's approach to culture and people should:</i>	... informed the design principles
<ul style="list-style-type: none"> <li>— Complement existing skills and capabilities with the new ones required to deliver the Future at Lloyd's.</li> <li>— Build on existing actions to accelerate progress on diversity and inclusion.</li> <li>— Do much more to enhance the market's profile as a diverse and exciting career opportunity, attracting talented people from beyond the Lloyd's market and the insurance industry as a whole.</li> <li>— Emphasise the technological skills required to run and operate in a global, data-first marketplace.</li> <li>— Be mindful that global firms have already developed sophisticated culture and people strategies, integrate their lessons learnt to accelerate our progress.</li> </ul>	<ul style="list-style-type: none"> <li>— <b>The Corporation will retain and build on its current capabilities</b>, whilst acquiring new skills and capabilities required to operate in a digital marketplace.</li> <li>— <b>The Corporation will define what role it will play in promoting careers in the industry</b>, using its brand and reputation, and in collaboration with the market associations.</li> <li>— <b>The Corporation will set and enforce culture standards</b> for the market, overseeing this with the same expectations and discipline as performance.</li> <li>— <b>The Corporation will role-model the culture and people practices required by the Future of Lloyd's</b>; market participants will be accountable for designing and implementing their own people strategy.</li> </ul>

In addition, we have recently completed the first Lloyd's culture survey, which reinforces the findings of the Future at Lloyd's consultation. This is the biggest such survey ever conducted in the industry, informed by over 6,000 responses. Actions arising from the survey are detailed later in this chapter, and further details can be found at [Lloyds.com](https://www.lloyds.com).

## The right culture in the Lloyd's market

Our culture is everything that we say and do, and is key to attracting and retaining talented people. The culture survey articulated a clear mandate to quickly respond to and improve the culture across the market.

The Future at Lloyd's will only succeed if the market's culture and mindset changes. Culture is role modelled through strong leadership; and we therefore expect Boards and CEOs to create the right culture. The Corporation has initially prioritised four areas for actions (*see exhibit 11.1*):

### *Leadership*

- Create a culture dashboard providing transparency on progress against key metrics to improve culture across the Lloyd's market, publishing progress in the Lloyd's annual report.
- Establish an external advisory group of leading experts on different aspects of cultural transformation to support and inform ongoing actions. This will be chaired by Fiona Luck, a Lloyd's board member and non-executive director.

### *Gender balance*

- Set gender balance targets and publicly track Lloyd's progress, for Boards, executive committees and their direct reports.
- Introduce market-leading policies for Corporation employees and share these with the market.
- Continue and grow targeted training and development programmes to improve gender balance.

### *Speaking up*

- Introduce clear and simple standards of business conduct, informing individuals and organisations of the behaviour expected of them in the Lloyd's market (*see exhibit 11.2*).
- We have set up a confidential, independently managed bullying and harassment helpline and provided active bystander training to empower individuals to act and intervene when they witness inappropriate behaviour.

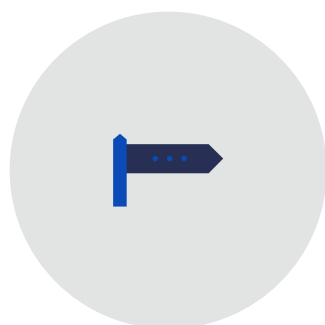
- Run a speaking up campaign to encourage everyone to take responsibility and act when they witness or experience inappropriate behaviour.

### *Wellbeing*

- Enhance the focus on wellbeing and resilience with a market-wide campaign to raise awareness, and promote Wellbeing@Lloyd's, a programme of events and resources.
- Expand and provide training for a network of visible wellbeing champions.

We know that creating the right culture is broader than these four themes. We will, therefore, continue to build on the above during Phase I to ensure we create the culture that we all aspire to.

## Exhibit 11.1 The future culture at Lloyd's



### Leadership

#### Owning accountability at board level

- Talent and Culture Non-Executive Director appointed for Lloyd's Corporation Q3 2019
- External expert advisory group to set metrics and inform action plans in Q4 2019
- Lloyd's culture dashboard with CEO responsibility to measure progress from Q2 2020
- Progress published in Lloyd's annual report



### Gender balance

#### Making the Lloyd's market welcoming to all

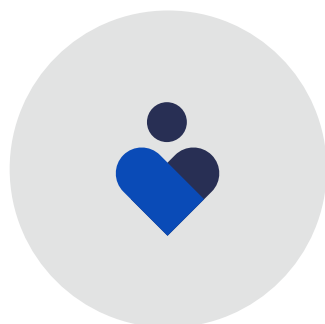
- Market-leading family friendly policies launched in the Lloyd's Corporation in Q2 2019
- Continue and grow targeted training and development programmes to increase gender balance
- Set gender balance targets for the Lloyd's market for boards, executive committees and their direct reports. Track progress and publish results from Q2 2020



### Speaking up

#### Ensuring everyone is heard

- Confidential, independently managed, Bullying and Harassment Helpline set up Q2 2019
- Clear and simple Standards of Business Conduct issued, with oversight from Lloyd's
- Active bystander training to empower individuals to act and intervene when they witness inappropriate behaviour provided across the Lloyd's market from Q3 2019
- Speaking up campaign to be implemented in Q4 2019 to encourage everyone to take responsibility and act when they witness or experience inappropriate behaviour




### Wellbeing

#### Championing wellbeing

- Wellbeing@Lloyd's enhanced programme of workshops, events and resources to support wellbeing across the Lloyd's market
- 120 trained and visible wellbeing champions in place and growing
- Wellbeing campaign to raise awareness of personal resilience and mental wellbeing Q2 2020

# Exhibit 11.2 Standards of business conduct

## For individuals



### Speak up

Always speak up when you see inappropriate behaviour

Report to your own organisation or call the Lloyd's confidential helpline



### Act with integrity

Always uphold the reputation of your organisation and the Lloyd's market

Never conduct business if your judgement may be impaired by alcohol or drugs



### Be respectful

Treat others with dignity and respect

Never discriminate against another person

## For organisations



Set clear expectations for the conduct of all employees



Investigate and take action on inappropriate conduct or behaviour



Model values and behaviours in accordance with the code

## A diverse and modern future workforce empowered to do the work of tomorrow

The Future at Lloyd's will require a different mix of skills and capabilities in order to meet our customers' needs. The market will need to make their own decisions and develop strategies to attract, develop and retain people with these skills and capabilities. To support the market in doing this, the Corporation will:

- Share ideas on the skill and capability implications of the Future at Lloyd's, including the capabilities that underwriters and brokers will need.
- Facilitate collaboration between market associations to develop a new mix of skills in response to changing needs.
- Promote the Lloyd's market as a diverse and exciting career choice for talented people, partnering with academic institutions, professional bodies and others to communicate a proposition as a marketplace.

## The right people and capabilities at the Corporation

Executing the Future at Lloyd's requires new capabilities drawn from across the Corporation, the market and beyond. The Corporation will:

- Develop a strategic workforce plan, detailing the people, skills and capabilities required and how they will be attracted and retained.
- Invest in building our existing people's capabilities in both new and traditional skills.
- Create an attraction and recruitment campaign to hire people with a diverse range of skills, knowledge and experience. This will require a modernised brand, and an employee value proposition including recognition and reward.
- Influence the creation of education programmes (e.g. in schools and colleges) and develop strategies that excite emerging talent and second-career entrants alike.
- Expand our current intern, apprentice and graduate programmes for the market.

The Corporation's approaches and policies will be made available to the market through the services hub.

## The Future at Lloyd's as a role model

The Future at Lloyd's team will role model the above changes and our learning will be shared with the market.

This will be characterised by:

- **Culture:** an inclusive, innovative culture, with an emphasis on agile learning and working.
- **People:** a concentration of talented people drawing from the Corporation, the market and outside our industry.
- **Skills, knowledge and experience:** a new mix, including data science, data architecture, and design thinking, alongside more traditional skills such as underwriting and claims, to build the Future at Lloyd's.
- **Agility:** a new way of working with decisions made by empowered, high-performing teams.
- **Working environment:** an inspirational physical and virtual space that supports new ways of working.

## Phased approach to implementation

### Transition

We will move quickly to continue to improve the market's culture, convening the external advisory group, and publishing and promoting Lloyd's Standards of Business Conduct. This will be supported by a campaign to encourage speaking up, and active bystander training during the fourth quarter of 2019.

The Corporation will collaborate with the LMG to develop next steps for the skills and capabilities required by the workforce of the future. At the same time, a flexible reward model will be created for Corporation employees.

The Future at Lloyd's team will be further developed in preparation for Phase I. The skills and capabilities required will be mapped and priority roles recruited. A new working environment for the Future at Lloyd's team will also be established.

### Phase I and beyond

By the end of 2020, the first wave of actions will be complete.

The culture dashboard will be in place to track key culture metrics and the culture survey will be run again. Gender balance targets will have been introduced in Q2 2020, with regular reporting on progress thereafter.

A wellbeing campaign will be in place to raise awareness and provide tools and support. The Corporation will also have made training and best practice examples available to the market, such as care and reward policies, via the services hub.

Working with market associations, the Corporation will have identified and communicated the people and capability implications of the Future at Lloyd's for market participants.

The Corporation will have identified the future skills and capabilities, delivering our strategic workforce plan. It will also have developed a new reward and recognition approach for employees.

A recruitment campaign will be underway, based on Lloyd's value proposition, targeting diverse new recruits with different skillsets. We will have

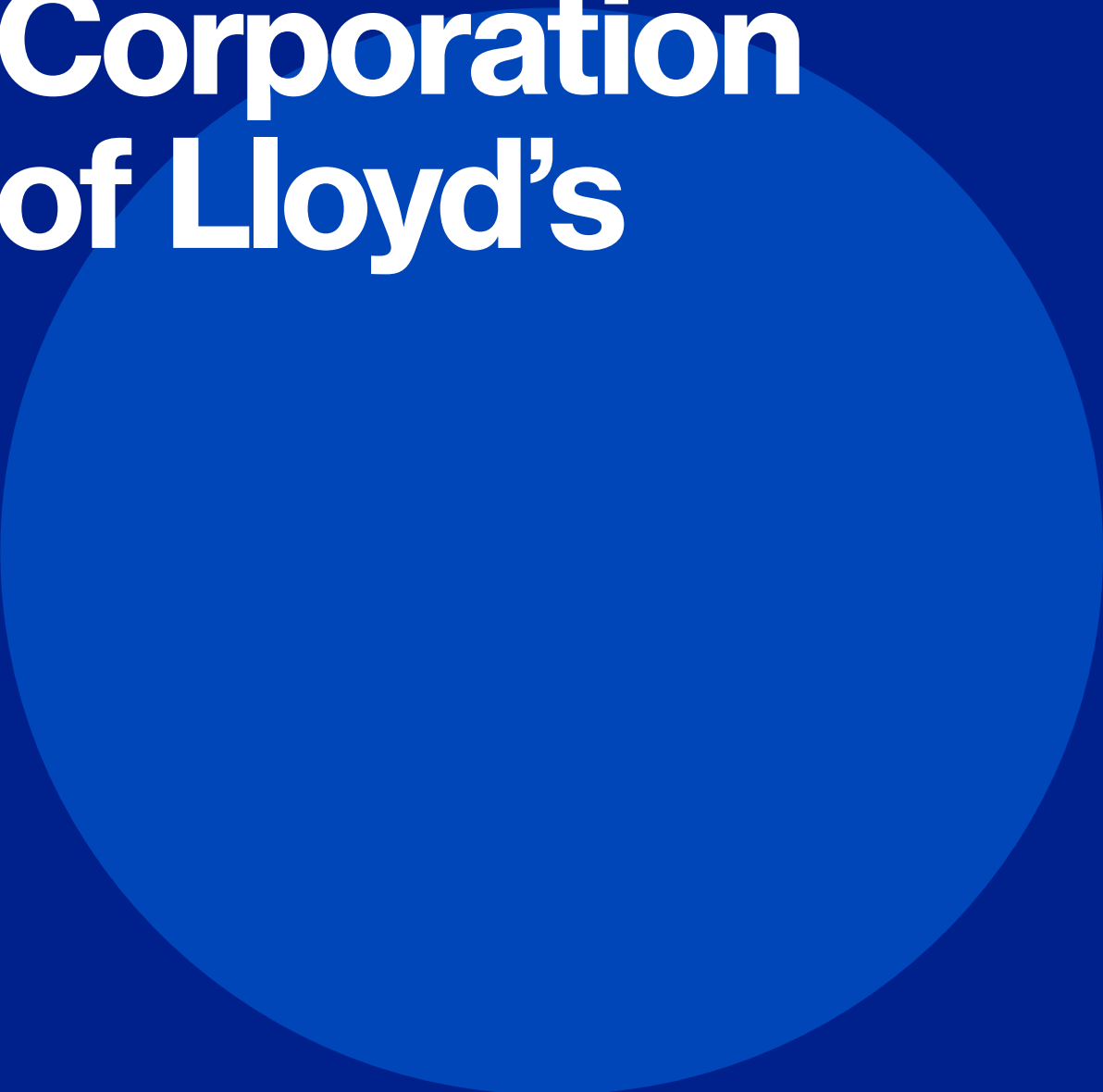
refocused and developed our emerging talent and education programmes, including apprentice, graduate and second-career level initiatives. A new starter induction provided by Lloyd's Global Development Centre will be made available to all those joining the Corporation and market.

The Future at Lloyd's team will have adopted a truly agile operating model and way of working. The first rounds of insights from this team will have been made available to the market so everybody can learn from their successes.

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12

# Role of the Corporation of Lloyd's



# Role of the Corporation of Lloyd's



## The role of the Corporation

The Corporation of Lloyd's enables a competitive, safe marketplace to deliver Lloyd's value proposition, including:

- Prudent regulatory and performance oversight.
- Strong financial strength ratings.
- The global licence network.
- Maintenance of the powerful, global brand,
- Promoting Lloyd's worldwide and attracting talented people to the market.
- Provision of a set of common services that support market participants.

In the future, the Lloyd's marketplace will be an ecosystem of technologically advanced platforms and services. The Corporation will orchestrate this services hub, deliver Lloyd's purpose and value proposition, and ensure that the Future at Lloyd's is a success.

The Corporation will drive greater efficiency around processes and practices, but not compromise on standards or regulatory requirements.

In addition, the Corporation will take a stronger role in: setting and enforcing a broader range of standards; accrediting providers of products and services to the Lloyd's ecosystem; building and running the technical solutions in the ecosystem; and protecting and promoting the Lloyd's brand.

## Set and enforce a broader range of standards

- **Culture measures and expectations for the market.** Consistent with the recent Lloyd's culture survey, the Corporation will measure the culture in the market and set expectations for market participants' contributions to the market's culture. The Future at Lloyd's will role model and share good practice with the market (*see Culture and people chapter 10*).
- **Business and underwriting standards.** The Corporation's focus on performance will be enhanced by better availability of data for oversight. In addition, the Corporation will mandate a set of customer-oriented service standards to ensure best-in-class service. This could include response times for claims, or the time to provide documentation to customers. It may include the introduction of customer satisfaction metrics for market participants.
- **Data standards.** The Corporation will control and mandate data standards and the use of data structures to transact in the market. It will also monitor data quality with implications for transactions if errors are detected.
- **Technology standards.** The Corporation will set the technical standards for use of the platforms for doing business at Lloyd's.
- **Accreditation and management of existing and new suppliers.** Suppliers that form a part of the future Lloyd's services hub will be accredited by the Corporation to ensure they are of a standard to connect to and support the marketplace.



## The Lloyd's ecosystem

The Lloyd's ecosystem will be *the* global marketplace to buy and sell insurance, offering a one-stop shop of high-quality, cost-efficient products and services to cover even the most complex risk needs. It will comprise six integrated solutions that together provide exceptional value for customers and market participants.

The Lloyd's ecosystem will create value for market participants by:

- **Setting a clear strategy** that ensures Lloyd's continues to evolve and grow
- **Building strong, trusted relationships**, taking a collaborative leadership approach to orchestrating the market
- **Reducing inefficiency** in business processes
- **Governing the technology** that supports ecosystem activities
- **Providing additional services** that support participants to deliver value to customers, including marketing, data integration, and innovation

### Build, control, influence and operate a set of technology and data solutions

- **Data solutions.** The Corporation will build and provide data solutions to participants, including the common data platform and other data services (e.g. data enrichment).
- **Technology solutions.** The Corporation will control and influence the Future at Lloyd's technology solutions. The specifics of this may be distinct for each of the solutions. The Corporation will also operate the future services hub and portal.

### Protect and promote the Lloyd's brand

- **Promotion of the global brand and value proposition.** The Corporation will continue to promote the market's expertise to customers, government and media through branded marketing campaigns that showcase the breadth and depth of risk coverage available in the market.
- **Global licence network.** The Corporation will continue to maintain strong relationships with governments and regulators around the globe.
- **Responsible business activities.** The Corporation will continue to develop thoughtful leadership positions on challenging issues of the day, such as climate change and gun control. Continuing to promote responsible

business on behalf of the market, including community programmes that encourage local community cohesion and nurture emerging talent.

## How this role will be fulfilled

In order to fulfil its role, the Corporation must evolve to ensure it is delivering the most value possible to the Lloyd's ecosystem. The Corporation will:

- Aspire to world-class, collaborative leadership, setting a clear strategy for the marketplace and ensuring extensive, continued engagement with stakeholders and customers.
- Control and govern development and operation of the technology that forms the Future at Lloyd's, in consultation with the market and market stakeholders. The Future at Lloyd's will continue to be run by the Corporation, and governed by the Lloyd's Council and Board. The market associations and a set of advisory committees will provide detailed input into the design and execution (*see Roadmap for delivery chapter 13*).
- Set up a dedicated team working in new and agile ways, to deliver the Future at Lloyd's (*See Culture and people chapter 11*). It will be organised around a set of modular platforms, each with cross-functional teams that include

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talented people with digital and technological expertise. A world-class design authority will ensure technical consistency and ease implementation and integration of the solutions with the market (*see Culture and people chapter 11*).

- Diversify the sources of funding. The Corporation will continue to be funded by a standardised market levy but will also monetise services. The Corporation will monetise services equitably and through several mechanisms (e.g. transaction fees, accreditation fees, data and analytics services, third-party services connectivity fees and claims services fees).

In carrying out this role, the Corporation will work closely with the market associations to ensure members' and stakeholders' interests continue to be addressed. Taking a brave, proactive leadership role will enable the Corporation to deliver the Future at Lloyd's platforms, and for the Lloyd's ecosystem to evolve, grow, and add increasing value to stakeholders across the market.

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13

# Roadmap for delivery



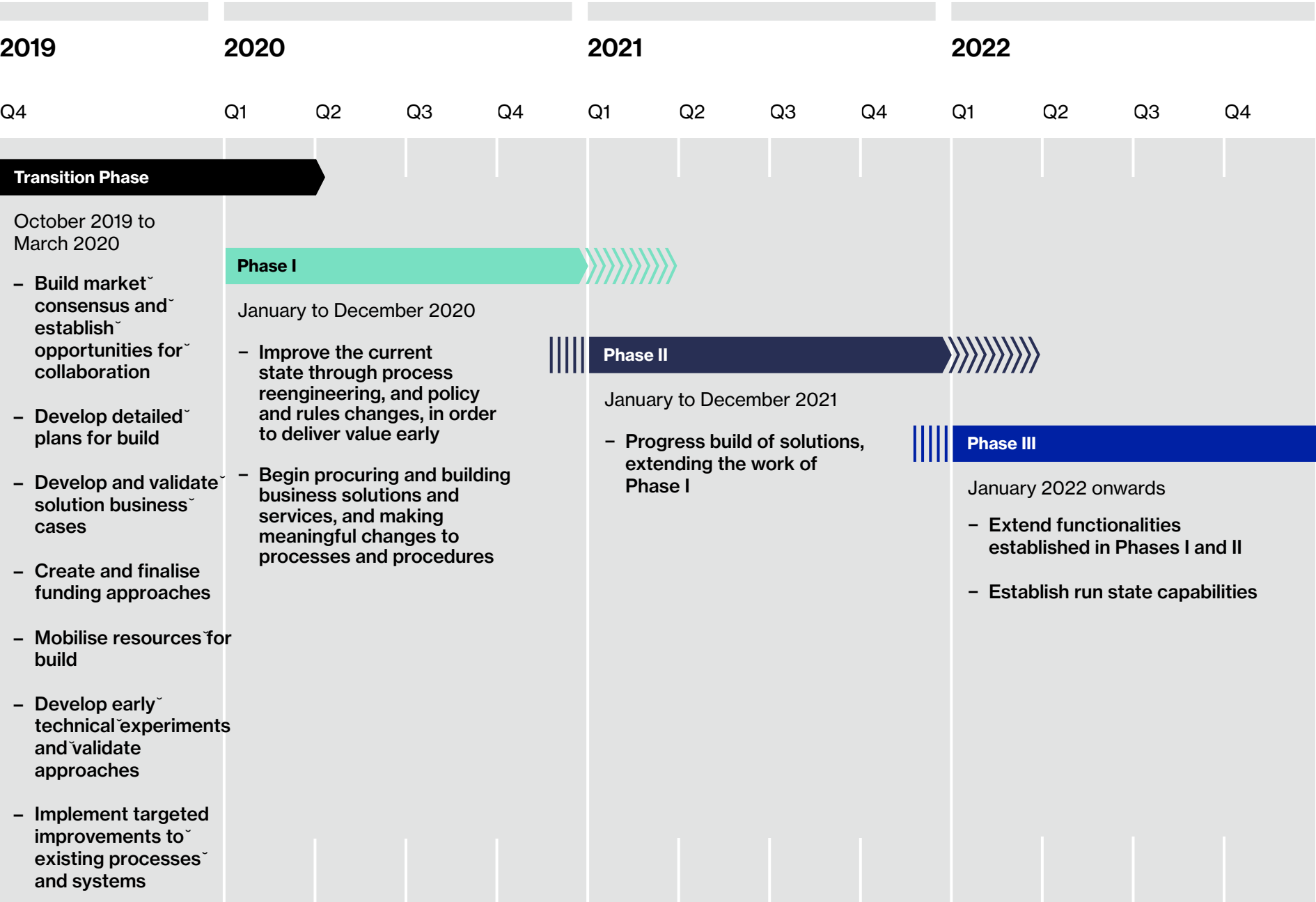
# Roadmap for delivery

## Principles and approach

Consistent with the feedback we received, the Future at Lloyd's will be delivered in four phases (*see exhibit 13.1*). This will begin with a 6-month transition phase, and criteria for starting subsequent phases will be defined for each lab. Phase I will begin once transition preparation activities are complete, interdependencies outside the Corporation of Lloyd's control are addressed, and the business case and feasibility is validated. This may lead to staggered Phase I launches over 2020. To ensure successful execution, the Future at Lloyd's will:

- **Capitalise on prior market investments.** Where possible we will default to building on existing market assets, to the extent that these are fit for purpose and compatible with the Future at Lloyd's architecture.
- **Learn from the past.** The Lloyd's and London markets have a long history of driving change and innovation, but the execution of plans has not always been good. Our approach to building the Future at Lloyd's is a collaboration to ensure the solutions are designed for the benefit of Lloyd's and the wider London market.
- **Communicate regularly.** We will consult the market, and regularly share ambitious but realistic plans.
- **Ensure the Corporation has the right capabilities.** This means we will consciously build and access the skills needed for delivery, building an inclusive and innovative culture that attracts the best talent. We will also build a set of partnerships and commercial relationships with vendors to access best-in-class, third-party solutions.
- **Deliver value to the market quickly and iteratively, and drive the pace of change.** The Future at Lloyd's will build for the fastest market leaders, and mandate for the rest at an appropriate time. Policy and process changes will be delivered by the end of 2020. This will be achieved by applying agile ways of working and design thinking. Subsequently, early builds and releases will be iteratively launched.
- **Deliver the technology in parts.** This means the technology architecture for the Future at Lloyd's solutions will be broken down into components, where possible to enable existing solutions to be extended and third-party solutions integrated. This will reduce complexity and reduce development costs, times and risks.
- **Retain control and operational responsibility for the technology platforms.** This will ensure the solutions are cohesive and self-reinforcing, providing better end-to-end functionality and accountability.
- **Ensure the appropriate governance is in place.** Governance will be led by the Corporation and advised by the market to ensure we deliver according to Future at Lloyd's success metrics. Decision-making will reside with the Corporation.

# Exhibit 13.1 Phased delivery timings



Move from Transition Phase to Phase I may be staggered lab-by-lab

## Future at Lloyd's governance

Governance of the Future at Lloyd's (*see exhibit 13.2*) will:

- Ensure a relentless focus on 'what is most valuable to the market' (when making prioritisation decisions and design choices).
- Create clear accountability and transparency for delivery, supported by controls, risk management and reporting.
- Continue market engagement while retaining decision-making authority within the Corporation to ensure that it can take tough decisions and avoid design by committee.

In practice, governance bodies will include:

- Lloyd's Council and Board, a subcommittee of the Board, and the Board Risk Committee will oversee the Future at Lloyd's at the highest level.
- The Future at Lloyd's Steering Committee will include a subset of relevant Corporation Executives. The Steering Committee will be responsible for the implementation and execution, including the strategic vision, roadmap and business cases.
- An independent Quality Assurance partner will advise the Risk Committee and Steering Committee on execution, progress relative to the blueprint and emerging risks.
- A Programme Delivery Office will manage overall programme delivery, cross-lab interdependencies, milestones and sequencing and provide business benefit tracking.
- A senior Programme Design Authority. It will steer prioritisation decisions and design choices to ensure the Future at Lloyd's delivers value to the market. It will prioritise scope and funding of each lab, set principles to guide lab decision-making and provide ongoing review and challenge to the labs. It will identify decisions that should be escalated to the Programme Steering Committee, and ensure that the right participants are involved in decision-making.
- The labs will be the primary vehicles driving delivery. Each lab will be led by a senior, market-facing solution owner with sponsorship from

the relevant Corporation Executive Committee member where appropriate. Labs will be empowered to make as many decisions as possible to deliver the strategic intent and ensure pace of delivery. Each lab will include design teams, delivery teams, and process improvement teams. They will draw upon Corporation and market resources.

In addition, advisory groups will be an important source of input and counsel. This includes the Global Advisory Committees, the LMG, and the Future at Lloyd's COO Advisory Committee.

The Corporation leadership will regularly review the governance model with the Council and Board to ensure it remains "fit for purpose" and adjust it to ensure effectiveness and efficiency.

## Exhibit 13.2 Governance for the Future at Lloyd's



Key

■ Decision making group

■ Advisory group

<sup>1</sup> A new Committee with terms of reference to be agreed by Council and Board

## Transition phase activities

The transition phase will focus heavily on engaging, planning, and mobilising. During this time, the Future at Lloyd's will undertake a set of activities across all labs. This will include:

- Building market consensus and identifying opportunities for collaboration.
- Detailed planning for build (including interdependencies and resourcing).
- Developing and validating business cases.
- Creating and finalising funding approach.
- Mobilising for build (including people, technology and governance).
- Developing early technical experiments to validate the approach.
- Implementing targeted improvements to existing processes and systems.

Criteria for completing transition will be defined for each lab. Phase I for each lab will begin once those criteria are fully met, interdependencies outside the Corporation's control are addressed, and the business case is developed and validated.

Phase I will be successful if market participants are ready to support partnerships and pilots, to co-invest time and resources, and to adapt and adopt at the right time. The Corporation will evaluate the level of preparedness in the market before beginning Phase I for each lab.

To prepare for successful execution, we will:

### 1. Build market consensus and identify opportunities for collaboration (e.g. on data)

The Future at Lloyd's will continue to engage with stakeholders across the market to build support and understanding of the Future at Lloyd's solutions and their implications. Engagement from the market will be essential to make the build process and future state a success. We intend to shift from a high volume of regular engagements to more targeted conversations that focus on development of solutions.

- **Post-launch information campaign:** Following the Blueprint One launch, the Corporation will

continue communicating details of the plan with stakeholders. This will allow outstanding questions to be answered, and further shape the market's understanding of how the Future at Lloyd's will impact their business in the short and long term.

- **Advisory groups:** Advisory groups will continue to be closely involved.

Specialist committees may also advise on particular aspects of their platform development. For example, the COO Advisory Committee will become increasingly involved in the detail of data, technology and operations of the solutions as they are rolled out.

Market associations will remain a key point of contact between the Future at Lloyd's and market participants and will be involved in feedback on specific initiatives (e.g. modernising practices for the syndication of risk).

- **Collaboration through partnerships and involvement in Labs.** There are several opportunities across the Future at Lloyd's solutions for collaboration on partnerships/pilots as Phase I begins (*see this chapter, page 143, and lab-specific chapters 2-7 for details*). The Future at Lloyd's will specifically seek partners that support the aims and progress of each of the solutions. In addition, there will be opportunities for market participants to second individuals into the Future at Lloyd's labs. Teams for the build phases will be resourced with a mix of Corporation employees, market secondees and external partners. This was a successful model while drafting Blueprint One and provides an opportunity for market participants to continue to be closely involved. [Lloyds.com/thefutureatlloyds](https://lloyds.com/thefutureatlloyds) will be used to communicate areas that are looking for resources.

### 2. Develop detailed plans for build

Developing detailed plans for building solutions, will be done in the transition phase. This will focus on Phase I, knowing that the end state will evolve as approaches are tested and feedback received from the market. As early builds are developed and Phase I progresses, planning for Phases II and III will become increasingly detailed.



Plans will include workplans and milestones for Phase I, and a schedule of key decision points where market input will be needed. They will also ensure that technical teams have the detailed information that they need to begin developing when Phase I begins. A detailed resourcing plan will also be developed.

The complex risk platform, risk exchange, and claims solution will be built following agile principles, prioritising early, functioning solutions that can process risks for a subset of the market. This means choosing risk classes and territories where we will work towards an early, functioning product, rather than attempting a 'big bang' launch of a complete solution for all business at once.

### 3. Business case reviews

Business cases are being developed and will be finalised during the transition and planning phases. All 'go or no go' decisions and progression to Phase I must be underpinned by a strong and compelling business case for the market. These will split the investments into smaller decisions that can be approved as the Future at Lloyd's progresses.

### 4. Funding approach

The Future at Lloyd's will require significant multi-year investment. We remain committed that the investment will not be funded by passing an additional levy on to Lloyd's market participants and adding to the expense burden. We are pursuing three potential funding opportunities, through a combination of available cash and low-cost debt, that can meet the foreseeable obligations of the Future at Lloyd's. Over time, the intention is for the full ecosystem at Lloyd's to repay the initial investment. This would include monetisation of truly valued services (*see Services hub chapter 7*), available for market participants (and in some instances, wider industry players), provided by the Corporation as well as a range of accredited service providers.

### 5. Mobilise for build

We will set up the foundations for Build: resourcing teams and hiring into permanent roles, preparing required technical tools, and establishing appropriate structure and governance:

- **Team:** The Future at Lloyd's will be resourced with a mixture of current and new Corporation employees, market secondees and external partners as required, building on the approach used whilst drafting Blueprint One. The transition phase will focus on getting teams in place ready for Phase I and embedding agile ways of working.

Throughout transition, these teams will scale up beyond the resources that have been in place while drafting Blueprint One, with full-time employees and secondees across all labs and a number of specialisms. By March 2020, we will have the team in place, with market participants adding their specific expertise to that of Corporation employees and external partners, to deliver the plans.

- **Technology/tools:** during the transition phase, we will utilise existing cloud infrastructure to provision development and testing environment needed for Phase I. This will include workspace, licenses, and other collaboration tools that the development teams would need to start work in Phase I. We will also undertake the key design decisions needed to enable the common data platform and open API gateway in Phase I.

### 6. Develop technical experiments and validate approach

In parallel, various technical experiments will be run. The lessons learned will inform planning for build, and development of the platforms over Phases I to III.

We have already experimented with building some platform components whilst drafting Blueprint One:

- Coverholder product configuration, including search and quote.
- Enrichment of simple policy data inputs using third-party data sources.
- Claims 'observer' information gathered, with first notification of loss and triage.

During the transition phase we will conduct technical experiments on further components, including extension of existing cloud infrastructure and Lloyd's risk exchange API connection to coverholder system.

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Pilots will be used to validate potential changes to rules and processes proposed by the syndicate in a box and capital solution, building on those initiated during the Blueprinting phase.

- **Syndicate in a box** will launch one pilot syndicate in a box.
- **Capital solution** will evaluate and roll-out improved capital planning processes, supported by new software to simplify Funds at Lloyd's administration and increase the clarity and transparency of the capital setting process. The impact of these process changes will be closely monitored and will inform the roll-out of further rule changes during Phases I to III.

## 7. Implement targeted improvements to existing systems and processes

The Future at Lloyd's platforms will improve existing systems and processes, as well as introduce new solutions. Some of these improvements are already underway and will be progressed during the transition phase in order to generate value quickly and provide the foundations for the end state. In many cases, processes are within the Corporation's own control and can be adapted quickly.

## Phase I deliverables

By December 2020, we expect to have made substantial progress, creating early builds for key components of the risk exchange, complex risk platform, re-engineering the existing claims process, delivering a number of pilots, and improving the capital processes. In addition, the data framework and initial data standards will be defined, and some core technology components will be delivered. This progress is dependent upon successful completion of the transition phase, and resolution of any dependencies not within the Corporation's control. Specifically, by December 2020:

### 1. Complex risk platform

An early build of the 'document-plus-data' solution will be undergoing testing and feedback with a subset of market participants. A first version of APIs and data standards will have been delivered. Prototypes will have been tested and feedback received, and the technology solutions for the data-first solution will have been selected.

Over time, market participants will benefit from an improved user experience and processing efficiency of for the document-plus-data solution (faster, less time-consuming usage of platform). Market participants will also start to understand the value and feasibility of a data-first solution and how this can be realised.

### 2. Lloyd's risk exchange

As part of Phase I, a coverholder onboarding system will be finalised, a coverholder operations system delivered to select territories, and DA SATs (Delegated Authority Submission, Automation and Transformation Service) will be connected to Lloyd's reporting systems, syndicate and coverholder systems. This will provide an integrated solution to coverholder onboarding and administration.

For the risk exchange, an early build of instant quote and bind functionality for a portion of the delegated authority business (e.g. 1-3 risk classes in a single territory) will be complete. This includes early builds of the search engine, the product and distribution configurator, and the API gateway. This will start by testing the connections to a small

number of syndicates, brokers and coverholders already using e-trading platforms.

Over time, coverholders will benefit from centralised coverholder onboarding and operations systems that will streamline the approval process and reduce the administration burden of ongoing compliance. Coverholders without systems will have access to a basic quote and bind functionality.

Managing agents will benefit from the straight-through processing of data. DA SATs will be connected via APIs to the Lloyd's reporting systems enabling automatic flow of information for reporting and to policy administration systems.

For brokers, the exchange will bring broader access to products available. Brokers will be able to search, match and obtain quotes of products available on the exchange.

### 3. Claims solution

The current state will be improved through process re-engineering and streamlining. Preparatory work to replace ECF (Electronic Claims Files) and associated infrastructure will be completed. Pilots of end-state components will also be underway.

Incremental improvements will include: Existing claims processes will be re-engineered to improve overall cycle times and reduce costs for processing legacy claims. Improved messaging technology will be delivered to reduce data re-keying. Fast implementation of process changes will result in a simplified Lloyd's Claims Scheme in effect with increased standard triage thresholds, automated agreement on small claims payments, an improved catastrophe management plan and the repatriation of orphaned loss funds. Additional customer-centric standards will be mandated by the Corporation.

The claims solution will have a pilot of a multi-channel interface, data-driven automated triage, and a path to straight-through processing for claims related to a priority class of business for testing and early feedback. A preliminary version of the multi-channel interface will allow policyholders and brokers to submit first notification of loss digitally for the priority class of business. The pilot of the claims solution will require interim integration with legacy systems to ensure claims payments

can be made through existing central settlement infrastructure before accounting and settlement services go live.

The pilot will demonstrate the operational benefits, including improved customer experience and reduced cycle times for the priority class of business. Policyholders will experience an easy digital submission of loss information.

#### 4. Capital solution

In Phase I, select internal improvements to the current state rules and processes will have been made, and several live transactions will have been facilitated across priority use cases, including the first ILS transaction. A first production release of the capital platform will go live, giving market participants more visibility of risk and capital appetite.

Capital providers will benefit from a significantly simplified Lloyd's, with lower costs of operating and lower fees in specific circumstances. These changes will be operational by the end of Phase I. They will be able to access Lloyd's through ILS structures, following the set-up of such structures by managing agents. Further, they will benefit from greater transparency on capital requirements, an easier to navigate Lloyd's infrastructure with a dedicated investor relations team to support them, and standardised reporting across all of their Lloyd's investments.

#### 5. Syndicate in a box

In Phase I applications will open for syndicates in a box. The Corporation will process these applications, onboard new syndicates in a box, and monitor them as they join the market. This oversight will be used to refine the process for syndicates in a box and inform which features might be appropriate to extend to all syndicates.

Customers will have access to a broader range of risk solutions from the Lloyd's market, as well as a broader range of carriers to provide them.

Managing agents will have the ability to use a syndicate in a box to quickly take advantage of an opportunity that they have developed, to prove a specific proposition in an environment that will give them the best chance of success.

Capital providers, including third party members, will have the ability to support testing of new ideas within the Lloyd's environment.

#### 6. Services hub

A pilot of the services hub will be delivered. The first wave of existing services will have been prioritised, developed, and launched for access through the hub, and select new services accredited and piloted. Initial accreditation standards and service design and management framework will have been released. Cohort 3 of the Lloyd's Lab are working towards creating the first services that could be provided through the hub.

#### 7. Data

The overall data framework will be defined, and an initial set of data standards will be defined and published. This will clarify the data role of the Corporation and a consumer and producer of data. Data requirements for solution builds will be supported, prioritising the risk classes covered by the risk exchange, complex risk platform, and claims solution. Ownership, governance and security requirements for the data platform will have been defined to enable the early build in Phase I.

#### 8. Technology

To support each of the labs with the roll-out of their solutions, Phase I will deliver a number of core technology components. There are three areas of focus:

- The core technology platform will be expanded. The common data platform will be set up within the cloud, the API gateway will be delivered, standards for a consistent user experience will be defined, and the Future at Lloyd's technology delivery and implementation capability will be scaled.
- Secondly, technical API standards will be defined and APIs required by the future at Lloyd's solutions delivered.
- Finally, delivery of priority common services will be prepared for, including technology selection and procurement for priority common services, and identification of requirements for the accounting and settlement services.

## Phase II and III deliverables

In Phase II and III, the Future at Lloyd's will be delivering enhancements of the solutions on short cycle releases. By the end of Phase II, in 2021, we expect that:

### 1. Complex risk platform

By the end of Phase II, the document-plus-data solution will be live. A pilot version of the data-first solution will have been built for a small number of lines of business. Both solutions will be integrated with the priority automated services (e.g. tax calculator).

In Phase III, the data-first solution will be further enhanced and rolled-out to additional lines of business. Both the document-plus-data and data-first solutions will have been integrated with new automated back-office services.

### 2. Lloyd's risk exchange

Live transactions will be processed on the risk exchange. The Future at Lloyd's will have expanded the scope of business processed, expanded the distribution functionalities, continued integration into existing systems, and connected to the procured back-office functionalities.

At the end of Phase III, the risk exchange will be integrated with all back-office functionalities. Focus will shift to scaling up across regions, and expanding products.

### 3. Claims solution

In Phase II components replacing ECF and the associated claims infrastructure will begin to be delivered. The claims solution will begin to deliver enhanced capability across the market as it begins to process additional live business and expands to additional classes of business. The market claims service will be implemented to handle some standard claims. Select central services, procured at scale, will be available to the market. Improved indemnity outcomes will be realised.

By the end of Phase III, the claims solution will be fully operational. Integration with accounting and settlement services will enable next-day payments for the simplest claims. The market will be using data to develop analytics and insights at scale. All

new claims will go through the claims solution, while legacy claims will stay on improved existing systems. The marketplace will now be in a position to use the claims solution as a competitive advantage to attract more revenue to the market and handle claims more efficiently.

### 4. Capital platform

By the end of Phase II, the capital platform will be built and marketed, and live transactions will be executed at scale across use cases, including secondary sales.

### 5. Syndicate in a box

Rules of participation and annual review cycles will have been tested on syndicates in a box for one year, allowing all successful, applicable rules to be extended to all syndicates. The syndicate in a box solution will be integrated with the services hub, complex risk platform, risk exchange and claims solution.

### 6. Services hub

During Phases II and III the services hub will be developed into a fully-functioning portal. By Phase III, all existing services will have been accredited, and the hub will be fully opened to accredited third-party services. Subsequent versions of accreditation standards and the service design and management framework will have been released and implemented.

### 7. Data

Phases II and III will focus on evolving the data framework, and supporting the Future at Lloyd's to deliver solutions iteratively, (e.g. by defining data standards and logical structures for additional risk classes as they are added to the risk exchange). Agreed data translation services will have been developed, enabling automated conversion of data formats, mitigating barriers to adoption. The data framework and governance will continue to evolve based on market feedback, and additional data services will be delivered based on market appetite.

### 8. Technology

The common data platform will be expanded, and further APIs defined. Additional common services will be rolled out, prioritised depending on market

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demand. A support model for further upgrades, maintenance, and operational needs will be developed and rolled out.

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## Collaborating on the Future at Lloyd's

Building the Future at Lloyd's will be a challenging and exciting journey. The scale of transformation will have a marked impact on the way the market functions. In addition to the work the Corporation will do to execute this blueprint, we actively encourage market participants to continue to collaborate closely. The value of collaboration as we move beyond the blueprint is critical to this entire endeavour.

There will be three ways in which market participants can actively engage with the Future at Lloyd's. Each has different levels of commitment, time and resource implications, and benefits. We recognise that not all firms will have capacity to be extensively involved, but all participation is welcomed and appreciated.

Table 13.1 has further details. We would ask that all interested groups see [Lloyds.com/thefutureatlloyds](https://lloyds.com/thefutureatlloyds). A dedicated team will coordinate and oversee collaboration across the labs.

Table 13.1: Ways to get involved with the Future at Lloyd's Programme

	Three ways to get involved		
	Partner and pilot	Integrate and scale	Adopt
<b>Description of model</b>	Partner with the Future at Lloyd's to test early components, investing significant time and resources throughout the transition phase and Phase I.	Provide feedback and assist in user testing during Phase I, and be an early adopter of technology in Phase II.	Make critically required changes to internal systems at time of roll-out.
<b>Benefits</b>	<p>Lead and be actively involved in discussions as designs are iterated.</p> <p>Build early pilots that are rapidly integrated and tested with your people and business – the best way in which you can prepare for change.</p>	<p>Stay close to the solution, being part of the set of early adopters as the solution scales during Phase II.</p> <p>Derive value from the Future at Lloyd's propositions as quickly as possible.</p>	<p>Opportunity to input into solution through consultation forums.</p> <p>Minimal demands of time and resource implications.</p>
<b>Time and resource implications</b>	<p>Second resources (e.g. underwriters, brokers, claims handlers) to the Future at Lloyd's.</p> <p>Take active role in building up advisory committees, supporting to problem-solve issues, challenge appropriately and advocate in the broader market.</p>	<p>Commit to participate in user testing and focus groups to provide feedback.</p> <p>Provide leadership representation on advisory committees for key labs.</p>	Minimal in Phase I.
<b>Technology implications</b>	Provide technical guidance, including agreements for technology and data sharing during Phase I early builds.	<p>Provide technical guidance through advisory committees and troubleshoot during adoption.</p> <p>Launch programmes to review internal systems and understand integration with the Future at Lloyd's.</p>	Adaptation to technology standards as published by the Corporation, as needed.
<b>Planning and budget implications</b>	Material impact on 2020 headcount planning, and potentially budgeting. Impact on technological priorities (e.g. building APIs to connect to early components) beginning 2020.	Impact on budgeting and planning (particularly headcount and technological priorities) beginning late 2020 and beyond.	Impact from 2021.



## Preparing for change

All market participants will need to consider how they will adapt and succeed in the future Lloyd's, regardless of whether stakeholders are extensively involved in the detail.

The Corporation will allow the market to keep pace with the changes proposed and adaptations required. We will publish regular updates to the blueprint. These will include progress updates, guidelines and requirements for market participants (with associated roll-out timelines). The advisory groups and the market associations will be close to the detail and the communication plans. They will be asked to challenge the Future at Lloyd's to communicate broadly, and not be overly introspective.

In addition, there are a number of questions that market participants might consider for themselves and their businesses, as they read and respond to this blueprint.

- **How might your value proposition to end customers change?** The specific platform propositions may create new opportunities for participants, encourage a focus on different growth areas, or support a change in execution approach and/or timing. How will you take advantage of them, and make your strategic aims clear, well-targeted, and tied to your technology investments?
- **How will you technologically prepare for the Future at Lloyd's?**
  - Data quality: to capture value from downstream services (e.g. accounting and settlement services, claims), the quality of data will need to be improved. You will need to consider how you will standardise the collection and entry of data, and ensure your data passes validation checks.
  - Customer engagement: Digitising customer journeys, supporting structured data capture accurately and easily from customers.
  - Integration readiness: Internal systems will need to be technically ready to integrate. This requires identifying steps to be taken so that internal systems can orchestrate API endpoints to leverage the Future at

Lloyd's components for your business (e.g. by adopting Lloyd's-defined standards for any API development).

- Enhanced technology toolkit: will be built to facilitate an efficient business change and onboarding process, to support the complex risk platform (e.g. videoconferencing capabilities and shared workspaces).
- **How can you prepare your professionals to adapt to change?** Technology will change the way in which many market professionals carry out their day-to-day work. Time spent on various activities will shift, (e.g. a reduction in administration, and more time on client-focused activities; less time processing and handling small claims, and more time on more complex cases). These changes will need to be supported by change management activities internally. The Corporation will support onboarding, training and adoption, using the Change Network (a monthly forum of market Change Managers run by the Corporation).
- **Do you have the right culture and people to embrace change?** Our market and industry are evolving, and the skillset mix required by the industry must evolve to match it, as detailed by this year's London Market Group report. The Future at Lloyd's will intensify this trend, and the number of technology professionals, data scientists, and developers employed, will increase as Lloyd's becomes a more digital and tech-enabled marketplace.

Getting to this stage has been a real collaboration across the Lloyd's marketplace and the insurance industry, and, as the Chairman of Lloyd's said at the beginning of Blueprint One:

*"This is a special time to be working at Lloyd's. The changes we are making over the next few years will last for generations and will secure the future of this market we are all so passionate about."*

*"I have no doubt we have the ambition, the plan and the commitment to succeed."*

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