

Inside the new Lloyd's trial



Week one of the Lloyd's Exchange 'e-endorsement' trial began on 1 October. Already, it is looking as if it will be successful. The trial will run until the new year and involves all managing agents at Lloyd's and more than 80% of brokers by market cap. It involves only marine business.

The Exchange is a simple messaging service that allows brokers, underwriters and system providers to send and receive information via a single connection point. At the moment, it is not being used for negotiating or binding.

Aon UK e-business division managing director Ian Summers said: "It is absolutely a success, there is no doubt. For the Exchange to get so many connections working from day one is a huge success."

Julian Mancell Smith, managing director of Trace Isys, a business solutions company, said: "Our experience so far is

that The Exchange is starting to gather some significant volume. Clearly there was something holding back the placing in the original processes.”

Response time

For the market, the figures speak for themselves. In the first week, Trace Isys sent and received 1,000 endorsement messages, of which almost all endorsements have been agreed or are in flight.

Aon processed more than 100 endorsements in the first three days. Its first endorsement exchange with Beazley was returned within five minutes.

Mitsui Sumitomo processed 20 endorsements in the first week, with nine requiring agreement. Of those nine, seven were either agreed or queried within an hour of receipt, with the shortest response time being 17 minutes.

Summers said: “If everyone could do that and if the market could move to that, then London would overnight become the most successful market.”

Difficult to define

But Summers said that The Exchange does have teething problems. “While we haven’t had anyone who has refused to use it, we have had people on holiday, so we are still waiting for a response. They haven’t thought all the processes through.”

Class of business is also proving difficult to define. Trace Isys senior business analyst Simon Howden said: “Are we all calling risk the same thing? Some companies have set up say, just marine. Others are calling it marine/cargo or marine/hull. I am sure this will be one of the first things addressed.”

As for future of the trial, Mitsui Sumitomo underwriting

operations manager Colin Smith said the market is keen for more brokers to connect to The Exchange. "If we can get the impetus behind it, that will create the opportunity for other classes of business to jump on behind the marine segment," he said.

The big challenge

Mancell Smith said the trial needed to be widened to include other classes of business. "For an underwriter who writes a broad book of business, they're going to be keen to see a return on their investment in the trial."

For Colin Smith, the challenge of the trial will be to break the old ways of the market. "It is easier to walk to the box to get a paper agreement while you're in the room than to send something electronically: that will remain the big challenge."