

Operations Update



Welcome to the second quarterly Operations Update of 2024.

Introduction

The Market Operations team's primary focus during Q2 was various Blueprint Two topics, along with ongoing work to upgrade delegated authority wordings and digitise how delegated authority business is conducted in the Lloyd's and London market. This quarterly update covers these matters and more.

Additionally....

HM Treasury invited LMA colleagues to a roundtable on the topic of Generative AI, following on from our recent work in this area and published [here](#) on our website. We also partnered with Oxbow Partners to release a report on AI in specialty insurance and jointly hosted an event with them on this topic in early July – the details are available [here](#).

During H1, the growing number of electronic trading platforms being used by managing agents and their brokers was observed. We are currently surveying managing agents to understand the scale of operational and/or commercial challenges this presents and the appetite for potential central solutions or mitigations. The survey is open until the end of July, and results will be collated and published. The next steps will depend on the outcome of the survey. Contact [Matt Wood](#) or [Emily Wint](#).

Blueprint Two

The LMA continues to focus on ensuring that phase one goes live only when the market has evidence that:

- a. the solution works (testing);
- b. the market is ready (contracts, regulatory notifications, training, software changes, etc.); and
- c. cutover is safe (operational resilience).

Implementation timetable

Market testing did not proceed as planned through Q2, specifically the 'Vanguard' pillar of testing. Consequently, Co-ordinated Customer Testing (CCT) has not started. This resulted in the

postponement of the October 2024 cutover announced on 21 June. There were two primary reasons for this postponement:

- onboarding of firms took substantially longer than anticipated owing to a need to onboard virtually all legal entities within a firm since the late nineties, leading to unexpected complexity for firms that have been particularly acquisitive during that period; and
- a key piece of technology known as Document Repository Interface (DRI) was not functioning as expected. DRI enables mass uploads of submissions, particularly from brokers' back offices.

From an LMA viewpoint, our position is that no new target cutover date should be announced until Cycle 3 (of the four cycles previously communicated) is completed. At this point, we believe that at least three months' notice should be given to the market for a new target cutover date and that, regardless, no cutover can take place in November, December or January because of year-end processing. We look forward to reviewing the results of the replan work underway, including any alternate approach to market testing borne out of H1 experiences.

Contact [Rob Myers](#) or your Blueprint Two programme Engagement Partner.

Market testing

Our current expectation is that the thrust of market testing by all firms in the Vanguard community can start later in July. Co-ordinated customer testing of business scenarios is likely to follow a period of connectivity testing with managing agents' vendors during August. This will be confirmed by Velonetic in the coming weeks.

Many managing agents have expressed requirements for testing more than they have been allocated by LIMOSS for CCT. We are working with LIMOSS and Velonetic to accommodate these requests within the replan of market testing. Contact [Jane Perry](#).

Assurance, data copy and cutover planning

At the request of the LMA board, the LMA has completed three tranches of training with non-executive directors (NED) who sit on managing agents' boards. Approximately 155 NEDs attended the sessions, with very positive feedback received from all who attended. A refresher course will be run closer to when the material outsource notification needs to be made and contracts signed. Contact [Andy Oakley](#).

We have finalised arrangements for the central 'LMA funding' of training for managing agents in preparation for cutover to phase one digital processing services (DPS). Timescales for delivery of this training are being re-aligned to the new implementation milestone plan. Our expectation of when the face-to-face and remote training will be scheduled remains the six weeks leading up to a new target cutover date. Contact [Matt Wood](#).

The Blueprint Two Data Room is now in operation and content to aid managing agents' internal governance and assurance processes is added weekly. Contact [Matt Wood](#).

The definition of the phase one cutover planning has progressed well through Q2. Useful materials are now in circulation and posted to the Data Room. We continue to work with the Velonetic team on details of the cutover approach and the impact on the business process during this period. Particular attention is being given to the dress rehearsals, the approach to these, their scope and the success criteria. A cutover 'dress rehearsal' is currently planned for the August bank holiday weekend. Contact [Jane Perry](#).

More information is now in circulation and posted to the Blueprint Two Data Room in relation to transferring historic transaction data and documentation from existing systems to new DPS systems. We are especially focused on establishing the precise definition of what will be transferred to DPS, the definition of technical and functional assurance controls, and how the assurance results are communicated at the aggregate market and individual managing agent levels of detail. We expect this to cover both the copy stage and the subsequent 'normalisation' of copied historical transaction data so that it aligns with the new DPS systems 'reach-back'. Contact [Jane Perry](#).

Contracts and Material Outsourcing Notification (MON)

The new Digital Processing Services Agreement (DPSA) has been with managing agents since February. In June, the LMA asked managing agents how they were progressing in their review of the new DPSA. 80% responded; all had commenced their review, but 25% of responders had not provided their feedback to Velonetic at that time. We will re-run this survey later in Q3.

Work on the Termination Letter for existing contracts is nearing completion. It is expected to be distributed during August. Finalising contractual terms of termination, aligning to the evolving 'cutover planning' and agreeing on the Conditions of Acceptance (of DPS phase one services) has taken more time than expected.

Velonetic has requested that firms lodge their queries on both DPSA and Termination Letter before the end of September. At this point, Velonetic will request the completion of certain information that will enable Velonetic to speed up the onboarding process, which had proved problematic in the early days of testing. Contact [Rob Myers](#) or [Ray Koh](#).

By the end of September, all managing agents can then focus on testing and leave the contracts to one side until completion of the review of the MON by the Prudential Regulation Authority (PRA). Note that only managing agents and some company market firms are subject to MON. Velonetic requests that other firms (notably brokers) target the signature of their contracts by the end of September. The broker contracts are necessarily different from insurer contracts. From a regulatory perspective, they are overseen by the Financial Conduct Authority (FCA), who have confirmed that this is not a material outsource for the broking community, hence, they are not subject to the same timelines.

Only when the PRA review of the MON has been completed can the contracts (both DPSA and Termination Letter) be signed if firms conclude that it is appropriate to do so – these contracts should not be signed by managing agents before this point. It would be very helpful if firms could support this joint LMA and Velonetic request to conclude the contractual query process and the additional onboarding information by the end of September.

If the PRA changes its guidance in relation to the timelines and sequencing of the signature outlined above, we will revert and let you know. Contact [Arabella Ramage](#) or [Ray Koh](#).

Delegated authority

Computable Binding Authority Agreement (CBAA)

The drafting of the new model wording remains the focus and will be completed this year. The wording will be available for use in analogue form ahead of the BAA Contract Creator launch targeted for mid-2025. As a guideline, we would expect the new model wording to be used, in

analogue form, for binders from 1 April 2025 onwards. Market consultation on the new model wording will commence in August 2024. Contact [Carla Wise](#).

Mandate of Security

Lloyd's issued a market bulletin requiring that the Lloyd's lead syndicate is identified on all policies issued under delegated authority arrangements from 1 July 2025. LMA groups pushed for this longer lead time to allow coverholder system changes and align with CBAA timings so the mandate can be implemented consistently through standard contractual language. An FAQ document is embedded in the bulletin, which can be accessed [here](#). Contact [Carla Wise](#).

Lloyd's Streamlined Compliance

Lloyd's ran a workshop with market participants on 3 June to work towards the Delegated Authority Roles and Responsibilities framework they aim to roll out in 2025. Lloyd's initial intention was to devise a contractual framework to make leaders responsible for entity-level coverholder oversight. Still, the market pushed back, and the initiative's focus has shifted to developing a set of standard checks that can be used consistently across managing agents, with the project now known as 'Streamlined Compliance'. The initiative is still in its infancy and delivery dates have not yet been established. Contact [Carla Wise](#).

Reporting to Lloyd's Europe/Delegated Data Manager (DDM)

On 13 May 2024, Lloyd's Europe (LIC) communicated how managing agents are to submit data on Belgian insured/claimants to LIC if they are no longer using DDM ([here](#)). For their oversight obligations, LIC is reviewing their need for data and v5.2 bordereaux documents. A decision on this requirement was due to be communicated in June, but this is taking longer than expected. LIC has confirmed to the LMA that at the point the DDM core service ends in mid-September, managing agents will not be required to upload v5.2 bordereaux documents to a central store, even though this requirement has not yet been completely ruled out for the future. Contact [Vicky Moss](#).

Operational Resilience

Digital Operational Resilience Act (DORA) Forum

DORA does not directly affect syndicates; however, many managing agents are drawn into its orbit and having to spend a lot of their time preparing for the introduction of this new legislation. The creation of this forum is in response to requests for the LMA to help facilitate a market group purely as an information-sharing forum. It is likely to run monthly to the end of the year. Contact [Matt Wood](#).

Operational resilience testing benchmarking exercise

All firms are now eight months from the March 2025 deadline for the PS21/3 and SS2/21 regulations from PRA and FCA, respectively. There is naturally an increased focus on testing. We have formed a working group under the LMA Operational Resilience Committee tasked with producing a testing maturity matrix designed to help managing agents plot their positions. We aim to publish the matrix and benchmarking survey by the end of July. The value of this matrix is in understanding firms' own maturity relative to the rest of the market, which is where the benchmarking exercise will help. Participation is entirely voluntary, but we ask for your support in

order to understand the broadest possible representation progress and status for the benefit of all. Contact [Matt Wood](#).

Coverholders' operational resilience guidance and updated attestations are now [here](#) on Lloyds.com. Lloyd's updated the coverholder onboarding attestation and the change to permissions attestations. Contact [Vicky Moss](#).

LMA Business Operations Academy

In our ongoing efforts to support members' training needs, the Academy team has been busy enhancing existing offerings and exploring new opportunities. In June, we successfully hosted the ActiveOps Operations Management Business Simulation programme, which provided valuable insights into operational management.

Additionally, we're excited to announce that the revised Foundation in Operational Excellence programme is now open for registrations (scheduled for 11-12 September). This foundational-level training offers a comprehensive view of operations and contextualises key points by linking them to a Lloyd's managing agent environment. Keep an eye out for the intermediate version coming in October. Thank you to the Operations Next Gen group for their input on these programmes.

The second cohort of our popular delegated authority programme is running again on 22 and 29 October. For more information or to register for these programmes, visit the [Virtual Academy](#) or reach out to [Devi Shelat](#) from the Academy team.

Focus areas for Q3 2024

- Once the Blueprint Two replan has been issued, we will continue to work with Velonetic and Lloyd's to understand the cutover process, including dress rehearsals, to ensure a safe implementation for managing agents.
- Various Blueprint Two matters, including:
 - Issuance of the contractual Termination Letter from Velonetic and handling of feedback on this and DPSA.
 - Publication of the revised phase one milestone plan following on from the recent postponement.
 - Conclusion of technical and functional assurance design for document and data copy work.
 - Resolving how testing needs of individual managing agents can be satisfied.
 - Progress with Vanguard, vendor and co-ordinated customer testing.
 - Refinement of details relating to cutover plans, dress rehearsals and controlled launch day.
 - Reviving focus on Blueprint Two phase two implementation.
- Starting market consultation on the new Computable Binding Authority Agreement Model Wording.
- Relaxation of LIC-mandated use of Delegated Data Manager (DDM) service for reporting EU DA business and implementation of alternate reporting methods to LIC where elective use of DDM is not preferred.

- Reviewing and acting on survey results related to (i) operational resilience benchmarking and (ii) more extensive use of e-trading platforms.

This update was issued on 18 July 2024.