



# CENTRAL SERVICES REFRESH

## DESIGN PRINCIPLES

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## DISTRIBUTION LIST

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		Design Authority
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# 1 Document Purpose

This document describes the key design principles that will be used to steer and evaluate the design for and implementation of the new and changed services delivered through the CSRP. The design principles cover the whole of the scope of the CSRP but have particular relevance to the initial Market Submission elements of the programme because this is the first stage for the CSRP.

The design principles are a foundation for the programme because they describe the desired strategic direction which should be adhered to in any change activity. The CSRP Steering Group and the CSRP Design Authority (by extension, the Steering Group's guardian of the CSRP's design) will use these principles to guide decisions on the solutions proposed and developed by the programme. Solutions that deviate from these principles will always require authorisation by the Steering Group.

The Design Principles are derived from a number of sources:

- The previous and extensive work undertaken on the Central Services strategy, and the scoping and definition of the Central Services Refresh which include the benefits and aims for the programme. In particular this includes:
  - London Insurance Services Shareholder Principles;
  - LMG 'Future Process Refresh';
  - LIIBA 'Differences with the Rest of the World' (Londonisms) Document;
  - Future Service Register;
  - CSR Project Mandate;
  - CSRP Programme Brief;
  - Market Submission Project Brief;
  - Lloyd's Strategy 2014-2016.
- Industry good / required practice adapted for CSRP's circumstances, for example:
  - Regulatory requirements / environment;
  - Recognised software engineering good practice;
  - Data security principles / standards.

The Design Principles may evolve over time but any changes will always be reviewed and approved by the Steering Group. The following should be noted:

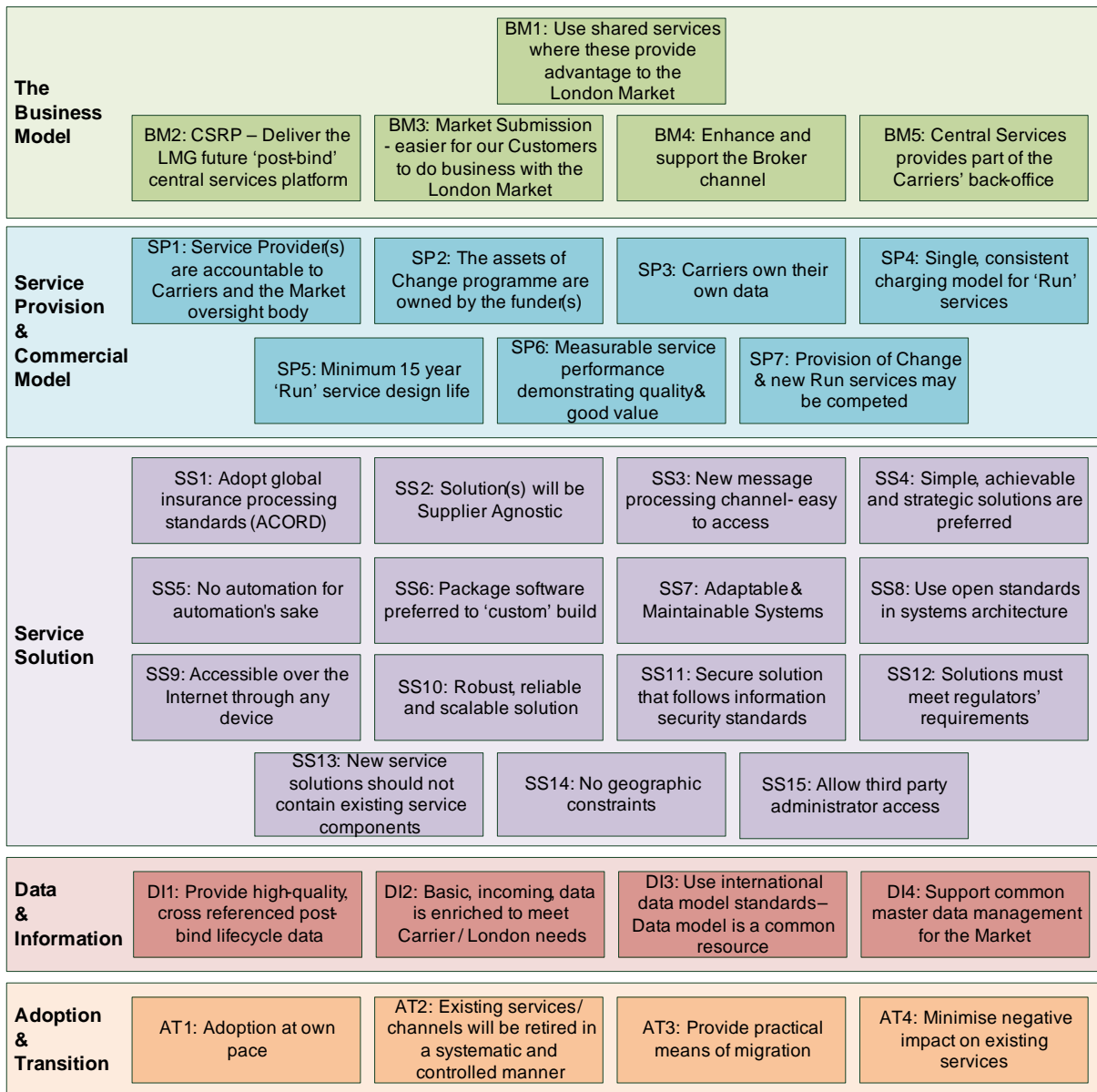
- The Design Principles are particularly relevant to the design of the Target Operating Model (for MS and CSRP) because they provide the baseline to evaluate the TOM against. Once the TOM is developed, the TOM itself provides the baseline for the more detailed design and implementation phases with the Principles providing support for managing any changes proposed to that TOM.
- Part of the objective of the TOM phase is to test and validate the extent to which Design Principles can be met by an achievable target solution and to identify if / where principles may need to be compromised. This should only happen in the TOM and Roadmap phase; thereafter, the focus switches to focussing on implementation in pursuit of the agreed TOM.
- The set of Design Principles can, and usually do, have potential contradictions between individual principles (e.g. tension created between a drive for low cost / value in implementation and long term ease of maintenance / adaptability). It is part of the role of the DA and SG to manage the balance of these relative priorities and tensions. Having the Design Principles expressly set out helps make the need to manage these explicit as design and implementation progresses.

## 2 Design Principles – Overview

The diagram below shows the how the set of Design Principles is structured into a series of topics (The Business Model etc.). These Principles cover the CSRP and, in particular, the initial Market Submission element of the programme.

Each principle and the rationale for its inclusion are explained in more detail on the following pages.

There is an implicit priority in the order of the topics and then of the principles within each topic. However this ordering is not intended to be overly prescriptive – it is for guidance when applying the principles.



### 3 Design Principles - Explanation

#### 3.1 The Business Model

No	Principle	Statement	Rationale
BM1	Use shared services where these provide advantage to the London Market	The London Market has used shared services (including the Central Services 'Bureau') where this has been advantageous to Market participants, and/or to the organisation and control of the Market or its constituent parts. This principle is expected to apply to the Refresh of Central Services.	It is an 'acid test' that Central Services should continue to be advantageous and relevant to the market as modernisation is undertaken. It is recognised that different size carriers and brokers have different requirements.
BM2	CSRP – Deliver the Central Service Platform consistent with LMG's Future Process Refresh Vision.	The CSRP will deliver the Central Services platform that, in combination with other market modernisation initiatives enables the goals of LMG's Future Process Refresh Vision to be met and the FSR to be delivered. Where there are potential overlaps between other market modernisation initiatives, CSRP will resolve through governance.	<p>The LMG's Future Process Refresh Vision and the Future Services Register set out an approach to processing business in the London subscription market. CSRP is one of the Market Modernisation initiatives that will deliver that vision.</p> <p>The scope of CSRP is from 'post-bind' to settlement with other initiatives covering other processes.</p> <p>Overall, for data there remains a wider principle of capturing data once and reusing that throughout the Market to improve quality and efficiency (see also the Data and Information principles).</p>

No	Principle	Statement	Rationale
BM3	Market Submission – easier for our Customers to do business with the London Market	The goal of Market Submission is to make improvements to the submission interfaces between Broker and Carriers and, by extension, the Central Services, to reduce the friction for our Customers in doing business with the London Market (both Lloyd's and Company). This should be done, as far as is possible in the subscription market, by adopting common global processes in the same method as any other non-London interaction but, in any event, by methods agreed with Brokers.	One of the critical areas of improvement identified in CSR is the interaction and relationship between Brokers, Carriers and Central Services. This is seen as the area where 'Londonisms' are most prevalent and where early action would provide direct benefit as well as providing a foundation for further refresh of Central Services. (See also SS1.)
BM4	Enhance and support the Broker channel	The Broker relationships will remain core to the future success of Lloyd's and the Company market. These face-to-face relationships are a strength of the London Market. CSR and MS should, through the 'back-office' interaction seek to enhance and support this relationship and not undermine it.	Many of the initiatives being pursued by the larger brokers reflect their desire to increase their efficiency and deal with a smaller number of carriers. The shared Central Services in the London Market can play a role in providing efficient interactions between the back offices. There is no intention that CSR / MS should be a vehicle of change for altering the relationship between Brokers and their Clients.
BM5	Central Services provide part of the Carriers' back-office	Central Services are part of the Carriers' back office. Any refresh of CSR should position CS (and by extension MS) behind the Carrier and should not override the Carrier to Broker relationship.	Ensures that the trading relationship between Brokers and Carriers that exists in the 'non-bureau' / Global accounting / ACORD model is implemented and reinforced across the London Market, enabling Broker efficiencies and reducing London-isms.  Central Services does not absolve Carriers of their accountabilities. But it can act as a strong added check and control on behalf of the overall Market.

### 3.2 Service Provision & Commercial Model

No	Principle	Statement	Rationale
SP1	Service Provider(s) are accountable to Carriers and the Market oversight body	The Service Provider(s) of the operational 'run' services act on behalf of and are accountable to carriers. That is, the carriers will be the contracting party with Service Provider(s) for 'run' services. Accountability to the Carriers is, in part, exercised through a Market service management capability (Professional Management Group) and its governance and oversight structures within and across the Market i.e. XRB, CSR, SRP, AAC and XIS/XCS.	<p>For CS (and MS) the Service Providers are acting as the Carrier (shared) back office. There is no independent / separate relationship of these shared services with other participants (i.e. Brokers).</p> <p>Reinforces the original relationship positions when XIS/XCS was first formed and that this is, under Shareholder Principles, intended to continue and apply to all in-scope Central Services amended services.</p> <p>This principle would also apply to new services (e.g. new Market Submission services) however provisioned to Service Provider(s).</p>
SP2	The assets of Change programme are owned by the funder(s)	The new assets created by the CSRP (including MS) will be owned by the parties who have funded the costs of the change programme.	<p>This is derived from the Shareholder Principles. New assets will be created by the programme. These may include the tangible applications / systems and the intangible intellectual property. The basis of ownership is 'fair and equitable' with regard to the funder's investment.</p>



No	Principle	Statement	Rationale
SP3	Carriers own their own data	Carriers have ownership of the data produced and stored as a result of existing/amended Central Services or new services processing. This data shall be readily accessible to them in a form they can use.	Given the importance of data to drive processing and reporting it is imperative that carriers are recognised as the owners of their own data contained within central or new services. The service provider(s) are custodians of the data on their behalf.
SP4	Single, consistent charging models for 'Run' services	The 'run' services and the supporting systems will be operated based on a clear definition of how the defined business services will be charged for and how those charges are collected and managed. All carriers will pay the same charges, on a consumption basis, for a provider's 'run' service.	<p>In the development of the new/changed services, a range of options for charging for 'run' services may be considered. In any model, it is important for charging models to be transparent to ensure the services can demonstrate value and competitive pricing.</p> <p>Common pricing and charging underpins the ethos of shared services to benefit all Market participants.</p>
SP5	Minimum 15 year 'Run' service design life	Core strategic CSRP (including MS) services should be designed for a minimum 15 years life for the overall operating service. (However, it would be expected that the services supported by the infrastructure would change over that time in response to market changes / demands).	<p>Aims to give Market participants the confidence to invest in changes for both Central Services and their own systems.</p> <p>Services should evolve (improve) through each phase of the CSRP implementation process but the aim is to minimise rework impact on market participants from this. Market Submission is, in part, intended to help insulate the originator from downstream change during the renewal process delivered in the rest of CSRP.</p>

No	Principle	Statement	Rationale
SP6	Measurable service performance demonstrating quality & good value	The performance of Service Provider(s) and the calculation of remuneration will be assessed solely against the quantitative KPIs (Service Levels). The results of qualitative reviews will be used to drive service improvements. Continued failure against these measures can result in a material breach.	<p>This principle is good commercial practice and aligns with the Shareholder Principles. The services need to be monitored (by the PMG) to confirm that market participants are receiving the levels of service they expect, as well as enabling benchmarking of the London Market against other insurance markets.</p> <p>Service provision needs to demonstrate good value and should aspire to lower the run costs within the market.</p>
SP7	Provision of Change and new Run services may be competed	The provision of Change services and new Run (i.e. services beyond existing Core Run services) delivered through CSRPs and MS can and may be competed. Capability-based selection will be used for provisioning the most appropriate business, system and infrastructure provisioning or hosting solution service companies. These layers may be decoupled from each other if this provides the best capability and value for these services.	The Shareholder Principles clarify how competition may be used as a mechanism for ensuring value and capability and that services should be competed and sourced from those best able to provide them. This Principle ensures best of breed / cost-effective / technically-proficient suppliers will be considered in the Change services and for selection for new Run services. It does not preclude the likelihood of having prime supplier(s) who will take overall responsibility for these layers.

### 3.3 Service Solution

No	Principle	Statement	Rationale
SS1	Adopt global insurance processing standards (ACORD)	To minimise friction of doing business in the London Market, the aim is to adopt global operating processes and standards (e.g. ACORD) as far as is practicable in the shared services operated subscription market. If global solutions are agreed to be inadequate for London, the solution will be to work with standard setters to resolve.	<p>Two key objectives for the new Central Services are the removal of negative 'Londonisms' and to ensure that dealing with the London Market is at least as easy as dealing with other Markets and thereby improving the efficiencies of the processes across the market.</p> <p>ACORD EBOT/ECOT messaging to support Central Services back office processes have been proposed as the key starting point for Market Submissions.</p>
SS2	Solution(s) will be supplier-agnostic	The design of solutions/services must be done on a supplier-agnostic basis to facilitate tendering and selection of suppliers/vendors for 'change' services and/or for new 'run' services.	<p>This is drawn from the Shareholder Principle of Customer Representative choice for change and to provide clear and transparent pricing to ensure value for money. The intention is that the design should minimise or remove existing barriers to entry.</p> <p>This supports SP7.</p>
SS3	New message processing channel - easy to access	Not all market participants may have access through their own systems to the new ACORD messaging channel. The solution (particularly for Market submission) should provide for an on-line 'portal' to access the new standard messaging channel.	Different participants are at different stages of maturity and will need to interact with the latest market access models using different methods.

No	Principle	Statement	Rationale
SS4	Simple, achievable and strategic solutions are preferred	Any new solution for CSRP/MS has a high potential of being technically complex, difficult and therefore risky to implement and costly to do so. The aim is to minimise delivery risk and cost and deliver quickly so that benefits can be obtained. This need to be done while delivering a strategic solution / platform (for example simplifying, rationalising or replacing parts of the current technical estate where this needs to be done).	Parts of the existing CS systems and processes are complex and have become complicated and difficult to maintain. It is a fine balancing act, particularly for MS, to deliver best outcomes at pace whilst providing parts of a foundation for the future for CSRP.
SS5	No automation for automation's sake	The automation of services is likely to be a strong theme in refreshing the services. However, this should not be pursued where there is not a pragmatic & cost-effective automated solution.	CSRP is not looking to deliver solely technology change. All design choices will be driven by the desired service outcomes required by the market rather than a systems automation agenda.
SS6	Package software preferred to 'custom' build	Commercial-Off-The-Shelf (COTS) proven packages are preferred over custom built software solutions for CSRP and MS.	<p>The aim is to leverage industry experience in the delivery of robust solutions. The appropriate use of common components/systems at all layers in the architecture will reduce the overall cost of ownership and flexibility to change. (This approach does not preclude the use of modern delivery mechanisms for such solutions, e.g. 'Cloud')</p> <p>Such packages/solutions/components must be fit for the functional purpose and could include elements already deployed in the market or Central Services if appropriate.</p>

No	Principle	Statement	Rationale
SS7	Adaptable & Maintainable Systems	New systems need to be constructed to be readily adaptable to react to business change at a reasonable cost and easily maintainable to ensure they have a long life. Implementation of COTS packages will follow a principle of configuration rather than major modification and customisation. Where specific software needs to be developed, it is expected this will be built to modern (e.g. service oriented / componentised / data driven-configurable) standards to allow these objectives to be met.	<p>The aim is to ensure future software upgrades are not constrained by changes that have been made by the service provider over the course of time and that the solution does not become reliant on specialist knowledge / key individuals in the future.</p> <p>Many systems are compromised from the initial construction phase where delivery priorities outweigh good assurance that the underlying structure is well engineered. This is costly and constraining thereafter.</p>
SS8	Use open standards in systems architecture	Open architecture and protocol (interface) standards must be used when designing the Central Service architecture to minimise development, maintenance and eventual replacement cost.	To enable cost-effective support, maintenance and enhancement of Central Service provision. Furthermore, the solution should not be reliant on specialist knowledge / key individuals. Finally, it encourages quality performance from suppliers.
SS9	Accessible over the Internet through any device	Where applicable, services / applications should be accessible and usable over the internet via multiple devices (e.g. PC, tablet and through browsers or 'apps').	The market needs to be able to adapt and embrace new services to gain their advantages. This principle looks to ensure the Market is able to do this while making interaction easier between the market and both its trading partners and customers.

No	Principle	Statement	Rationale
SS10	Robust, reliable and scalable solution	Service availability resilience and recoverability will be designed and provided in line with cost/benefit criteria set by the customer, driven by risk acceptance appetite i.e. they will not be over engineered against customer's needs.	The overall robustness of the market infrastructure is vital to the day to day operations, brand and reputation of the London Market. This principle is in place to ensure that this is maintained at the correct level for the correct price.
SS11	Secure solution that follows information security standards	The service solution architecture must be secure and will be required to follow recognised good practice embodied in information security standards. A single Service Security Model that will control access to systems and services is preferred.	<p>Information and data security is vital to the day to day operations, brand and reputation of the London Market. This principle is in place to ensure that this is maintained.</p> <p>Authentication of users and the management of their rights is simplest to control and manage when each individual has a single identity.</p>
SS12	Solutions must meet the regulators' requirements	The solutions must conform to the existing and known forthcoming regulators frameworks (e.g. for Lloyd's, the Control Framework with regard to data compliance). There is more than one regulator.	The London Market has to operate within many different regulatory frameworks around the world and has gone to great effort to ensure it is compliant with these. It is vital that none of the changes implemented as part of CSRP negatively impacts this.
SS13	New service solutions should not contain existing service components	New services should not be built using components of existing systems unless fully fit for purpose and able to be migrated to other suppliers. Where new services interact with existing / legacy systems, they should be built with interfaces that remove any direct reliance on the existing systems.	This provides a clear path to exit the legacy technology without tying it closer to the new solutions. Furthermore, it provides the ability in the future to move new services between suppliers, if this is commercially attractive.

No	Principle	Statement	Rationale
SS14	No geographic constraints	Services design and implementation should not limit their use across the globe (e.g. by time or language).	Designing services in this way provides for maximum flexibility in operation. However, business requirements, security implications and cost will govern how a particular service is actually made available.
SS15	Allow third party administrator access	The design should provide customers with the ability to delegate to their nominated 3 <sup>rd</sup> party provider their process responsibilities and access rights to specified documents and data, e.g. claims processing service providers.	The solution design needs to respect the customer demand for choice of supply, enabling a carrier to route business processing transactions to a partner of their choice.

### 3.4 Data & Information

No	Principle	Statement	Rationale
DI1	Provide high-quality, cross-referenced post-bind lifecycle data	Data quality, particularly the capturing and cross-referencing of risk, premium and claim (Accounting and Settlement) data should be improved through the introduction of MS and CSR. CSR should provide for a common, assured cross-reference available to all market participants in data structures which are readily consumable.	Accurate data capture at the earliest point and cross referencing of data is a significant issue and creates an ongoing overhead in market processing. Data is the lifeblood of the insurance market, allowing for accurate pricing, prompt response to clients and management of risk lifecycle. This principle looks to ensure that data captured into the CSR/MS scope of activity, whether directly or from preceding activities, is done well and the referencing of that and any information held collectively is accurate and readily referenceable to participants own systems and records.
DI2	Basic, incoming data is enriched to meet Carrier / London needs	Information received from Originators for processing will be enriched to the standard required by Carriers, e.g. for Lloyd's, where the Control Framework will set the required data standards.	Where required, Central Services and Market Submission act as a buffer between the originator of information and those receiving it, often formatting and enriching before passing it on. This principle ensures the quality and depth of data is recognised as a carrier responsibility.



No	Principle	Statement	Rationale
DI3	Use international data model standards – Data model is a common resource	The data model used to manage and store the information will align wherever practicable to the ACORD standard data model that underpins the ACORD messaging standards. The resulting structure of and relationships between that data for the London Market (i.e. the <i>logical</i> data model) is an asset of the change programme – this will be published as a common resource.	This principle covers two key parts. First, to enable common standards and ways of working with the global market (i.e. common processes, common data standards) enhancement of Central Service provision. Second, the resulting data model is an asset that ensures the solution does not become reliant on a specific supplier / specialist knowledge / key individuals in the future.
DI4	Master Data Management to be employed in support of common data for the Market	Master Data Management best practice and technology solutions will be adopted to ensure uniformity and efficiency of common data across the Market and consistent with Global practices.	Good Data Quality and minimum intervention (e.g. message rejection is typically reliant on market participants using common reference (i.e. master) data.

### 3.5 Adoption & Transition

No	Principle	Statement	Rationale
AT1	Adoption at own pace	Design should cater for adoption / implementation at a pace that suits individual market participants. However, legacy channels (e.g. paper submissions, existing EDI messaging) are not expected to be supported indefinitely (see AT2).	Participants should be able to adopt the new and improved services at their own pace, driven by their own individual business case. However, the service improvements made available to participants should be compelling enough to encourage rapid adoption by all participants thereby eliminating the frustration of the market moving at the pace of the slowest.
AT2	Existing services / channels will be retired in a systematic and controlled manner	Design should allow for the switching-off of existing services and / or channels with an orderly transition that supports AT1.	Maintaining multiple versions of existing services or channels (e.g. paper submission) increases complexity and costs over the longer term. Market Modernisation is aimed at bringing all participants up to a better level of capability over time. Therefore, old services will need to be retired in an orderly fashion over time.
AT3	Provide practical means of migration	Solutions will provide a practical and supported means of migrating to the new services and platforms.	Change within an organisation can often be difficult to adopt. The purpose of this principle is to make the adoption of the new services as painless as practical for Market participants.

No	Principle	Statement	Rationale
AT4	Minimise negative impact on existing services	The negative impact of new / amended services on those using existing and available services should be kept to a minimum. However, existing services should not benefit from any further enhancement from the time the new service is implemented.	Participants should not be penalised with a diminishing service quality while remaining with existing services, noting that through AT2, existing services will not be maintained indefinitely. It should also be noted that costs may increase for the use of old systems as throughput in these channels reduces.

## 4 Abbreviations

<b>ACORD</b>	Association for Cooperative Research & Development
<b>COTS</b>	Commercial Off-The-Shelf
<b>CS</b>	Central Services – the 'Bureau' the specific, back office, shared service.
<b>CSR</b>	Central Services Refresh
<b>CSRPF</b>	Central Services Refreshment Programme
<b>DA</b>	Design Authority
<b>EBOT</b>	Electronic Back Office Transactions
<b>ECOT</b>	Electronic Claims Office Transactions
<b>EDI</b>	Electronic Data Interchange (Message)
<b>IUA</b>	International Underwriting Association of London
<b>KPI</b>	Key Performance Indicator
<b>LMA</b>	Lloyd's Market Association
<b>LMG</b>	London Market Group
<b>MS</b>	Market Submission
<b>PMG</b>	Professional Management Group
<b>SG</b>	Steering Group
<b>TOM</b>	Target Operating Model
<b>XIS</b>	Xchanging Ins-sure Services