As one floor closes another (virtual) one opens; 330-year-old specialist insurance market Lloyd’s of London (“Lloyd’s”) has closed its underwriting floors in response to Government guidance regarding the coronavirus pandemic. Last week, the world’s largest insurance hub replaced its four-story “underwriting room” with its electronic trading system, Placing Platform Ltd (“PPL“), which was successfully stress tested a week earlier.

**Lloyd’s Response**

Lloyd’s has been clear on its emergency response to the pandemic. Market insurers will no longer be able to conduct face to face underwriting, as had been the norm, and instead will be working from their office, or from home, trading electronically via PPL. Lloyd’s created PPL in 2016 but it has been slow to catch on, however, it is now proving to be a lifeline for the market. PPL provides an electronic method of submitting, negotiating and binding the placement and endorsement of insurance contracts. If it is not possible to use PPL, Lloyd’s emergency trading protocol (“Protocol“) sets out steps to enable risks to be placed using email that meet legal requirements. Lloyd’s provides a comprehensive guide on this Protocol which covers areas such as; entering into contracts, oral contracts, preliminary negotiations,
disclosure, cancellation of cover and Lloyd’s claims handling protocol.

In a statement, John Neal CEO of Lloyd’s, explained that on a typical day Lloyd’s see a footfall of around 5,000 and given the advice from the Government to avoid non-essential contact, coupled with the fact that most insurance firms have put in place remote working, lead to the decision to close the underwriting room. Mr Neal stated that the decision was taken with “a heavy heart and a commitment to review the situation on a weekly basis.”

Contingency planning

Lloyd’s has taken a serious approach toward contingency measures, as evidenced earlier this month when in a historic move, it closed its doors for 24 hours to test that the market could trade electronically via PPL or the Protocol. Mr Neal noted at the time that “this test of the markets went well” and that it provided confidence in Lloyd’s collective ability to trade electronically. During the test closure of the building, Lloyd’s took the opportunity to deep clean the underwriting room and all public areas. Before the Government’s advice for complete closure, Lloyd’s was also planning and trialling a staggered work-from-home rota system as part of its business continuity plans.

Comment

No doubt this will be a difficult move for an industry where deals are struck in person and the underwriting room is at the epicentre of these physical transactions. While the norm is not electronic trading, Lloyd’s hopes the implementation of its business continuity plan will enable it to remain open for business and will help the market to weather the storm of the coronavirus crisis.

It has been reported that 9 out of 10 businesses do not have adequate policies in place for handling a pandemic. To assist you we have produced a complimentary contingency risk assessment tool. We invite you to take 15 minutes to self-assess your contingency arrangements using our complimentary online tool with the option to receive a contingency planning template.

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