



LMA
Lloyd's market association

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Dear Sirs,

Lloyd's Market Association's response to: Microsoft's business software ecosystem

Thank you for the opportunity to respond to this invitation to comment.

About the Lloyd's Market Association and its members

The Lloyd's Market Association (LMA) represents fifty-five managing agents at Lloyd's, with one-hundred-and-six active syndicates underwriting in the market and four members' agents, which act for third party capital.

The Lloyd's Market distributes insurance products in over two hundred countries, including across the EU through Lloyd's Insurance Company, which is Lloyd's second-largest market. The Lloyd's market is a specialist insurance market known for its innovatory approach to insurance products. The majority of members use the Microsoft suite of products.

Our views

The LMA considers that Microsoft's business software ecosystem should be designated as having Strategic Market Status.

It will not come as a surprise to the CMA that a significant number of UK businesses are effectively embedded within the Microsoft suite.

For many of the organisations we represent, Microsoft's productivity tools, operating systems and associated services are deeply integrated into their own business environments, making switching both operationally complex and commercially unattractive.

The position is particularly acute in the financial services sector. Firms are subject to regulatory requirements in relation to operational resilience and outsourcing, including obligations around auditability, and control over outsourcing arrangements. In practice, these requirements necessitate a degree of control over technology providers and their service chains and, in this context, Microsoft's scale and market position mean that firms have limited or no ability to negotiate bespoke contractual terms or operational arrangements which is an issue we have raised in consultations on expectations around material outsourcing. The reality is that engagement with Microsoft operates on a "take it or leave it" basis, making alignment expectations imposed on regulated firms more difficult than it should or could be.

At the same time, there remains a lack of fully developed, alternative ecosystems capable of replicating the breadth and interoperability of Microsoft's offerings at scale. While individual competing products exist, viable substitutes for the overall ecosystem are limited, particularly where firms require seamless integration across different functionalities. The growing use of AI in business operations is likely to reinforce this position further, as tools such as Microsoft Copilot are

particularly attractive to businesses because of their interoperability with the wider Microsoft suite, enabling AI functionality to be integrated into existing workflows and systems. The growing use of AI in business operations is likely to reinforce this position further, as tools such as Microsoft Copilot are likely to be attractive to businesses because of their interoperability with the wider Microsoft suite, enabling AI functionality to be integrated into existing workflows and systems.

Taken together, these factors are strong indicators of substantial and entrenched market power and demonstrate the degree to which Microsoft occupies a position of strategic significance.

Yours faithfully,



Lloyd's Market Association

