
Centralised Compliance – developing our new approach

Policyholder & Third Party Oversight Department

4th October 2017

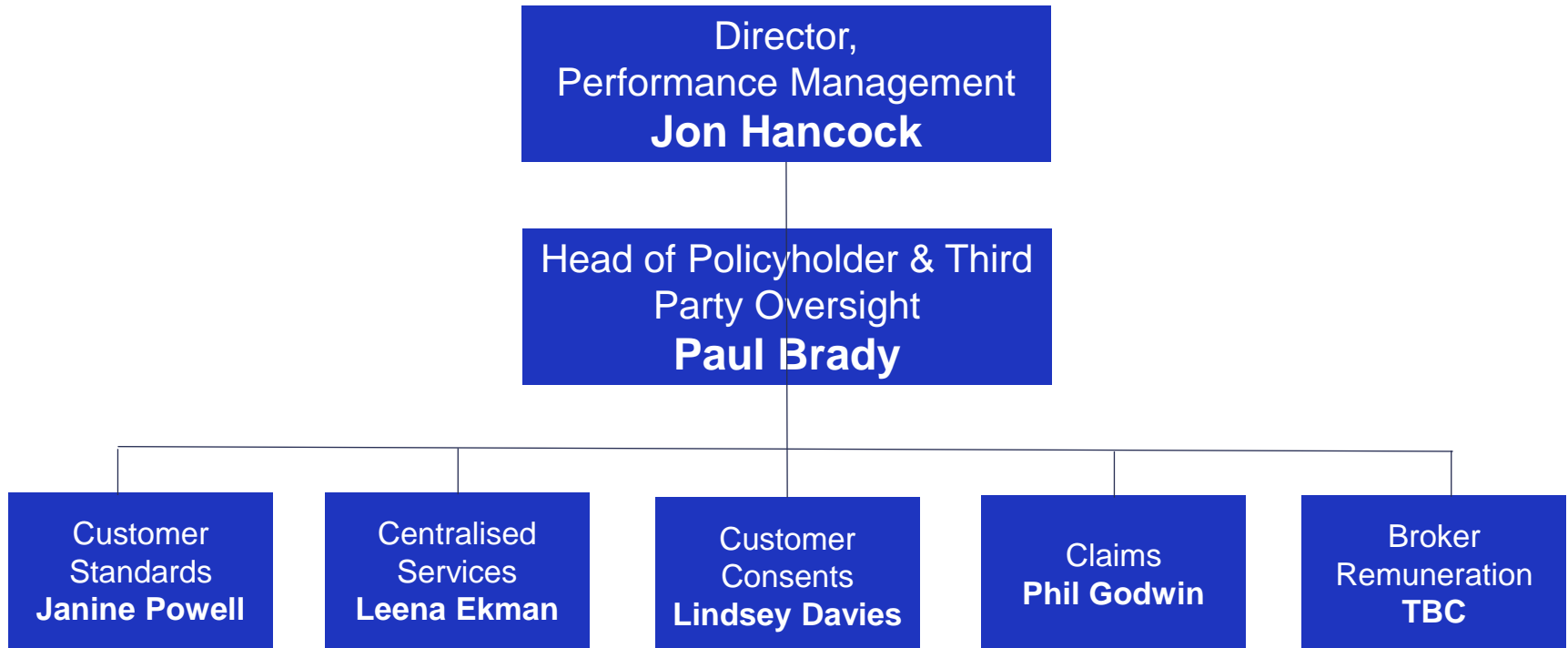
Coverholders- Protect, Promote, Provide

- Position Lloyd's as the global, market leading provider of delegated authority capacity, innovative solutions and service in both our mature and developing markets

Already leading in US, UK, Australia and Europe with Coverholder distribution which accounts for 29% of Lloyd's total premium income in 2016

- Facilitate and oversee the Lloyd's market's ability to access sustainable business through well run and expert Coverholders
- Provide insights and services to managing agents, brokers and Coverholders

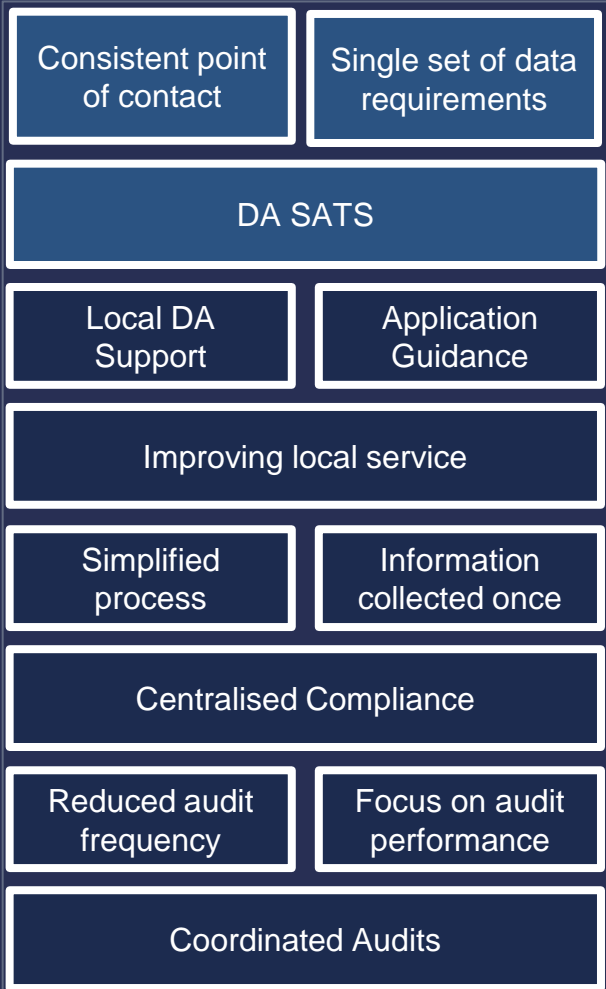
New Structure



Agenda

- Overall Coverholder support is improving – Paul Brady
- Ongoing Compliance Oversight – Lindsey Davies / Jane Harley
- Claims – Janine Powell
- Questions

Overall Coverholder support is improving



Coverholder Compliance - Journey

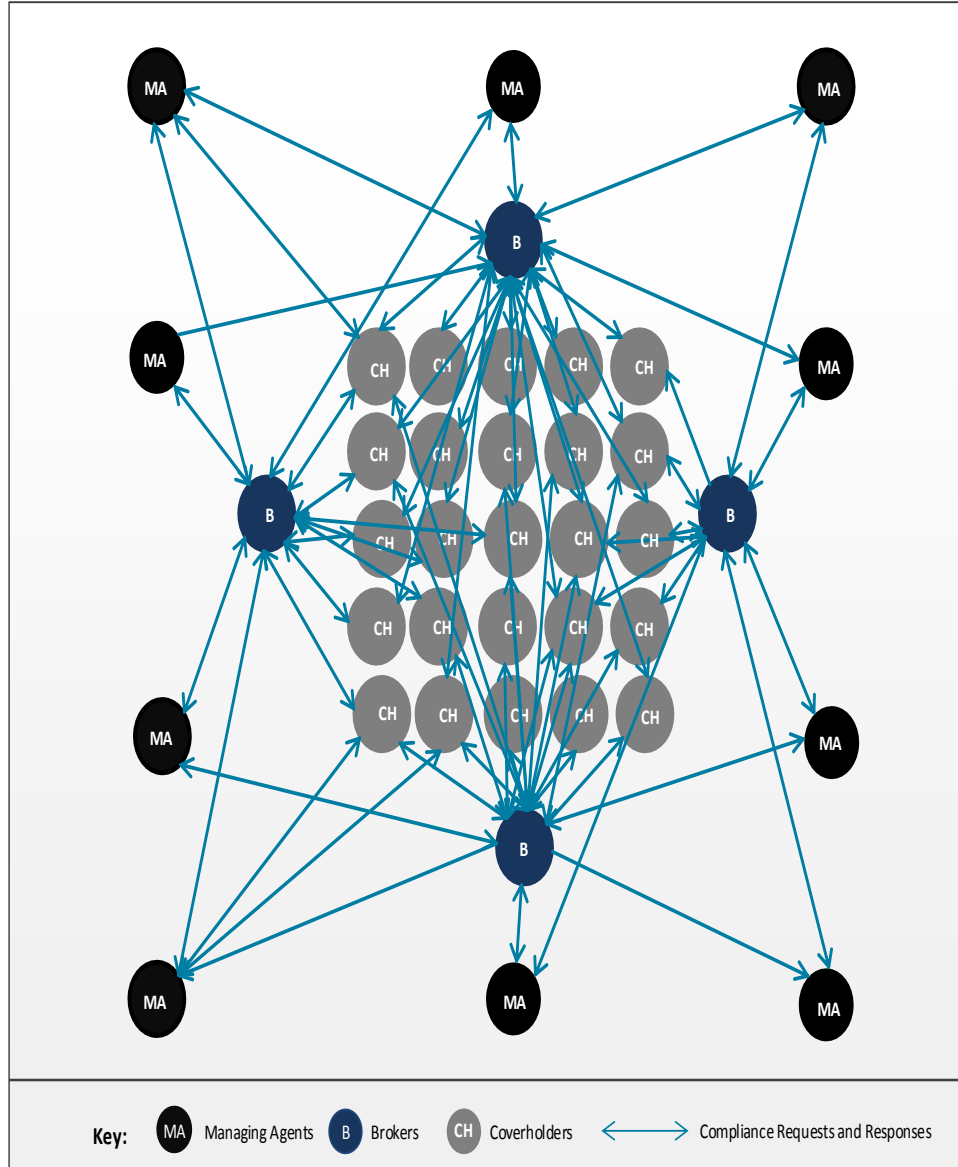


58 Managing Agents 120 Brokers involved in the process

Circa 3500 locations Coverholders covering approximately 2,500 entities

Covering over 10,000 relationships



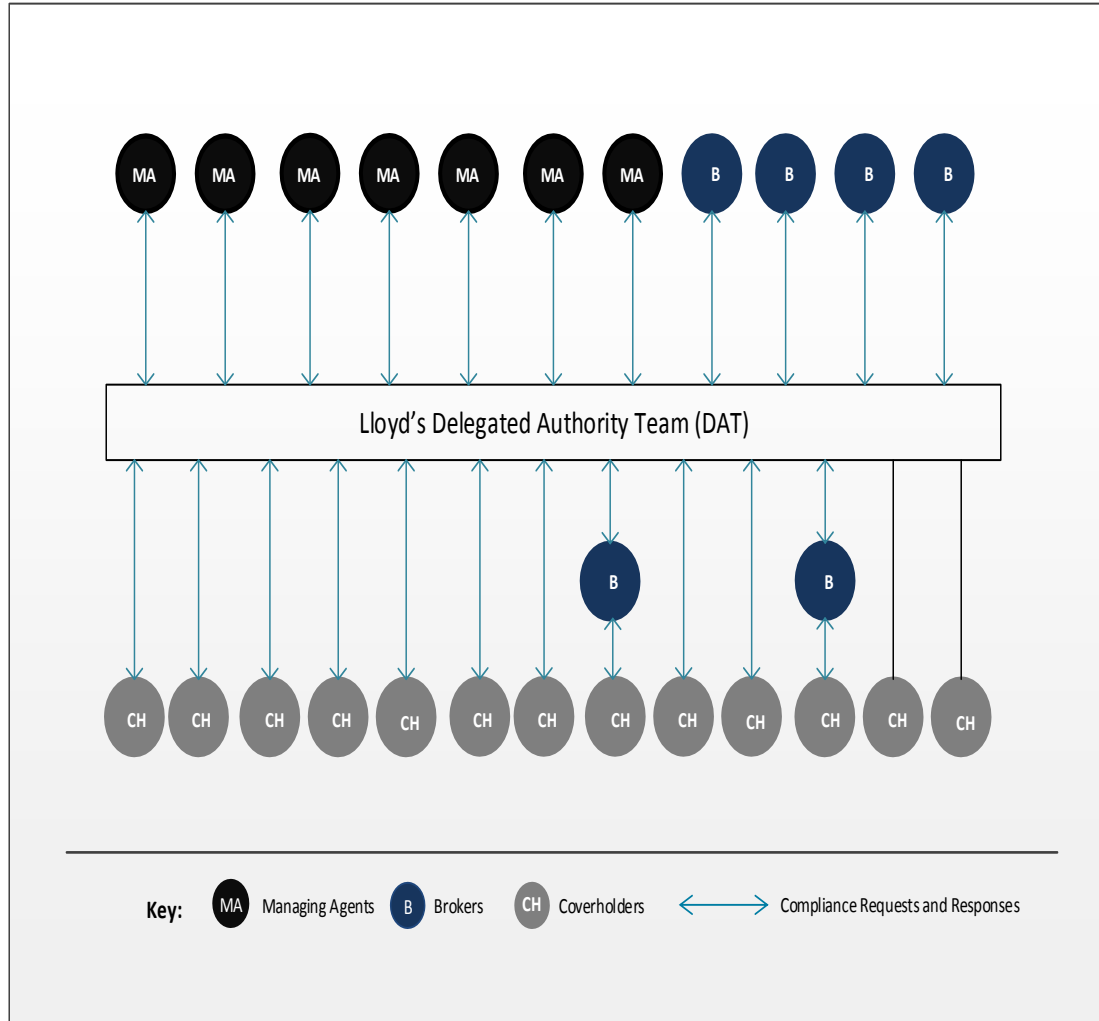


What will Lloyds be doing differently and how will it affect me?

Code of practice sets out the parameters.

Ongoing Compliance Oversight

As part of its Coverholder oversight role, **Lloyd's DAT will centrally collate and perform a limited review of the Coverholder's core entity level compliance information, including financial statements, PI details and certain entity level procedure documentation.** Lloyd's DAT will also ensure that this information is updated on Atlas. **This process is designed to ensure that the Coverholder information reviewed at the application stage is kept up-to-date and continues to meet the suitability criteria.** Managing Agents shall not therefore need to re-request that core compliance information. However, this **does not remove or replace the Managing Agent's responsibility** to perform its own contract level due diligence assessment relative to the authorities granted (see **Part 5 – Minimum Standard – Due Diligence of Coverholders**). The information that Lloyd's will request and review is listed in **Appendix 3**.



Coverholder Compliance – Market Participants

- Aspen
- Tokio Marine Kiln
- Atrium
- Beazley
- Liberty
- Allied World
- Hiscox
- LMA
- Tysers
- Miller
- Endeavour
- JLT
- Aon
- MAG
- Arthur J Gallagher
- Ed
- Besso
- THB
- Bell & Clements
- Bowood

Coverholder Compliance

- Lloyd's DAT will centrally collate and review the Coverholders core entry level compliance information
- All coverholders must provide:
 - Financial Statements
 - PI Details
 - Business Continuity Plan
 - Anti Money Laundering Procedures
- Where applicable to their entity Coverholders should provide:
 - Succession Plan
 - Conflicts of Interest Manual
 - Complaints Procedure
 - Whistleblowing Procedure
 - Treating Customers Fairly Manual
 - Data Policy
 - IT Security Policy
 - Outsourcing Policy

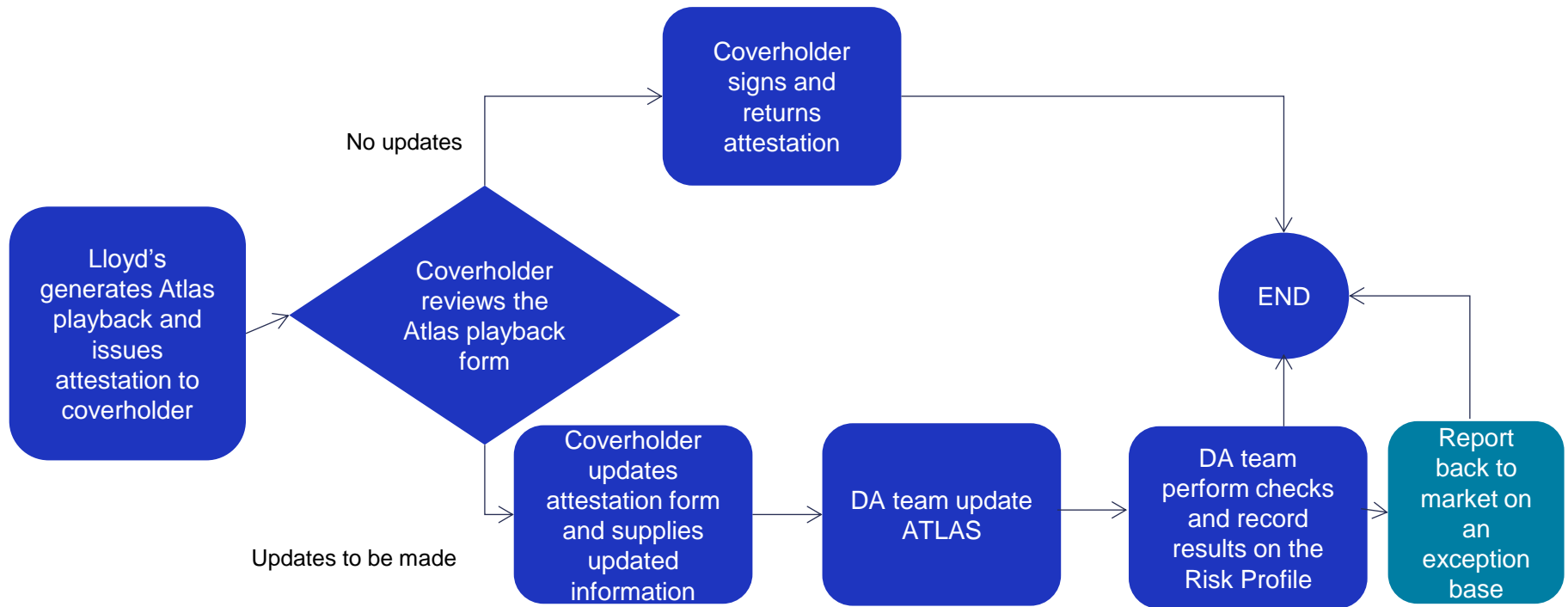
Coverholder Compliance

- DAT will create and maintain a Compliance Risk Register Profile for each Coverholder which records the documentation received, as well as key Coverholder and Lloyd's Broker details
- Managing Agents shall not need to re-request that core compliance information. However, this does not remove or replace the Managing Agent's responsibility to perform its own contract level due diligence assessment relative to the authorities granted
- The level of checks Lloyd's DAT will request and review is listed in the Criteria Guide (Code of Practice, Appendix 3)
- Coverholders will be required to complete an annual attestation to confirm that the information provided is up-to-date and relevant

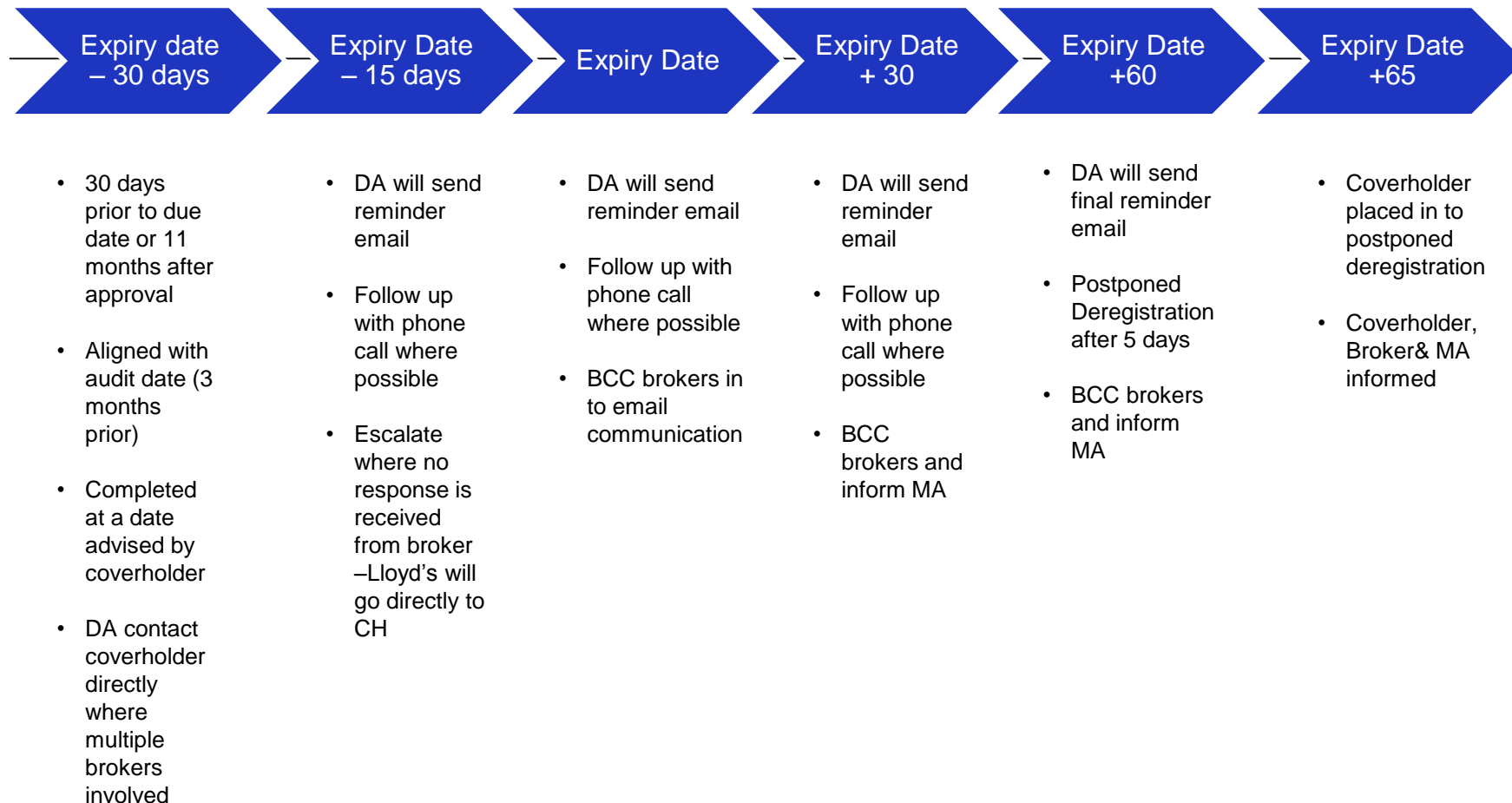
Attestation Form

Annual Attestation Update Form		
Coverholder Name:	Coverholder ABC	
Coverholder PIN:	123456789	
Period Covered:	01/01/2016 - 31/12/2016	
<i>As per the Lloyd's Undertaking please confirm the below Coverholder information held on Atlas for your entity is as accurate and complete to the best of your knowledge and belief .</i>		
Please acknowledge the trading offices approved as Coverholder locations for your entity group and these are the only offices	<input type="checkbox"/>	Yes
[Lloyd's to insert branch pins]		
Has any of your Coverholder information changed from what is currently held on Atlas as per the Playback Form?		
Company Information	<input type="checkbox"/>	Yes
Bank Account	<input type="checkbox"/>	Yes
Licences	<input type="checkbox"/>	Yes
Ownership	<input type="checkbox"/>	Yes
Reputation and Standing	<input type="checkbox"/>	Yes
Systems and Controls	<input type="checkbox"/>	Yes
Claims Handling	<input type="checkbox"/>	Yes
Has any of your Compliance Documentation changed? (only note what is applicable to Coverholder)	Version	<input type="button" value="v"/>
Professional Indemnity	Jan-17	Yes
Financials	Jan-17	Yes
Business Continuity/Disaster Recovery Plan	Jan-17	Yes
Financial Crime Procedures	Jan-17	Yes
Succession Plan	Jan-17	Yes
Conflicts of Interest Policy	Jan-17	Yes
Complaints Handling Procedure	Jan-17	Yes
Data Privacy Policy	Jan-17	Yes
IT Security Policy	Jan-17	Yes
Outsourcing Policy	Jan-17	Yes
Credit Control Procedures	Jan-17	Yes
Organisation Chart	Jan-17	Yes
Claims Procedures	Jan-17	Yes
Have any of your Coverholder Directors changed in the last 12	<input type="checkbox"/>	Yes
<i>Where you have answered 'yes' to any of the above please complete the 'Atlas Updates' tab for complete via your broker) within this spreadsheet</i>		
Signed on behalf of the coverholder:		
Position:		
Date:		
<i>*Please print, sign and scan the above page</i>		

Coverholder Compliance



Coverholder Compliance - Escalation



Coverholder Compliance - Contact Details

Jane Harley

Compliance Manager

Policyholder Protection & Third Party Oversight Performance Management Function

Email jane.harley@lloyds.com

Telephone +44 (0)20 7327 5462

Claims Governance & Oversight



Managing Agents
comply with
Claims
Minimum
Standards

**Coverholders
and TPAs**
activities are
supportive of
Claims
Minimum
Standards

Policyholders
are assured of
the Lloyd's
Standard
when making a
claim

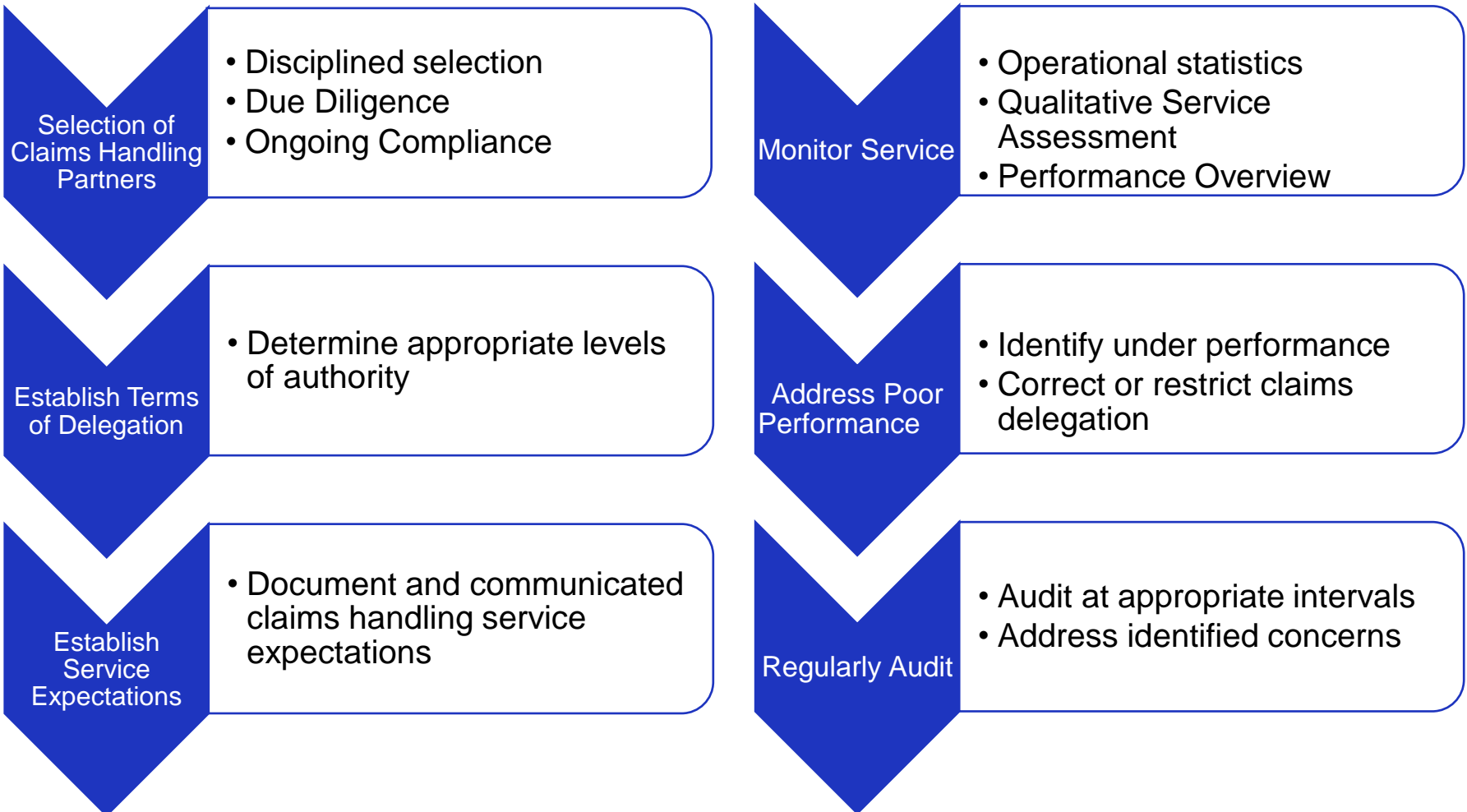
MONITOR

MEASURE

ASSESS

ENFORCEABLE FRAMEWORK

Claims Minimum Standards – Section 6 Use of Third Parties



Thematic Review – DA Claims Management

- **Aims Included**
 - Establishing compliance with Minimum Standards
 - Identifying Examples of Best Practice

- **Principles**
 - Consistent, Proportionate, Add Value

- **Scope**
 - All Managing Agents & selected TPA & CH Arrangements with DA Claims Handling

- **Methodology**
 - Phase One - Desk Based Review of ALL Managing Agents
 - Design and Operation of DA claims management framework

 - Phase Two - On-site Review of Selected Managing Agents
 - Further review of the Operational framework

Thematic Review Observations

Examples of Good Practice

- ✓ Development of strategic opportunities through recognising the benefits of partnering with Coverholders and TPAs
- ✓ Disciplined due diligence supporting the right choices for claims handling partners
- ✓ Terms of engagement that are reflective of the aims for delegating claims handling
- ✓ Performance oversight that identified negative variances in claims service and management oversight that facilitated quick resolution
- ✓ Audits that were directed by risk factors and scopes tailored to support key aims of the review

Opportunities to Improve

- Streamline the due diligence process so as to reduce duplicative requests for information and enhance compliance
- Establish terms of delegation that enable and support claims handling partners in delivering good claims service
- Articulate the Claims service expectations more consistently
- Expand on how we use claims information to analyse performance and improve claims services
- Reduce impact on Coverholders and TPAs through continued support of shared Audits, use regular oversight information to direct Audit scope.

Thematic Review – Next Steps

- ❑ A group of Managing Agents, LMA and Lloyd's set up to drive improvement opportunities

- ❑ Group has established Objectives and Operating Principles

- ❑ Identify Work streams where opportunities exist to work in a coordinated manner

- ❑ Aim to ease and improve the experience for Coverholders and TPAs when working with Lloyd's MAs

- ❑ Supporting better Claims Services to Policyholders

Questions?

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LLOYD'S

Coverholder Ongoing Compliance Oversight

What is the problem?

Lloyd's is streamlining compliance requirements at entity/group level. Enhancing its own oversight but this brings benefits to all stakeholders.



Coverholders currently undergo compliance check requests by multiple Managing Agents, resulting in the same information being provided several times.

Conversely **Managing Agents** currently perform multiple compliance checks on Coverholders, impacting cost and resources in support.

This new oversight regime removes duplication of effort and centralises the process for Coverholders and Managing Agents to ease the administrative burden.

What have we done so far?



We are calling it Ongoing Compliance Oversight - OCO is now being added to the oversight functionality provided by the DA team within Lloyd's.

To date we have consulted with brokers and managing agents to design an annual compliance attestation process that works for all. We have consolidated records on ATLAS for compliance information. The Key to this is having the compliance information on ATLAS up to date by the end of 2017 to enable this process. The attestation process is due to complete in time for 1st January 2018.

What is it?



Central Compliance is a streamlined process that amalgamates the coordination and management of the current Coverholder compliance processes. Once implemented it will ensure that all data/information required for relevant entity/group compliance checks is **only requested once**.

The Coordination of Compliance checks for Coverholders/TPAs is to be managed via Lloyd's Ongoing Compliance Oversight (OCO). OCO, acting as a single point of contact, **will take a lead in assessing due diligence of coverholders at company level** the results being made available to authorised parties. **Managing agents will focus on their binder/commercial due diligence,**

What are the Forecast Benefits to the Market?

Lloyd's

- Increase our centralised oversight and understanding of coverholders;
- Deeper ongoing and risk based understanding of our coverholders;
- Minimise the ad-hoc number of Lloyd's consents needed;
- Reduction of complaints in doing business in the London market;
- un-ambiguous data requirements and a simple process to submit the compliance information.

Coverholders

- Reduced set of data requirements, Branch record data requirements are rationalised and consolidated and Information is submitted once.

Underwriters

- Can refocus on value add activities as a result of Administrative (collation and checking of information) activities completed by Lloyd's once.