

Principle 4: Claims Management

Transition to a hurdle Principle, with revision to the wording of the Principle, sub-principles and guidance within the Maturity Matrix

Principle 4: Claims Management

Transition to a hurdle Principle and revisions to the Principle, sub-principles and guidance

Throughout 2024, the Claims Management Principle has undergone a thorough review, which has included Lloyd's hosting a series of workshops to review the revisions to the Principle with a LMA sponsored market group, resulting in the following key changes:

- Elevation of the Claims Management Principle to become the fifth fundamental, or 'hurdle' Principle
- Revision of the wording of the Principle and sub-principles
- Revision of the guidance within the Maturity Matrix



Why The Transition ?

- To elevate Claims and their value within businesses
- To equalise Claims as a business partner with other key functions
- Pathway for Claims to become a core market attribute



Design Principles

- Respond to Heads of Claims feedback
- Clearer, increased focus on outcomes
- Provide clear Lloyd's expectations
- Incorporate learnings



Target Benefits

- Position Claims to further promote Lloyd's as the platform of choice
- Provide a more efficient Attestation experience for managing agents
- A more transparent approach to assessed maturity ratings

Principle 4: Claims Management

Approach to the transition

- Opportunity to review and revisit the Claims Management Principle
- Engagement with LMA, LMA Claims Committee and NexGen Claims Committee
- LMA Sponsored Working Group – representing a range of businesses
- Series of 5 x 3-hour workshops
- Iterative approach to the drafting
- Meetings covered reviewing the Principle, sub-principles and Maturity Matrix guidance
- Concluded with proposed revisions to the Claims Principle, sub-principles and guidance

Principle 4: Claims Management

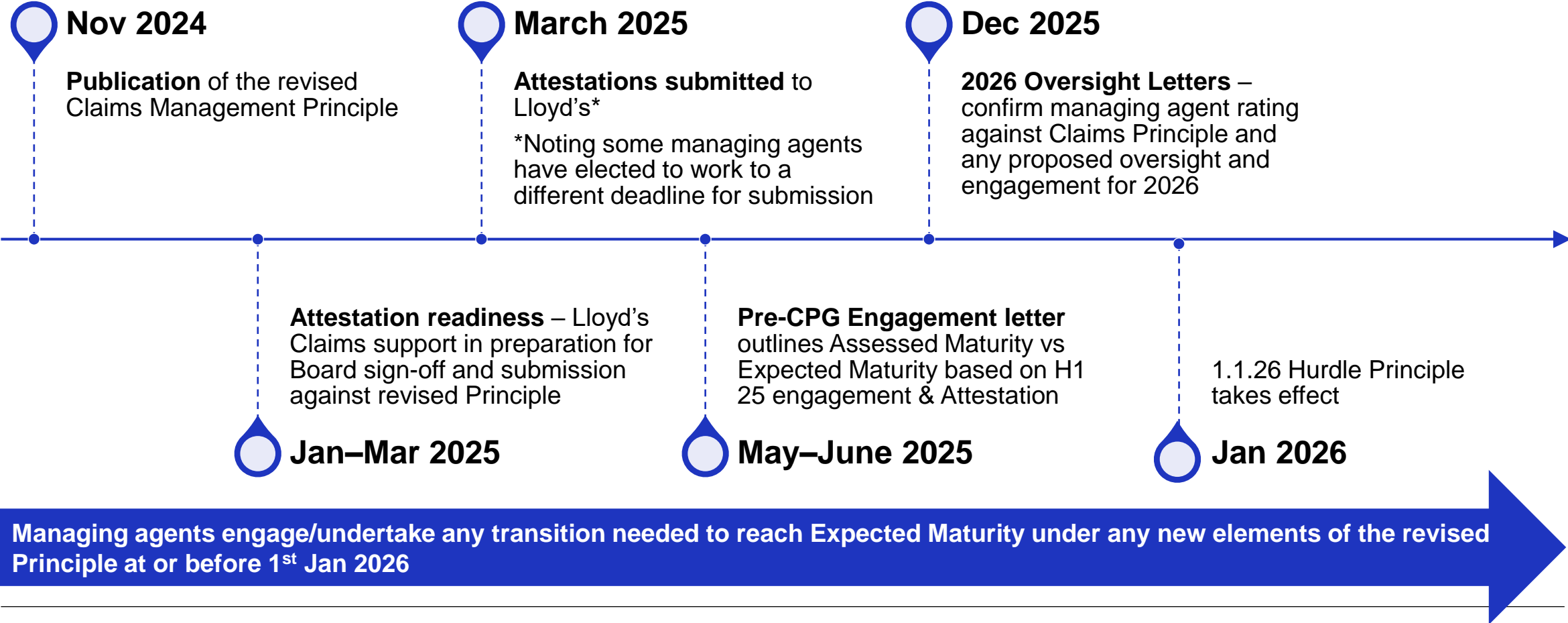
Design principles – key revisions

- The revisions to the Principle and sub-principle wordings reflect:
 - Heads of Claims feedback, workshop feedback & discussion, our learnings
 - Increased prominence of the Claims Management Strategy within the wider business strategy
- Maturity Matrix guidance provides clearer examples of outcomes
- Sub-principles 1 and 6 move to a single Foundational level of maturity, reflecting their universal applicability
- Sub-principles 2 and 3 move from three to four levels of maturity with the addition of Advanced

There are no changes to Expected Maturity calculations

Principle 4: Claims Management

Timeline for transition to a Hurdle Principle



Principle 4: Claims Management

How Lloyd's hurdle Principles impact Syndicate Categories

Lloyd's Principles Based Oversight (PBO) framework, includes 13 Principles, with the combination of Lloyd's assessment against them aggregating to produce a Syndicate Category for each syndicate. Greater weighting is given to Dimension Ratings of Below Expectations and Well Below Expectations.

Until now, there have been four fundamental or 'hurdle' Principles. The Claims Management Principle has now been added as the fifth hurdle Principle.

The Syndicate Category cannot be higher than the lowest Dimension Rating for a hurdle Principle, but it can be lower if other Dimension Ratings aggregate to a lower Syndicate Category.

Hurdle Principles

- 01. Underwriting Profitability
- **04. Claims Management**
- 06. Reserving
- 10. Governance, Risk Management and Reporting
- 13. Culture

Syndicate Category cannot be higher than the lowest hurdle Principle

| Dimension rating – any hurdle Principle: | Highest Syndicate Category |
|--|----------------------------|
| Marginally Below Expectations | MODERATE |
| Below Expectations | UNDERPERFORMING |
| Well Below Expectations | UNACCEPTABLE |

Principle 4: Claims Management

Claims Management Principle

Revised Version

Managing agents should execute a Claims Management Strategy that is aligned to and supported by the business, delivering a high-quality claims service which includes a prompt and fair customer service, complying with legal and regulatory obligations

Key Revisions

- Increased prominence of the Claims Management Strategy within the wider business strategy

Existing Language

Managing agents should ensure that they have a claims commitment in place which is designed to deliver a high-quality claims service which includes a prompt and fair customer service, efficient and effective claims handling, and compliance with legal and regulatory obligations

Principle 4: Claims Management

Sub-principle 1

Revised Version

Claims management forms an integral, clearly defined and understood component of the Syndicate Business Plan and of the medium to long term business strategy

Existing Language

Claims related information and knowledge is available and used pre-emptively in business planning and wider syndicate performance management

Key Revisions

- Claims is now explicitly required to be addressed within the Syndicate Business Plan/medium to long term business strategy
- Removal of maturity levels – single Foundational maturity level introduced as this sub-principle is fundamental to all businesses regardless of scale and complexity

Principle 4: Claims Management

Sub-principle 2

Revised Version

Appropriate resource and expertise are in place to consistently deliver against the Claims Management Strategy, Syndicate Business Plan and medium to long term business strategy. This will include an appropriate method to measure, monitor and maintain resource adequacy, in line with the expected quality of service

Existing Language

The claims environment and infrastructure enables effective servicing at an appropriate level of sophistication, through the retention of adequately and suitably skilled resource, underpinned by a strong claims culture and continuous education

Key Revisions

- Now focusses exclusively on resource/expertise (not as well as infrastructure which is now in sub-principle 3)
- Introduces a required method to measure/monitor resource
- Advanced level of maturity added

Principle 4: Claims Management

Sub-principle 3

Revised Version

Proactive claims management is delivered, supported by an infrastructure appropriate to the size and complexity of the business, reflecting the Claims Management Strategy, Syndicate Business Plan, and in alignment with the medium and long term business strategy

Existing Language

Claims are handled efficiently and effectively, ensuring active claims and lifecycle management remains appropriate combined with a framework designed to facilitate improvement

Key Revisions

- Proactivity still highlighted, with additional referencing of the infrastructure required to support this (moved from sub-principle 2)
- Third Party Experts now fall within this sub-principle (as an element of the delivery)
- Advanced level of maturity added

Principle 4: Claims Management

Sub-principle 4

Revised Version

Accurate and timely case reserving is maintained in line with the reserving philosophy. Relevant insights, including development potential, are exchanged and taken into account within the overall business

Existing Language

Delivery of accurate and timely case reserving through robust reserving processes and practices

Key Revisions

- Now includes development potential
- Reserving recommendations by third parties and the use of case reserve tolerances
- Brings in reserving obligations under the Lloyd's Claims Lead Arrangements (LCLA)

Principle 4: Claims Management

Sub-principle 5

Revised Version

Delegated claims handling services are delivered consistently and effectively, aligned to the Claims Management Strategy, Syndicate Business Plan, and medium to long term business strategy

Existing Language

Claims management through third party service providers and third party experts delivers the claims commitment and supports syndicate performance

Key Revisions

- Now exclusively addresses delegated claims handling services to promote a more intensive focus
- Moves third party experts into sub-principle 3 as part of proactive claims management

Principle 4: Claims Management

Sub-principle 6

Revised Version

Robust governance and oversight is in place, including at executive level, to monitor and manage delivery of outcomes against expectations whilst identifying and realising opportunities for improvement

Existing Language

Claims performance, customer experience and opportunities for improvement are regularly assessed using both data and qualitative assessment

Key Revisions

- Reflects the expectation delivery is monitored and measured
- Language is consistent with other Lloyd's Principles that outline governance and oversight expectations
- Added emphasis that it 'includes' executive level
- This sub-principle focusses on the delivery of sub-principles 1-5

Sub-Principle 1: Claims management forms an integral, clearly defined and understood component of the Syndicate Business Plan and of the medium to long term business strategy

Revised

Current

| Foundational | Intermediate | Established | Advanced |
|---|---|---|--|
| <p>The Syndicate Business Plan addresses:</p> <ul style="list-style-type: none"> resources and external expertise required to deliver claims management claims management systems and processes (infrastructure) to support the delivery of claims management how any outsourcing strategy will support claims management the cost of delivering the claims management <p>The medium to long term business strategy includes detail of how claims management will contribute to the success of business strategy, including consideration of resources, expertise, the systems and processes that will be required, as well as the role that any outsourcing will play.</p> <p>Insights from Claims are integrated into:</p> <ul style="list-style-type: none"> the Syndicate Business Plan decision making the medium to long term business strategy planning continuous maintenance of both the business plan and strategy, including monitoring of progress against Lloyd's tactical priorities <p>Claims are recognised as a core business attribute, fully integrated within the Syndicate Business Plan and the medium to long term business strategy, supporting sustainable and profitable business.</p> | | | |
| <p>Managing agents can demonstrate how the claims function ("Claims") supports syndicate performance/ preparation and delivery of the syndicate business plan.</p> | <ul style="list-style-type: none"> The syndicate business plan is carefully assessed to determine the impact on Claims, including consideration of resourcing requirements and the impact on processes and systems. Claims planning is synchronised to the syndicate business plan with clear associated objectives and targets, and with detail of how claims may contribute to overall syndicate performance. | <ul style="list-style-type: none"> Claims management is fully embedded within all layers of management activity and the involvement of the claims function in the business planning process and syndicate performance is proactively sought, formalised and appropriately governed. Regular review of progress against business plan(s) is conducted with the claims function and suitable claims related remedial actions are taken swiftly where necessary. | <p><i>No guidance at Advanced.</i></p> |

Single layer of maturity

Sub-Principle 2: Appropriate resource and expertise are in place to consistently deliver against the Claims Management Strategy, Syndicate Business Plan and medium to long term business strategy. This will include an appropriate method to measure, monitor and maintain resource adequacy, in line with the expected quality of service

Revised

Current

| | Foundational | Intermediate | Established | Advanced |
|---------|--|--|---|--|
| Revised | <p>Performance consistently meets claims management expectations.</p> <p>A method is in place which:</p> <ul style="list-style-type: none"> ensures that the Syndicate Business Plan considers appropriate resource and expertise at the formative stages of planning makes provision for adequate contingency, surge and succession planning, as appropriate for the portfolio composition <p>Resource is sufficiently skilled, and training is provided to allow claims professionals to understand and deliver against their assigned responsibilities.</p> | <p>Resource management discipline is in place to ensure that resource is proactively and effectively acquired, allocated, and managed to ensure the resource is agile, with the right resource available, at the right time. This will meet both forecast and real time resource needs.</p> <p>Training and development programme ensures that skills and expertise are sufficient for existing and prospective business.</p> | <p>External and internal, qualitative and quantitative, insights influence the ongoing training and development programme.</p> <p>Claims professionals take responsibility for their continued personal development with support from the managing agent.</p> <p>Senior claims leaders inform and influence wider business areas to support delivery of the medium and long-term business strategy.</p> | <p>Qualitative insights and feedback mechanisms are in place to demonstrate where claims professionals provide excellent service.</p> <p>Investment in attracting, retaining and continuously developing high quality claims professionals to support succession and talent development in the business, and wider industry.</p> |
| Current | <ul style="list-style-type: none"> A simple resource model is established which supports delivery of the claims commitment and considers resource and skills. A review of the model is completed periodically. Provision is made for adequate contingency, surge and succession planning as appropriate for the portfolio composition. Adequate training to allow claims handlers to fulfil their responsibilities which will include mandatory training on relevant laws, regulations and market protocols. Identification and simple manual segmentation and routing of claims is in place (e.g. by complexity, class of business) and is supported by associated basic management reporting. | <ul style="list-style-type: none"> A developed resource model is in place and regularly measured and monitored. The model assesses actual vs planned resource and makes adequate provision for servicing all aspects of the claims function, which may include non-core claims handling activities. Training and development is reviewed and assessed on a regular basis which includes gap analysis to identify and address training and development needs. Identification and routing of claims based on a defined segmentation model, with workflow and associated management reporting. | <ul style="list-style-type: none"> A dynamic resource model is informed by in-depth analysis, and suitably stress-tested. The model facilitates planning using both historical information and trending analysis to forecast for anticipated resource needs – mitigating against potential volatility. Training and development programme is continually assessed and delivered to ensure handlers have the requisite skillsets and behaviours to deliver against the claims commitment. Refined workflow model facilitates the streamlined handling/management of claims and related tasks to ensure the task is being handled by the right person, in the right place at the right time. | <p><i>No guidance at Advanced.</i></p> |

Sub-Principle 3: Proactive claims management is delivered, supported by an infrastructure appropriate to the size and complexity of the business, reflecting the Claims Management Strategy, Syndicate Business Plan, and in alignment with the medium and long-term business strategy

Revised

Current

| | Foundational | Intermediate | Established | Advanced |
|---------|--|--|--|---|
| Revised | <p>An infrastructure framework exists that supports the Claims and business strategy.</p> <p>When a Lloyd's Lead, proactive claims management is evidenced and founded on appropriate claims guidelines or manuals and training with expectations clearly communicated.</p> <p>Results of relevant peer review and audit programmes confirm proactive claim management is being delivered and if not, corrective actions are taken.</p> <p>Where appropriate, service commitments that outline the target claims service experience, are published.</p> <p>Appointment and performance of experts is consistently aligned to proactive claims management expectations, and if not, corrective actions are taken.</p> <p>Lloyd's Claims Agreement Parties consistently adhere to the Lloyd's Claims Lead Arrangements (LCLA).</p> | <p>Key moments in the claim lifecycle are identified, measured and monitored.</p> <p>A range of internal and external sources show that proactive claims management is being delivered.</p> <p>Claims initiatives designed to enhance customer experience are active in the business.</p> <p>Systems effectively capture data for the benefit of claims.</p> | <p>Lifecycle experience is target driven, delivering meaningful customer impact.</p> <p>The delivery and progress of claims initiatives, designed to improve the claims service, are monitored and measured.</p> <p>Data and systems are effectively used to improve claims management and framework efficiencies.</p> | <p>The business operates a range of targeted initiatives to advance claims service delivery drawing on internal and external feedback.</p> <p>The business recognises excellence in the delivery of the claims service.</p> |
| Current | <ul style="list-style-type: none"> • A framework covering processes, procedures and controls to support delivery of an effective and appropriately customer focused claims service. • Core documented processes and procedures are revisited periodically, with adherence to procedures monitored using exception reporting. A level of quality assurance programme (e.g. peer review and claims audit) is in place to provide qualitative oversight. • Documented processes address Lloyd's Claims Scheme, local regulatory requirements and market protocols as appropriate for the composition of the portfolio. • Claims processes, controls and tools are appropriate for the portfolio composition, and may be manual. | <ul style="list-style-type: none"> • Processes, procedures and controls support lifecycle claims management. • There is regular assessment of end-to-end processes, procedures and controls to help identify opportunities for improvement in claims service. • A wider level of quality assurance programme is in place to provide qualitative oversight including adherence to the Lloyd's Claims Scheme. | <ul style="list-style-type: none"> • Processes, procedures and controls advance policyholder experience, shorten claims lifecycle and/or manage operational costs. • Reporting output is monitored for meaningful insights into opportunities for improving the claims service. • Target driven claims lifecycle oversight with a clear focus on ensuring meaningful touchpoints of a claim to deliver against the claims commitment. | <ul style="list-style-type: none"> • <i>No guidance at Advanced.</i> |

Sub-Principle 4: Accurate and timely case reserving is maintained in line with the reserving philosophy. Relevant insights, including development potential, are exchanged and taken into account within the overall business

Revised

Current

| | Foundational | Intermediate | Established | Advanced |
|---------|--|---|---|---|
| Revised | <p>Case reserve accuracy and timeliness is maintained in line with the reserving philosophy.</p> <p>Confidence is maintained that the case reserve based on recommendations by third parties are aligned to the Managing Agent case reserve expectations.</p> <p>This is underpinned by the use and application of:</p> <ul style="list-style-type: none"> • case reserve expectations that include agreed tolerances • case reserving insights being shared within the overall business <p>Reserve responsibilities are discharged in accordance with Lloyd's Claims Lead Arrangements (LCLA).</p> | <p>Case reserving is proactively managed by the use and application of:</p> <ul style="list-style-type: none"> - targeted insights from trends and themes - relevant benchmarking - findings from relevant assurance programmes <p>Reserving insights are exchanged, with other areas of the business including Actuaries and Underwriting, with appropriate actions taken.</p> | <p>The range of insights that are used to help identify relevant trends and themes in the portfolio are:</p> <ul style="list-style-type: none"> - drawn from-internal and external sources which results in appropriate, targeted action - used to appropriately challenge applied case reserve tolerances | <p>In collaboration with other areas of the business including Actuaries and Underwriting, predictive analytics and global trends and themes are used to help optimise reserving and associated business outcomes, including decisions on business mix and risk appetite.</p> |
| Current | <ul style="list-style-type: none"> • A case reserving philosophy and supporting case reserving procedures are in place, outlining broad expectations around reserve timeliness and accuracy. • Case reserving data provides insights into the accuracy and timeliness of reserves at an aggregate level. • Systems and controls in place to monitor large losses, use of additional case level reserves (i.e. IBNR and IBNER) and adherence to authority levels. On lead claims, followers are advised of relevant reserve information on a timely basis. • Regular communication between underwriters, actuaries and claims occurs to identify case reserving risks, with mitigating actions implemented effectively. | <ul style="list-style-type: none"> • Case reserves are proactively managed with regular assessment of their appropriateness through informative case reserve measures and a quality assurance programme. • Case reserving rationale which adheres to the case reserving philosophy is clearly ascertainable on claims files. • Controls extend to include a claims watchlist which is maintained and regularly monitored and shared for large claims and other claims of interest. | <ul style="list-style-type: none"> • Detailed case reserving measures are utilised and monitored including accuracy, timeliness and consistency (supported by a comprehensive qualitative programme) and are overseen by relevant committees. • These allow for targeted insights into trends, themes, benchmarking and systemic issues which are shared within the business on a cross functional basis with appropriate action taken. | <ul style="list-style-type: none"> • A relevant global view of reserving trends and themes is sought and utilised, through available external and relevant industry data. |

Sub-Principle 5: Delegated claims handling services are delivered consistently and effectively, aligned to the Claims Management Strategy , Syndicate Business Plan, and medium to long term business strategy

Revised

Current

| Foundational | Intermediate | Established | Advanced |
|--|--|---|--|
| <p>Delegated risk is managed proactively throughout the duration of the contract, including:</p> <ul style="list-style-type: none"> • pre-placement considerations • due diligence • agreement of contract terms • the cost model • surge and catastrophe response capability • service standards • reporting requirements <p>All parties are clear on the performance expectations. Performance and service delivery is actively monitored against agreed standards, using appropriate data and insights supported by appropriate escalation and challenge where expectations are not met.</p> <p>Regular data feeds ensure up to date reserving and loss ratio can be monitored and intervention can be made in a timely manner.</p> <p>Timely payment of funds to customers are made, ensuring delivery challenges are identified and resolved swiftly.</p> <p>Feedback loops to outsourced service providers are in place to improve data quality, with training provided as appropriate.</p> | <p>Relative value and effectiveness of all delegated arrangements remain clear and are regularly assessed to ensure delivery against the claims strategy.</p> <p>Surge and catastrophe response delivers effective and scalable claims service solutions, supporting operational and customer needs.</p> | <p>Regular review and proactive management of delegated arrangements deliver:</p> <ul style="list-style-type: none"> • support for sustainable and profitable business partnerships • identification of operational service efficiencies • development of service solutions and tools • enhancement of the customer experience <p>Processes are in place to regularly review and improve the provision and analysis of claims information, including claims level data, by delegated providers. Senior management are accountable for these processes.</p> | <p>Delegated arrangements clearly advance a managing agents claims proposition, enhancing the customer experience, supporting Lloyd's reputation and strategy.</p> <p>Contemporary claims data from delegated providers is refreshed and leveraged for a range of purposes, including managing the performance of delegated providers and sharing insights with the wider business including underwriting and actuarial functions.</p> <p>External data is used to benchmark costs and performance of delegated providers.</p> |
| <ul style="list-style-type: none"> • Third-party service providers (e.g. third parties handling claims on behalf of the managing agent) and third-party experts are only used where this aligns to the managing agent outsourcing strategy, with documented rationale. The outsourcing strategy is informed by the wider business strategy and is kept under review. • Claims are involved appropriately in the due diligence (pre-placement), the agreement of contract terms and service standards, performance oversight against service expectations as well as remediation, regular audit and termination decisions. • Key claims expectations around the appointment and management of experts are documented and understood by impacted parties. Composition of the expert panel is aligned to the business needs and regularly reviewed. | <ul style="list-style-type: none"> • Robust oversight framework monitoring of third-party service providers' performance against clear and agreed service levels, with timely actions taken. • Effective audit programme utilised to monitor quality of service delivered (and any actions identified quickly remediated). • Experts' performance against expectations and budget is actively monitored with swift action taken where expectations are not met. | <ul style="list-style-type: none"> • A clear and considered outsourcing appetite and strategy which sets out the quality required of any assigned third-party service providers and experts. • Detailed management information reporting from third-party service providers allows regular assessment of performance against agreed service levels and utilises comprehensive KPIs and qualitative insights. Evidence of swift and proactive performance intervention if required. • Regular reporting on third-party service provider costs and legal costs with regular assessment and reporting of relative value delivered by third-party service providers and third-party experts. | <ul style="list-style-type: none"> • Evidence of a clear culture where third-party service providers and experts are considered and treated as an extension of the claims function; with the providers mirroring the claims commitment of the business, with commensurate onboarding and oversight processes. |

Sub-Principle 6: Robust governance and oversight is in place, including at executive level, to monitor and manage delivery of outcomes against expectations whilst identifying and realising opportunities for improvement

Revised

| Foundational | Intermediate | Established | Advanced |
|---|--------------|-------------|----------|
| <ul style="list-style-type: none"> Evidence of Claims contribution to the delivery of the Business Plan building towards the medium to long term Strategy. Evidence, through effective reporting and data capture, that delivery against the claims management expectations (aligned to sub-principles 1-5) have been met and that this has been appropriately shared and escalated. Appropriate evaluation and challenge exists within the business contributing to successful outcomes. Improvement is achieved through a framework that identifies and delivers required change. The value of the claims management delivered is known and leveraged across the business. The risk to delivery is monitored and mitigated by horizon scanning, reporting, and an effective governance and oversight framework. | | | |

Single layer of maturity

Current

| | | | |
|---|--|--|---|
| <ul style="list-style-type: none"> Performance assessment and identification of improvement opportunities is based on high-level data points and qualitative insights. High-level monitoring measures applied to third-party service providers typically focus on volumes and values of claims and incurred development. Performance assessment and outcomes are measured quarterly with resulting actions taken within the Claims function. | <ul style="list-style-type: none"> Wider data points and more detailed qualitative insights are used for performance assessment and identification of improvement opportunities. Third-party measures extend to include a base line set of performance oriented metrics and qualitative insights linked to clear and agreed service levels. Outcomes from performance assessment are distributed via feedback loops that exist within the business with appropriate action taken. | <ul style="list-style-type: none"> Comprehensive resources are used for performance assessment and identification of improvement opportunities utilising access to extensive data points and deep qualitative insights. Measures applied to third-party providers include comprehensive KPIs and qualitative insights. Performance is measured at least every thirty days via a clear programme consisting of regular, structured and demonstrable feedback loops with all relevant disciplines (including product development) and clear ownership exists within the business at management level to implement the required actions both for continuous improvement opportunities and addressing outlying performance. | <ul style="list-style-type: none"> External sources of feedback and insights are used to inform targeted and measured improvement strategies. A direct connection exists between the claims commitment of the business and the KPIs and qualitative insights utilised to measure performance both within the business and assigned third-party service providers. Evidence of a clear culture that supports and drives continuous improvement from assessment and outcomes with a frequent review and application of learnings by executive leadership to help drive business decisions. |
|---|--|--|---|

Principle 4: Claims Management

Implementation

- Managing agents will attest to the revised Principle as part of the 2025 Attestation
- Where a managing agent does not meet Expected Maturity for Claims Management they will be rated accordingly at the Principle level, but the Syndicate Category will not be impacted by the hurdle Principle during 2025
- From January 2026 the Dimension Rating against the revised Claims Management Principle will take effect as a hurdle Principle
- Lloyd's Claims team will engage with you during 2025 to achieve a common understanding of the revised Principles wording and where you sit against them in readiness for 2026