

Welcome to the Future of Reporting TPD Transformation

TPD Transformation - Proposal

Market Presentation

Old Library, Lloyd's Building

9th October 2023

Introduction

What did we want?

Market's Case for Change

“The excessive amount of **EFFORT** required to **DELIVER*** the returns;
and when that **EFFORT** is required.”

** Deliver defined as Preparation / Submission / Query management*

What would success look like for the Market?



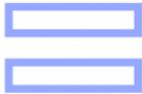
Less FTE
hours
required



Less volatility
in when those
hours are
required



Creating more fungibility
in finance team skills
(reduce differences
between Lloyd's and other
insurance platforms)



Reducing the salary
premiums between
Lloyd's and other
insurance platforms
for same grade staff



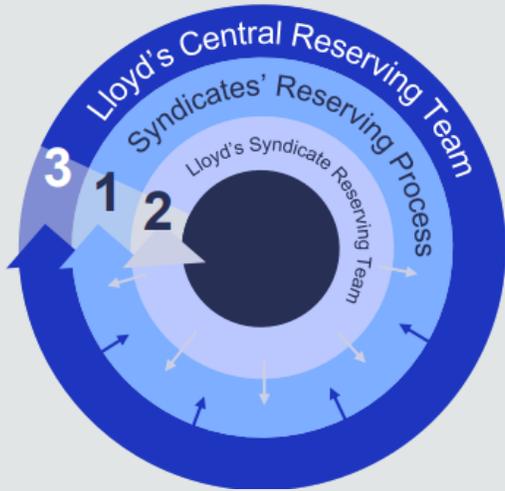
Reducing cost
associated with
specific technology
utilised to aid return
preparation and
submission

Market Solution Outcomes

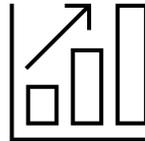


Lloyd's Solution Outcomes

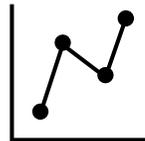
Improving the TPD process



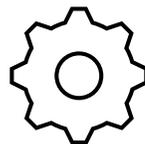
More effective reserving oversight of Syndicates



Greater insights and conclusions from market-level reserving analysis



Improved data quality and accuracy



Increased efficiency of business-critical processes

The journey so far...

The journey so far...

Market engagement



Market driven feedback shaped the revised TPD

Feedback Received	Recognised Issues	Our Solution
Lloyd's Data Model Changes		
Data model should reflect the business structure used by Managing Agents at Lloyd's	Lloyd's needs to speak the same language to Managing Agents and internally	Introduction of Lloyd's Generic Lines of Business enabling direct mapping
A perfect data set is never available	Agreed	Introduction of the principle of proportionality in data mapping
All options considered – no decisions yet made	Diligently worked together incorporating feedback	Initial workshops and market engagement starting now
Market Submission Issues		
Reinsurance data is harder to produce than gross	Not easy to produce from current systems	Removal of granular net dataset – restriction of requirements for Lloyd's Internal Model
Lloyd's allocations requirement mismatched with actual business data and MI	Allocations are for Lloyd's alone	Introduction of Lloyd's Generic Lines of Business enabling direct mapping
Data granularity creates significant additional validation	Allocations are for Lloyd's alone	Removal of risk code data for TPD items
Solution Impacts		
Benefits must outweigh costs	Any additions must be outweighed by costs	Impact analysis to be undertaken – your input required
System and process changes for Market	Further investigation and consultation	To be determined through the market engagement
System and process changes for Lloyd's	Considered downstream impacts	To be determined through the internal engagement

Lloyd's Generic Lines of Business

How the Lloyd's Generic Lines of Business work?

Example lines

Generic Lines of Business

Lloyd's High Level Line of Business	Lloyd's Generic Line of Business	LOB Code	Risk Codes	Original L60
Casualty FinPro	Cyber	CF301	CY, CZ, RY, RZ	Cyber
	D&O	CF302	D3, D7, D9	Directors & Officers (non-US)
			D2, D6, D8	Directors & Officers (US)
	Financial Institutions	CF303	BB	BBB/ Crime
			D5, F3	Financial Institutions (non-US)
			D4, F2	Financial Institutions (US)
			PI, PM	Professional Indemnity
	Professional Indemnity	CF304	E3, E5, E7, E9, ED, EE, F5	Professional Indemnity (non-US)
			E2, E4, E6, E8, F4	Professional Indemnity (US)

Bucket Class

Lloyd's High Level Line of Business	Bucket Class	LOB Code	Risk Codes	Original L60
Casualty FinPro	Professional Liability Bucket	CF30B	BB	BBB/ Crime
			XG, XH	Casualty Treaty (non-US)
			X4, XD, XF, XL, XQ	Casualty Treaty (US)
			D3, D7, D9	Directors & Officers (non-US)
			D2, D6, D8	Directors & Officers (US)
			D5, F3	Financial Institutions (non-US)
			D4, F2	Financial Institutions (US)
			GH, GM, GN, GO, GP, GQ, GT	Medical Malpractice
			EP, NA, NC, NR, NS, PL	NM General Liability (non-US direct)
			UA, UC, UR, US	NM General Liability (US direct)
			E3, E5, E7, E9, ED, EE, F5	Professional Indemnity (non-US)
			E2, E4, E6, E8, F4	Professional Indemnity (US)

How the Lloyd's Generic Lines of Business work?

How does this all work?

Best-
efforts
basis

The expectation is that Managing Agents will be able to provide a mapping from a Syndicate Reserving Class to the Lloyd's Generic Lines of Business on a best-efforts basis – 80% of the premium must match the class.

Materiality

If, after mapping Syndicate Reserving Class to the Lloyd's Generic Line of Business, any Bucket Class has in excess of £30m in Gross Net Written Premium, the Managing Agent will need to break the Syndicate Reserving Class down to a lower level.

How do the Lloyd's Generic Lines of Business work?

Why are we doing this?

Speed up the implementation timeline



Speak in a single language between Lloyd's and the Market



Greater insights from Lloyd's more relevant to your business



Ability for innovation – e.g. market-wide capital initiatives



Alignment of plan and performance



Ultimately remove allocations



Reduction in effort to provide data



Greater fungibility of resource



No regrets move – this will form the bedrock of future reporting in Finance

How do the Lloyd's Generic Lines of Business work?

What does this mean?

Restructured our class system* To become the standard used in all finance collections, including TPD, LCR etc

We've reduced the number of classes to 41 (and four "bucket" classes - proportional approach in the mapping)

Managing Agents align with this management structure for their businesses, maintaining granularity while ensuring taxonomy alignment (avoiding cross L40 allocations)

Simplifying processes for everyone

*Analysis based on SAO data

How the Lloyd's Generic Lines of Business work?

Signing Actuary sign off

There will be a requirement for the Signing Actuary to sign-off the appropriateness of the Class of Business mapping to the Lloyd's Generic Lines of Business

Signing Actuaries to perform the same mapping to the Lloyd's Generic Lines of Business to tag their reserving classes

TPD Data Model

Benefits of the new TPD Data Model

Why are we changing?

Less data required - saving time and effort to produce



More meaningful data – greater and more relevant insights



Removal of issues related to risk code allocation



More engagement- adding value to conversations with the market



Streamlined data validation process



This is a no regrets move and will form foundation of how we build other returns



TPD Summary of Proposed Major Data Model Changes

Old basis	New basis	Rationale
Risk Codes	Lloyd's Generic Line of Business and syndicate's reserving class	Gross Estimates (not data) provided by Lloyd's Generic Line of Business and syndicate reserving class, and Lloyd's will allocate to granularity required where appropriate. Gross Data to be provided at risk code, Lloyd's Generic Line of Business and syndicate reserving class.
Reinsurance at risk code	Lloyd's Generic Line of Business	Collect Net information annually, on an incremental basis, at Lloyd's Generic Line of Business for the latest return period. This is required for the Lloyd's Internal Model.
N/A	Inclusion of ultimate estimates	Allows for review of full underwriting year (rather than only written estimates which we collect now) which will be more consistent when looking at performance vs plan and discussing with Managing Agents. (Gross only)
Once per annum	Collect gross data quarterly and estimates annually	Allows removal of the GQD return, Lloyd's oversight activities and engagement can be spread through the year given data can be used quarterly for oversight. (Gross only)
Incremental data	Cumulative data	Reduces errors and resubmissions from amalgamating incremental returns. (Gross only)
All history	Summarised data for 20+ pure years of account	Trivial IBNR on prior years so not required at same granularity for reserving exercise. (Gross and Net)
7 currencies	Minimum USD and GBP	Reduce currencies for gross data given cumulative triangular data. Net data requires greater currencies as it is incremental.
N/A	Lloyd's cat coded data	Allows for greater accuracy in reserving exercise when removing catastrophe data and therefore fewer market queries. (Gross only)
N/A	LPT / ADC flag	Additional reporting for receiving syndicates. Remove distortions in data where the receiving syndicate is unable to allocate to correct risk code or year of account. (Gross only)
All Solvency II data by risk code and item	Solvency II data by SII class only and only required line items	Strip the return to what is required only for South African reserving given it is in the SA regulations.
N/A	Initial Expected Loss Ratios by reserving class	Additional reporting to assist in triaging concerns before discussing with Managing Agents (Gross Only)
N/A	Removal of items not being used	Remove by risk code and year of account: ULAE, URP, claims outstanding other, claims outstanding discount credit and non-life annuity flag (Gross and Net)

Future Engagement & Timeline

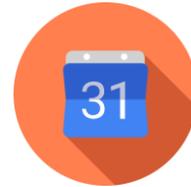
Call to Action

What are we doing?

- Review the Proposal and inform us if there are any red flags by Friday 3rd November.
- Any other feedback on TPD model is voluntary.
- Test it on your data to ensure you can map your Syndicate Reserving Classes to the proposed set of Lloyd's Generic Lines of Business. This mapping can be included as part of your feedback as it will be beneficial to the project. A template will be provided for submission.
- A full class mapping will be required by the end of Q1 2024.
- Complete the feedback questionnaire by Friday 3rd November.
- If you have any questions, please:
 - Attend a Drop-in Session, or contact TPDtransformation@Lloyds.com



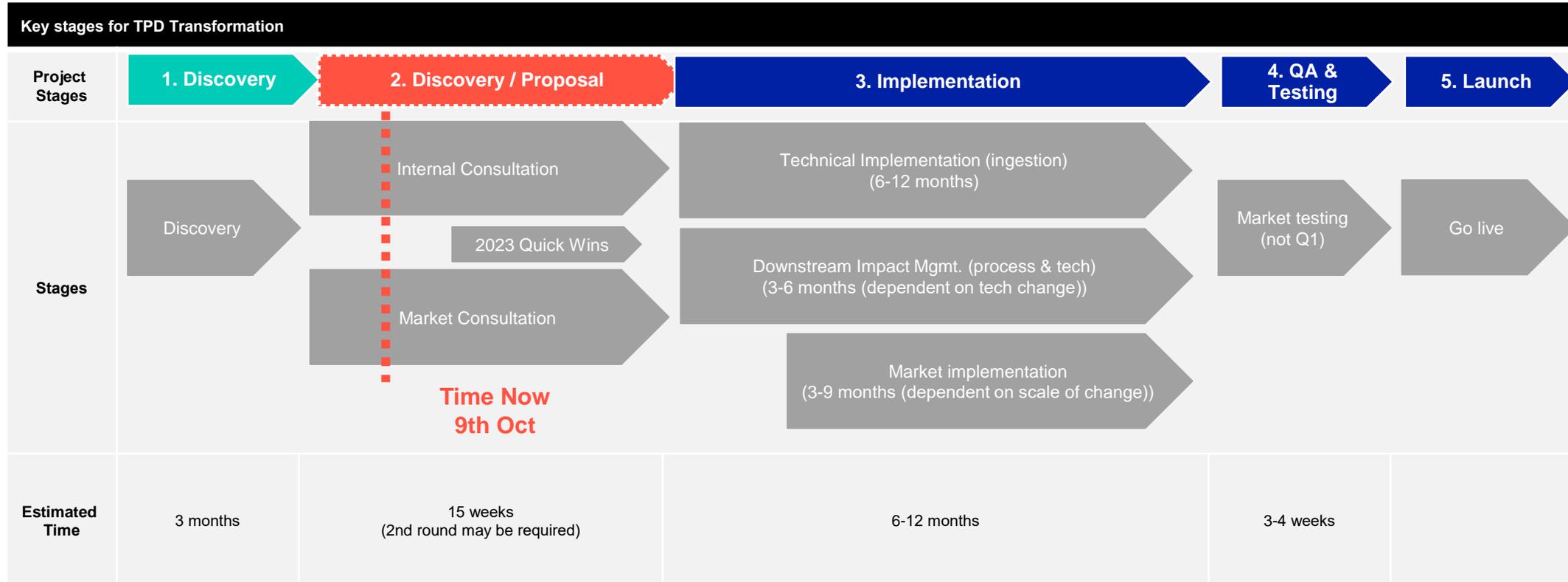
Future Engagement



Key Dates

- 27th Sep: Market Review Begins
- 3rd Oct: Early Preview: TPD Transformation Future Reporting
- 9th Oct: Event: TPD Transformation Future Reporting
- 12th Oct: Drop-in sessions Q&A TPD Transformation Future Reporting
- 19th Oct: Drop-in sessions Q&A TPD Transformation Future Reporting
- 1st Nov: Drop-in sessions Q&A TPD Transformation Future Reporting
- **3rd Nov: Market Review Complete**
- 15th Dec: Market bulletin: TPD Transformation Future Reporting
- Q1 2024: Finalise Class Review

Roadmap for Transformation

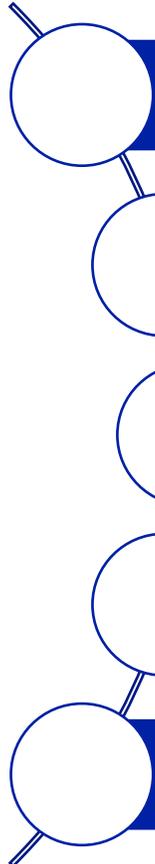


- Timelines are estimates and dependent on size of change
- Scale of systems and process change required dependent on solution
- **Significant uncertainty around Regulatory approval**

Interim step - Proposed changes to the 2023YE TPD

What are we changing?

Please be aware that internal discussions regarding these changes are ongoing and a final decision is yet to be made.

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- Adding thresholds to warnings in CMR – eliminating warnings for immaterial amounts.
 - Increasing the thresholds within the SVR validations to focus on material issues.
 - Option to provide ULAE under 1 risk code only. Lloyds to allocate this if required.
 - Optional population of TPD form 699 (risk margin).
 - Optional population of Unexpired Risk Margin from TPD form 299.

Demonstration and Q&A



Ajay Shah
Head of Predictive Analytics

Actuarial



James Lane
Actuarial Systems Manager

Overview



Chas Clarke
Senior Actuarial Data Analyst

Forms

Drop-In Sessions

We understand that you might have further questions regarding our proposal, therefore we have scheduled sessions on the following dates:

Please use these links to register.

- **12th Oct:** Drop-in sessions Q&A (10:00 -12:00) [Register](#)
- **19th Oct:** Drop-in sessions Q&A (10:00 -12:00) [Register](#)
- **1st Nov:** Drop-in sessions Q&A (10:00 –12:00) [Register](#)

Case for Change & Business Case

Demonstration and Q&A



Ajay Shah
Head of Predictive Analytics

Actuarial



James Lane
Actuarial Systems Manager

Overview



Chas Clarke
Senior Actuarial Data Analyst

Forms

Appendix

How the Lloyd's Generic Lines of Business work?

Worked examples

Example 1 – map to a Lloyd's Generic Lines of Business

A Managing Agent groups data for a Syndicate into an Accident and Health reserving class with the following ultimate premium risk code mix

- *KA £50m (Lloyd's Generic Lines of Business: Accident & Health (direct))*
- *KM £40m (Lloyd's Generic Lines of Business: Accident & Health (direct))*
- *PC £10m (Lloyd's Generic Lines of Business: Contingency)*
- *Total £100m*

As more than 80% of the ultimate premium maps to Accident & Health (direct) the total premium for the reserving class will map to Accident & Health (direct).

Example 2 – map to a Bucket Class

A Managing Agent groups data for a Syndicate into a Property Misc reserving class with the following ultimate premium risk code mix

- *B4 £5m (Lloyd's Generic Lines of Business: Property D&F Binder)*
- *B5 £8m (Lloyd's Generic Lines of Business: Property D&F Binder)*
- *P3 £8m (Lloyd's Generic Lines of Business: Property D&F Open Market)*
- *EP £4m (Lloyd's Generic Lines of Business: NM General Liability)*
- *Total £25m*

Less than 80% of the ultimate premium maps to a single Lloyd's Generic Line of Business. However, more than 80% of ultimate premium maps to the Property Bucket class and no component (Lloyd's Generic Line of Business) exceeds the maximum of £30m. Therefore, the Property Bucket class can be used.

How the Lloyd's Generic Lines of Business work?

Worked examples

Example 3 – mapping does not work- material pure class in bucket class

A Managing Agent groups data for a Syndicate into a Property Misc reserving class with the following ultimate premium risk code mix

- B4 £20m (Lloyd's Generic Lines of Business: Property D&F Binder)
- B5 £16m (Lloyd's Generic Lines of Business: Property D&F Binder)
- P3 £16m (Lloyd's Generic Lines of Business: Property D&F Open Market)
- EP £8m (Lloyd's Generic Lines of Business: NM General Liability)
- Total £60m

Less than 80% of the ultimate premium maps to a single Lloyd's Generic Line of Business. However, more than 80% of ultimate premium maps to the Property Bucket class and the Property D&F Binder component (Lloyd's Generic Line of Business) exceeds the maximum of £30m. Therefore the Property Bucket class cannot be used. The Managing Agent should use another appropriate risk grouping (i.e. to split the class) or a reserving subclass created for reporting of data to Lloyd's and to converse with Lloyd's on these classes.

Example 4 – mapping does not work to pure class or bucket class

A Managing Agent groups data for a Syndicate into a Property Misc reserving class with the following ultimate premium risk code mix

- B5 £8m (Lloyd's Generic Lines of Business: Property D&F Binder)
- P3 £8m (Lloyd's Generic Lines of Business: Property D&F Open Market)
- EP £8m (Lloyd's Generic Lines of Business: NM General Liability)
- Total £24m

Less than 80% of the ultimate premium maps to a single Lloyd's Generic Line of Business or to a Bucket class. Therefore, the Managing Agent should use another appropriate risk grouping (i.e. to split the class) or a reserving subclass created for reporting of data to Lloyd's and to converse with Lloyd's on these classes.