

# **Project Rio Technical Briefing Sessions**

## **Claims Management**

**24 January 2022**

**Lyndsay Deeves and Lloyd's Claims Team**

# Agenda

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Agenda Item	Timings
1. Oversight framework overview – <i>what is it and how will it work?</i> - Overview of the broader framework - How will it work for Claims Management?	20 mins 20 mins
2. Case studies – bringing the framework to life	25 mins
3. Next steps	5 mins
4. Q&A	20 mins

# Oversight Framework:

## *Overview of broader framework*

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Lyndsay Deeves

*Pre-recorded*

# Oversight Framework

Focussing on what matters

**Providing the best run syndicates the space to grow, whilst ensuring appropriate and proportionate oversight across businesses performing poorly against Lloyd's financial and non-financial expectations**

Oversight Objectives		
1. Lloyd's oversight supports the delivery of the Lloyd's strategy	2. Lloyd's oversight is aligned with the Risk Appetite set by the Council	3. Lloyd's oversight instils confidence in regulators and rating agencies
4. Lloyd's oversight creates the conditions for good business to thrive	5. Lloyd's oversight is decisive and impactful for substandard managing agents	6. Lloyd's places primary responsibility for oversight on managing agents' boards and management
7. Lloyd's oversight is risk-based and proportionate	8. Lloyd's oversight is holistic and joined up	9. Lloyd's oversight is objective and data driven

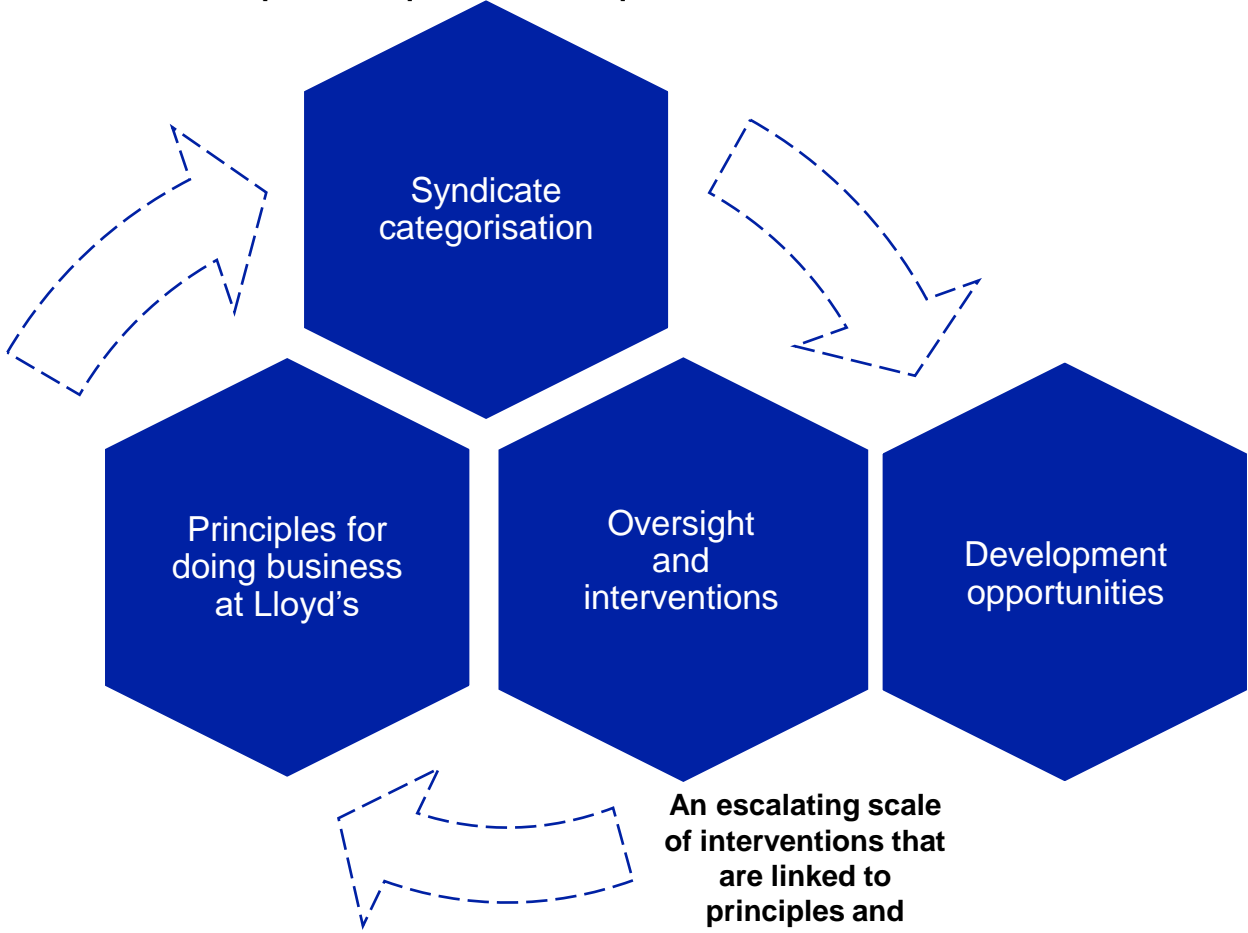
# Oversight Framework

Three interlinking elements that work together to support more differentiated and impactful oversight

Principles defined across all oversight areas

PERFORMANCE	1. Underwriting Profitability
	2. Catastrophe Exposure
	3. Outwards Reinsurance
	4. Claims Management
	5. Customer Outcomes
	6. Reserving
SOLVENCY	7. Capital
	8. Investment
	9. Liquidity
OPERATIONAL	10. Governance, Risk Management and Reporting
	11. Regulatory and Financial Crime
	12. Operational resilience
	13. Culture

One consistent approach to syndicate and agent categorisation based on assessment against Principles on a qualitative and quantitative basis



Growth and development opportunities for the best run businesses

An escalating scale of interventions that are linked to principles and overall syndicates categorisation

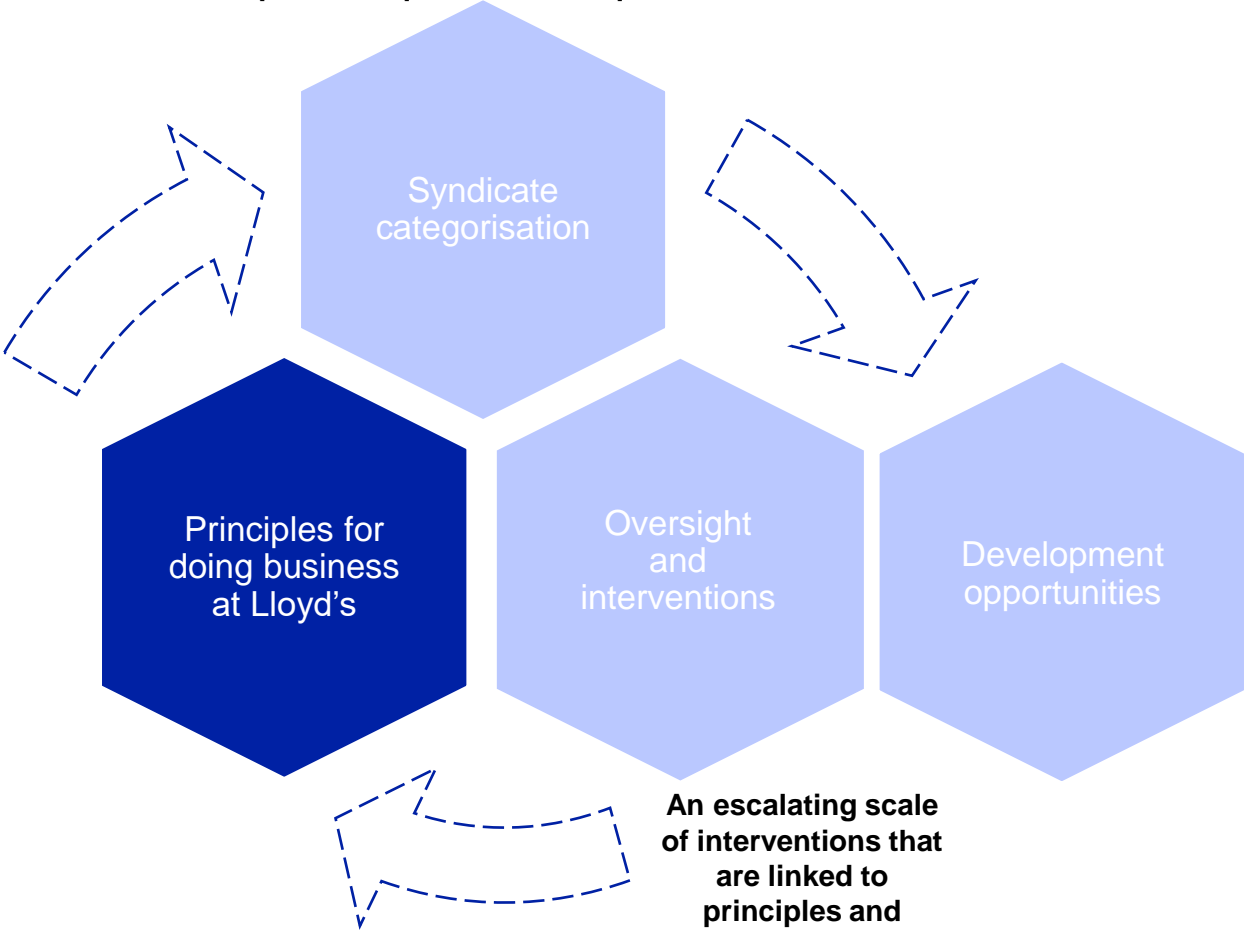
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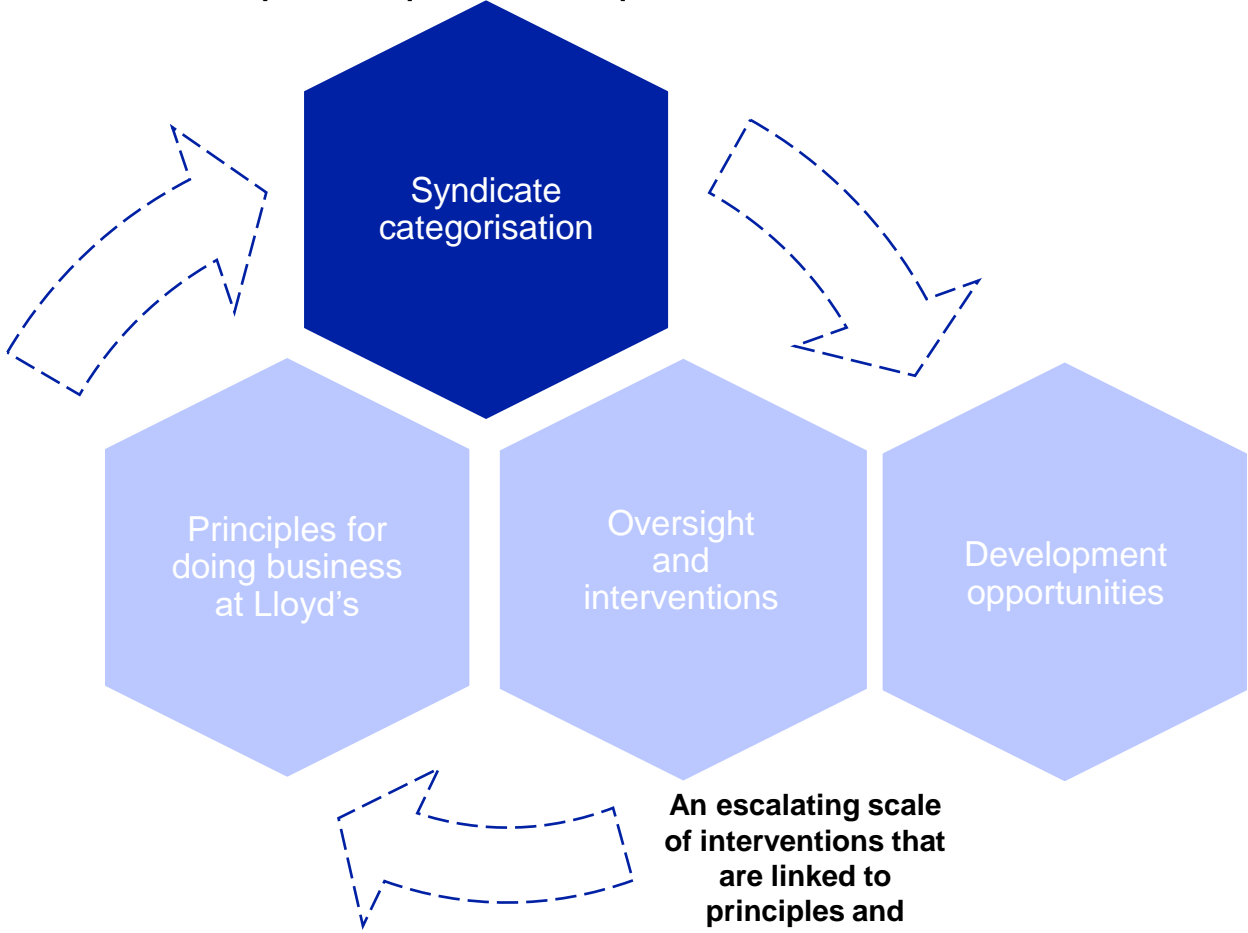
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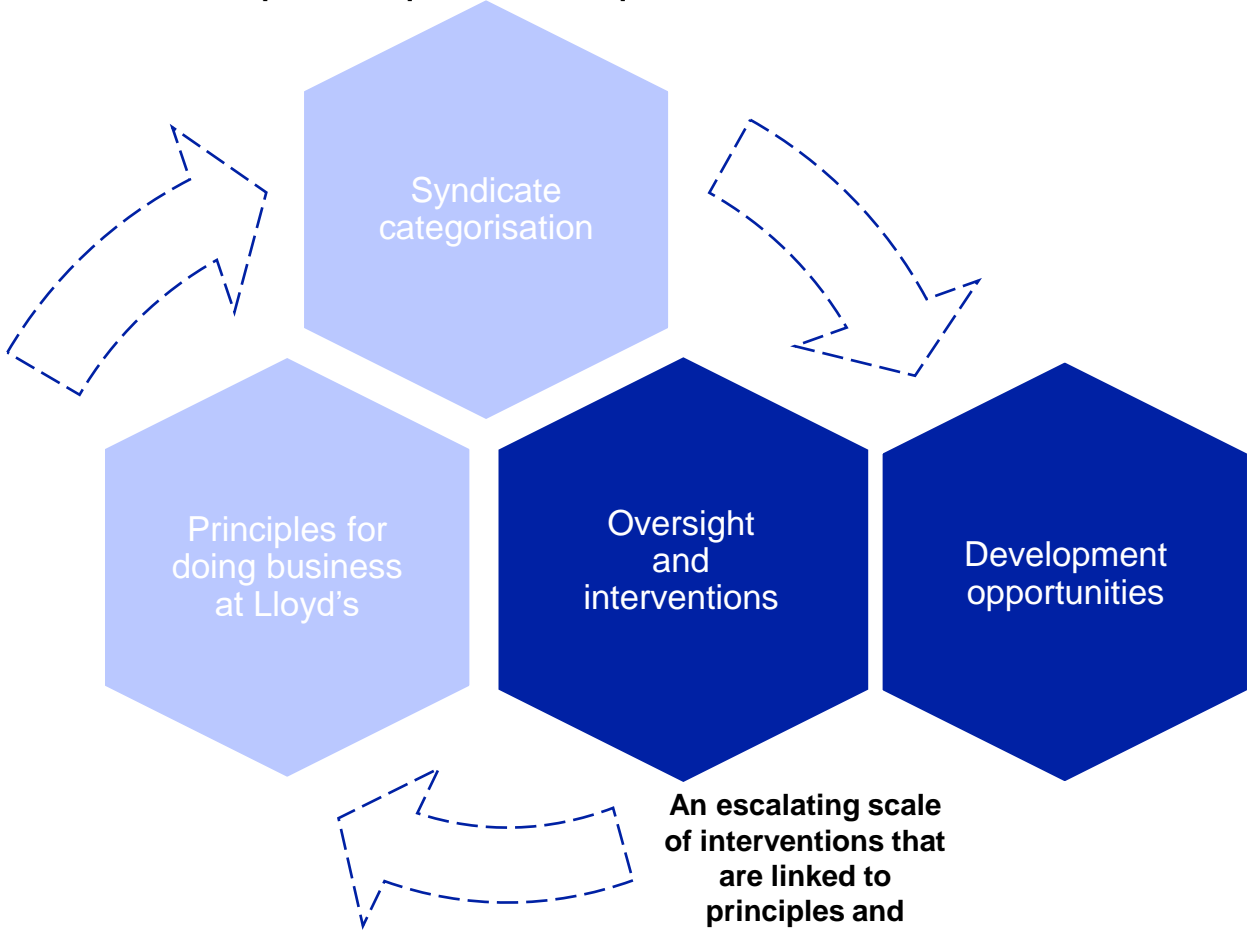
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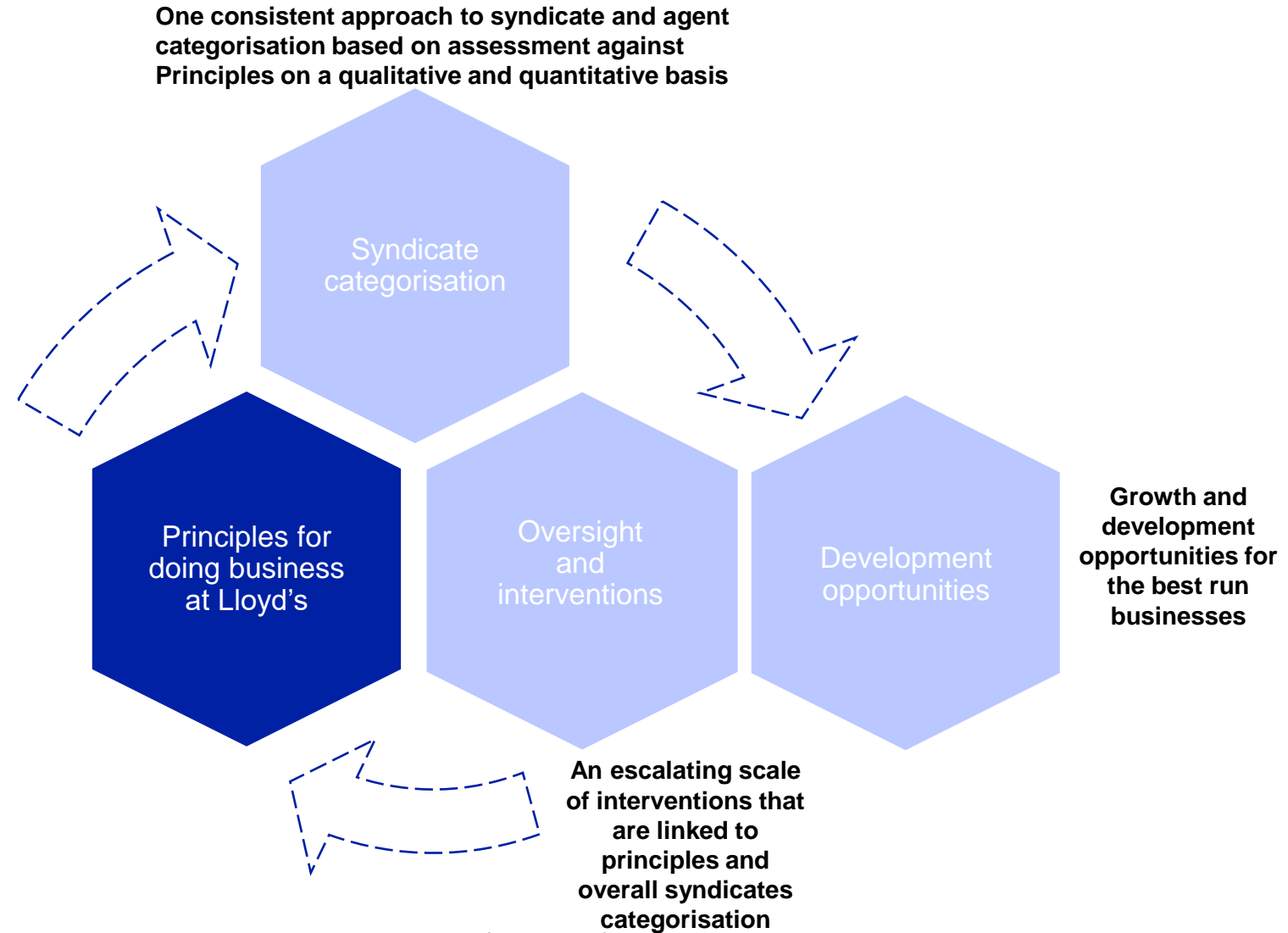
Growth and development opportunities for the best run businesses

An escalating scale of interventions that are linked to principles and overall syndicates categorisation



# Oversight Framework

## The Lloyd's Principles



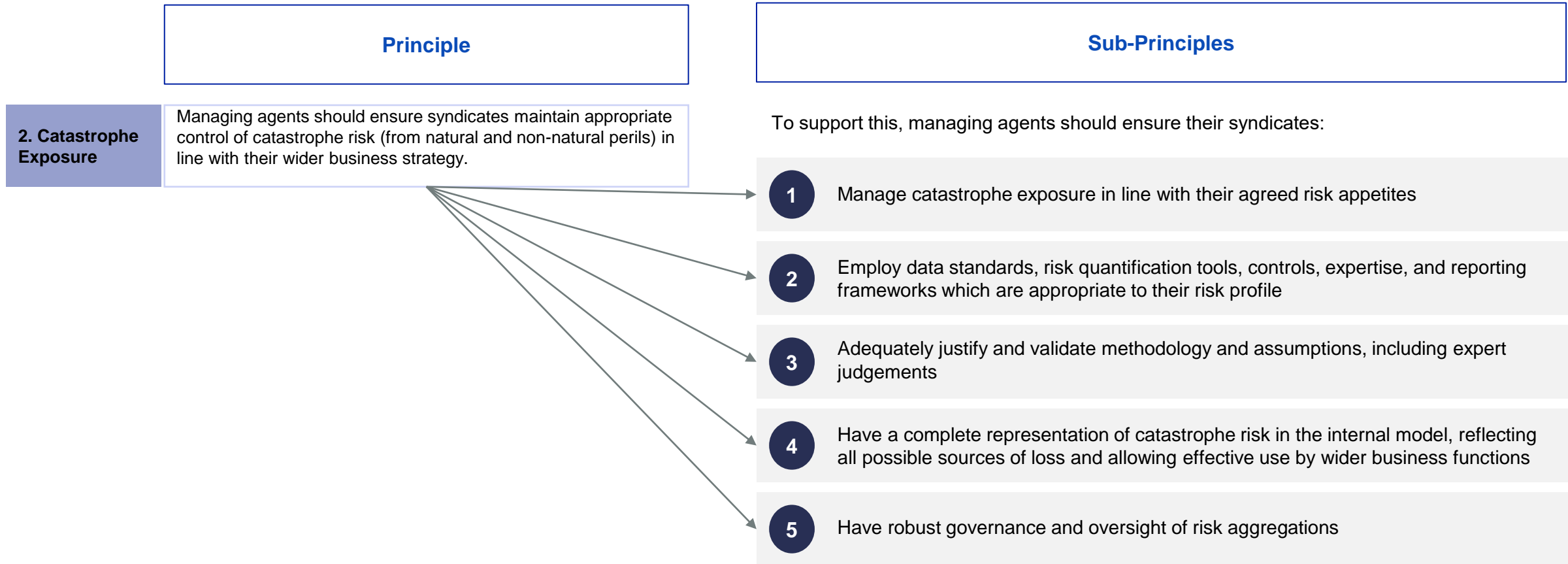
# Oversight Framework

## The 13 Lloyd's Principles

PERFORMANCE	<b>1. Underwriting Profitability</b>	Managing agents should produce and execute syndicate business plans which are logical, realistic and achievable, and ensure the delivery of a sustainable profit including expense management.	SOLVENCY	<b>7. Capital</b>	Managing agents should ensure syndicates' Solvency Capital Requirement (SCR) appropriately reflects their risk profile and is calculated using a Solvency II compliant internal model.
	<b>2. Catastrophe Exposure</b>	Managing agents should ensure syndicates maintain appropriate control of catastrophe risk (from natural and non-natural perils) in line with their wider business strategy.		<b>8. Investment</b>	Managing agents should ensure syndicate investment risk is effectively controlled, informed by wider business strategy and adheres to the Prudent Person Principle (PPP) requirements.
	<b>3. Outwards Reinsurance</b>	Managing agents should define and execute syndicate outwards reinsurance strategy and purchasing plans which effectively support the wider syndicate business strategy and objectives.		<b>9. Liquidity</b>	Managing agents should ensure syndicates have contractual access to sufficient liquidity in order to withstand a severe liquidity event (defined by Lloyd's), underpinned by a robust liquidity risk management framework.
	<b>4. Claims Management</b>	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.	OPERATIONAL	<b>10. Governance, Risk Management and Reporting</b>	Managing agents should have governance structures and internal risk management and control frameworks in place which align to Solvency II requirements, enable sound and prudent management of the business and support delivery of the business strategy.
	<b>5. Customer Outcomes</b>	Managing agents should embed a culture and associated behaviours throughout their business to ensure that they consistently focus on good customer outcomes and that products provide fair value.		<b>11. Regulatory and Financial Crime</b>	Managing agents should have robust frameworks in place to assess and address regulatory and financial crime risks arising from their UK and international businesses. Frameworks should support compliance with law, regulation and guidance, and allow for well informed, transparent relationships with Lloyd's and applicable regulators.
	<b>6. Reserving</b>	Managing agents should ensure syndicates set reserves which are underpinned by a robust reserving process. All Actuarial Function requirements should be met in line with Solvency II.		<b>12. Operational resilience</b>	Managing agents should maintain robust and resilient operations, embedding cyber resilience and effective third-party risk management.
		<b>13. Culture</b>		Managing agents should be diverse, creating an inclusive and high-performance culture.	

# Oversight Framework

## Principles and Sub-Principles



# Oversight Framework

## The Maturity Matrices

**Materiality to the Principles** informs expected sophistication

**Indicators & suggestions** – *not* requirements

**Foundational broadly aligns** with the expectations from the **previous minimum standards**

**Read from left to right**, as the guidance at one level can be understood as the starting point for the next.

Sub Principle →

Guidance →

### Maturity Matrix

#### CATASTROPHE EXPOSURE

**1** Manage catastrophe exposure in line with their agreed risk appetites.

	Foundational	Intermediate	Established	Advanced
Risk Appetites	<ul style="list-style-type: none"> <li>Catastrophe risk appetite statements are in place; exposures are monitored against appetite and reported to senior management and the board.</li> <li>Business plans reflect catastrophe risk appetites</li> </ul>	<ul style="list-style-type: none"> <li>Catastrophe risk appetites are derived with consideration of View of Risk. There is a clear link between risk appetite and business strategy and decision-making.</li> </ul>	<ul style="list-style-type: none"> <li>Catastrophe risk appetites are cascaded to relevant business functions and are supported by tolerances, limits, and breach management processes. Risk appetites inform decision-making at each level, within the exposure management teams and other functions.</li> </ul>	<ul style="list-style-type: none"> <li>Catastrophe risk appetites are clearly embedded at every level, with changes communicated and used efficiently. Statements may be forward-looking, and themselves reactive to external events, business plan changes, and feedback loops.</li> </ul>

Low materiality → Moderate materiality → High materiality → Highest materiality

# Oversight Framework

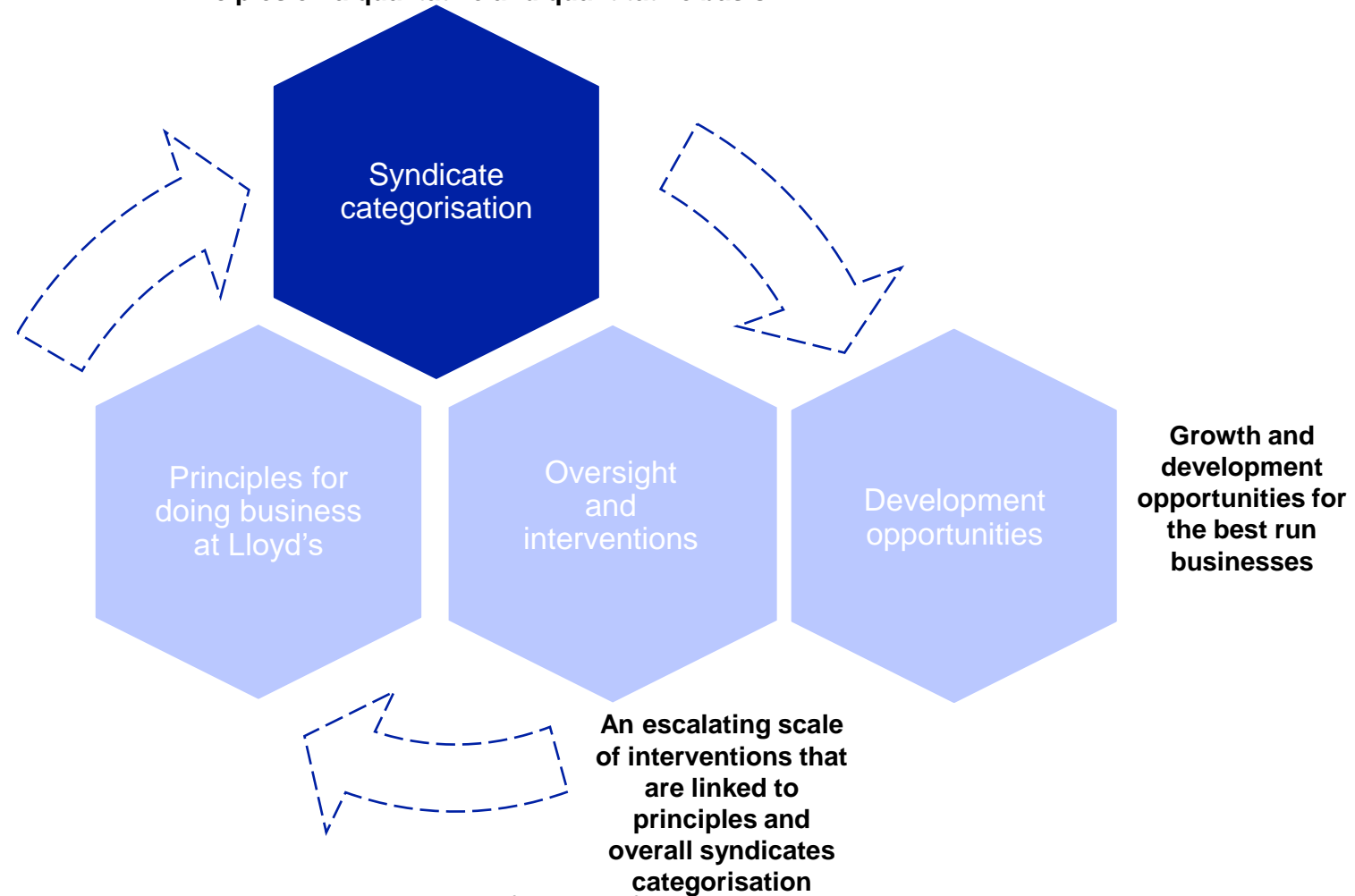
## Levels of maturity – generic definitions

<b>FOUNDATIONAL</b> <i>(Low materiality)</i>	<b>INTERMEDIATE</b> <i>(Moderate materiality)</i>	<b>ESTABLISHED</b> <i>(High materiality)</i>	<b>ADVANCED</b> <i>(Highest materiality)</i>
Syndicate with foundational capabilities.	Syndicate with intermediate capabilities.	Syndicate with established capabilities.	Syndicate with advanced capabilities.
Core competencies and processes in place to effectively manage lower materiality risk exposure	Consistent with good market practice observed at Lloyd's, demonstrating comprehensive, well embedded processes to effectively manage moderate materiality risk exposure	Consistent with strong practice observed at Lloyd's and globally, demonstrating sophisticated processes and strong capabilities to effectively manage high materiality risk exposure	Consistent with Lloyd's and global best practice, showing leadership on emerging techniques, and proactively supporting Lloyd's in improving standards across the market

# Oversight Framework

## Syndicate categorisation

One consistent approach to syndicate and agent categorisation based on assessment against Principles on a qualitative and quantitative basis



# Oversight Framework

## Syndicate categorisation

Oversight Dimensions		Expected Maturity
Performance	Underwriting Profitability	Advanced
	Catastrophe Exposure	Established
	Outwards Reinsurance	Foundational
	Claims Management	Intermediate
	Customer Outcomes	Intermediate
	Reserving	Advanced
Solvency	Capital	Established
	Investments	Established
	Liquidity	Foundational
Operational	Governance, Risk Management and Reporting	Established
	Regulatory and Financial Crime	Intermediate
	Operational Resilience	Foundational
	Culture	Foundational

# Oversight Framework

## Syndicate categorisation

Oversight Dimensions		Expected Maturity	Actual Maturity
Performance	Underwriting Profitability	Advanced	Intermediate
	Catastrophe Exposure	Established	Established
	Outwards Reinsurance	Foundational	Foundational
	Claims Management	Intermediate	Foundational
	Customer Outcomes	Intermediate	Foundational
	Reserving	Advanced	Advanced
Solvency	Capital	Established	Foundational
	Investments	Established	Established
	Liquidity	Foundational	Foundational
Operational	Governance, Risk Management and Reporting	Established	Foundational
	Regulatory and Financial Crime	Intermediate	Intermediate
	Operational Resilience	Foundational	Foundational
	Culture	Foundational	Foundational



# Oversight Framework

## Syndicate categorisation

Dimension Rating
Meets expectation
Marginally below expectation
Below expectation
Well below expectation

Oversight Dimensions		Expected Maturity	Actual Maturity	Dimension Rating
Performance	Underwriting Profitability	Advanced	Intermediate	Below expectations
	Catastrophe Exposure	Established	Established	Meets expectations
	Outwards Reinsurance	Foundational	Foundational	Meets expectations
	Claims Management	Intermediate	Foundational	Marginally below expectations
	Customer Outcomes	Intermediate	Foundational	Marginally below expectations
	Reserving	Advanced	Advanced	Meets expectations
Solvency	Capital	Established	Foundational	Below expectations
	Investments	Established	Established	Meets expectations
	Liquidity	Foundational	Foundational	Meets expectations
Operational	Governance, Risk Management and Reporting	Established	Foundational	Below expectations
	Regulatory and Financial Crime	Intermediate	Intermediate	Meets expectations
	Operational Resilience	Foundational	Foundational	Meets expectations
	Culture	Foundational	Foundational	Meets expectations

# Oversight Framework

## Syndicate categorisation

Dimension Rating
Meets expectation
Marginally below expectation
Below expectation
Well below expectation

Oversight Dimensions		Expected Maturity	Actual Maturity	Dimension Rating	Syndicate Category
Performance	Underwriting Profitability	Advanced	Intermediate	Below expectations	
	Catastrophe Exposure	Established	Established	Meets expectations	
	Outwards Reinsurance	Foundational	Foundational	Meets expectations	
	Claims Management	Intermediate	Foundational	Marginally below expectations	
	Customer Outcomes	Intermediate	Foundational	Marginally below expectations	
	Reserving	Advanced	Advanced	Meets expectations	
Solvency	Capital	Established	Foundational	Below expectations	
	Investments	Established	Established	Meets expectations	
	Liquidity	Foundational	Foundational	Meets expectations	
Operational	Governance, Risk Management and Reporting	Established	Foundational	Below expectations	
	Regulatory and Financial Crime	Intermediate	Intermediate	Meets expectations	
	Operational Resilience	Foundational	Foundational	Meets expectations	
	Culture	Foundational	Foundational	Meets expectations	

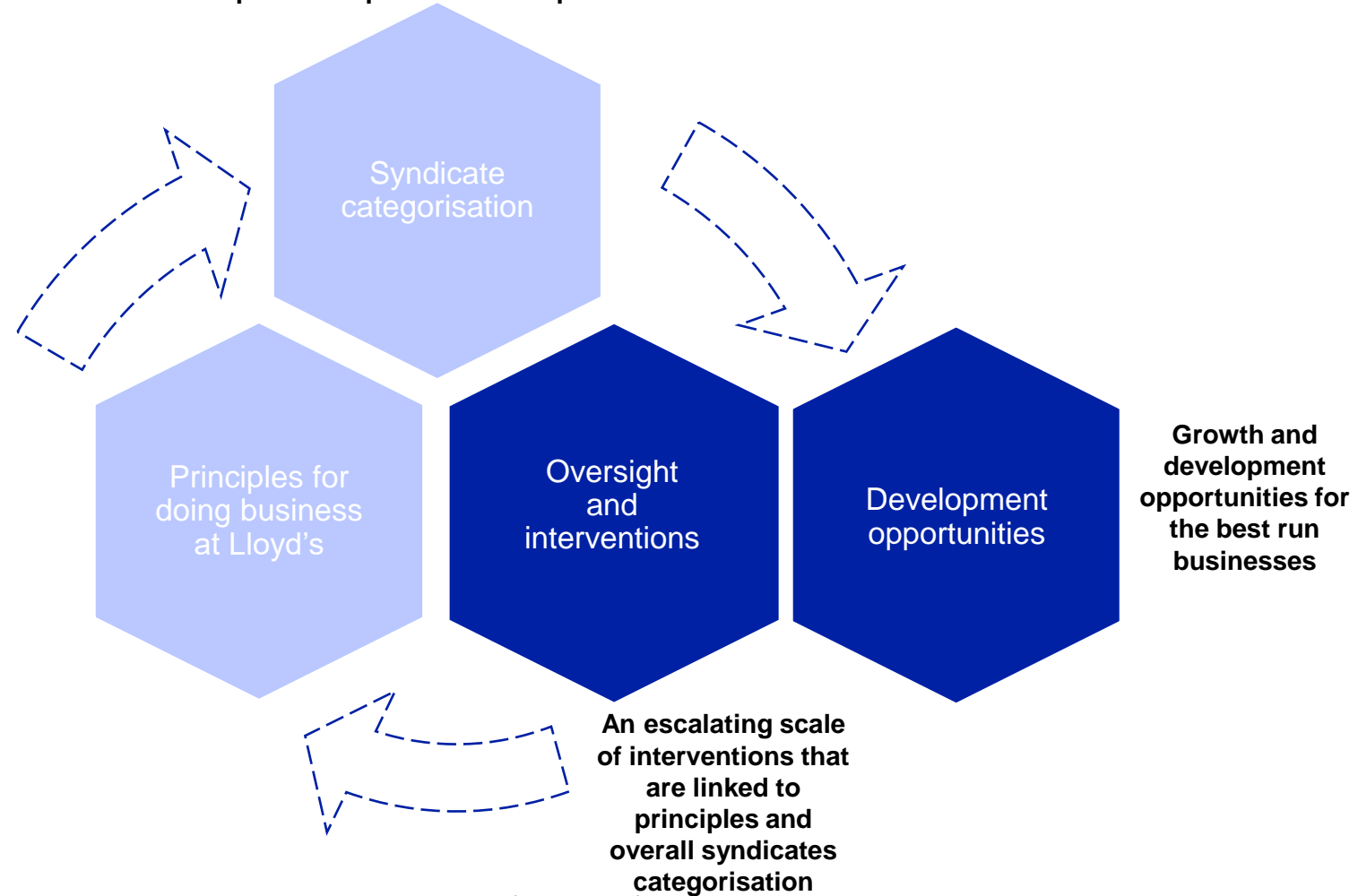
OUTPERFORMING
GOOD
MODERATE
UNDERPERFORMING
UNACCEPTABLE

UNDERPERFORMING

# Oversight Framework

## Oversight / Interventions and Development Opportunities

One consistent approach to syndicate and agent categorisation based on assessment against Principles on a qualitative and quantitative basis



# Oversight Framework

## Interventions Playbook

		<i>Robust intervention for underperformers</i>			<i>Development encouraged for the best</i>	
Overall syndicate categorisation	Unacceptable	Underperforming	Moderate	Good	Outperforming	
	<p><i>Capability and performance well below expectations with all avenues to remediate exhausted</i></p> <ul style="list-style-type: none"> <li>Immediate action required</li> <li>Full range of Interventions used</li> </ul>	<p><i>Capability and performance below expectations</i></p> <ul style="list-style-type: none"> <li>Robust intervention taken</li> <li>Rapid remediation with close monitoring and escalation</li> </ul>	<p><i>Capability and performance marginally below expectations</i></p> <ul style="list-style-type: none"> <li>Targeted oversight into higher risk areas</li> <li>Moderate Interventions in place</li> </ul>	<p><i>Capability and performance in line with expectations</i></p> <ul style="list-style-type: none"> <li>Targeted monitoring / oversight</li> <li>Minimal intervention</li> </ul>	<p><i>Capability in line with expectations and supported by Best in class performance</i></p> <ul style="list-style-type: none"> <li>Highly targeted / reduced oversight</li> <li>Interventions by exception</li> </ul>	
Overall Interventions	<ul style="list-style-type: none"> <li>Execute approved run off plan</li> <li>Appoint new Managing Agent</li> </ul>	<ul style="list-style-type: none"> <li>Instruct independent reviews</li> <li>Remediation plan in place, with senior management</li> <li>Quarterly check-in with Board on progress against remediation plan</li> <li>Regulators notified</li> <li>Restrict development, subject to completion of remedial actions</li> <li>Increased frequency of Principles attestations</li> <li>Increased reporting and escalation to governance Committees</li> <li>Contingent run-off plan in place</li> </ul>	<ul style="list-style-type: none"> <li>Increased Account Manager and ELG engagement to ensure higher risk areas being remediated</li> <li>Development only supported in areas where justified</li> <li>New syndicates not supported until higher risk areas remediated</li> </ul>	<ul style="list-style-type: none"> <li>Option for file and use plan if demonstrated to be Logical, Realistic and Achievable</li> <li>Proactive Development support and Account Management, including supporting establishing new syndicates/SPA/SIAB</li> <li>Engagement more weighted towards development than oversight</li> </ul>	<ul style="list-style-type: none"> <li>File and Use business plans (subject to safeguards)</li> <li>Light capital reviews (subject to safeguards)</li> <li>No New Syndicate Load applied</li> <li>Proactive Development support and Account Management, including supporting establishing new syndicates/SPA/SIAB</li> <li>Cat Risk Appetite "Flex" permitted – more generous capitalisation rates in terms of any LCM5 CRA year-on-year growth</li> <li>Reduced involvement in thematic review except where best practice view is desired</li> <li>Inclusion of managing agents in key working groups which shape the market</li> <li>Promote in external campaigns</li> </ul>	

# Oversight Framework:

*How will it work for Claims?*

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Phil Godwin – Head of Claims

Steph Weller – Senior Claims Performance Manager

Suzanne Smith - Claims Performance Manager

Neil Evans - Claims Performance Manager

# Oversight Framework – Claims Management

## Supporting Overall Market Performance

Through the Claims Principle, fundamental responsibilities being managed include:



**Customer Experience**  
(Lifecycle Management)



**Credibility**  
(Brand & Reputation)



**Prudential & Regulatory**  
(Reserving & Compliance)



**Financial**  
(Expense Management  
Pricing Accuracy)

**Principle**

Managing agents should ensure that they have a claims commitment in place 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.

To support this, managing agents should ensure:

- 1 Claims related information and knowledge is available and used pre-emptively in business planning and wider syndicate performance management
- 2 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
- 3 Claims are handled efficiently and effectively, ensuring active claims and lifecycle management remains appropriate combined with a framework designed to facilitate continuous improvement
- 4 Delivery of accurate and timely case reserving through robust reserving processes and practices
- 5 Claims management through third-party service providers and third-party experts delivers the claims commitment and supports syndicate performance
- 6 Claims performance, customer experience and opportunities for improvement are regularly assessed using both data and qualitative assessment

# Oversight Framework – Claims Management

## Materiality measures drive the Expected Maturity Rating of a Managing Agent

Dimension	Materiality measure	Expected Maturity			
		Low Foundation	Moderate Intermediate	High Established	Highest Advanced
Principle 4: Claims Management	<i>Aggregated, to form an average. 'Volume of open claims – lead' is double weighted:</i>				
	<b>1. Volume of open claims – lead (Absolute number)</b>	<4k	>4k	>9k	>24k
	<b>2. Proportion of delegated lead claim entries (binders) (%)</b>	<31%	>=31%	>=45%	>60%
	<b>3. Proportion of lead vs follow claims (%)</b>	<20%	>=20%	>=30%	>40%

- **Materiality measures drive the Expected Maturity Rating of a Managing Agent.** For example, a high volume of open Lead claims, with a high proportion of lead binder claims entries, may attract an Advanced rating.
- **These measures may evolve as available data insights grow;** they are grounded in a risk based approach
- **For a small number of Managing Agents, Sub-Principle 5 (Delegated Authority) will be allocated a higher Sub-Principle Expected Maturity rating** due to high binder exposure or high eligible complainants. This has already been communicated to those Agents in their Oversight Letters.

# Oversight Framework – Claims Management

## The Expected Maturity Rating will then be assessed against actual performance & outcomes

Drawing widely from across available Lloyd's intelligence, our rounded assessment will be informed by a combination of insights from:

### Quantitative intelligence

- Operational performance metrics, such as ECF Lead response times and Incompletes
- Operational indicators in relation to customer service, resource and lifecycle management
- Supplemental background data such as Lead query rates

### Qualitative intelligence

- Documentary insights (Managing Agent management reporting)
- Results of thematic review work
- Managing Agent quality assurance outputs
- Self-assessments (as a basis for discussion in relation to any potential differences identified)

Available Lloyd's insights will grow as enhanced data sources and intelligence are developed, for example under the F@L programme



# Oversight Framework – Claims Management

## Sample interventions specific to Claims Management

*Robust intervention for underperformers*
*Development encouraged for the best*

Dimension	Well below expectations	Below expectations	Marginally below expectations	Meeting expectations
<b>PERFORMANCE</b>  Claims Management	<ul style="list-style-type: none"> <li>Third party management (or Lloyd's) inserted by Lloyd's in to the MA</li> </ul>	<ul style="list-style-type: none"> <li>Managing Agent to produce remediation plan (with Board sign-off) to be approved by Lloyd's with suitable deadlines/outcomes</li> <li>Increased frequency of performance reporting to Lloyd's using Lloyd's mandated agenda</li> <li>Activation of MA BCP/surge plan required</li> <li>MA to identify and address training needs to improve operational performance and requirement to undertake detailed process improvement review (either internally, e.g. Internal Audit, or externally)</li> <li>CPG applies penalties commensurate with claims performance risks identified i.e. possible capital load/underwriting restriction</li> <li>Removed as lead under the Claim Scheme</li> <li>Remove delegated entity claims handling authority and direct DCA is replaced</li> <li>Requirement for additional claims resource to be employed by MA mandated</li> <li>Requirement to hold section 166 type review at MAs costs</li> </ul>	<ul style="list-style-type: none"> <li>Targeted remediation plan requested and claims operational performance data analysis to be completed, evidenced and appropriate actions agreed with Lloyd's</li> </ul>	<ul style="list-style-type: none"> <li>Claims input at CPG commensurate with claims performance (e.g. supportive)</li> <li>Reduce frequency of Lloyd's engagement meetings</li> </ul>

# Case Studies

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Bringing the Framework to life

# Case Studies

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## The following slides set out:

- Three example Case Studies
- Focusing on Sub-Principles 1 (Business Planning), 4 (Case Reserving) and 6 (Use & Availability of Claims Information)
- The examples include a spectrum of Managing Agent scenarios each with different features which result in various Maturity Level Expectations
- The examples are not intended to be exhaustive but to provide an illustration only of the types of indicators that may be considered when determining Actual Maturity Level

# Case Study 1 – Sub-Principle 1 – Business planning

## Managing Agent A: Expected Maturity Rating - Intermediate

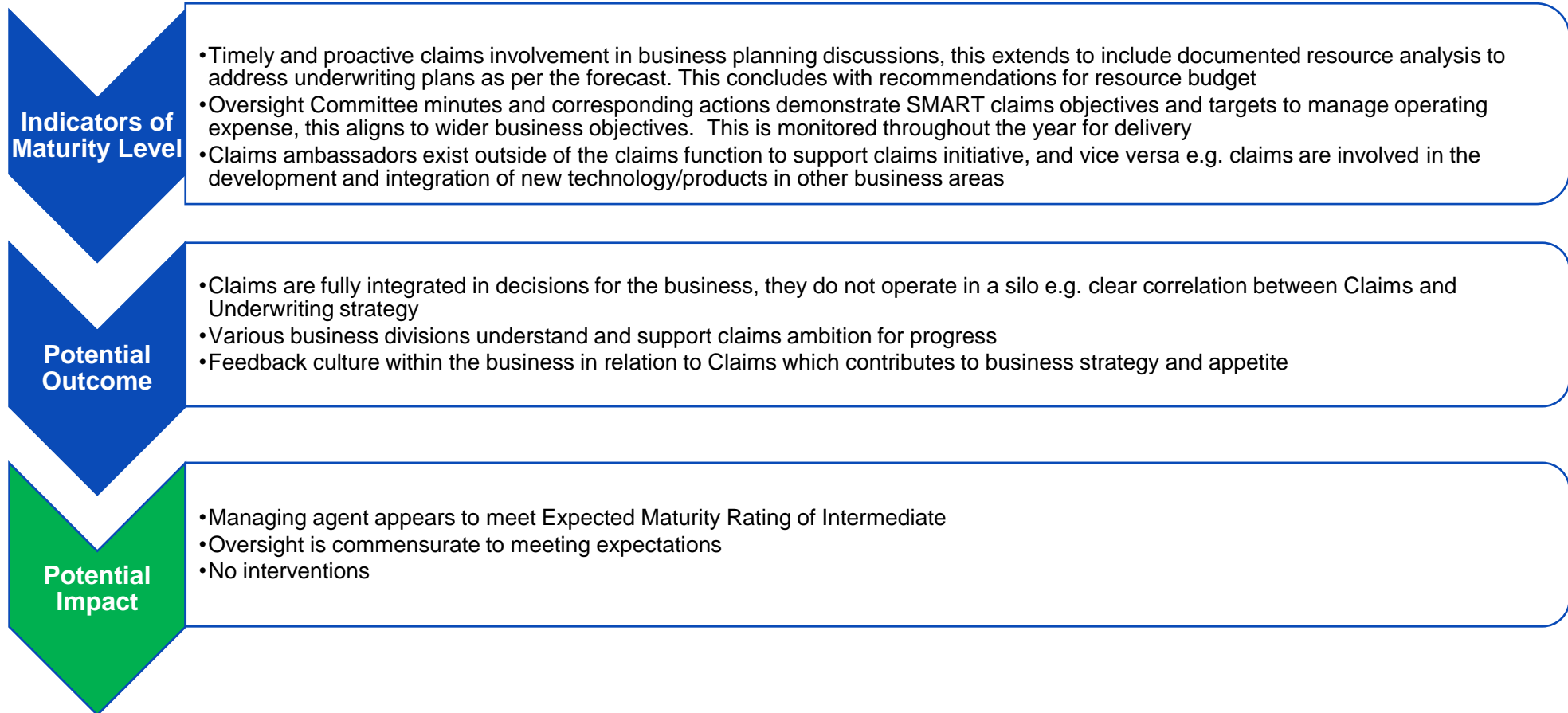
CLAIMS MANAGEMENT			
<p><b>1</b> Claims related information and knowledge is available and used pre-emptively in business planning and wider syndicate performance management.</p>			
Foundational	Intermediate	Established	Advanced
<ul style="list-style-type: none"> <li>Managing agents can demonstrate how the claims function ("Claims") supports syndicate performance/preparation and delivery of the syndicate business plan.</li> </ul>	<ul style="list-style-type: none"> <li>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.</li> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>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.</li> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li><i>No incremental guidance</i></li> </ul>

# Case Study 1 – Sub-Principle 1 – Business planning

## Managing Agent A: Expected Maturity Rating - Intermediate

**Intermediate**

- 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.



# Principles Rating

## Case Study 1 – Sub-Principle 1 – Business Planning

Principle		Expected Maturity	Assessment of Maturity
<b>4. Claims Management</b> Managing agents should ensure that they have a claims commitment in place 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.  To support this, managing agents should ensure:			
Sub Principle 1	Claims related information and knowledge is available and used pre-emptively in business planning and wider syndicate performance management	Intermediate	Intermediate
Sub Principle 2	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	Intermediate	Intermediate
Sub Principle 3	Claims are handled efficiently and effectively, ensuring active claims and lifecycle management remains appropriate combined with a framework designed to facilitate continuous improvement	Intermediate	Intermediate
Sub Principle 4	Delivery of accurate and timely case reserving through robust reserving processes and practices	Intermediate	Intermediate
Sub Principle 5	Claims management through third party service providers and third party experts delivers the claims commitment and supports syndicate performance	Intermediate	Intermediate
Sub Principle 6	Claims performance, customer experience and opportunities for improvement are regularly assessed using both data and qualitative assessment	Intermediate	Intermediate

**Expected Maturity: Intermediate**

**Actual Maturity: Intermediate**

# Case Study 2 - Sub-Principle 4 – Case Reserving

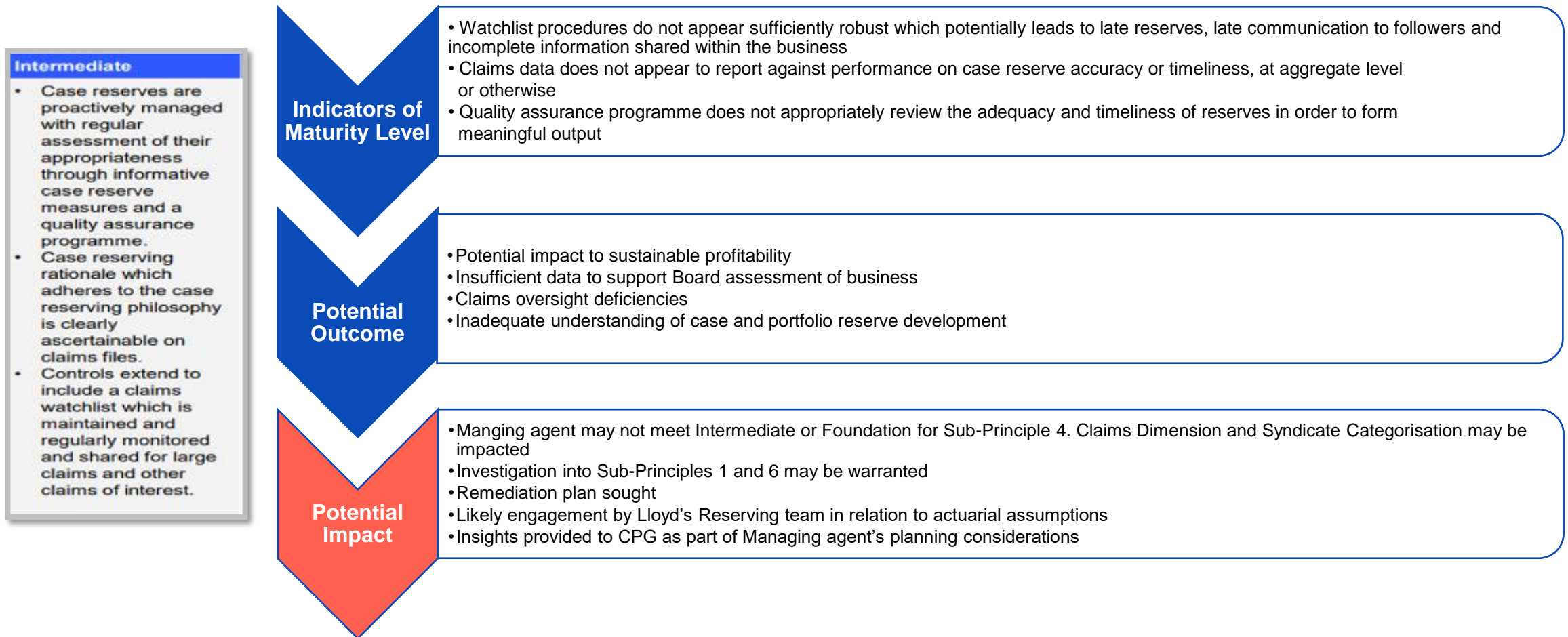
## Managing Agent B: Expected Maturity Rating - Intermediate

### 4 Delivery of accurate and timely case reserving through robust reserving processes and practices.

Foundational	Intermediate	Established	Advanced
<ul style="list-style-type: none"> <li>A case reserving philosophy and supporting case reserving procedures are in place, outlining broad expectations around reserve timeliness and accuracy.</li> <li>Case reserving data provides insights into the accuracy and timeliness of reserves at an aggregate level.</li> <li>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.</li> <li>Regular communication between underwriters, actuaries and claims occurs to identify case reserving risks, with mitigating actions implemented effectively.</li> </ul>	<ul style="list-style-type: none"> <li>Case reserves are proactively managed with regular assessment of their appropriateness through informative case reserve measures and a quality assurance programme.</li> <li>Case reserving rationale which adheres to the case reserving philosophy is clearly ascertainable on claims files.</li> <li>Controls extend to include a claims watchlist which is maintained and regularly monitored and shared for large claims and other claims of interest.</li> </ul>	<ul style="list-style-type: none"> <li>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.</li> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>A relevant global view of reserving trends and themes is sought and utilised, through available external and relevant industry data.</li> </ul>

# Case Study 2 - Sub-Principle 4 – Case Reserving

## Managing Agent B: Expected Maturity Rating - Intermediate





# Principles Rating

## Case Study 2 – Sub-Principle 4 – Case Reserving

Principle		Expected Maturity	Assessment of Maturity
<b>4. Claims Management</b> Managing agents should ensure that they have a claims commitment in place 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.  To support this, managing agents should ensure:			
Sub Principle 1	Claims related information and knowledge is available and used pre-emptively in business planning and wider syndicate performance management	Intermediate	Foundation
Sub Principle 2	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	Intermediate	Intermediate
Sub Principle 3	Claims are handled efficiently and effectively, ensuring active claims and lifecycle management remains appropriate combined with a framework designed to facilitate continuous improvement	Intermediate	Foundation
Sub Principle 4	Delivery of accurate and timely case reserving through robust reserving processes and practices	Intermediate	Not meeting
Sub Principle 5	Claims management through third party service providers and third party experts delivers the claims commitment and supports syndicate performance	Intermediate	Foundation
Sub Principle 6	Claims performance, customer experience and opportunities for improvement are regularly assessed using both data and qualitative assessment	Intermediate	Foundation

**Expected Maturity: Intermediate**

**Actual Maturity: Not Meeting**

# Case Study 3 – Sub-Principle 6 – Availability & Use of Claims Information

## Managing Agent C: Expected Maturity - Established

### CLAIMS MANAGEMENT

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

Foundational	Intermediate	Established	Advanced
<ul style="list-style-type: none"> <li>Performance assessment and identification of improvement opportunities is based on high-level data points and qualitative insights.</li> <li>High-level monitoring measures applied to third-party service providers typically focus on volumes and values of claims and incurred development.</li> <li>Performance assessment and outcomes are measured quarterly with resulting actions taken within the Claims function.</li> </ul>	<ul style="list-style-type: none"> <li>Wider data points and more detailed qualitative insights are used for performance assessment and identification of improvement opportunities.</li> <li>Third-party measures extend to include a base line set of performance oriented metrics and qualitative insights linked to clear and agreed service levels.</li> <li>Outcomes from performance assessment are distributed via feedback loops that exist within the business with appropriate action taken.</li> </ul>	<ul style="list-style-type: none"> <li>Comprehensive resources are used for performance assessment and identification of improvement opportunities utilising access to extensive data points and deep qualitative insights.</li> <li>Measures applied to third-party providers include comprehensive KPIs and qualitative insights.</li> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>External sources of feedback and insights are used to inform targeted and measured improvement strategies.</li> <li>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.</li> <li>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.</li> </ul>

# Case Study 3 – Sub-Principle 6 – Availability & Use of Claims Information

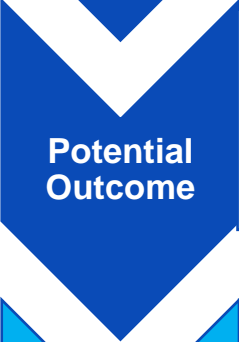
## Managing Agent C: Expected Maturity - Established

**Established**

- 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.



- Managing agent allocates appropriate resource to performance measurement and identification of improvement opportunities for Claims and this resource demonstrates interconnectivity to other functions
- Customer feedback programme is frequently revisited to ensure it is operating as intended and qualitative output is used to drive service improvements (where appropriate)
- Insights from F@L engagement and participation is fed back proactively into the business and this informs claims transformative activity
- Claims commission an impactful study on the relative value of their assigned experts' performance and use the learnings to inform strategic activity, and an ongoing regular measurement of the relative value being delivered
- Deep and meaningful MI is used to measure and drive lifecycle management



- Enhanced customer service; potential to be market leading
- Best Practice identified and used to drive improvements in the business
- Continuous improvement culture drives greater efficiencies to processes and controls
- Positive impact on performance, brand and reputation



- Managing agent rated as 'Advanced' for this Sub-Principle; information provided demonstrates a higher level of maturity than expected
- Advanced status implies readiness to go up maturity levels, this may support MAs own growth ambition
- Potential to contribute to market initiatives

# Principles Rating

## Case Study 3 – Sub-Principle 4 – Availability & Use of Claims Information

Principle		Expected Maturity	Assessment of Maturity
<b>4. Claims Management</b> Managing agents should ensure that they have a claims commitment in place 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.  To support this, managing agents should ensure:			
Sub Principle 1	Claims related information and knowledge is available and used pre-emptively in business planning and wider syndicate performance management	Established	Established
Sub Principle 2	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	Established	Established
Sub Principle 3	Claims are handled efficiently and effectively, ensuring active claims and lifecycle management remains appropriate combined with a framework designed to facilitate continuous improvement	Established	Established
Sub Principle 4	Delivery of accurate and timely case reserving through robust reserving processes and practices	Established	Established
Sub Principle 5	Claims management through third party service providers and third party experts delivers the claims commitment and supports syndicate performance	Established	Established
Sub Principle 6	Claims performance, customer experience and opportunities for improvement are regularly assessed using both data and qualitative assessment	Established	Advanced

**Expected Maturity: Established**

**Actual Maturity: Established**

# Self-assessment submissions

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# Principles self-assessments

## Moving from prescription to outcomes focussed

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### Rules based approach “Bottom up”

- Have we checked all the requirements?
- Do we have the required processes/ policies/ procedures in place?
- Have we checked the performance of our controls through a control assessment?
- Have we done an audit of our controls?
- Do we have the required documentation?

### Outcomes based approach “Top down”

- How successful have we been in achieving the outcome?
- Are there times when we have not been successful? What should/ could we have done differently?
- How are we satisfied that we are achieving the outcome in a way that's appropriate to our business?
- Do we know what our peers are doing?
- What can we conclude about the results of second and third line independent reviews?
- What performance data do we have to support our assessment?
- Based on our assessment what actions do we need to take?

# What are the key differences between the “Attestation” and “self-assessment”?

## Self-assessment, not Attestation

Submitting on a “best efforts” basis.

Formal Board sign off not required.

However, we would expect discussion at the Board

## Working level

We understand Principles will not be fully embedded.

Self-assessments will be an initial tool for your teams.

Boards should step back to consider if your teams have embraced the move away from “tickboxes” to an outcomes based approach

## Best efforts basis

Will highlight any gaps in understanding the Principles.

Will provide a basis for discussion with Lloyd's to “compare and contrast” managing agent vs Lloyd's views against the Principles

## Lloyd's Principles for Doing Business - Self-Assessment

Full guidance on the Principles and the Self-Assessment process is available on the [Lloyds.com Market Oversight webpage via this link](#)

<b>Managing Agent</b>	
<b>Syndicate Number</b>	
<b>Date shared with Board</b>	

A separate submission is required for each syndicate managed, whether active, in run-off, SPA (Special Purpose Arrangement), RITC (Reinsurance to Close) or SIAB (Syndicate-in-a-box).

Principle	Expected Maturity	Managing Agent Assessment of Maturity	Commentary
			To include: - Rationale, where expected maturity level is met - Commentary, where expected maturity is not met, including detail on gaps, planned remedial actions, timescales and owners - Questions for clarification with Lloyd's, for example to check the meaning or interpretation of the Principles guidance
<b>1. Underwriting Profitability</b> Managing agents should produce and execute syndicate business plans which are logical, realistic and achievable and ensure the delivery of a sustainable profit including expense management.  To support this, managing agents should ensure their syndicates:	Established		
Sub Principle 1: Have a clear and robust medium to long term business strategy with clearly defined and understood underwriting risk appetite	Established		
Sub Principle 2: Develop and execute annual business plans which align with their business strategy	Established		
Sub Principle 3: Have underwriting controls, monitoring and reporting in place which are appropriate to their risk profile in order to deliver the agreed business plan	Established		
Sub Principle 4: Manage and control expenses in order to ensure they are appropriate for the business written	Established		
Sub Principle 5: Have robust portfolio management in place in order to deliver the agreed business plan	Established		
Sub Principle 6: Have an effective pricing framework in place in order to evaluate sustainable technical price, rate adequacy and deliver sustainable profit	Established		
Sub Principle 7: Have robust governance processes in place to support underwriting decision making, with underwriting assumptions clearly articulated and understood by stakeholders supported by proactive involvement and sufficient challenge by the wider functions	Established		
Sub Principle 8: Have processes in place to support underwriting decision making in relation to ESG integration into underwriting	Established		
<b>2. Catastrophe Exposure</b> Managing agents should ensure syndicates maintain appropriate control of catastrophe risk (from natural and non-natural perils) in line with business strategy.  To support this, managing agents should ensure their syndicates:	Established		
Sub Principle 1: Manage catastrophe exposure in line with their agreed risk appetites	Established		
Sub Principle 2: Employ data standards, risk quantification tools, controls, expertise, and reporting frameworks which are appropriate to their risk profile	Established		
Sub Principle 3: Adequately justify and validate methodology and assumptions, including expert judgements	Established		
Sub Principle 4: Have a complete representation of catastrophe risk in the internal model, reflecting all possible sources of loss and allowing effective use by wider	Established		



# Self-assessment Principles rating

## Principle 13: Culture

Principle		Expected Maturity	Managing Agent Assessment of Maturity	Commentary
				To include: - Rationale, where expected maturity level is met - Commentary, where expected maturity is not met, including detail on gaps, planned remedial actions, timescales and owners - Questions for clarification with Lloyd's, for example to check the meaning or interpretation of the Principles guidance.
<b>13. Culture</b> Managing agents should be inclusive, creating a diverse and high-performance culture.		<b>FOUNDATIONAL</b>	<b>BELOW FOUNDATIONAL</b>	Overall Culture is currently Below Foundational. Plans are in place to address the gaps, starting with data, and strengthening how speaking up is managed. The Culture and Inclusion Advisory Group will take a lead role in reviewing firm culture and developing a culture plan, as a pillar of our strategy.
Sub Principle 1	Demonstrate leadership focus on fostering an inclusive, high-performance culture	<b>Foundational</b>	<b>Foundational</b>	A Culture and Inclusion Advisory Group is being set up, led by Member of ExCo, who will undertake a culture review in 2022 and develop a culture plan, involving employees. The Advisory Group will report to the Board on progress
Sub Principle 2	Ensure behaviour expectations are clear and there is zero tolerance for inappropriate behaviour	<b>Foundational</b>	<b>Foundational</b>	In Q4 2021 the code of conduct, which outlines behavioural expectations was communicated to all employees. It is also included in employee induction and forms part of annual mandatory training, along with mandatory diversity and inclusion training for all employees.
Sub Principle 3	Encourage speaking up, ensuring there are appropriate tools for employees to do so, and the tone is set from the top	<b>Foundational</b>	<b>Below Foundational</b>	In 2021 a grievance related to sexual harassment was not handled well, resulting in the victim leaving the organisation. A review of how we manage grievances was undertaken by a law firm, who have provided recommendations that we started to implement in Q3 2021 which is ongoing. The case with the individual has been settled, with the perpetrator dismissed. We have run training for all employees and managers on how to raise concerns and how to respond when these matters are raised. We expect employee feedback on confidence to speak up and that management take concerns seriously to have improved in upcoming employee surveys
Sub Principle 4	Ensure diverse representation within their workforce and their leadership population. Be inclusive in how they hire and retain talent and ensure they reflect society and their customers	<b>Foundational</b>	<b>Foundational</b>	% women in leadership is 22%, and we are quartile 2 against Lloyd's market. Representation of ethnic minorities is unknown as we do not yet collect this data, but indications are it is also low. Our actions start with collecting data in H1 2022, which will be reviewed by the Culture and Inclusion Advisory Group to develop an action plan to improve diversity and inclusion.
Sub Principle 5	Understand their employee population, collect appropriate data and take action to create an inclusive employee experience	<b>Foundational</b>	<b>Foundational</b>	Currently only gender data is collected. No other diversity data. HR system being upgraded and diversity data campaign to be run in H1 to collect broad diversity data including ethnicity, disability, sexual orientation, age .

# Self-assessment Principles rating

## Principle 10: Governance, Risk Management and Reporting

Expected Maturity: Advanced  
Actual Maturity: Advanced

Principle		Expected Maturity	Agent assessment of Maturity	Commentary
				To include: - Rationale, where expected maturity level is met - Commentary, where expected maturity is not met, including detail on gaps, planned remedial actions, timescales and owners - Questions for clarification with Lloyd's, for example to check the meaning or interpretation of the Principles guidance.
<b>10. Governance, Risk Management and Reporting</b> Managing agents should have governance structures and internal risk management and control frameworks in place which align to Solvency II requirements, enable sound and prudent management of the business and support delivery of the business strategy		<b>ADVANCED</b>	<b>ADVANCED</b>	As evidenced below, we have an appropriate and effective governance structure in place to ensure sound management of the business and compliance with all relevant requirements. A strong culture of good governance, effective risk management and independent challenge permeates throughout the business. The strategy and view from the top flows through all functions to enable their aims to align to the overall objectives of the business. Data, qualitative assessment and reporting is of high-quality, meaning decisions are built on strong foundations.
Sub Principle 1	Manage a suitable board and committee structure which enables well informed, timely and accountable decision making	<b>Advanced</b>	<b>Advanced</b>	We have a well established and effective Board and committee structure, with track record of acting on independent advice and challenge. Strategy is routinely discussed and updated with input and ownership across the business. The effectiveness of Board and committees is regularly reviewed including periodic use of independent third parties. Our committee structure ensures that all business functions have appropriate Board or executive level committees with suitable reporting lines into the Board.
Sub Principle 2	Operate a strong risk and control environment which allows for appropriate challenge	<b>Advanced</b>	<b>Advanced</b>	Risk culture is well embedded and demonstrated throughout the business. Risk Management views are clearly sought and help to drive decision making. All functions take active ownership for risk management activities and contribute to a continuous improvement process. This is lead top-down. Risk appetite is set by the Board and cascades throughout all risk metrics and monitoring activities, ensuring a link between functional level risk strategy/activities and the agreed appetites of the Board. A forward looking view of risk is considered highly important for how we assess, manage and discuss risk.
Sub Principle 3	Maintain appropriate oversight of operational processes for effective management of the business	<b>Advanced</b>	<b>Advanced</b>	The Board has regular sight of KPI reporting on key operational processes and resourcing. This is routinely challenged and the KPIs and SLAs are reviewed and changed where necessary. We are confident in the overall operational infrastructure and efficacy, through the assurance as evidenced by the ongoing cycle of internal audits with timely follow-up of findings.
Sub Principle 4	Employ and develop people with appropriate skillsets and ensure the business is appropriately resourced	<b>Advanced</b>	<b>Advanced</b>	We take development seriously with regular review of succession planning. Training, coaching and mentoring is actively provided to those identified as future leaders or key function holders. Staff engagement survey has consistently high scores for employee training and development. We promote an open and inclusive culture with a track record of acting on employee ideas.
Sub Principle 5	Ensure decision making is supported by appropriate data and qualitative assessment	<b>Advanced</b>	<b>Advanced</b>	Information presented to the Board is consistent, accessible and highly informative. The manner in which information is presented is under a constant cycle of review and development. Complex data supports analyses and is presented in a format which supports effective decision making.
Sub Principle 6	Maintain reporting, including all financial reporting, of a high quality and submit all reports in a timely, accurate and complete manner to Lloyd's and to applicable regulators.	<b>Advanced</b>	<b>Advanced</b>	All reporting was submitted to Lloyd's on time with a high accuracy. This has been verified by an internal monitoring process.

# Next Steps

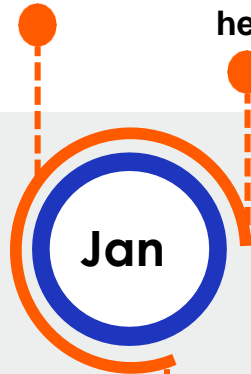
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# Next Steps and Timeline

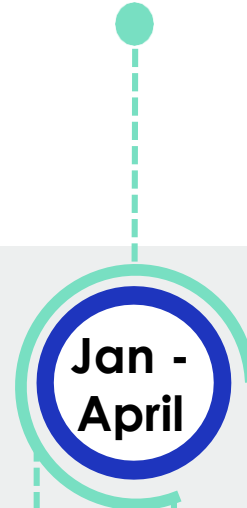
Pre-populated self assessment templates uploaded  
*(14 January)*

Board and NED briefings held



Technical briefings held

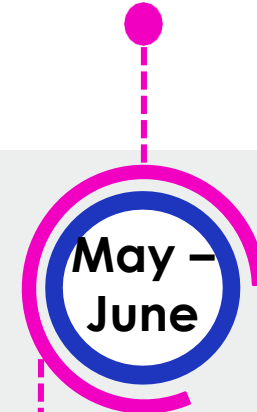
Syndicates complete and submit self assessments  
*(29 April)*



Ongoing support and engagement via Account Managers

Lloyd's complete assessments of syndicates

Syndicate categorisation confirmed ahead of 2023 CPG  
*(June)*



Follow-up discussions with syndicates re differences in view

# What should you be doing?

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- **Familiarise yourself with the principles and guidance**
- **Consider any upskilling required to successfully adopt the new Principles based regime**
- **Review expected maturity as communicated in Oversight Letters**
  - Speak to your Account Manager if you have any questions
- **Conduct the self-assessment – be open, transparent and thorough**
  - Guidance and templates are online
  - Oversight Framework team available to answer any questions
- **Consider what actions can be taken to close gaps before mid-year**
- **Questions on the new framework should be directed to your Account Manager or [oversight.framework@lloyds.com](mailto:oversight.framework@lloyds.com) in the first instance**

**Do use the support available from Lloyd's!**

# Q&A

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