LLOYD'S

Peer Review Guidance

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Peer Review Guidance

Background

Lloyd's Minimum Standards (as set out on lloyds.com) require that Managing Agents have effective systems and controls to audit and review underwriting and pricing for each managed syndicate. This guidance document will build on this description, providing indicators of what Lloyd's considers to be good practice.

The Lloyd's Minimum Standard MS2 Underwriting and Controls refers directly to Peer Review in UWC 1.3.3 –

Managing Agents shall ensure that underwriting decisions are subject to a risk-based Peer Review process

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Good Practice

The following are indicators of good practice for peer review.

General

- The peer review process should be owned and supported by underwriting management.
- Peer reviewers need to have appropriate experience in the classes that they are reviewing and sufficient time to complete the process effectively, taking account of business volumes and absences.
- The process of peer review should contribute to the development of skills of underwriters.

Areas for review

- The review should consider whether the syndicate's pricing and underwriting policies and other procedures are applied correctly and consistently.
- Where they are not, issues should be recorded and resolved.

Risk Selection

- If a risk based approach to peer review is applied, prescribed criteria should be used for selecting the risks for peer review, which is preferably automated.
- A random element should also be included to ensure that any risks and all underwriters may be part of the selection.
- In setting the criteria for targeting peer review, Managing Agents should particularly consider more focus on newer classes or historically under-performing classes.
- The timing of peer review should reflect risk and may precede lines being put down, or ideally within 7 days post bind.

Reporting

- For each risk reviewed the findings should be recorded to a consistent standard and in a means that enables easy reference. It is important that any comments raised during the peer review will be readily available and utilised should the risk be renewed.
- The underwriting management team should receive regular written reports on the status of peer review activity and material findings.
- Material findings should be escalated to senior management where appropriate and actions taken and evidenced where necessary.