

The Future at Lloyd's

Lloyd's value proposition

Choice	The world's largest insurance marketplace and global distribution network, competing and collaborating to share risks no matter what the size, location, industry or complexity.
Confidence	We take pride in doing what's right, paying all valid claims. For over three centuries the security of Lloyd's has protected what matters most to people, businesses and communities, and helped them recover in times of need.
Partnership	The trusted relationships that underpin our marketplace are one of our greatest strengths. Our community of experts bring a collaborative culture of mutual respect to best serve our customers, enabling us to share risk.
Expertise	With an unrivalled depth and breadth of insurance expertise, Lloyd's is the leading marketplace for protecting against new and emerging risks. We bring together the best minds in the industry, and together our underwriters and brokers create innovative, responsive solutions.
Insight	Lloyd's has always been an intelligence network and continues to lead the industry. Our insight, experience and judgement inform decision-making, enable innovation and ensure our customers stay resilient and ahead.
Ecosystem	As a marketplace, Lloyd's provides access to economies of scale through consistent standards and shared business services. Our competitive environment and capital efficiencies improve performance and unlock new opportunities.

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Today, we start building the future at Lloyd's

The new Lloyd's will be nimbler and faster, offering our customers outstanding products, services and insight, supported by technology, innovation and flexible, responsive capital.

This document is the first step towards turning this ambition into reality. In it we are inviting you to work with us to evolve Lloyd's for the next generation.

Why change now?

The world is changing. Technology and data analytics are disrupting traditional business models. Customers are facing new risks as their asset mix shifts from tangible to intangible and, consequently, are seeking new insurance products and services to protect their businesses.

The industry needs to react to these rapidly evolving business and risk environments so we can continue to provide customers with the support and protection they need to grow and prosper. This means accelerating the development of products and services to meet customers' needs, and creating new business models that support their delivery.

There is already a lot of change underway at Lloyd's. We are ensuring the market's underwriting, and the way in which we assess and price risk, is world-class through our performance reviews and best practice standards. We have launched an in-house innovation accelerator, are investigating how to reduce costs and are making sure our people are empowered to set up Lloyd's for success. In parallel, we are continuing to modernise the market.

This provides the platform on which we can build further change because, as well as tackling the short to medium term, it is also the responsibility of every market leader consistently to re-evaluate and improve their customers' experience for the medium to long term. This is a duty Lloyd's has embraced throughout its history. Whether providing new types of insurance in new classes of business or reinventing the way capital comes into our market, Lloyd's has always strived for excellence.

Now we must do so again. We must reflect on how we can build on Lloyd's unique strengths of a strong capital base, performance and enterprise risk management to create the best possible outcomes for all our customers.

It is time, once more, for Lloyd's to lead from the front.

We know from speaking to hundreds of you over the past six months that you value greatly what the Lloyd's market provides today and are passionate about Lloyd's succeeding in the future.

This is encouraging because the scale of the challenge and the size of the opportunity mean we will only achieve success if we work together as a market and harness our collective expertise and endeavour.

Ways we could change

We will succeed in the future by providing even greater value to our customers. They told us they want:

- More comprehensive cover and the highest quality protection
- A simpler process for accessing products and services at Lloyd's
- Lower costs of doing business at Lloyd's

Our market told us we should do this by building an inclusive and innovative culture within the Lloyd's market for our talented people and for our customers.

We must and will reflect the diversity of our customer base, and our talent agenda will be designed to attract the best and offer an open, honest and flexible working environment.

This is our aim.

To start the process we have redefined our purpose: **Sharing risk to create a braver world.**

The next step is the publication of this consultation. Inside are six stories, which set out several possible ways we could provide even greater value to our customers and other stakeholders.

- A platform for complex risk that makes doing business easier and enables efficient digital placement of complex risks
- Lloyd's Risk Exchange through which less complex risks can be placed in minutes at a fraction of today's costs
- Flexible capital that can simply and effectively access a diverse set of insurance risks on the Lloyd's platform
- A Syndicate-in-a-Box solution, which offers a streamlined opportunity for innovators to bring new products and business into the market
- A next generation claims service that improves customer experience and increases trust in the market by speeding up claims payments
- An ecosystem of services that helps all market participants develop new business and provide outstanding service to their customers

These proposals are examples that could form the blueprint for the new Lloyd's, and we would like your feedback and engagement to shape how we turn them, or other proposals you may have, into reality.

Next steps

Please read through this document and make your views heard. This is a collective endeavour, which needs your input, energy and commitment to succeed.

Throughout this process, sponsored by Lloyd's Board and Council, there will be many different ways to take part, including through working groups, forum discussions, your associations and our online survey. You can find more information on lloyds.com/thefutureatlloyds.

Seize the moment

This is a unique and exciting opportunity to be a part of Lloyd's next chapter and to shape its future for the next generation.

The new Lloyd's market we build together will provide our customers with outstanding, high-value risk services, based on innovation, flexible capital structures and efficient digital platforms. We will be a transparent market, using data to develop deeper relationships and ensure trust in the value of what we do. And we will be an inclusive market that works for our customers and our other stakeholders in every part of the value chain.

We are looking forward to defining the future at Lloyd's with you.



Bruce Carnegie-Brown
Chairman

Why a consultation?

We are building the future at Lloyd's to provide our customers with the support and protection they need to prosper in a rapidly changing business and risk environment. This document describes several possible ways, in combination or individually, we could do this. These are based on feedback we have received to date from our customers and other stakeholders, and we hope to generate further ideas from your reactions to this paper. We want to test these concepts by asking you to comment, work with us to create a blueprint for change, and develop prototypes for each element. We plan to finish this work and begin building the first parts of the answer before the end of 2019.

Chapter 1

New challenges and opportunities for the insurance industry

New challenges and opportunities for the insurance industry

Insurance has supported human endeavour for centuries, helping society make the leaps in innovation that have characterised its development over time.

Today, customers' insurance needs are changing faster than ever. They face new threats to new types of tangible and intangible assets in new geographies. Customers tell us we need to develop new products and services that can keep pace with their needs.

This is an opportunity for our industry, but one we will only grasp if we develop new business models, embrace new technology and foster innovation to give customers the products and services they need.

The size of the opportunity

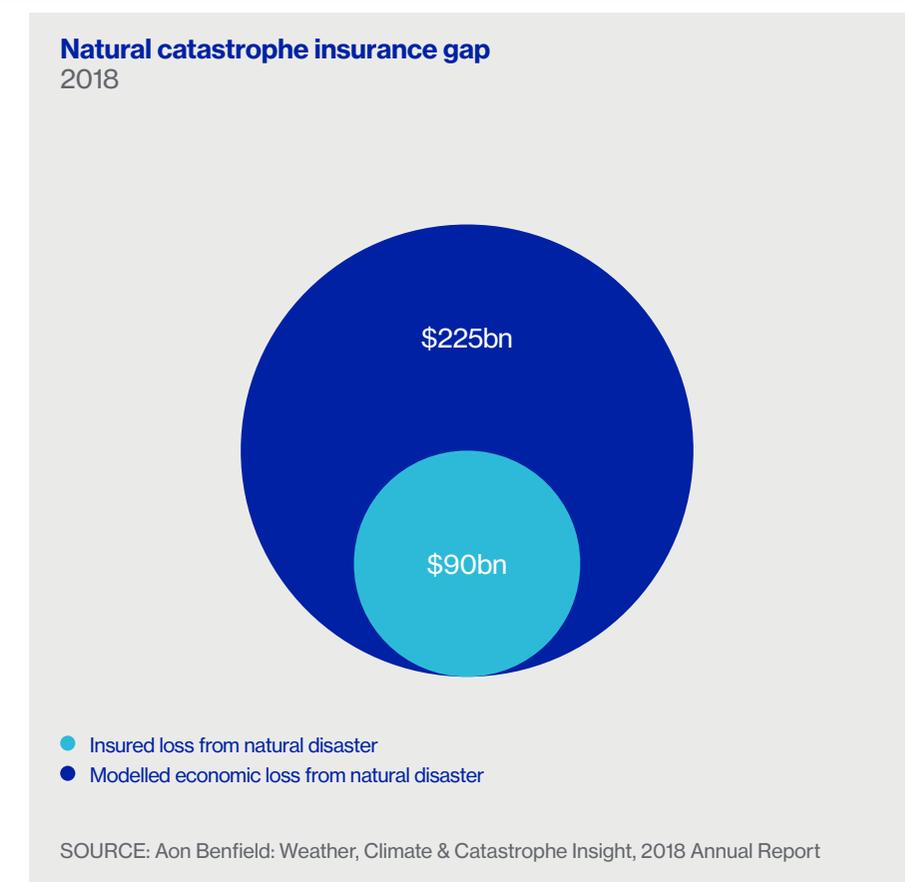
¹ Aon Benfield: Weather, Climate & Catastrophe Insight, 2018 Annual Report

² Lloyd's: Counting the Cost: Cyber exposure decoded, 2017

³ Oxford Macroeconomics; Lloyd's market analysis

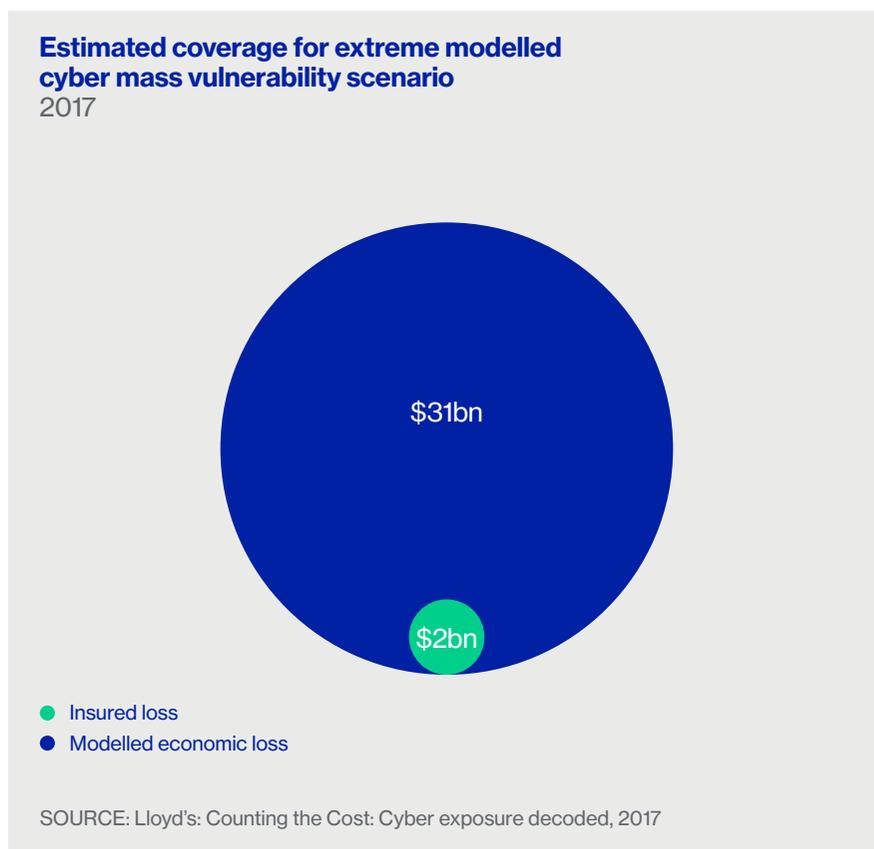
Despite the increasing threat of new risks such as cyber-attacks, and traditional perils such as windstorms, insurance buying is not keeping pace. Less than half the world's natural catastrophe exposure (USD225bn) in 2018 was covered by insurance¹. In 2017, Lloyd's estimated total economic losses from a mass cyber-attack would cost USD53bn, yet the value insured was only 17% of that (see Figure 1.2 on page 12)². Across the industry, we see a similar story. Over the past 14 years, commercial property and casualty insurance penetration as a percentage of global GDP fell from 1.3% to 1.0% (see Figure 1.3 on page 12)³.

Fig. 1.1



Closing this insurance gap means protecting our customers better from these threats. The challenge our sector faces is that although people need more cover, they are not buying it. There are several underlying reasons, associated opportunities and actions we could take.

Fig. 1.2



Better align products and services to customer needs

⁴ Aon Benfield: Global Risk Management Survey, 2017
⁵ Ocean Tomo: Intangible Asset Market Value Study, 2017

The fast-changing risk landscape makes it difficult for businesses to track and make decisions about their risk exposures. Even when they are aware of their exposure, customers cannot always find the insurance products and services they need: one 2017 annual risk survey shows that half of the top 10 risks identified by risk managers are uninsurable (see Figure 1.4 below)⁴. In part, this is because insurers have not reacted quickly enough to the changing risk landscape. Insurance has always followed risk but as threats emerge faster, insurance must react more quickly to ensure customers get the protection they need. For example, the asset value of S&P500 companies has shifted from 83% tangible assets (e.g. property, equipment) in the 1970s, to just 16% today (see Figure 1.5 on page 14)⁵. Intangible assets account for an increasing proportion of an organisation's value and are vulnerable to new risks such as cyber-attack and reputation damage, which require fundamentally different insurance products.

Lloyd's view

Insurers must supercharge innovation if the industry is to create products and services relevant to today's customers' needs. What would it take to create products and services that address more of the top 10 risks identified by risk managers?

Fig. 1.3

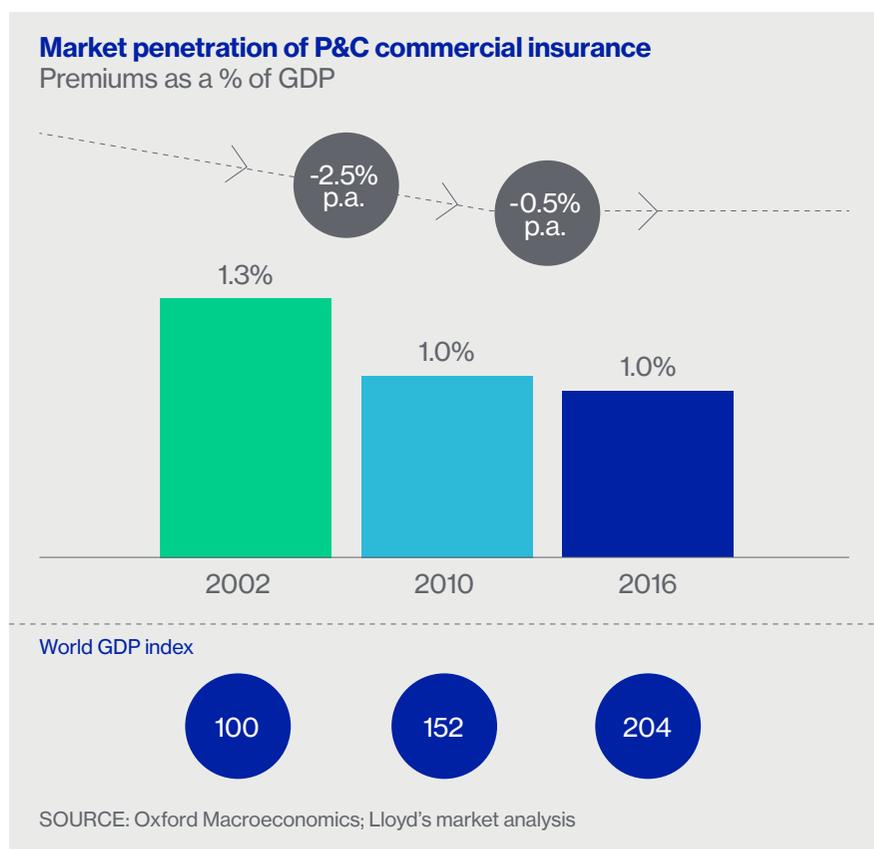
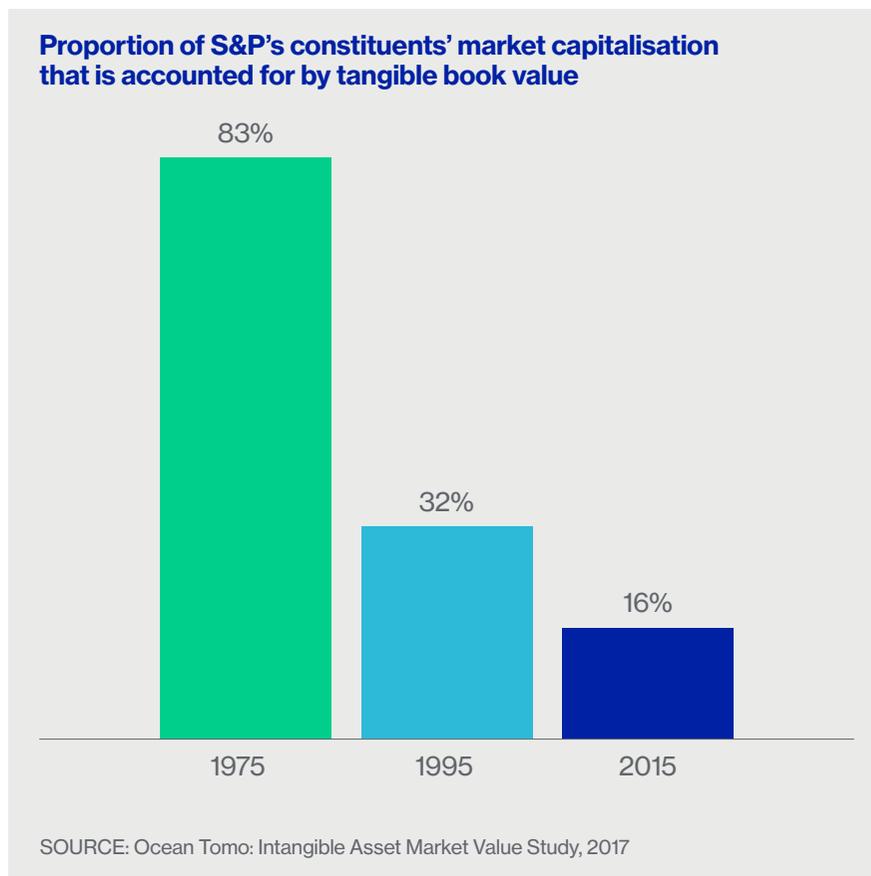


Fig. 1.4

Top 10 risks as defined by risk managers in 2017 1,843 responses	Insurable?
1 Damage to reputation/brand	✓ (Partially)
2 Economic slowdown/slow recovery	
3 Increasing competition	
4 Regulatory/legislative changes	
5 Cyber crime/hacking/viruses/malicious codes	✓ (Partially)
6 Failure to innovate/meet customer needs	
7 Failure to attract or retain top talent	
8 Business interruption	✓
9 Political risk/uncertainties	✓ (Partially)
10 Third party liability (incl. E&O)	✓

SOURCE: Aon Benfield: Global Risk Management Survey, 2017

Fig. 1.5



Make risk transfer more efficient and reduce buying costs

⁶ Lloyd's strategy team analysis; LSE Group - The Cost of Capital: An International Comparison; PwC Costs of an IPO Report
⁷ Lloyd's market analysis

Our industry needs to get closer to end customers and reduce costs across the distribution chain in areas where it is not adding value to customers. Acquisition and administration costs are high and are reducing more slowly than those in other sectors. Insurance's 30% or more cost of doing business does not compare favourably to the 4-13% cost of an equity IPO⁶. While many complex products are inherently costly to transact, the sector has not stripped out other costs by modernising systems and processes quickly enough. Acquisition costs can also be high even for more commoditised products. Slow modernisation of internal systems and legacy IT infrastructure mean administration costs remain high.

Large corporations are increasingly retaining risk on their own balance sheets because it is more efficient to do so. This is unsurprising, given the scale of these corporations, the expense of risk transfer and the fact that half of S&P500 equity is in industries with a lower cost of capital than P&C insurance⁷. Furthermore, when corporations do want to transfer risk, they cannot always do so. Uncertainty around risk exposure and aggregation, pricing and risk appetite impact the coverage that insurers are willing to offer corporations.

Lloyd's view

Insurers must overcome this pricing challenge. High administration and acquisition costs make policies more expensive for customers. Reducing costs must be a priority. What would it take to cut the cost of insurance placement in half?

Embrace opportunities for new capital

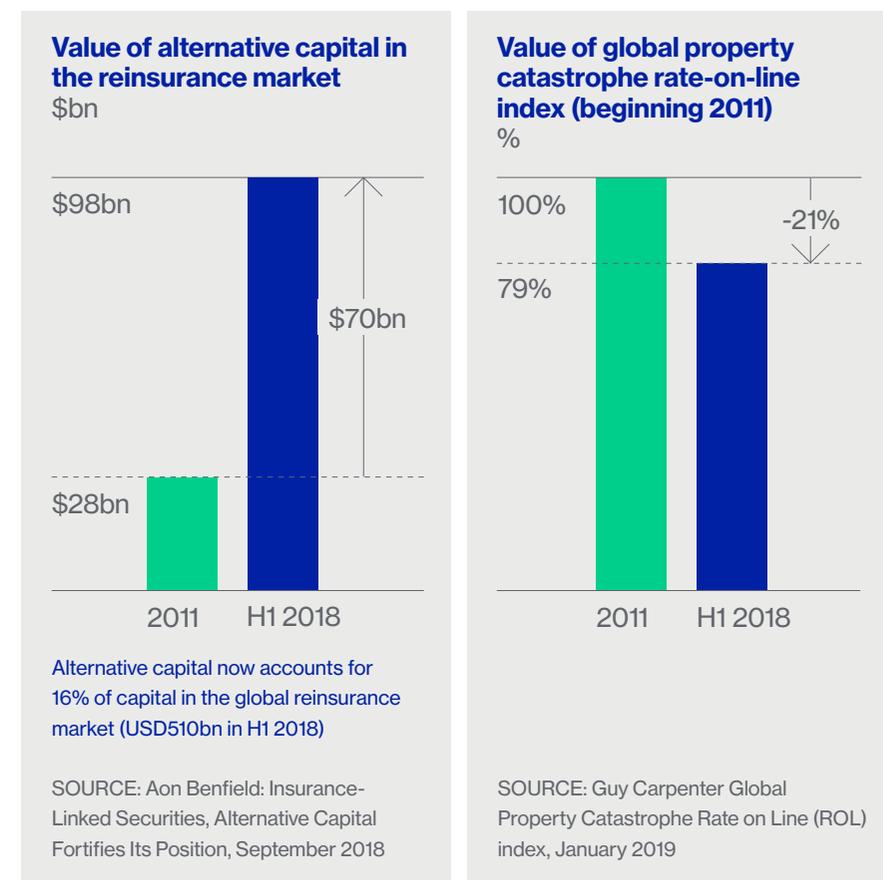
⁸ Aon Benfield: Insurance-Linked Securities, Alternative Capital Fortifies Its Position, September 2018

New capital is increasingly attracted to the insurance market, drawn by the relatively high, uncorrelated returns in a low interest rate environment. Third-party capital now makes up 16% of reinsurance capital, having grown from USD5bn in 2002 to USD98bn in 2018⁸. Although its impact has been largely confined to property catastrophe reinsurance so far, it will affect other lines as barriers to access are reduced and investors seek new opportunities. New capital has increased rate competition over the past few years, forcing down prices (see Figure 1.6 below). This is a good outcome for our customers, and also a great opportunity for insurers to better serve their customers and offer more coverage.

Lloyd's view

As a capital-dependent industry, insurers must make it easier for new forms of capital to attach to risk, thereby offering customers better value. What do we need to do to make Lloyd's more attractive to third-party capital?

Fig. 1.6



Attracting new talent to the industry

⁹ Insurance Post: Insurance Census 2017: Face of insurance

¹⁰ Deloitte: The Future of Talent in Insurance, 2018

Our industry is facing a talent shortage. The average age of the insurance workforce rose by 2.5 years to 39 between 2015 and 2017. In the same period, the proportion of young adults employed in the industry dropped from 18% to 10%⁹. Firms must begin recruiting and developing the next generation of individuals, who will become the leaders and experts of the future. Unfortunately, research shows only 4% of younger job seekers have a desire to work in the insurance industry¹⁰. We will struggle to recruit top talent unless we can define and communicate more appealing employee value propositions to candidates, and create an inclusive culture in which everyone is respected and valued. To do this companies must invest in retaining and attracting employees. They must overhaul recruitment to ensure candidates are selected from the most diverse pool available to fill new and specialised roles. They must define clear, personalised benefits for employees, and offer structured pathways for career and personal development. And they must put in place systems to identify and develop future leaders from all backgrounds, genders and cultures.

Lloyd's view

Human capital is more scarce than financial capital, and our industry needs to compete harder for the best talent. What would it take to make insurance a top-three industry-of-choice for STEM (science, technology, engineering and mathematics) graduates?

Conclusion

The issue is clear: either carry on with business-as-usual and risk becoming less relevant as customers see decreasing value in what insurance offers, or change and realise the multiple opportunities afforded by the new risk landscape. Building greater trust with customers, supercharging innovation to deliver products and services more closely aligned to their needs, and reducing policy costs, will go a long way towards achieving this ambition.

Chapter 2

Lloyd's view: Leading the change

The Lloyd's market must lead the change

Lloyd's has a once-in-a-generation opportunity to take on these challenges and play a leading role in the sector.

Throughout our 330-year history, Lloyd's has innovated, pioneering new coverage for different risks and responding to the needs of its customers. From the first motor and satellite policies to today's cover for cyber and sharing economy risks, we have always provided, and continue to provide, risk services for customers around the world.

Today, Lloyd's offers customers a unique value proposition. We provide insurance and reinsurance in more than 200 countries and territories worldwide through our global licence network. Customers have access to unrivalled broking and underwriting expertise with a reputation for solving difficult risk transfer problems in one marketplace. Lloyd's insight, experience and judgement continue to inform decision-making across the industry. We pay billions in claims each year: so far this century, Lloyd's syndicates have paid just over £200bn (USD260bn) in claims, which gives customers confidence to place their business with us. All of this is supported by a healthy flow of capital into the market, with large, multi-platform carriers, attracted by the market's specialist risk capabilities, becoming participants in the Lloyd's market.

That said, Lloyd's has had to work hard over recent years to mitigate the impacts of tough market conditions and increasing competition in the sector. Much of that work has been focused, and is focusing, on delivering world-class underwriting through our performance reviews and best-in-class standards. Performance will always be a priority for Lloyd's. We will ensure our market is well-capitalised and operates to the risk and regulatory standards that befits the world's largest insurance marketplace. Ensuring the market consistently delivers sustainable, profitable growth through a robust risk and regulatory framework is a critical pillar we need in place to build the future at Lloyd's.

Other activity underway for the short to medium term includes modernising our systems and processes, which will form the building blocks for developing the technology discussed in this paper, looking at ways we can strip out costs and ensuring our people are resourced properly to set up Lloyd's for success. The latter includes the work we are doing to create an innovative, inclusive culture in which everyone is respected and valued, that not only attracts diverse, top talent to come and work for Lloyd's but also encourages them to stay and build their careers here. We are taking the opportunity to lead the sector on diversity and inclusion through a raft of initiatives including the international Dive In festival, our new market-leading care policies and the unique, independent, market-wide survey we are carrying out to identify where we could improve. We know there is much more we could be doing in this area and we are addressing it urgently.

These measures are getting Lloyd's back to where we need to be and while we are making good progress, we recognise that past and current performance is no guarantee of future success. The Lloyd's market is exposed to the same challenges as the rest of the insurance and reinsurance industry. As a marketplace of competing and collaborating businesses, there is an opportunity for a powerful collective response. We need to go further.

Better align products and services to customer needs

¹¹ Lloyd's and other Annual Reports; Lloyd's PMDR database

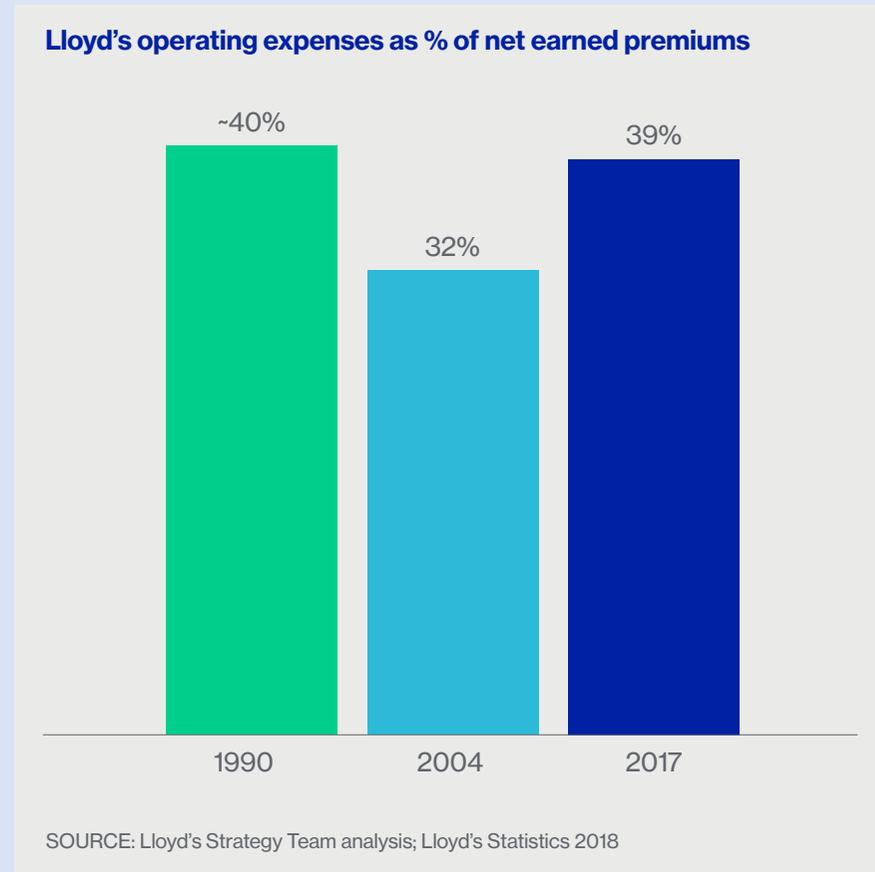
As a market, we have always had a strong track record for innovation, which is good for the customer and the market. We must continue to be receptive to innovation, without compromising on our standards for world-class underwriting. We have an opportunity to increase participation in the Lloyd's market, attracting new business from existing participants as well as from those who do not currently work with the market. Today, 57% of Lloyd's business is written by global carriers, but Lloyd's makes up less than 7% of their global business. Similarly, while the top three brokers place 41% of Lloyd's premiums, they generate only 14% of their brokerage revenues from Lloyd's¹¹. Lloyd's is served by some 300 broking firms who originate business from around the world. There is a huge opportunity to attract more of this business into Lloyd's.

Make risk transfer more efficient and reduce the cost of buying insurance

¹² Lloyd's Strategy Team analysis; Lloyd's Statistics 2018

The global insurance industry needs to reduce its costs so that our customers spend more of their premiums on risk protection and less on transaction costs. Today, Lloyd's expense ratio remains broadly unchanged since 1990 (see Figure 2.1 below), and is higher than those of global carriers¹². To reduce our costs, we will simplify risk transfer and distribution chains. Lloyd's has started this work by modernising systems and processes through the London market Target Operating Model, and by standardising data so that it can be used more efficiently. We intend to go further and faster with this work.

Fig 2.1

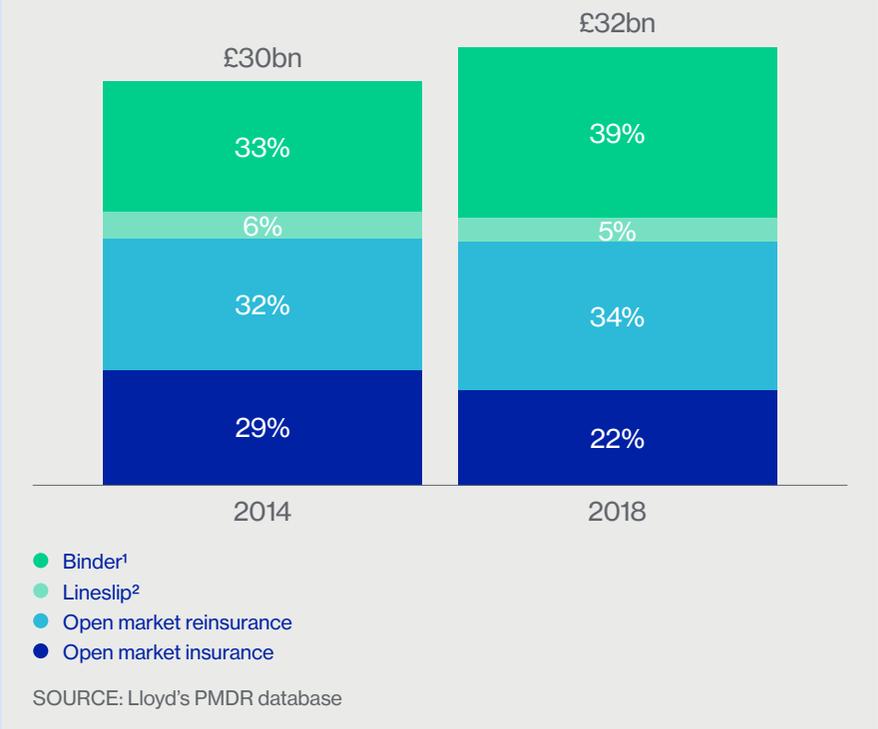


¹³ Lloyd's PMDR database

Furthermore, we recognise that the type of business Lloyd's writes has changed over time. Whereas open market traded insurance has traditionally been Lloyd's focus, it is now only around a quarter of what we do (see Figure 2.2, right). Binder/managing general agent business has grown significantly in recent years and now makes up nearly 40% of Lloyd's business, bringing with it materially higher acquisition costs and marginally lower administration costs¹³. Although the business mix has changed, Lloyd's has not adapted quickly enough, meaning the costs of doing business are higher than they need to be. Lloyd's has an opportunity to evolve and offer a better service that is aligned with the activity happening in the market today and in the future.

Fig 2.2

Proportion of total Lloyd's GWP by method of placement
Gross written premium (year of account). % per method of placement



¹ An agreement by which a managing agent delegates authority to a managing general agent, under certain terms

² An agreement by which a managing agent delegates its authority to another managing agent or authorised insurance company in respect of business introduced by a Lloyd's broker named in the agreement – often referred to as a facility or scheme

Embrace opportunities for new capital

¹⁴ Aon Benfield: Insurance-Linked Securities, Alternative Capital Fortifies Its Position, September 2018

Other hubs, such as Bermuda, have been highly effective in competing for new capital, which is having an increasing impact on our sector: over the past 14 years, alternative capital in reinsurance has grown to USD98bn¹⁴. We must make it easier for capital in all its forms to come into Lloyd's.

Every organisation must anticipate, react to and adapt to change if it is to remain successful over time, and Lloyd's is no exception. We must respond to and embrace these challenges, whilst also continuously improving the quality and performance of our underwriting: market-leading performance is a non-negotiable part of Lloyd's DNA. As a marketplace of competing and collaborating insurers, Lloyd's is ideally placed to help lead the industry's collective response. Many of the world's leading insurers, reinsurers and brokers operate at Lloyd's, and good ideas that originate here can drive change across the industry.

What you have told us so far

Over the past eight months, we have carried out an extensive listening tour to hear our customers' and other stakeholders' thoughts on Lloyd's. We spoke with hundreds of you, including customers, distributors, carriers and capital providers, both inside and outside the Lloyd's market. This helped us identify where you think Lloyd's strengths and weaknesses lie, as well as the changes you think the market could or should make.

You told us the Lloyd's market has many core strengths

Including an unrivalled concentration of underwriting and broking expertise, a collective power as a market, the ability to write customers' most complex risks, and a global licence network in more than 200 countries and territories worldwide. These, you said, are underpinned by our trusted brand, and the Lloyd's chain of security and strong credit rating.

You also told us we face several challenges

You said our historic, unique selling points are no longer critical for some market participants, that we must make it easier and less costly to do business in the Lloyd's market, and that we must keep innovating to keep up with our competitors.

You gave us direction on the way forward

You said you want us to be bolder in outlining and shaping our vision for the future of insurance - this consultation is the first step. And you said you want us to work more closely with our customers and other stakeholders, and partner with you more effectively in a diverse and inclusive culture.

We have used all these insights to redefine the market's value proposition (as described on the inside cover) and inform our strategy to build the future at Lloyd's, as set out in this document.

Our ambition is to ensure we have the appetite and expertise to protect customers from their most challenging risks. We aim to increase the value we provide to our customers in several ways.

Offer even better solutions for our customers' risks, in terms of the cover offered, the capacity available from the Lloyd's market and the quality of protection

We will supercharge innovation in the Lloyd's market to help customers understand their full exposure to different risks and how they can address it. We plan to expand the Lloyd's Innovation Lab, which will be a hub for the latest news on emerging risks and new products and services. It will also be a product development incubator, where entrepreneurs, innovators, tech companies, brokers and underwriters come together to analyse emerging risks and develop appropriate insurance services. It will ensure we develop a pipeline of innovative products, attract new customers and start to close the insurance gap, helping us retain our reputation, as one of our customers put it, "as a market that can find coverage for any risk".

We will also make it easier for new sources of capital to come into the market and to attach to risks much more efficiently than it can today. We will do so at a volume and with a risk appetite appropriate for changing risk profiles and increased levels of coverage. This will create a unique new capital environment.

Simplify the process of accessing products and services at Lloyd's

We will make the valuable products and services that Lloyd's has to offer even simpler to access. Innovators will find new routes to underwrite on the Lloyd's platform. Brokers and underwriters will have access to a new ecosystem of products and services. New sources of capital will have easier routes to attach to risks. And policyholders will experience an improved, responsive and automated claims service.

Reduce the cost of doing business at Lloyd's

We will ensure that buying insurance is faster, simpler and better value. Our ambition is to cut the time it takes from request to bind and policy issuance from weeks to days. We aim to cut acquisition and administration costs for the most common risks from 30-40% today to 10-20%. This step-change will also provide customers with rapid access to appropriate Lloyd's expertise for the complex risks they face. We will ensure that those offering this advice have the appropriate knowledge, experience and digital tools to make this process effective and efficient. It must always remain the case that Lloyd's, as one broker said to us, "is seen as *the* market for specialist expertise and capacity".

Build an inclusive and innovative culture that attracts leading talent to Lloyd's

We will build a diverse, inclusive environment that reflects the global markets we work in and in which everyone is treated with dignity and respect. We will invest in attracting the best talent to Lloyd's, making sure recruitment is targeted at bringing in the skills we need to evolve. We will develop a talent pipeline that provides us with the key capabilities we will need for the future. This includes establishing relationships with academic institutions and other external sources as well as enhancing the skills of those within the market.

We will create a culture in which every employee fulfils their full potential, ensuring that leaders role-model the behaviours we expect in ourselves and others. We will develop a sector-leading development programme that identifies and fast-tracks potential leaders, and build a management culture that is expert at driving and sustaining change. We will set the industry standard and wellbeing, tailoring packages to individual needs and ensuring every employee is supported through career and personal development. We will embed a culture of innovation and inclusion in our everyday activity, and actively encourage creative risk-taking to spark the changes we need. These initiatives, in combination, will help us attract and retain the talent we need to build the future at Lloyd's.

Imagine a world in which the Lloyd's market uses data and technology to enable customers to buy insurance quickly and easily for the most difficult-to-cover risks

I'm the CEO of a Europe-based logistics company, which delivers parcels for e-commerce companies using various technologies including autonomous vehicles and drones. In light of several high-profile ransomware attacks that have made the news recently, our Board asked me to buy additional insurance cover to protect the business from risks like reputational damage and cyber-attack that aren't covered by the policies we already have.

When I told my broker what I was looking for, she told me that Lloyd's was the go-to market for offering innovative insurance products for complex risks and that it had taken big steps to make getting coverage easier than ever before.

She said Lloyd's has created a state-of-the-art digital platform to support sourcing and placement for these (and other) complex products. The policy process is automated across quote, issue and bind in a single digital end-to-end workflow. After discussing my needs with my broker, she uploaded my details and preferences onto the platform, including the geographical coverage I needed (which can be accommodated by Lloyd's licensing network). The platform supplies high quality, consistent data to the market and my needs are automatically matched to a panel of syndicates, who have pre-defined their risk appetites and areas of expertise within the system. This matching process informed my broker precisely who would be the best-placed and most willing to work with us, and, after selecting a shortlist from this group, she approached them to design a bespoke solution for my needs, using the data already uploaded to the platform. The syndicates use Lloyd's modular approach to product design to quickly offer quotes and this process is integrated entirely within the digital platform. When my broker has to discuss policy design with the underwriters, she sometimes goes into the Lloyd's building to meet them face-to-face; at other times she uses the platform's online video chat system.

Freeing syndicates from the burden of administrative tasks means that they can focus on what they do best: ensuring the highest quality of underwriting and carrying out expert digital analysis. Several syndicates were quickly able to develop bespoke coverage for our needs. Furthermore, because syndicates proactively defined preferences for subscription on the platform, the policy was almost instantly filled with appropriate capacity once my broker had agreed terms with a leader. She clarified a few points and negotiated three specific contract clauses, and that was it. All documentation and payments were handled seamlessly by the platform and I had the policies and coverage my Board asked me to get. My broker assured me that, should we need to make a claim, the process was transparent and easy to track online. She also told me that, through the broader Lloyd's ecosystem, she could recommend some services that would help me reduce the risk of ransomware over time – potentially enabling me to reduce the cost of renewal next year.

Lloyd's has taken the hassle out of buying the innovative, competitive products that give me the coverage I need.



Imagine a world in which buying insurance from Lloyd's is automated, low-cost and instant

I am an insurance buyer at a 600-employee company. My job is to purchase cover for a variety of risks faced by my organisation, which can be frustrating, as buying insurance can be a slow, costly and inefficient process.

While looking for marine cargo coverage, it was my broker who recommended Lloyd's Risk Exchange as a new, convenient, low-cost way to carry out my global risk procurement, with the reassurance of the Lloyd's brand and associated benefits. The Exchange is an online platform, backed by the Lloyd's central fund, strong financial ratings and robust regulatory oversight. We use it to place any low complexity risk in the Lloyd's market, according to my preferences which we agree beforehand. For these risks, the Lloyd's market has developed standard general agents (who can deal directly with Lloyd's now) without bespoke negotiation and product design. My first question was, what's a low-complexity risk? Apparently, it is anything that can be priced through algorithms using a set of predefined data points that my broker and I can provide – and more and more products are being added all the time.

So, for the marine cargo cover my company bought recently through the Exchange, we agreed a range of options up front, including any exclusions, retention, the appropriate policy limits and the maximum price I wanted to pay. As soon as my broker logged in, my company and exposure information was pulled up from our cloud software for him to look over, make any changes and approve for download into the Exchange. This was all the information the Exchange needed to match my needs and preferences with the most competitive quotes given my choices. It also suggested some additional relevant coverage, bolt-ons and further exclusions I might be interested in, as well as showing me how these would affect my premium. I made my selections and received confirmation that I was covered moments later.

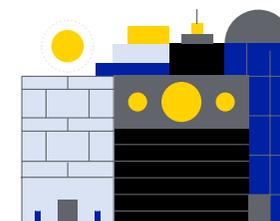
One question I had was, how do I know I am getting the best deal? My broker told me that because Lloyd's has standardised the risks, using commonly defined terms and policy conditions for specific classes, and built them into the Exchange's mechanisms, once I add my preferences, the system has enough information to match me with the best policies in the Lloyd's market, including those offered by consortia. Not only this, but by centralising a lot of the administration and compliance, the costs are lower and any claims I might have are much easier to process.

It wasn't possible to find a better deal on the open market. Policies bought through the Exchange are lower cost because Lloyd's has pre-packaged the policies, removing the need for individual negotiations and bespoke product design.

Making policy changes, buying new cover or tracking my claims can be done online whenever I want.

The greater product choice means I now have more insurance options. For example, the marine cargo policy I bought is dynamic, meaning it responds immediately to any changes to my company's risk profile.

Most importantly, because the Exchange is underpinned by the latest technology, Lloyd's has automated most of the buying process. Not only does this reduce my costs, it also means my broker can spend more time on doing higher value work for us, like buying cover for our complex risks, and advising us on how to reduce our risk profile and premiums.



While the Exchange does not have standard policies for all my risks, it either provides quotes for the risk my broker enters, or for my more complex risks, directs her to relevant experts via the complex risk platform.

The Exchange is transforming the way I buy a large portion of my company's insurance.

Imagine a world in which capital has an easy, effective way to access a diverse set of insurance risks on the Lloyd's platform

As the fund manager of a wealth management firm, I am always looking for alternative investment opportunities that have attractive risk-return profiles and which give my investment portfolio additional diversification.

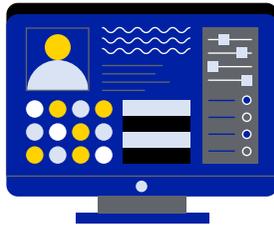
Previously, I could only invest in the insurance sector by making direct debt or equity investments in insurance companies, by investing in catastrophe bonds or by backing Special Purpose Arrangements at Lloyd's. Although this gave me exposure to a portfolio of risks, my equity was still exposed to financial markets and firm-specific risks, while cat bonds focused only on catastrophe risk. I always felt that this particular investment segment could benefit from a greater choice of products and risk-return profiles, more transparency, and a deeper, more liquid market.

That's when I heard about the opportunities at Lloyd's. Lloyd's has created the go-to place for capital to invest in insurance risks, and a wealth of new investment opportunities for investors like me. It has made it possible to invest easily and efficiently in different types of insurance linked products beyond property cat, without needing to be a licensed insurance-linked entity or having to invest in a typical insurance company. This allows me to access several new types of insurance risk, as well as different options for attaching my capital to risk, each with different risk-return expectations and different investment time horizons. In addition, it provides market performance data, and hence performance transparency, enabling better investment decisions.

There are several ways I can invest at Lloyd's - for example, through a Lloyd's tracker or as approved follow capacity to a recognised lead - and Lloyd's continues to create more. Today, I am follow capacity for a lead, and define my investment appetite through detailed parameters. I set them in the system, including my return expectation and risk tolerance, the carriers I am willing to follow, and the types of risk and territories I'm interested in. My preferences are then automatically matched with business in the Lloyd's market, and my chosen carriers can allocate individual risks, or portfolios of similar risks, directly against my capital. I can also invest directly in Lloyd's-created portfolios that back a particular class of risk (e.g. cyber), a motive (e.g. an ethical portfolio) or the entire Lloyd's market.

The amount of capital I need to hold at Lloyd's is calculated and released back to my account as the outcomes become known and the risks mature, and it's easy to value my investments. Lloyd's capital efficiency means that I need to deploy less capital than if I sought the same exposure to insurance risk elsewhere.

I understand from friends in the market that Lloyd's also helps syndicates become more capital efficient. Underwriters have a real-time understanding of the capital required for each risk, can make informed decisions about how much syndicate capital to hold against new business, and choose how much third-party capital they wish to deploy.



For me, there are different maturity and exit options in the event my needs change over time. These depend on how I've said my capital can be used and the type of risk it can be matched to. These include waiting for the risks to mature, reinsurance or leveraging the robust, independent valuations to sell risks on to other approved investors on the platform's secondary market.

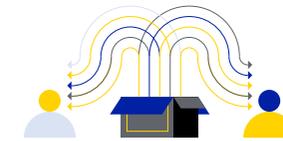
This is an exciting development for investors. I am now able to deploy capital in several new risk areas: non-cat property, general liability, political risk, marine, aviation and even cyber. Returns have been in line with expectations and I expect more investment options to become available over time.

Lloyd's gives me an opportunity to invest in several new, uncorrelated investment segments that further diversify my portfolio. It's good for the Lloyd's market, too: syndicates are now writing larger lines of risk with the easily accessible capital.

Imagine a world in which high-performing firms have fast-track access to underwriting at Lloyd's in a way that brings innovation to the whole market

I am the head of a US-based provider of specialist cyber insurance. We had been thinking about underwriting on the Lloyd's platform for a while but when I looked into it, the only option to join was as a Lloyd's managing general agent. That didn't work for me - I wanted to be able to write my own risks on my own account. So I left it. Later on, I heard about Lloyd's new Syndicate-in-a-Box option, which has made joining the market much easier and more cost-effective for new, innovative entrants.

Having just gone through the process and got approval to work as a "remote syndicate" at Lloyd's, I can say Lloyd's has worked hard to enable innovators like me to be part of the market. The joining process is fast, streamlined and digital, and it's much easier to bring capital to market and attach it to risks. Capital providers are matched with risks or syndicates based on pre-set preferences, so I can find the 'patient' capital I need to grow. Syndicates like mine can set up remotely, which means I avoid the expense of setting up an office in London. We place risks electronically and can access all the data and services available in the Lloyd's ecosystem.

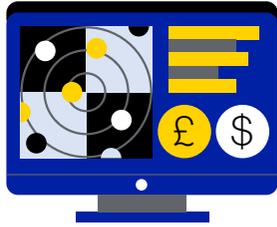


It costs less to operate at Lloyd's than it used to, too. The Syndicate-in-a-Box model means I can buy centralised services from other market participants or third-party providers that my company can't or doesn't want to carry out - functions like HR, payroll, reporting and claims. As we grow, we can outsource more of these services or bring them in-house as we want. Everyone benefits from these lower costs - not least customers, who see better premiums as a result.

The other benefit we get from Syndicate-in-a-Box is access to Lloyd's Centre for Innovation, a centralised hub of both Lloyd's market and third-party data and insights. We combine these with our own expertise, insight and innovation to create better products and, by offering these through Lloyd's, bring something new and additional into the market.

Because of our increasing expertise and innovative underwriting, I expect to increase our business in Lloyd's and sell our products internationally through its global licence network. I hope our positive experience of using Syndicate-in-a-Box will encourage others to bring their innovations and expertise to Lloyd's, and help us shape cyber underwriting in the market and throughout the world.

Imagine a world in which a claim is paid before the customer realises they have experienced a loss



I'm the owner of a small textile factory in Florida. Last year while I was away, we were hit by a hurricane which caused widespread damage to my company's building and some of the equipment inside it.

The first I knew of the factory being damaged by the storm was when I got a text message from Lloyd's informing me that a claims payment for incurred losses had been transferred into my account – just hours after the event. At a terrible time for my business, at least I got exceptional service from my insurer.

The promise of a fast, efficient claims service was what had convinced me to buy my property insurance from Lloyd's in the first place. After a couple of experiences in the past where it took ages to get my claim paid, last year I looked around to see if there were any other options out there.

It was my broker who told me about Lloyd's Next Generation Claims Service and the more I heard about it, the more I liked the sound of it. As a small business, I rely on a steady cash flow to pay my suppliers and keep production going - any interruption means my customers might go elsewhere to buy what they need. So, when production is stopped, as it was by the hurricane damage, it is very important I get back up and running as quickly as possible. Knowing claims will be paid within 24 hours means I can do that.

One question I asked my broker when we were talking about Lloyd's was, how does it manage to pay claims so quickly? He told me that Lloyd's has automated most of the claims process for many types of policies – not just parametric ones – which has dramatically reduced the time it takes from making a claim to getting paid. Apparently, when you buy insurance from Lloyd's, it is recorded on a 'dynamic' database that contains all Lloyd's policies, the assets covered and the coverage limits.

The new claims process is centred around each individual customer and their loss, and Lloyd's has considered how to proactively communicate with customers more speedily and offer them the service they need at the right time. For smaller, straightforward claims, Lloyd's new artificial intelligence solution processes many claims – meaning unparalleled response times. For instance, I heard that Lloyd's paid out on a cargo claim within two hours; the refrigeration system from the ship informed Lloyd's and the claims process kickstarted automatically on the customer's behalf. For ongoing, developing losses such as cyber breaches, Lloyd's rapid response focuses on fixing the breach and getting the customer up and running again. For event-driven losses like the hurricane that hit my factory, Lloyd's has put in place rapid notification systems. As soon as a potential loss event like a hurricane is detected, the system automatically notifies each Lloyd's insurer and broker as to which of their customers could be affected so that they can get in contact. If the event does take place, the syndicate's claims process kicks in: the claim is validated automatically and payments are made digitally, directly from insurer to customer, which means it is in my account much more quickly.

Anonymised claims data is shared with other Lloyd's insurers, which they use to build better models, refine premium prices and improve claims validation.

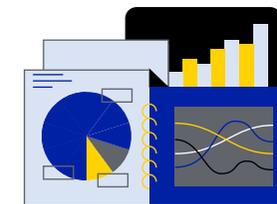
The automatic claim validation is the clever part. Lloyd's took existing technologies and applied them in combination to assess the damage and ensure claims are valid: it is deploying existing technology in a new way. For my hurricane claim, my broker told me that, initially, the independent claims manager used by Lloyd's tried to use satellite imagery to assess

the damage. However, thick cloud cover after the storm meant that they couldn't get all the evidence they needed. So, they used a service that collates CCTV and drone footage to build a fuller picture, meaning they could verify the claim and pay me within hours. It's good to know Lloyd's does still use loss adjustors – my broker told me that these days it's usually when claims are complex or there is disagreement about the scale of the damage.

Shutting down the factory was obviously something I could have done without, but the delay would have been much longer if I had had to wait for loss adjustors to file their reports and deal with a manual claims process. The fast claims payment meant I could hire contractors to start repairs right away and get my business up and running again just two weeks after the hurricane. That meant I had more time to make sure my employees were ok, some of whom lost their homes in the storm.

It is a real comfort to know Lloyd's has my back and has a claims process that minimises the disruption to my business and my employees by getting us working again.

Imagine a world in which a Lloyd's ecosystem allows insurers to reinvent themselves in real time to continue to create outstanding value for customers



As a Lloyd's syndicate underwriter working in today's highly competitive insurance market, I know how important it is to offer outstanding value to customers. I need to be better than my competitors, whether that be through offering new products, better risk mitigation advice and support, or reduced costs.

Working within the Lloyd's market helps me do this because of the unrivalled access all participants have to its new ecosystem. The ecosystem includes three elements at its core: an expanded Lloyd's Innovation Lab, an unrivalled dataset of relevant information and library of insight, and a comprehensive partnership of service providers (both Lloyd's and third party) that help me offer even better services to my customers. There is a real sense of community at Lloyd's, reinforcing a culture of innovation and inclusion.

The value of this ecosystem became apparent to me recently, when I brought a new product to market.

I had an idea after reading some of the research that was coming out of the Lab, which acts as a hub for the latest news on emerging risks and new solutions, and as a product development incubator. The Lab had identified a need for a reputational risk product that was adjacent to something I already write. I could use and build on the initial models that Lloyd's had developed to refine my understanding of the risk and create new wording for the new product.

The research told me the demand existed, but I needed to find out more about the customer base. Lloyd's has used its scale to create truly unique datasets, and I was able to find out which segments of customers were already buying reputational cover and which segments might be interested in my new product. As well as Lloyd's own data, I found a third-party data provider who uses public social media feeds to create reputational indices for corporations over time. I used that data source to improve my risk modeling for this new product. Lloyd's role was integral – by helping me identify and access its leading collection of digital insights on insurance-related matters. I could focus less on data management and more on using it to develop better products. All of this is integrated through a consistent data architecture that makes it easy for me to access and integrate data

from a central point into my system. The platform also gives me access to a huge potential market.

Through the ecosystem and the partnerships Lloyd's has created, I found I could offer additional, unique services to my new customers, secure in the knowledge that it has carried out all the procurement groundwork for the suppliers and partners in the ecosystem. With issues of reputational cover, rapid response to any damaging media reports is key – especially for consumer-facing businesses. Getting back onto the front foot is tricky, especially for many of my smaller and medium-sized clients, who don't have top PR firms on retainer. Through the Lloyd's ecosystem, I identified a smaller firm that can help my future customers rapidly respond to reputational issues on social media as they unfold. My product and the response service are part of a holistic solution that I can now offer my customers.

Lloyd's has also made it easier for new participants to work in the market because of the unbundled services available in the ecosystem. My syndicate used to do everything in-house because it was easier. Lloyd's has opened up the services available beyond independent claims managers, loss adjustors and legal services, and made it possible for any best-in-class provider working in Lloyd's to offer and charge for services. We now outsource our reporting and compliance checking to a service partner. It is a win-win for everyone: I can outsource the things I don't do well and focus on core activities; my service partner can generate fee-based revenue and economies of scale.

All this demonstrates how Lloyd's is embracing innovation. In addition to the above, it is actively taking a long-term view on small-scale experiments specifically with regards to performance management.

Lloyd's has come a long way since I first started working here. It has transformed itself into a vibrant, digital ecosystem of unique data-led insight, expertise and additional services. It is a collaborative, expert community with an inclusive and innovative culture that improves underwriting, and delivers consistently excellent products and services.

Help us turn our ambition into reality

Help us develop the future at Lloyd's

We would like your help to develop and shape the future at Lloyd's by commenting on the ideas in this document.

There are several ways you can participate:

- Submit your input at lloyds.com/thefutureatlloyds
- Submit your feedback via your market associations, which will be engaging with Lloyd's directly during the consultation process
- Attend forums during the blueprinting phase later in the year - see lloyds.com/thefutureatlloyds for more details

The consultation is sponsored by and will be overseen by Lloyd's Board and Council and informed by a working group representing all Lloyd's participants, who will be fully involved in the process.

The consultation will run for around 10 weeks, and we will use this feedback to develop a blueprint and the prototypes for the options set out in this document, or any others that come out of the consultation.

Together with our customers and other stakeholders, we will start delivering "quick wins" as soon as we see them, and from October 2019 onwards, we will begin building and delivering the full services, on a case-by-case basis. Those that use existing off-the-shelf technology will be delivered earlier than those that require building from scratch. We expect to have some components operational in early 2020.

Questions to consider

Overall aims :

Which parts of our aims (Chapter 3) do you agree with?

What should we add?

Story 1

It should be easier and cheaper to do business and innovate at Lloyd's.

Platform for complex risk

Will creating a more digitised and automated process for all types of risk support better underwriting, and help us serve customers more easily and effectively?

How could we do this even better?



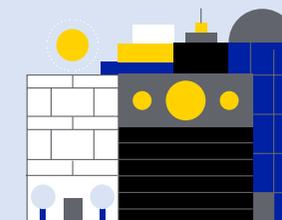
Story 2

We need to radically reduce the cost of doing business at Lloyd's and make it easier to access.

Lloyd's Risk Exchange

Will a simplified, automated process for buying cover for more common risks enable us to radically reduce costs?

How could we do this even better?



Story 3

Lloyd's should be able to offer more protection to customers and, therefore, more capacity within the market.

Capital

Will creating easier routes for capital to enter the market meet those aims?

How could we do this even better?



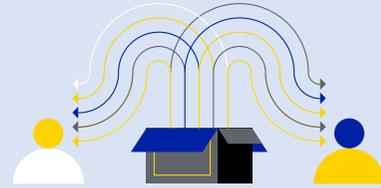
Story 4

Syndicate-in-a-Box

We need to continue building an innovative culture and increase the breadth of coverage available to customers.

Will creating opportunities for innovative firms to enter the market and to operate efficiently enable this?

How could we do this even better?



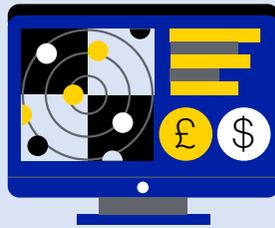
Story 5

Next Generation Claims Service

Our customers want the claims process to be simpler and more focused on them and their needs.

Can we improve the customer experience through an improved, transparent and automated way to respond to customer losses in times of need?

How could we do this even better?



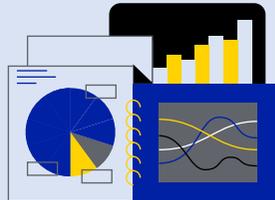
Story 6

Ecosystem

We need to encourage innovation, offer better solutions for the full breadth of our customers' risks, and create an inclusive and innovative culture.

Will an expanded Lloyd's Lab and ecosystem of data and services increase the value we collectively provide to customers, and help us create a distinctive and inclusive culture?

How could we do this even better?



Do these stories, taken together, address the challenges and opportunities facing the industry?

What more should we do?

Chapter 5

Why we are excited about this future

This is a once-in-a-generation opportunity for all of us to work together to build the future at Lloyd's. By doing so, we will play a leading role in transforming our sector in response to the challenges and opportunities that it sees today.

By adopting some or even all of the services in this document, and others that may come out of the consultation process, Lloyd's will build on its existing unique qualities to create a market and ecosystem that provides customers and our other stakeholders with an unrivalled range of easy-to-access innovative products and services.

By defining this future at Lloyd's, we will:

- Offer better, high quality, services to our customers by having more products and services for more types of risks available in one place
- Attract more capital, more business and more customers to the market
- Be more competitive, more efficient and more responsive, whilst delivering market-leading performance
- Simplify the process of accessing those products and services, and in doing so be the most technologically advanced insurance marketplace in the world
- Build an inclusive and innovative culture that reflects the global markets in which we work, and in which careers are inspirational and rewarding

These are challenging goals. But when we achieve them, we will secure the future at Lloyd's for many years to come and help set the gold standard for our industry.

To do this we need your help. The scale of the task ahead is large and we want to start seeing changes this year. We cannot do it alone, nor do we want to. The Lloyd's market is made up of hundreds of stakeholders, all of whom are integral to its success and who, collectively, have the power to make it happen. We need everyone's insight, expertise and hard work to ensure we achieve our shared goals.

We look forward to working with you to define and build the future at Lloyd's.

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