



Date: 19/01/2021

Attendees: Managing Agent

## 1. Interview:

### 1.1 Background:

- The SME is the Head of Global Property Programmes Division and a Managing Agent at a large company. The SME has 40 years of experience within the market.
- Writes business in the company market.

### 1.2. Interview Questions:

What do you like about DA?

- Access to small businesses
- Access to local expertise

Can you talk us through onboarding in the company market?

- Typically opportunity comes from a broker or from their own coverholder network.
- The broker provides information about the coverholder and the business plan.
- Opportunity needs to be well researched and developed as a business case before they start the process.
- Managing Agent review loss history, capacity, historical data and the business case, then determine whether sole funding opp or better suited to lead follow.
- Conduct assessment of Coverholder company capability (accounts, KYC, cyber)
- Conduct internal actuarial risk/viability assessment
- If they decide that they want to underwrite the risk, they put a business case through for approval. After approval DUA does the checks and



balances on financial funding. First, it goes through Underwriter review then to compliance.

## New Coverholder to Lloyd's:

- New entrants take a long time to approve, Lloyd's checks and acceptance to market – typically 3 months. The reason for that, compliance needs to go to a wider chain. Checks should be quicker in today's world with all of the tech and comms tools available.
- Approval has to take place before the coverholder engagement, if they are confident in the coverholder proposition, they will commence engagement in parallel (sometimes)
- If you can approve the coverholder quicker there would be more time to build the product.
- In Lloyd's market there is not much opportunity for growth or rate improvement, that's the reason they don't write business there. The SME's company doesn't have the bandwidth to explode in Lloyd's, they use company paper only.
- There have been many attempts to nudge coverholders to submit data in a consistent manner and the industry is tired of this. If a new proposition is under review, Managing Agents have to find the capacity to deliver within current approved limits or has to make an exceptional request to Lloyd's for more.
- Coverholders generally prefer to use Lloyd's because of the brand and trust. In the soft market it is more likely Coverholders will choose Lloyd's over the company market. In the hard market it's easier to write business in on company paper, because Lloyd's has a tight capacity.

## Talk us through creating a new product process:

- When the coverholder has a new product, it is much quicker and simpler to do via company than to obtain approved coverholder status from Lloyd's.
- When the coverholders have done research and have a plan for a particular product, this goes to the Managing Agent with a detailed plan and wording draft.
- If it's a new coverholder, it is more complicated because there is no previous history or experience.



- In company paper they offer 100%, because administration is difficult to run alongside Lloyd's business.
- If it's a new product and new coverholder it's easier to put through the company market with their existing AI and API, it's a simpler application than to go through Lloyd's.

Would you prefer to work on a relationship basis or using a matching system where more opportunity for to find the right people for the right business?

- The SME trusts in relationships based business. Originally, the value of having a coverholder is to get business into London from other places. Finding an MGA in their territory where they live and giving local intelligence, knowledge. They would know the links and have relationships with TPAs and other key participants in the local market.

Do you think there is a value in standardising and creating a mechanism where coverholders can put info and create premium data?

- The premise of standardised data is correct but there is a need for a platform or tool to make live data available and ease the process up. It should be provided by Lloyd's for Stakeholders. The overheads, efforts and distractions of constantly having to amend in their own systems to adhere to Lloyd's standards is costly and unwelcome.
- The market is frustrated in trying different forms. There have been attempts at this before but seem to focus on specific sections of the DA value chain/solving the reporting problem (BDX).

### 1.3. Discussion on Survey findings:

Do you think remuneration can change from the way it works now?

- Distribution is complicated.
- In the long term breaking out Broker activities/ services will be complicated and favour the larger Brokers, squeezing out the smaller ones who can't afford to take a loss leader approach. Small brokers would lose business or fall out of the market, as the bigger brokers would put their % lower and the smaller businesses wouldn't be able to compete.



- Brokers do a lot in the reporting space (premium, claims BDX), it can be improved and linked with the data system.
- Market needs safeguards and incentives to avoid the bigger players from squeezing margins to push out the smaller players and ultimately reduce the market dynamism, innovation and number of players. Real risk of losing the view on quality.

Finding from a discovery workshop: DA market provides diverse access globally with low acquisition cost, but over 15 years the benefit of it looks like disappearing and cost is going up. What do you think drives this?

- The big brokers charge huge brokerage fees and huge profit commissions on lineslip business.
- Some of the larger brokers are using DA via lineslip to place what should really be an 'open market' business and able to charge high profit premiums.
- Lloyd's should consider removing the ability to charge profit commissions on lineslips, because not the brokers underwrite the risk.
- Lloyd's is inadvertently making it harder and harder for the smaller players to join, participate and stay in the DA market. It has lost sight of the core purpose of the DA market.
- Market is forgetting the core fundamental is the coverholder, the end customer and they are getting squeezed out.

End user, insured information in claim process:

- The policyholder is not declaring it on the application form. An online application form would be great. This data should be checked and standardised because not everybody does it or does it in the proper way.