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Date: 12/01/2021

Attendees: CEO & Head of Operations and Claims of a Syndicate

1. Interview:

1.1 Background:

CEO, founded the company in 2018. He has 30 years broker experience. His motivation was the badly managed DA market. It was set up to rethink DA authority relationships and it's management across the market.

Head of Operations and Claims, joined in August, well known and respected within the industry. The DA market is poorly managed space and the approach that the company takes is different from others.

The Company view:
Digital first, data driven economy.
The company became a syndicate in July 2020.

- Main problem is the resource and not the data. The data is captured in raw form, usually on paper, bordereaux or via a spreadsheet, then it goes to the DA team, which is disconnected from the front end. The Underwriter doesn't see the data until renewal discussion takes place. The data is not consistent and not seen by the actuary until Underwriter points back to that.

- Data is there but it's not surfaced to the right people at the right time. The process steps need to be restructured.

- The company researches and selects wisely what MGA and Coverholder to work with. They have a close working relationship with them, therefore they are able to build data links with them and establish live data resources.

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1.2. Interview Questions:

What do you like about DA?

- It allows access to business.
- Niche products, but what the company likes most is the bulk business and the SME business. (CEO)

What don't you like about DA?

- Brokers! The value they add to the business becomes more and more merged, they are just an intermediate in the chain and they often get in the way of the process . (CEO)
- Most of the time, players in the process don't know what they should really be doing, and there is lots of duplication. It needs some guidance, clarification. (Head of Operations and Claims)
- It needs to be clarified what responsibilities and roles brokers fulfil in the chain.

What do you hate about DA?

- Lloyd's assistance and the data transfer centre. Their system Atlas, is a disaster. (CEO)
- It is an archaic, over-regulated environment and anti-change for far too long. The biggest issue is that the knowledge base is missing, they don't have a deep understanding of what can be done and how to improve it, therefore the process doesn't click together. Lloyd's try to make changes but to their own benefit. Lloyd's don't have control of the DA business and the DA space is not controlled by them. They need to start over from the beginning. (Head of Operations and Claims)
- Having the data and data driven process is the key and this should be carried out to benefit everybody across the market, not just Lloyd's. (Head of Operations and Claims)
- The Managing Agency is looking after DA business. The DA team looks after compliance, which is a box ticking exercise, this does not add any value.

- The Company does an accreditation process for Coverholders. They look at their underwriting experience in claims, performance, ambition etc. They look at the accreditation matrix and select carefully who they have relationships with.
- They interview Coverholders so that way the data will get through to them, as Atlas or Cora doesn't work for any purpose. Those systems are not reliable, they have to do it as a tick box exercise but it doesn't add value to the relationship. It's a duplication effort and it's more quantitative than qualitative.
- **The focus should be on:** the relationship with Coverholders, and how they are seen among their competitors (but this is difficult to spot).

1.3. Discussion on Survey findings:

<u>The DA market has the potential to grow:</u>

- Agree, the concept of DA business is tapping into the market which is not economical to write zoned market business. A more controlled environment would be more attractive. (Head of Operations and Claims)

- Agree we have the potential to grow, but people need to buy into the DA process. It's become a more bulky process as it bulks businesses together and it becomes less specialist and more general. General isn't the problem but it needs to have a focus. It is an essential to refine the DA process, treat customers well and give an excellent service. (CEO)

<u>If DA grows, what challenges would the company face?</u>

- In a short period the company has had significant growth. They assume there will be a significant growth on the market as well, as their business plan relies on that. The company is set up fully digitally, no paper system or filing cabinets.
- Their operation cost is low and mindful, they will need human resources but don't need double the size. The company is scalable, they employ people outside of the industry to have different expertise and mitigate different types of risk easier and quicker.

- The market mindset has changed since covid but they need to make radical changes.

What do you think drives the response of 62% of people saying that if DA at Lloyd's doesn't improve or acquisition costs do not reduce, they will increase their use of alternative market or placement methods?

- Each Lloyd's syndicate has a 12 months lifecycle, offering 2-3 policies is hard. The company has tried to overcome that, they don't have demand from the SME sector for longer term, but if they did have requests for longer term, they would want to remove annual resigning.
- Their solution for that issue: achieve better underwriting results, with **continuity** from DA holders (they want to carry on underwriting their business) and the people who supply their capacity. It can achieve more than average market results.
- They don't look at Coverholders for 12 months only, if they get the data through and they can take action. Monthly data is more important to manage (than annual compliance) and to have live data.
- Continuity through better average results to the clients.
- Their key criteria: only write DA business, focus only on DA underwriters, keep on eye data, relationship and continuity.

Change one thing in the DA market:

- Get rid of BDX and that mentality, it's just a data gathering exercise that is only a tick box process. The current BDX process is diluted as it's just a reporting regulating process, not running and controlling the business. Instead of that they should have a live data driven process. (Head of Operations and Claims)

Intermediary fees should be negotiable, based on the entity's value add rather then being fixed:

- Agree, the whole thing has changed. Look at every aspect of the transaction chain, ensure each person needs to add value. Brokers have

fixed % remuneration but that is not reflecting on what they provide.
CEO's suggestion is that the brokers find capacity for Coverholders, and maybe the Coverholders should pay them what they think it worth to them, or a broker brings relationships to risk carriers (insurers) and they can pay them.

- Some brokers are doing data analysis as part of the proposition support to obtain funding. This is appreciated but ultimately, the underwriters, syndicates and other market participants but they really want access to the raw data that will allow them to make their own, uninfluenced assessments.

- Blueprint 2 doesn't move the process forward. Lloyd's shouldn't dictate what they should do or shouldn't do. In the concept of DA age Lloyd's should set the premises and not restrict it, show more flexibility and encourage people to join. Otherwise if nothing changes they will lose business. (Head of Operations and Claims)