



Date: 18/01/2021

Attendees: 1 x Broker, 1 x Assistant Broker & 1 x Other

1. Interview:

1.1 Background:

- SME 1 (Other): Company specialises in the DA market. Their clients are Managing Agents, Coverholders and Brokers. They onboard Coverholders/Managing Agents/Brokers, to try to minimise the time to get into the market.
- SME 2 (Broker): On the chair of the companies DA committee, act as a consultancy to provide support to Managing Agents and Coverholders.
- SME 3 (Assistant Broker): Works in a junior role as part of Managing Agent 2's team.

SME 1 (Other) & SME 2 (Broker) work together in Coverholder solutions, in Lloyd's Europe and the non Lloyd's Europe market. They work together to support coverholders and their processes and leverage market efficiency.

1.2. Interview Questions:

What do you like about DA?

- Managing Agents use Coverholders because of their knowledge, expertise and the values they bring to underwriting. The DA market benefits the client and the market as well, providing good streamline underwriting. (SME 2 - Broker)

What don't you like about DA?

- Duplication, especially in Lloyd's market. Managing Agents duplicate the government oversight of what the broker has already done or agreed.
- The lack of coherence around the governance oversight.
- In the last few years not too many new Coverholders have joined the market because onboarding a new Coverholder takes a long time.



- Annual compliance (SME 2 – Broker)
- Difficult to do business with a 1 year contract. Review has to be an ongoing process, including more meaningful touch points across the year. (SME 1 – Other)

Duplication:

- Lloyd's try to do the checking but they don't achieve anything with it. SME 2 (Broker) suggested moving towards the **Dutch model in DA business**. It includes two systems: market scan and compliance platform. Coverholders and Managing Agents have to upload information on a regular basis. The right market can access that information around the Coverholder, without the Coverholder having to duplicate the same information for different capacity providers. It's one platform in a standardised format that everybody follows.
- It also allows market benchmarking, around business performance.
- Evergreen policies are the way forward.
- It should be focused on how to use the systems better. Financials can dive into Companies House and do the experience checks, using APIs. That way everybody has the same experience, putting down the same information and they are able to make the more informed decisions. (SME 1 – Other)

Do you think the data is there but just not pulled out and used in the right way?

- One of the issues is, the market tries to reinvent in London, without seeing what good looks elsewhere in the world. (SME 2 – Broker)
- Growing DA is about bringing in new Coverholders to the market. They need to make a choice on what capacity they would like to use – Lloyd's or company market. Then, check what experience they will get from Lloyd's or an individual entity in the approval process. Coverholders will use what is more beneficial for them and what provides the quickest way for them to be approved from start to finish. Onboarding has to be a minimum standard and has to be quicker. (SME 1 – Other)
- It would be great to benchmark Managing Agents, and Underwriter needs and rank their level of experience and knowledge. (SME 2 – Broker)
- LMA, MGAA, LIIBA need to push for a centralised single platform, so there's only one way to complete the documents! Everybody would use it for capacity provision in Lloyd's and in the London market.



- Biggest compliance issue is to approve Coverholders versus Coverholder hierarchy – Californian court case (SME 2 – Broker)
- In the market there is no in depth knowledge about DA and the main issues are recognised but not addressed. It would be useful to have some education around the DA market for the participants. (SME 3 – Assistant Broker)
- The brokers are not experts and don't know what they are doing. Managing Agent 2 agrees that the DA space needs education, also recognition for knowledge and DA experts. (SME 2 – Broker)
- It's necessary to clarify each role and responsibility in DA and put definitions around contracting, market lineslip agreement and capacity provision to make it easier. (SME 2 – Broker)

- The goal is to grow the DA market, 40% Lloyd's business comes through from there.
Lloyd's have to focus of the very basic principle:
 - How does the market offer more for the insured?
 - How can the market make the price more competitive?
 - Where DA sits compared to other markets in price and how much business it loses?
 - Does the broker add value to charge that fee?
 - Are Coverholders charging what they should be?
 - Do Managing Agents get what they should be from policies? (SME 1 – Other)

- The partnership with the Coverholder should be treated fairly. The client is the Coverholder, they're in contact with the end customer. It's their insurance so why do Lloyd's have their GDPR notice on their documentation? (SME 2 – Broker)

Capacity provision:

- In Blueprint 2 Lloyd's Bridge piece almost achieved the capacity provision. The brokers own the relationships and manage relationships between different markets. MA should be managing it themselves in the consortium space. It needs intelligent connectivity between parties. (SME 2 – Broker)



- Marco del Carlo's platform – launched The Bridge and it almost worked – bringing capacity with MGAA members. Capacity Place is the capacity marketplace for insurance programs. Capacity Place enables companies seeking capacity to source markets for their insurance programs quickly and securely while offering risk carriers access to a wide range of program opportunities. www.capacityplace.com (SME 2 – Broker)

1.3. Discussion on Survey findings:

Do you think intermediary fees should be negotiable, based on the entity's value add rather than being fixed?

- The brokers slow on that fact that they need to pivot their value proposition.
- In our company to keep coverholders they help with onboarding and offering different services. In this case the broker can't ask for 2.5% fees because they didn't provide the same level of service. The key is transparency around service provision, what allows Coverholders to decide how much the broker would pay.
- In year 1 a broker is not valuable, their value grows in year 2-3, depending on how hard the broker worked in the first couple of years. Driving down fees and acquisition cost is important, Coverholders should be able to decide what the broker service value is per year. (SME 1 – Other)
- The brokerage fee shouldn't be a fixed fee, it should be based on what the broker sells compared to another broker. They need to be competitive in those fees. (SME 1 – Other)
- Managing Agent controls the data, the placing and the product itself and brokers lose control of the business. They don't understand where the brokers add value, and that needs to be clarified.
- It would be important to introduce a benchmarking of Managing Agents and Brokers system and rank them to filter their quality. For example: grade them who are doing well in the onboarding process and looking after Coverholders. (SME 2 – Broker)
- Kite mark style approved broker
- **Innovative idea from SME 2 – Broker:**
Onboarding consortium, which allows a new Coverholder to come to the



market, they don't need to find a follow market just bring them in the market and find their relationship. The broker can work with the coverholder and find a year capacity that will allow a transition into the binding authority world. The consortium parties would have the data from the year and easily find a lead Managing Agent for them.

- It should be similar to the Amazon platform, everybody has a relationship and ability to see who had the best relationship in year 2 or 3. It would allow longer contracts not just 1 year. (SME 2 – Broker)