1. Interview:

1.1 Background:

- The SME is an Underwriter at one of the biggest Syndicates at Lloyd's.
- The SME represents their syndicate at the DAC, and is part of the sponsor group.

1.2. Interview Questions:

What do you like about DA?

- The market is making changes that are long overdue. The rates are going up in the market, people will have more money to spend and invest on improving infrastructure in the Delegated Authority market. Lloyd's and the Managing Agents should invest more in the market.

What don't you like about DA?

- It's a very archaic system.
- Majority of US business comes to Lloyd's market DA business. When we compare DA to other carriers, it's clear that it is far behind. Coverholders expressed their frustration for a long time but nobody has made any drastic changes.
- DA market pays more commission than the domestic market, for instance profit commission, this one of the reasons why somebody stays in the market.
- In the last 12 months the threat of Amazon and Google have given the market a realisation that there is a need for fundamental changes. They know the customers better, and have an exceptional distribution model. They are very advanced in tech, understand data and they got a better foundation and brand; exactly what the DA market lacks.

What do you hate about DA?

- The BDX format (excel spreadsheet) is not suitable. They tried to improve it but the standardisation is not working, it doesn't link to the systems.
- The biggest disadvantage is that they are not able to link a claim to the location in their system, and don't have the ability to tell where the most claims come from. The US domestics have been doing it for the past 15 years.

What do you think is the reason for that?

- Claims done through TPAs in the property business. The data of the risk level is put in by the coverholder manually or through their system.
- Our Syndicate has built an inhouse system, a data warehouse but they still need to use BDX.
- The actual claim experience to link it to the core data is a complicated process. Syndicates should collaborate and develop a digital system together, instead of doing it individually and duplicate effort and cost.
- From the coverholders perspective, the data side is a burden.
  Creating a product process (in property), the coverholder uses a portal – from the carriers in the US – they put the information in, then they get a quote and buy it. Then the portal creates a BDX automatically, and it goes through to compliance and accounting in the same system.
- Versus in the DA market, the coverholder has to use various different platforms or look up the contract/guideline to check how much they should charge for the particular risk. It is a very manual system that causes lots of difficulties for the coverholders.

1.3. Discussion on Survey findings:

Timeline example for BDX:

- They receive a BDX: Coverholder writes business on 1st of January, by the end of January they have 1 months worth of data. The coverholder sends the date to the broker by the middle of February. The broker usually sends

that BDX in excel format in March. The received format is very varied therefore the CAT modelling team sends that BDX to a company in India, who cleans BDX manually (takes about 5 days). When the data gets back, it goes into a CAT modelling input template (EDM). By the first of April they will have a view of January's business. They usually analyse the data for a couple of weeks, if they spot a trend that is not right they have to talk to the coverholder and advise to change the pricing guideline. If the coverholder quoted a new business 60 days out and the renewal is 90 days out, that means the change doesn't take place. They have an implementation time in their system, it could be July or August by the time changes were made. The mistake happened in January but they make changes in August.

"Compliance needs to be less time consuming and centralised at Lloyd's with a serious/high quality team doing the review"

- Part of the issue, the compliance required for coverholders in the EU or UK is more onerous than in the US. They write business with US coverholder in the US, but buy it by European rules, which is not relevant for them. They end up buying both sets of regulations.
- The Managing Agent is regulated by the UK but the coverholders don't need to be, especially if their business is not in the UK.

What do you think about the level of compliance?

- The difficulty is that some entities are bigger than Lloyd's, so why do they need to audit the compliance (billion $ worth company). Sending an auditor for a week is not necessary.
- The audit is very expensive ($5000), for a small binding authority audit done every year that can half their margin.

Do you think that automated matching, checking onboarding digital systems would be useful for the market?

- When onboarding a new coverholder, and it's not a Lloyd's coverholder, that process takes a long time. The Managing Agent needs to write to Lloyd's and give a reason why they want them to become their coverholder. The checking, compliance process is necessary but on a sensible level and with an automated process in place.

- Sanction check: the Coverholder does it regularly as part of underwriting individual policy and they have to pay the cost.
- The solution would be to remove the hurdles and automate the process where possible.

"Data quality is poor and nobody likes BDX"

- It's important to standardise data and make it accessible for different players in the market. A central data bank should be available that everybody on the market can benefit from. Then the companies can analyse it, but the data is the same for everybody – just like in finance or the stock market.

"Binders are complex and time consuming to complete, either from scratch or at annual renewal"

- The binder renewal period is the one time in the year when they are able to make changes.
- There are a lot of checks on binders , from contracts coming in till the contract. (approximately 3 months, it goes through several department: compliance team, claim team, legal etc)
- Lack of security: line gets down on the contract within 30 days of expiry. Technically that contract was already issued renewal (as the renewal is 60–90 days) therefore they might not get the deal done in time.

What do you think can be a solution for that?

- Syndicates have tried 3 year deals – it was including an annual resigning. They gave the coverholder the 3 years contract with the condition that they can't cancel the contract for 3 years and in the background internally it's acting that it's an annual contract; the premium and claims were booked in the yearly account. It was better from a coverholder perspective but the commission side was difficult.

"TPAs varied in quality and where the quality is poor, risk reputation" and "Claims payments are too slow/ loss fund need to be addressed"

- In the claim process TPAs handle the claim. TPA and Managing Agent have a direct contract for this but the coverholder is not included, but there is no contract between TPA and Coverholders.
- Panel of adjusters – auditing third party company – that company gets a fee for the claim. The Managing Agent has no control, they can't control who the third party company is.
- Long chain: between insurer and customer 5 people involved in the claim process: retail broker, coverholder, Lloyd's broker, adjuster and TPA.
- Lack of standardisation in TPA level, Managing Agents haven't got visibility on a binding authority book.
- The TPA handles, pays and logs the claim in the BDX, therefore when the Managing Agent gets the claim they can't see the risk level data or analyse trends from it.
- It's necessary to have a centralised system, focus on technology and infrastructure. Basic mechanic to join the dots on the data flow, to be closer for real time.

What are the best and worst things about creating a new product?
Using Flood as the example:
- *Best thing about it:* Within the flood policy the syndicate has the most advanced system in the market, data analytics is very good, they can see the live data and are able to influence pricing, change the price in real time. Their system overtook the old rating system and guidelines. Believe this is a future model for Coverholders – for home owner business etc, not for big commercial risk.

- *Bad thing about it*: the archaic system that DA has, it would be ideal to have a live database to see what locations the claims come from. The market needs to make the same steps as Hiscox has.

- Centralised workflow and data in once place, where the Coverholder sends information, it will have all information that BDX. When it reaches the insurer they can do their own pricing but everybody got the same standard data format and uses one system.