

Underwriting Update



The LMA underwriting team continues to be focussed on representing and advocating the views of managing agents across a wide range of topics.

Along with colleagues from the LMA's legal, regulatory and market operations team we continue to work with Lloyd's to evolve the **Lloyd's Insurance Company (Europe)** operating model.

We are closely engaged with a number of projects under the **Future at Lloyd's** banner, including a workstream looking at the future of the underwriting room.

We remain focussed on **enhancing the technical underwriting expertise of the market**, including through the creation and evolution of model cyber and communicable disease clauses. The LMA is also co-sponsoring a project looking at **product simplification** following the FCA test case. A significant part of Q3 was also taken up developing and implementing a **Live Events Reinsurance Scheme**.

We have also completed a **restructure** of the LMA underwriting team to ensure that, as well as supporting the market on technical underwriting issues, we are also in a position to enhance the ability of the underwriting team to advocate on behalf of the market on strategic underwriting issues.

Lloyd's Insurance Company (LIC) Europe

We are closely engaged with Lloyd's to ensure that changes to the LIC operating model are in line with regulatory requirements but also allow syndicates to continue to operate in the European market. A cross-discipline (legal & regulatory, operations, underwriting) LMA working group has been formed to ensure that market input is provided on the various options for evolving the operating model.

Technical Underwriting Expertise

Sustainable Underwriting

The LMA worked closely with Lloyd's in the first half of the year to assist with implementation of Sustainable Underwriting, as set out in the Lloyd's ESG Report issued last December. Following this engagement, Lloyd's have published their ESG guidance which clearly articulates the expectation that managing agents should create underwriting policies which support the global transition to net zero.

The LMA's objectives in this area include supporting the market to develop practical processes for the measurement of transition to net zero. It remains important that managing agents are able to manage their own underwriting appetites and support insureds in their own transition.

We are also working hard to assist the market in the development of products which address the net zero ambition, including the development of a model policy wording for offshore windfarm construction projects and build back green clauses.

Product Simplification

In light of the focus on wordings clarity arising from the FCA test case on business interruption wordings, we are continuing a project looking at simplifying insurance products to ensure they can easily be understood by insureds. This project is being led jointly by Peter Montanaro and Jane Hayes. The project is initially focussed on wordings used within the UK retail and SME space before being expanded into other classes.

We are well advanced on a project to update the Lloyd's Home Insurance Policy (HIP) which is the most widely used LMA model wording drafted for consumer business. Once this project is complete we will look to apply any lessons learnt to other consumer wordings and, where applicable, commercial products.

Cyber Risks and Exposures

We have now published clauses for all applicable classes of business to support managing agents in meeting the Lloyd's cyber wordings requirements. Details of all model clauses published can be found on the [LMA website](#).

As usage develops, we continue to engage with Lloyd's to ensure the regulatory position best reflects the customer requirements and the evolving cyber risk and exposure landscape. As part of these discussions, we have agreed exemptions for named peril property catastrophe and D&O policies (see Bulletins [LMA21-008-PD](#) and [LMA21-035-PD](#) for more details).

Live Events Reinsurance Scheme

In partnership with HM Treasury and the Department for Culture, Media & Sport, the LMA, supported by a number of Lloyd's syndicates, was instrumental in creating a scheme to support the provision of covid-19 event cancellation insurance. The Scheme sees HM Government reinsuring a significant proportion of losses arising from event cancellations following the reintroduction of local or national lockdowns.

Model Wordings

The LMA has published 121 new wordings/clauses to the Lloyd's Wordings Repository (LWR) so far in 2021.

The Future at Lloyd's

Placing Platform Limited (PPL)

Following the decision of the PPL Board to partner with Deloitte in the build of the NextGen platform, we continue to work with PPL to ensure that the functionality to be incorporated into PPL NextGen meets underwriter needs. We are particularly focussed on the need for on-platform contract negotiation and the availability of more structured data at the earliest possible stage in the placing process.

Future of the Underwriting Room

The LMA underwriting and operations teams have worked closely with Lloyd's on the project identifying options for the future form and function of the underwriting room. As well as LMA and managing agent involvement on the Advisory Board, there was a significant market consultation exercise run in 2021. While the feedback from this consultation provided extremely useful direction

for the project, a decision on the underwriting room has been paused for a broader review of the Lloyd's building strategy. We expect a further update on this in November.

CUO Forums

We continue to run regular **CUO Forums** which seek to provide updates to the CUO community on pertinent topics, including the future of the underwriting room, the development of the Lloyd's virtual room software, best practice pricing framework (BPPF) and the move from minimum standards oversight to a principle-based regime (Project Rio).

We will also run our usual business planning questionnaire at the end of the year and follow this up with further discussions with managing agents early in 2021. Consolidated feedback will be provided to Lloyd's with a view to help shape the planning process for 2023.

LMA Underwriting Academy

A number of existing and popular **Underwriting Academy** programmes have been re-vamped for virtual delivery in 2021, including programmes for Wordings and Business Planning. In addition, we are building new technical programmes to support underwriters in the early stages of their careers in Lloyd's and underwriter's commercial acumen.

As well as the development of formal training offerings, the underwriting team has been working on the production of Bitesize presentations from topics as diverse as the hardening market, credit risk mitigation and commercial acumen for underwriters.

Lloyd's Salvage Arbitration Board (LSAB) Consultation

In response to a proposal from Lloyd's that LSAB be wound up, the LMA coordinated an insurance and wider maritime industry response to ensure that such a decision was not taken without full consideration of its impact. Multiple respondents noted the important role LSAB and the Lloyd's Open Form (LOF) play in the maritime industry, including the environmental benefits associated with a globally recognised salvage process.

Following overwhelming support for the continuation of LSAB, Lloyd's and the LMA will work together to review LSAB and the way LOF works to ensure that they are as efficient as possible and continue to serve the purpose for which they are designed.

Underwriting Team Restructure

The LMA Underwriting Team completed a restructure in 2021, following a strategic review led by Patrick Davison and Jane Hayes. The purpose is to ensure that the LMA Underwriting Team is correctly positioned to address LMA Board priorities in 2021 and beyond.

The key outcomes of the review were to:

- Merge the Marine, Non-Marine and Wordings team into a single Technical Underwriting Team, led by David Powell with Neil Roberts as Head of Marine and Aviation.
- Create a new Strategic Underwriting team, led by Guy Dormer.

As part of the review, we have also taken the opportunity to evaluate working practices to ensure that team resources are prioritised to support critical work areas. This will include:

- Reviewing committee meeting frequency, with some committees seeing a reduction in the number of regular meetings.
- Potentially limiting the number of Working Groups per committee.

- Withdrawing/severely limiting support for low-priority business areas, e.g. low income/<5 active managing agents.

If you have any questions on the issues raised above or wish to discuss any other topics, please contact me or one of the team.

Patrick Davison
Director of Underwriting