



## EXPOSURE MANAGEMENT WORKING GROUP ("EMWG") - TERMS OF REFERENCE

### CONTEXT

The Lloyd's Market Association is the representative body for the underwriting market at Lloyd's. It is a company limited by guarantee, owned by its members, who include all managing and members' agents. The LMA's mission is:-

*"to be the recognised representative voice of the Lloyd's underwriting market and to provide a range of quality services that improve Members' profitability"*

The LMA Board consists of market leaders, the majority of whom are directly elected by the Members, and sets the overall strategy, direction and priorities of the association. It delegates delivery to the major policy committees and other specialist groups.

### ROLE OF THE WORKING GROUP

The primary role of the EMWG is to take the lead on behalf of catastrophe modellers working in the Lloyd's market to identify and consider key issues and requirements as they may affect LMA members. In general this will also consist of providing communication /advice to the wider market, and liaising with the Corporation, as appropriate.

### REPORTING LINE

The EMWG will have an informal reporting line via CALM, but as with other working groups and committees, also have ultimate responsibility to the LMA Board for representing the needs and interests of all LMA members.

### MAIN ACTIVITIES:-

- Assist CALM and Lloyd's with general model issues and development of the Lloyd's Catastrophe Model.
- Liaise with Lloyd's representatives on any proposals or changes which are being suggested which may impact on managing agents.
- Be aware of any activities which may affect the work of this group and the wider community
- Evolve the role Cat' models have in pricing and portfolio management including scenario analysis, exposure analytics and probabilistic dynamics.
- Coordinate approaches on data quality and enhancement to provide consistency and benchmarking throughout the market, and represent a market voice around standards adoption.
- Act as the main body to liaise with vendors, and assist market in clarifying model terminology used by vendors and practitioners to help avoid confusion.

- Consider issues relating to differences in multi-modelling versus single vendor modelling.
- Share experience of model issues, including;
  - hardware implication
  - uncertainty of parameters
  - clarification of vendor messages
- Consider collating understanding of model change, including;
  - Ensure there is consistency in market understanding of change
  - Reference point for model change

## **MEMBERSHIP OF THE WORKING GROUP**

Members of the group will typically be the Head or Senior Manager of the catastrophe modelling or exposure management teams within a managing agent.

The group will normally consist of between ten and fourteen managing agent members. In addition, the option exists to invite other individuals as ad-hoc members for some or all meetings.

## **SELECTION**

Applications for new group members will be invited from the wider community as/when vacancies arise. The new members shall be selected by the existing group in discussion with the LMA executive (Secretary and Head of Finance & Risk).

Group members will normally be appointed for a term of two years. They will be able to re-apply.

The LMA is indebted to members who give freely of their time to serve on Committees and working groups for the general good of the market. In order to fulfil its role of providing a voice for the market, the LMA tries hard to recruit a balanced representation and the widest spread of member involvement, for example agent size, capital structure, or types of underwriting. Also needed is a combination of personal experience and job function that will provide the portfolio of knowledge and perspectives required.

In order to achieve this, the LMA has a policy for selection based on four principles

- representative balance
- objectivity of selection
- turnover
- transparency of procedure

No member company will be allowed to dominate. Normally, only one person from any one member firm will be invited onto a group/committee at the same time.

A member whose job role changes will automatically have his or her membership of any LMA group/committee reviewed.

The application of these criteria will be a neutral function administered by the executive.

Groups/committees work for the benefit of the market and members are charged with representing the interests of the market as a whole rather than those of their own business.

#### **CHAIRMANSHIP**

The Chairman will be selected by the currently appointed EMWG members.

#### **FREQUENCY OF MEETINGS**

The working group will normally meet on a monthly basis with any ad-hoc meetings added as required. The quorum for any meeting will be four group members.

#### **COMMITTEE ADMINISTRATION**

Executive support will be provided by the LMA. All meetings will be attended by the Secretary or their alternate.

The Secretary will issue agendas and papers and keep a file note from each meeting.

#### **COMPLIANCE WITH COMPETITION RULES**

The LMA has adopted guidelines for committees, panels/working groups, and the chairmen and secretaries to follow, in order to ensure that the activities of the LMA do not breach EU and UK competition law. The guidelines are attached to these Terms of Reference. In accepting a place on any LMA Committee or group, a member is agreeing to comply with these guidelines.

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