

MARKET LEVEL CATASTROPHE RESPONSE FRAMEWORK

1. Introduction

The Lloyd's market has provided coverage for numerous catastrophic events for decades and the response to these events has been aided by the existence of a clear response framework both at a corporation level and market level. The framework has sought to ensure a collective, appropriate, and leading response to those events.

As a market we have made some significant steps since 2017 in terms of how we appropriately collaborate in these situations, increasingly recognizing the importance of remote intelligence tools and the need for increased sophistication around the collection and usage of data to aid our market response to catastrophic events.

The Future at Lloyd's Programme has also been a vital contributor in this arena, as well as bringing on board some specific resource in the shape of the Lloyd's US Head of Claims.

Taking account of the learnings since the events of Harvey, Irma and Maria in 2017 and in particular the unprecedented effects of Covid 19 from 2020 and beyond, it is time for us as a market to refresh and reconfirm what the Cat response framework should be now so as to enable the most effective response to future catastrophic events.

2. Overview

Having assessed the market level catastrophe response framework in place since 2017, Lloyd's and the LMA have concluded that some adjustments are appropriate.

The Lloyd's Market Strategic Claims Group (LMSCG) was previously disbanded due to the increased response planning and readiness activity developed in the individual sector groups including PICG and DACG. This sector group activity has resulted in significantly enhanced catastrophe frameworks for those sectors and an increased level of confidence in these response models from the Lloyd's perspective.

Nevertheless, our collective long-term experience continues to validate that, in certain situations, it remains necessary to establish a market level group that can be triggered on the happening of a catastrophic event in order to help lead the overall market response.

Consequently, to meet this need, the following approach will be deployed going forwards:

A Market Response Group (MRG) will be triggered by Lloyd's in consultation with the LMA Complex Claims Group (LMA CCG)/LMA Claims Sector Groups when an appropriate market level event occurs and the consensus view from these groups and Lloyd's is that it will benefit the overall market response.

The primary function of the MRG will be to ensure a level of organisation and consistency of response where appropriate for our policyholders. The MRG will only be called when necessary; it will not be a standing group. Managing Agents within the market will retain their autonomy to handle claims as they deem appropriate and consistent with the unique facts and circumstances of each individual claim.

Set out below is the proposed overall cat response framework that takes the above into account and establishes a proportionate model for today's environment.

This document is not intended to be or read as a detailed description of how the market will respond to Catastrophes. This is a framework of how the market will interact and the high-level expectations and responsibilities of each respective group to help lead and deliver an appropriate market level response.

3. Design Model and Implementation

This model is designed to enhance the market response to Cat losses by leveraging the Corporation's position as an objective participant with a knowledge of the aggregate position combined with the expertise and insights from the market (and other key stakeholders).

The approach and principles upon which the framework is based is a response from the Lloyd's market which is specific, agile and proportionate.

These principles are in place to recognise the unique nature of each catastrophic event because every Cat event is different, presenting the market with unique challenges and the necessity of an appropriate, bespoke response that puts the needs of our clients first.

This model applies to all Lloyd's Cat coded losses across all lines of business and is founded on the expectation that the market is increasingly deploying and exploiting remote intelligence tools and driving performance of DCAs in response to a catastrophic event with the aid of increasing data insights.

It is recognised that the model may require ongoing enhancements and refinements based upon the realisation of learnings from future Cat events.

The effective date of implementation of this framework is 1st August 2021.

4. Groups & Teams Within The Framework

4.1. Lloyd's Corporation Catastrophe Response Steering Group (CRSG)

This established group operates under a documented response plan and is supported by a global senior multi-disciplined resource within the Corporation.

As soon as this group assesses that an event is likely to result in a catastrophe, the CRSG will meet to gather early information and consider the potential impact of the event, likely external regulatory focus and consider how to best co-ordinate and oversee the market response and performance based upon the event features.

The group incorporates senior members from every discipline of the Corporation, including but not limited to Underwriting, Exposure Management, International Regulatory, Communications and Claims.

The CRSG will meet frequently in the early days of a Cat event, the ongoing frequency will be dependent upon the severity and likely impact on the market and the size and complexity and challenges of the event.

The Lloyd's Claims Team will act as the key two-way link between the CRSG and relevant market groups responding to the event. Through that medium the CRSG will seek to share appropriate, timely relevant information and insights that can aid the overall market organisation and co-ordination for the required response.

4.2. Lloyd's Claims Team (LCT)

The Lloyd's Claims Team will oversee market performance in line with their existing role and responsibilities and communicating any Lloyd's requirements or material developments that have a bearing on the cat event claims response to the relevant parties and groups

The LCT will also collect claims related data from the market in line with regulatory reporting requirements from external regulators and feedback performance insights, where appropriate and possible, to the market. There may also be a requirement for performance data to be collected in the absence of a request from external regulators to help ensure sufficient performance oversight and strive for a consistent level of market performance.

The LCT will liaise with other Corporation teams to help ensure a co-ordinated approach to Corporation requests made on the market such as the Major Claims Return and to help ensure the market has clear line of sight of regulatory bulletins and requirements that may be relevant to the event response.

As part of the Corporation's response for US events the Lloyd's US Head of Claims will act as a key representative of the Lloyd's Market and deliver the following supportive activities:

- Establish intelligence feedback loops with local stakeholders to aid the MRG & CRSG and aid an informed market response
- Oversight and reporting on market performance
- Attendance at and establishment of an insurance village/hub where appropriate
- Coverholder and TPA liaison and oversight

4.3. Market Response Group (MRG)

A MRG will be established, shaped and geared to the specific catastrophic event being faced and in line with the principles outlined above; when an appropriate market level event occurs and the consensus view from the LMACCG /LMA Claims Sector Groups and Lloyd's is that it will benefit the overall market response.

For this reason, the MRG will not be a standing group; it will be called into existence when required and membership will be linked directly to the size, nature and complexity of the cat situation being faced. When called into existence, the function of the group is to provide leadership, assist the deployment and management of the Cat response on behalf of and with the market, leveraging the ground truth knowledge and oversight/insights of the Corporation and the market expertise.

The group will also communicate to the market any matters or challenges that have a broad effect and may also monitor the performance of service providers.

The makeup of the MRG when called will consist of relevant market leaders, senior MA claims personnel in the relevant classes, the heads of any appropriate LMA sector groups and any other individuals with an area of knowledge or expertise that informs the group's activities. The MRG should only include a third party to the extent it is agreed by the members that it might be required to provide expert insight or oversight services, for example leadership or chairmanship. Service providers should not be included, although they may be required to feed information and intelligence into the group following a suitable basis of retention.

Lloyd's will work with the LMA Complex Claims Group (CCG) and LMA Sector Groups to consider and determine the relevant representation in the MRG including a suitable chair on an event-by-event basis, and where relevant will seek to build the MRG around the LMA CCG.

The MRG will be triggered as quickly as possible following consultation with Lloyd's and a de-fault Chair can be selected from any member MA if a suitable chair is not agreed upon when determining representation on the MRG.

In the event of a local (on the ground) response hub being deployed, members of the MRG may be required to be in attendance and take the role of providing on site operational leadership.

The MRG may choose to retain experts as and when they decide it may be required and deemed appropriate given the nature and complexity of the event.

To facilitate the market's understanding, visits by Managing Agencies to a Cat affected region in response to the event will be reported to the MRG to enable optimum value to be gained from the visits.

The MRG will provide relevant reporting and information dissemination to the LMACC, LMA Sector Groups, wider market and Lloyd's.

4.3.1 Ground Truth Insight

An important factor of any physical damage Cat response is understanding the extent of damage and circumstances on the ground. This helps to inform the overarching claims response and can be accrued in a number of ways, whether that be via the Lloyd's overseas network, Geo intelligence service providers and or market networks.

As part of this activity, the LCT and LMA Sector Groups will share relevant ground truth insights they have access to with the MRG.

4.3.2 Performance Oversight of DCAs

With the implementation of the Catastrophe Reporting Submission Platform (commonly known via the provider's name, Optalitix), Lloyd's will provide access, during 2021, to a dashboard on the insights hub available to all relevant lead Managing Agents to help them monitor their TPA performance, their own performance and relevant associated claims trends. This will be available for cat events for which Optalitix is utilised. Lloyd's will make relevant insights from the dashboard available to the MRG to aid their oversight and co-ordination of the market level response.

4.4. LMA Sector Groups (LMASG)

The existing sector groups will feature heavily as a source of leadership throughout the Cat response utilising their associated Cat plans and in the context of the distribution of information to the market.

During the early stages of the Cat response considerable interaction between the LCT, MRG and the sector groups will occur to ensure, early identification of unique features and possible challenges from the event and confidence that the relevant Cat response plans have been effectively deployed – this interaction level will be determined as needed.

Lloyd's will encourage and anticipate that the Sector groups will meet on a frequent basis to provide leadership, assist the co-ordination and management of the Cat response on behalf of and with the market and MRG, leveraging the ground truth knowledge and oversight/insights of the Corporation and the market expertise.

4.5. Market Response & Leaders

Supported by the Cat response framework, the market will play the most significant role in responding to the Cat event through their day-to-day handling of the claims.

Lloyd's will encourage leaders in relevant sectors and corresponding classes of business with substantial involvements to attend the Cat site and have first-hand interactions with their policyholders, Coverholders, TPAs and loss adjusters. The resulting insights will assist in informing the wider market response and claims handling.

Lloyd's and MRG will use, where appropriate, feedback from the market leaders to help strategically co-ordinate and manage the Cat response. The market will also benefit from considered feedback from Lloyd's in the context of their interactions with the overseas regulators and their objective oversight of the response; these will be shared on a timely basis.

It is imperative that as the event response unfolds, a regular dialogue is maintained between all the market parties to ensure clarity of purpose and direction.

5. Generation of Lloyd's Catastrophe Codes

Catastrophe codes will be determined by Lloyd's following an analysis from the Lloyd's Claims Team, including any warranted pre-referral to relevant/potentially affected sector groups. Setting the code and having XCS issue the code must take place as quickly as possible and no later than five days after the event occurring. Where feasible the Cat code will match any PCS code also issued.

In the event of a Cat event affecting multiple regions/jurisdictions, Lloyd's will issue (where appropriate) one code which ideally encompasses the whole event.

Nevertheless, individual codes for the individual jurisdictions/regions affected may need to be considered and issued.

The rationale for doing so is there will be a desire to track losses per jurisdiction/region and the potential for local regulators to request targeted jurisdiction/regional claims data may warrant a

number of codes be issued. Where Lloyd's considers issuing multiple codes, they will discuss the rationale with key affected Claims Sector Group heads before issuance.

Major Loss Tracking Codes (MLTC) are also issued for the purpose of tracking major losses but do not form part of the CAT plan here. MLTC situations however may in some circumstances develop into catastrophic event situations and when that occurs this Cat framework will apply.

6. Regulatory Claims Data Requests

External regulatory claims data requests will be communicated to the market by the LCT as soon as is reasonably practicable following the request from the involved regulator, including a schedule for reporting.

The objective will be that all external regulatory claims data requests will be uploaded to the Cat Reporting Submission Portal, with Managing Agencies only required to upload Open Market data. DCAs will upload data directly onto the portal.

Detailed information concerning the data reporting requirements will be uploaded onto the portal and available for download by users.

All data submitted by DCAs into the Portal can be viewed by the relevant involved lead MAs.

7. Regulatory Liaison

Lloyd's will collate and communicate relevant regulatory insight and/or demands via the normal channels (nominally Crystal) however where there are specific instances requiring a response from the market, these will be discussed with the MRG via the LCT.

This document is not intended to be or read as a detailed description of how the market will respond to Catastrophes. This is a framework of how the market will interact and the high-level responsibilities of each respective group to help lead and co-ordinate an appropriate market level response and does not replace the Lloyd's Claims Scheme or Lloyd's Byelaws