



BASCG CAT Response Framework

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BASCG CAT Response Framework

Background & Assumptions

The North American market accounts for 50% of all Lloyd's business, of which 35% relates to property insurance. A great deal of this business emanates from coverholders, with the majority of claims handled by delegated claims agents acting on behalf of the Lloyd's syndicates.

With the possible exposure of hurricane events and other major natural catastrophes, it is important that the market has a robust plan to deal with catastrophic loss situations so as to minimise any adverse impact in the claims service experienced by our customers (normally through a coverholder or TPA), and also ensure the costs of such an event are contained as far as reasonably practical.

The BASCG have therefore developed this CAT Response Framework, which is endorsed by the BASCG, Lloyd's, the LMA and key binder brokers. Whilst this framework is aimed at responding to US catastrophic events, the principles and approach are exportable to other territories.

Definition of a Catastrophic Loss

"Any identifiable event that results, or is likely to result, in an increase in claim volumes which requires a specific operational response and/or a deviation from business as usual activities in order to respond to our customers needs and to support them throughout the claim process"

Desired Outcomes

The key outcomes of this BASCG CAT Response Framework are;

- As small a deviation as possible from the business as usual claims process received by our customers, with appropriate outcomes for all customers
- The removal of unnecessary barriers to settling and funding claims
- Greater oversight of the claims service being delivered by our delegated claims entities, to allow us to drive remedial action where necessary
- A more collaborative approach by the market in managing CAT events, which in turn reduces the burden on our TPAs and coverholders, allowing them to focus on handling claims
- Embracing technology and improvements in claims processes to streamline the claims process for the end benefit of the customer
- To reduce expense by removing inefficiencies from the claims process

Pre-Event Preparation

MA Preparation

The markets ability to respond to a catastrophic loss will be enhanced by preparing the response ahead of the event occurring. Each MA should therefore consider;

- Due diligence on the TPAs ability to respond to a CAT event, including aggregation of exposure from other carriers and the TPAs disaster recovery plans
- Agreement beforehand with TPAs and CHs of any changes to process / authority during a CAT event.

- Requirement for additional oversight from delegated claims entities. Whilst the market have developed a set of standard TPA CAT Oversight Measures that will be deployed to have oversight of key TPAs, each MA should look to have an agreed approach with coverholders before any event hits.

Symposium

The BASCG have recognised the benefit there is in refreshing the market on preparing for a CAT event, and a CAT Symposium will therefore be delivered in London in the second quarter of each year. MAs, key brokers, and US TPAs will all be encouraged to attend, and will cover the following areas;

- Reminder of this BASCG CAT Response Framework
- Reminder on the utilisation by MAs and TPAs of the Mackenzie Satellite Imagery Service, post event
- Reminder on adoption of the Agile Service Model by TPAs as business as usual, and post event
- Adoption of the Co-Lead Claims Agreement business as usual, and post event
- Common market approach to authorities
- Adequacy & timeliness of loss funds - ensuring open communications
- Potential impact of 1 MAs failure to provide adequate funds on a co-lead facility
- TPA & CH performance oversight
- Update on any likely DOI reporting requirements
- Lessons learnt from previous events

TPA Communications

The BASCG will issue communications prior to the CAT season to key TPAs reminding them of what the markets expectations are following a CAT event, and issuing guidance on the likely TPA CAT oversight measures that will be deployed during an event, giving each TPA an opportunity to ensure their internal systems and processes allow the accurate capture and reporting of these metrics.

A further communication will also be sent shortly after the occurrence of a CAT event (once the BASCG initial CAT response meeting has taken place), asking them to deploy their local CAT plans, and submit TPA CAT oversight measures.

Triggering a BASCG CAT Response

Whilst each MA can deploy their catastrophic loss response whenever they see fit, the instigation of the BASCG CAT Response Framework will be triggered when 3 or more members of the BASCG considers the deployment is required. The LMA will issue communications to the BASCG seeking confirmation of whether the BASCG members consider the CAT Response Framework should be activated, and where there is sufficient appetite, an initial BASCG meeting will be arranged.

BASCG CAT Response Meeting(s)

Once triggered, an initial market meeting will be arranged by the LMA within 5 business days, with the invite being issued to the wider BACG, Lloyd's and the LMA.

MA Preparation

All MAs with a significant exposure are expected to attend the initial meeting, and should be ready to talk through;

- Their known exposure
- Key CH and Broker Relationships
- Feedback from discussions with TPAs and IAs - anticipated exposure and issues

Lloyd's / LMA Preparation

Lloyd's will share with the LMA within 3 days of the BASCG triggering the CAT Response who the largest MA writers are for any impacted US State(s). The LMA will then co-ordinate and ensure representation at the initial response meeting from MAs with significant exposure.

Agenda

An agenda will be circulated by the LMA ahead of the meeting covering off the following;

1. MA exposure and anticipated impact
2. Coverholder exposure - identify large accounts impacted and agree a market coordinated approach to support, including targeted meetings, where necessary
3. TPA concentration of exposure
4. Deployment of TPA CAT oversight measures
5. CAT code identification (Lloyd's)
6. DOI reporting requirements (Lloyd's)
7. TPA / Coverholder / Broker Communications (further details of communications included later in this document), covering;
 - a. ASM reminder
 - b. MIS reminder
 - c. CLCA reminder
 - d. TPA CAT oversight measures
 - e. MA oversight of CH performance
 - f. Market agreed approach to authorities
8. Remote location response considerations - Lloyd's to lead on this
9. Consider suitability of market representation at any Insurance Village

Follow up

Minutes and actions will be captured by LMA & circulated to BACG/Lloyd's shortly after the meeting, with the frequency of any further meetings being weekly, or as otherwise directed by the Chair(s) of the BASCG. The attendance of any future sub-group meetings will be determined by the Chair(s) of the BASCG

Attendance at future meetings by key Lloyd's brokers will also be considered, where appropriate.

Authorities

Each MA will need to consider the level of delegation and any variance to the authorities given during business as usual. The variances to authority to TPAs & CHs might include;

- increased financial authority,
- short format reporting,
- ALE payments,
- ACV payments,
- waiver of POL,
- holdback waivers,

- ROR without referral,
- denials,
- deployment of the Agile Service Model
- managing CAT loss funds

Loss Fund Management

The failure of an MA to ensure adequate loss funds are in place for a TPA or coverholder to fund claims is simply not acceptable, and will create extra unnecessary burden in processing avoidable cash call requests. Each MA should consider their internal approach to loss fund management, and ensure that adequate CAT specific funds are provided as soon as reasonably practicable once their need has been identified, and remove any barriers to ensuring the loss funds remain adequately topped up.

This is especially true where a MA participates on a co-lead programme, as any failure in providing funds may have a knock on effect as to when the funds already provided by other co-leads can be released. TPAs are being asked to flag any instances where an MA is failing in this regard.

The LMA produced in 2018 a best practice guide to Loss Fund Management, under LMA bulletin LMA18-043-TH .



Loss Fund Mgt Sep
18.pdf

Oversight

TPA Oversight

The BASCG have developed a market standard TPA CAT oversight data capture form that will need to be completed by any TPA handling claims on behalf of Lloyd's. The deployment and frequency of reporting of this will be triggered for each separate event by the BASCG as part of the BASCG CAT response meeting(s), and will be coordinated on behalf of the market by the LMA.

The LMA will aggregate and review the data submissions (which give a summary of performance on key oversight metrics at a Lloyd's market level), and flag any areas of perceived poor performance to the BASCG Chair(s) for further consideration, and engagement with the TPA(s) where necessary to understand the nature of the discrepancy.

Where concern remain over the TPAs performance, or engagement with the TPA has identified an issue outside of the TPAs control, this will be escalated by the BASCG Chair(s) to the Head of Claims at Lloyd's.

The aggregated view of all TPA CAT oversight data is made available to MAs with a business need to see this, and any requests for access to this should be sent via the claims team at the LMA.

Each MAs has their own obligation to review the performance of their own TPAs performance, and take appropriate action where necessary.

Coverholder Oversight

There is currently no centralised market oversight of coverholder performance. Coverholders with claims authority do however still handle a significant number of claims under a delegation of authority, and can sometimes be significantly impacted operationally by the event itself, often being in the same area as their customer base.

It is vitally important for MAs to develop and implement their own oversight of performance, communicate with coverholders and support where necessary to ensure the customer receives appropriate service.

Communications

Communication during and subsequent to a CAT event are key to ensure the desired outcomes are met. The list below outlines the various stakeholders in a CAT event, and the content that needs to be included within any communications;

- TPAs
 - Market communication from the BASCG
 - Mackenzie Satellite Imagery Service
 - Agile Service Model
 - Market standard authorities
 - Co-Lead Claims Agreement - flag any funding issues to other co-leads
 - Completion of TPA CAT oversight data
 - The need to flag where support is required
- Brokers
 - Prioritise Loss Funds & Co-Lead Claims Agreement, including consistent authority levels for TPAs
 - CH performance, the need for CH to flag where support is required
- MAs
 - Circulation of this BASCG CAT Response Framework, with a note to review (i.e. loss fund adequacy, TPA/CH oversight & support, standardised authorities, etc.)
 - Invites to BASCG CAT Response Meetings
 - Ongoing updates via the BACG distribution
- LMACC & Lloyd's
 - Appraisal of exposure, action taken and progress

Post CAT Lessons Learnt

The BASCG will undertake a review of the markets response to a CAT event within 12 months of a significant event. Consideration will be given to;

- TPA & IA Performance
- Coverholder Performance
- Any areas for MA improvement
- Effectiveness of oversight of TPA performance
- An annual (Q2) review of this CAT Response Framework, with revisions to refine any areas for improvement