

Confidential

From Zoe Woods

Date 21 January 2019

To LMACC

CC Phil Godwin

Subject **Claims File Review - Cycle 2 - 2019/20**

The purpose of this memo is to set forth a summary of the changes to the design framework from 2017/18 along with timings and guidance for Cycle 2 - 2019/20.

Background

Since October 2018, Lloyd's has been engaged with the CFR Working Group and (via regular updates to) the LMACC obtaining feedback on the 2017/18 CFR cycle and setting key objectives for the next cycle.

These key objectives set have been:

1. Integrate better with existing Managing Agent review processes, where possible.
2. Maintain the nature of independent review
3. Decrease the time to circulate the overall output to the Market

Lloyd's has recently presented a 2019/20 Cycle proposal to the CFR Working Group that is now supported and is described herein. We are working to finalise small non-material amendments and the supporting Managing Agent and Review Firm guidance documentation.

These changes for Cycle 2 achieve those objectives set.

Revised Process & Scope

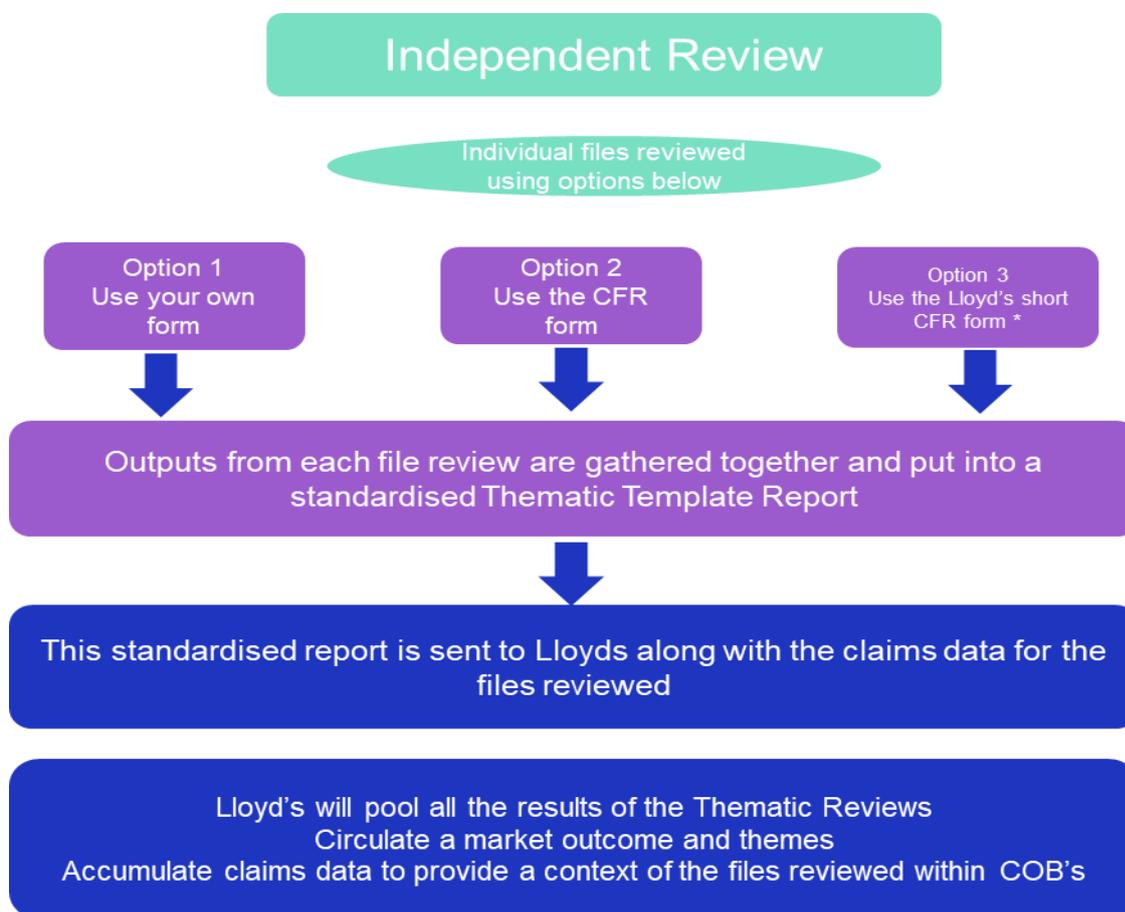
We have altered the CFR design framework to produce output that more efficiently captures key themes. We have removed the requirement to exclusively utilise the CFR question set; Managing Agents may elect to use their own peer review form to carry out the individual file reviews. Alternatively, the full CFR question set, or a short form CFR question set designed by Lloyd's may also be used. This approach gives more flexibility to a Managing Agent.

If a Review Firm is asked to utilise a Managing Agent's own form but does not believe it is adequate versus the short form CFR question set they will be expected to request one of the other forms is utilised.

There is no requirement to meet a set class of business quota however Lloyd's will provide an illustrative guide to each Managing Agent and will ask Managing Agents to endeavour to match their review quota against their class of business mix and to advise us of material

deviations if they feel this is not possible as Lloyd's appreciates there may be reasons why this would occur.

The updated process is shown in the diagram below:



The findings from the file reviews will be collated by the Review Firm to produce an aggregate thematic report and each section of that thematic report template contains benchmarks to RAG Managing Agents' performance and to provide commentary and examples for:

- Technical claims processing adherence
- Claims handling and management
- Subrogation & recoveries
- Expert management
- Quality and timeliness of customer, broker and market communication as well
- Regulatory and compliance

The Managing Agent should receive from the Review Firm the completed individual claim file reviews along with the thematic summary report

Review Firms are required to comment on the quality of the MA peer review form (where elected for use)

Review Firms are required to provide commentary, rationale and specific examples across all sections of the report – these should be discussed with the MA before it is finalised.

Lloyd's will only require the thematic report for a Managing Agent to be submitted to them along with the claims data for the quota (the data is so we can review the class of business mix within the overall CFR sample); the individual file reviews are no longer required to be submitted to Lloyd's on review completion.

The CFR scope has changed to some degree; however, the market quota remains unchanged for 2019 - circa 2,100 files - and a summary of the scope changes are:

- An increased number of open claims will be reviewed*.
- Singleton and VCS claims are excluded.
- Lloyd's request a target mix of 50/50 of standard versus complex triaged claims.
- The Review Firms will focus on up to the last two years of claims handling on the file – the Reviewer guidance is now drafted to help ensure this is done as consistently as possible and that they highlight claims where there is or has been a material impact from prior claims handling. This has been discussed with the major review firms and they are comfortable this can be achieved.

*The increased number of open claims is to ensure we capture contemporary claims handling within the market in these CFR cycles

Timing and Submission Deadlines

Cycle 2 will begin on 1 February 2019. All Heads of Claims will have their file quota advised to them in January 2019, along with an illustrative guide only for the class of business split. The completion date for Managing Agents to have their review completed and submitted to Lloyd's is 29 November 2019 and a full market report will be available from Lloyd's by the end of January 2020.

Statistically within the market, approximately 10% of the CFR volume is with 40% of Managing Agents. Lloyd's will be exploring a proposal with those Managing Agents to undertake their reviews in a co-ordinated manner via one Review Firm for example to see if 1) cost savings can be achieved and 2) if we are able to speed up the market cycle to complete this group of reviews overall.

The market report will give an analysis of the performance across the market and what follow up and actions are needed. If Managing Agents have their own individual actions arising from their review these will be fed into the oversight of claims performance by Lloyd's throughout 2019 and 2020 as appropriate.

Review and Oversight

Throughout the 2019 cycle, the CFR Working Group will remain in place. Its purpose will be to review progress towards the completion date, review any operational issues and importantly help Lloyd's decide how we will assess the overall RAG performance of the Market based on the results. This is a key piece of work to make sure the overall end market level assessment process will be well designed and make sure performance metrics and the outcomes are transparent to and understood by all Managing Agents.

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