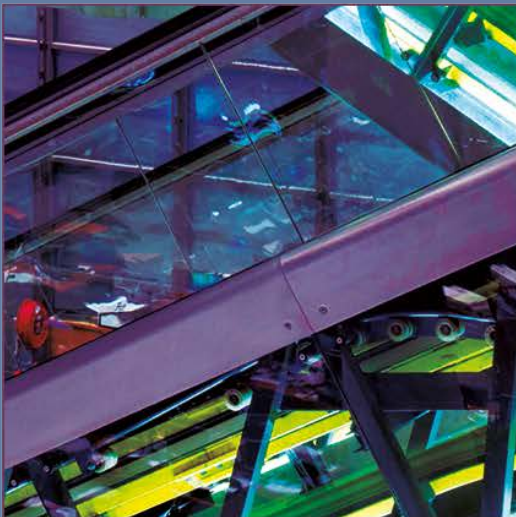




# DELEGATED CLAIMS OVERSIGHT STRATEGY



MARKET UPDATE:  
SEPTEMBER 2018



# Delegated Claims Strategy

The LMA Claims Committee (LMACC) has agreed as part of their 2018/19 priorities that activity is to be undertaken to support the enhancement of the Delegated Claims Model, doing so with market wide and senior stakeholder support.

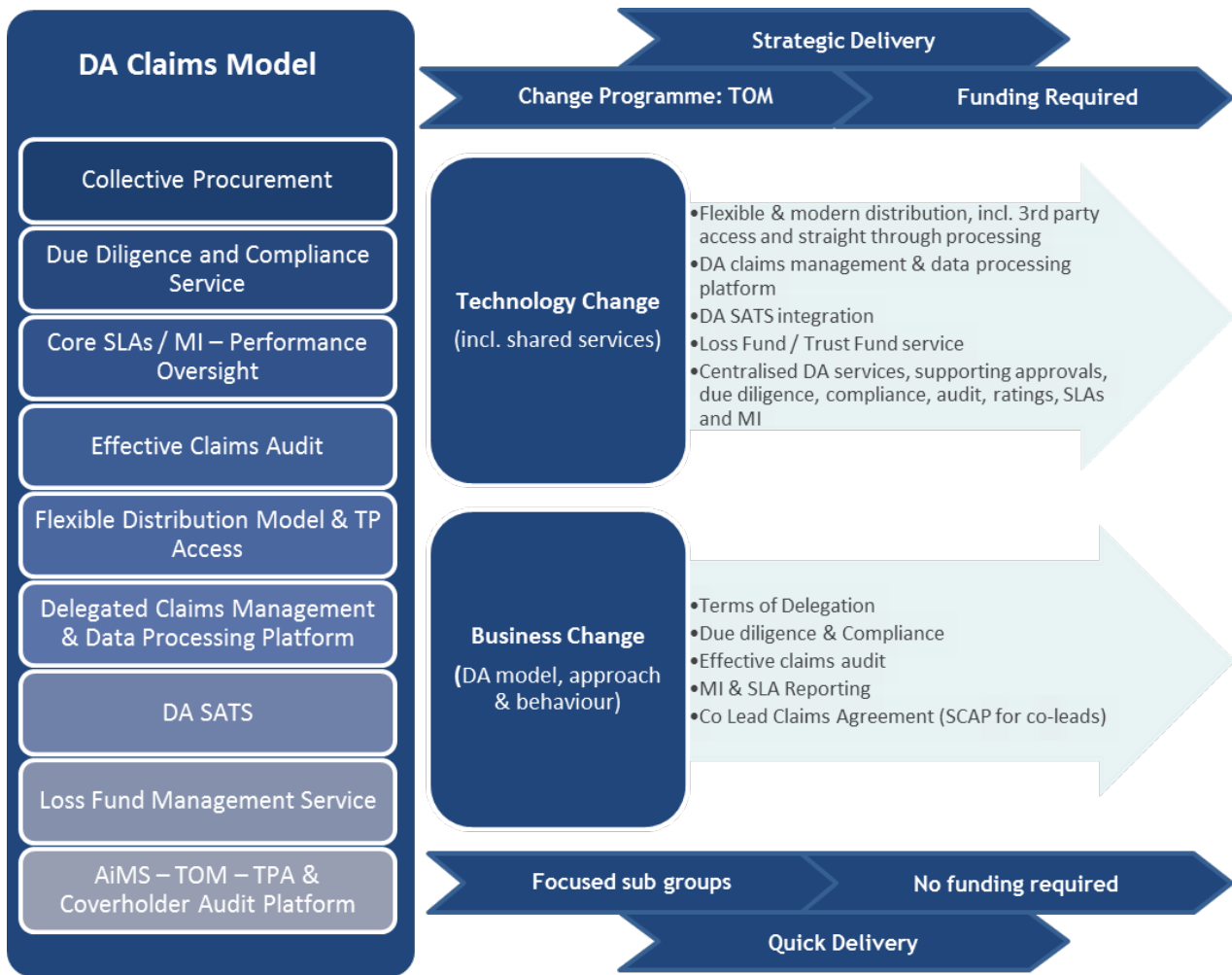
The LMACC has set a strategy and some core principles to underpin a programme of work that has been established to support the market and our delegated agents overcoming some of the claims challenges experienced throughout the delegated lifecycle, some of which have been identified by the market, others have been identified by the delegated claims thematic review, which was conducted by Lloyd's in 2017.

In collaboration, the LMACC and Lloyd's claims team has put together delegated claims priorities, encompassing:

- a long term view of addressing both business approach, the way of operating, and underlying systems and service to support a change of approach and operation
- a short/mid term view of addressing the change in business approach that can be accelerated without being dependant on technological capabilities or deliverables.

This programme of work will address the challenges within delegated arrangements, helping to overcome the fractured approach within the market. The objective is to refresh the delegated claims model for the benefit of our customers and our agents, allowing the Lloyd's market to:

- provide an improved, common and consistent experience for TPAs and coverholders
- provide an improved service for customers via our delegated agents
- improve indemnity accuracy
- make it easier for our delegated agents to transact with us by removing as many decision and touch points in the delegated supply chain as we can
- streamline and accelerate the handling and oversight of delegated claims
- remove burdensome requirements on our TPAs, coverholders and brokers that add no value to the process or the customer during the claim lifecycle
- implement and adopt a risk based approach to handling delegated business classes.



In the short term, the programme encompasses improvements to a carriers and the wider market’s approach to handling and overseeing delegated claims to ensure that business processes are common and consistent (in non-commercial areas) and provide effective oversight throughout the delegated claims lifecycle. In the longer term, changes will be supported by the market’s underlying technology platforms to ensure that the operation of delegated claims is efficient with the least amount of touch points required, whilst providing the right amount of data to Lloyd’s managing agents and delegated claims entities. Much of the strategy will also be informed by the work undertaken by Lloyd’s through the delegated claims thematic review. This is discussed in greater detail on the following pages.

If you have any further questions or would like to get involved and actively support the programme of work please email [tom.hamill@lmalloyds.com](mailto:tom.hamill@lmalloyds.com).

## DA Claims Thematic Review Program Overview

In Q3 2017 Lloyd's issued a report following its review of the effectiveness of the framework within managing agents for procuring and overseeing third parties appointed to handle claims on their behalf. The report identified both some good practices and a number of areas for improvement. While some of these are being addressed by individual managing agents, the report concluded that in other areas, market-wide initiatives would be the best way of improving the overall management of claims handling within delegated authorities.

During Q4, 2017 a working group was set up to explore options for market-wide initiatives that would make the selection and oversight of third parties more efficient and effective and to improve the service provided by these third parties to Lloyd's policyholders. The group concluded that many of the weaknesses identified in the review could be addressed by developing market-wide solutions in the areas shown below.

A schedule of work to be undertaken has now been designed, with buy-in from Lloyd's and the wider market. Working groups will be engaged in progressing this work during the remainder of 2018 and into 2019. Lloyd's will continue to work closely with these groups, the LMA and the wider market to ensure that the initiatives developed do deliver the improvements required. An overview of the workstreams is provided within this document.

The LMA will be managing and facilitating the programme of work on behalf of the market to ensure that all deliverables are completed and the objectives of the market are met throughout. To provide transparency throughout 2018 you can track progress on the deliverables on the LMA website.

## How will this impact me?

### Managing agents

A common, risk based market approach to the management and oversight of TPAs and coverholders is adopted by MAs

MAs behaviour and approach to managing claims via a TPA and or coverholder aligns to the central standards, as approved by Lloyd's and designed by the market

Control frameworks and related guidance to be designed and implemented by MAs to ensure consistent approach to managing delegated claims entities

A toolkit will be designed to assist MAs in implementing those frameworks in a consistent way

Technology and management information to be updated to assist in the implementation and oversight of TPAs and or coverholders

### Delegated claims agents

Consistent and aligned approach to TPAs and or coverholders adopting common and central market standards with their contracted MAs

Flexibility within control frameworks to ensure effective and proactive management of delegated claims, following the markets risk-based approach

Adoption and adherence to central standards and a common approach, to ensure it reduces the burden on TPAs and or coverholders that are currently attempting to respond to an inconsistent approach across the Lloyd's market

Improved monitoring and oversight approach, via audit, due diligence and data, to be adopted by delegated claims agents to ensure focus is given to the handling and management of claims portfolio

## Key Objectives & Principles

A set of key objectives is interwoven through all of the deliverables, which align with at least one of those objectives. These are to:

### KEY OBJECTIVES:

- improve indemnity accuracy
- improve service for clients and customers
- improve DA experience for both coverholders and TPAs.

The program will operate under guidance and be accountable to the LMACC, reporting and escalating key decisions, risks and issues on a monthly basis. It will also operate under the key operating principles, below.

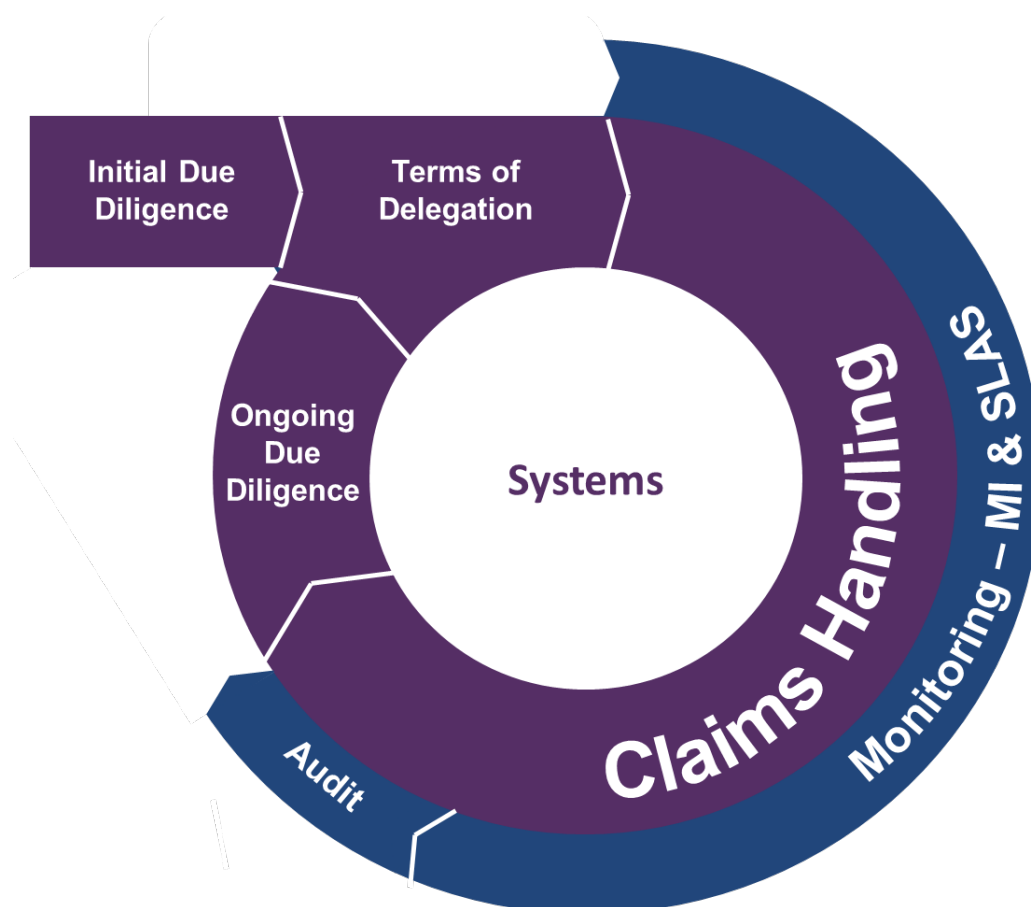
### KEY OPERATING PRINCIPLES:

- enhance the customer experience
- increase the attraction of London/increased competitiveness
- facilitate easier access to London, making London easier to operate, transact and do business with
- identify opportunities for cost savings for carriers
- identify opportunities for performance improvements, ensuring high quality claims handling service is maintained
- ensure there is a risk based approach to managing our delegated agents
- reduce the burden and impact on our delegated agents that provide access to local business
- initiate common and core standards where there is no competitive advantage
- create effective and common controls, oversight and accessibility to data
- deliver economies of scale with the support of shared services
- focus on the delivery of business change, adapting the model, approach and behaviours - to support a modern approach - with the objective of achieving market wide buy in
- recommend opportunities for the enhancement or delivery of shared services/technology to support the business change.

## Delegated Claims Lifecycle

The program of work will look to encompass the full end-to-end delegated claims cycle:

- Due diligence of delegated claims entities prior to engagement and updates on an ongoing basis to ensure they remain fit for purpose.
- Ensuring terms of delegation are appropriate in the first instance, and up to date throughout the lifetime of the contract to ensure that the delegated claims entity has the right amount of authority to effectively handle claims
- Monitoring the performance of the delegated claims entity through use of appropriate SLAs and management information, using that data to inform due diligence and updates to the terms of delegation
- Ensuring an effective audit strategy and process in tailoring audit scoping at an individual level, and coordination of those audits across the market to improve efficiency.
- Using systems and data in the longer term to inform the other elements of lifecycle, particularly in using up to date monitoring information to inform due diligence and contractual requirements.



## Workstream Summary:

### Overarching priorities:

- improving the DA experience
- improving customer service
- indemnity accuracy.

### DUE DILIGENCE AND COMPLIANCE:

Consistent, well implemented and robust due diligence undertaken by managing agents, ensuring that delegated claims handlers are fit for purpose and maintain or improve the market's claims offering.

#### Deliverables include:

- assess feasibility, function and scale of a framework for central due diligence/compliance system
- market guidance on suitability criteria to include thresholds for capabilities, services and controls
- making data from all sources (e.g. DA SATS, audits, complaints data, etc) readily available to MAs, auditors and Lloyd's.

### MI AND SLA REPORTING:

Making third party performance data more readily available and in standardised format to enable efficient and effective performance management, which in turn will drive service delivery standards.

#### Deliverables include:

- implement straight-through processing and remove need for bordereaux submissions
- review and enhance existing claims data standards and monitoring tools
- integration of market agreed SLAs within DA SATS to enable automated performance monitoring reports.

### TERMS OF DELEGATION:

All third party contracts to include standard terms that reflect: business objectives; risks; quality and level of service to customers; authority levels; loss fund arrangements and; reporting requirements.

#### Deliverables include:

- update of LMA Model TPA Agreement
- core set of SLAs for use in delegated claims arrangements
- improved visibility of TPA appointments via BAR.

### EFFECTIVE CLAIMS AUDIT:

Alignment of coverholder and TPA audit process and scope, delivering a market co-ordinated risk based audit approach, robust technical file assessment, and operational claims controls.

#### Deliverables include:

- overhaul of TPA audit scope to align with CH audit scope
- use of AiMS to co-ordinate TPA audit activity
- assess feasibility of auditor accreditation process.

### CO-LEAD CLAIMS:

Streamline and shorten the agreement chain for co-lead placements.

#### Deliverables include:

- LMA model wording for Co-Lead Claims Agreement



## Deliverable Timelines:

The Gantt chart below shows when work will be active on each of the deliverables and when you can expect to start seeing output from the program.

