

**The Actuarial Profession**  
making financial sense of the future

**GIRO 2011**  
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## **Performance Analysis at Lloyd's**

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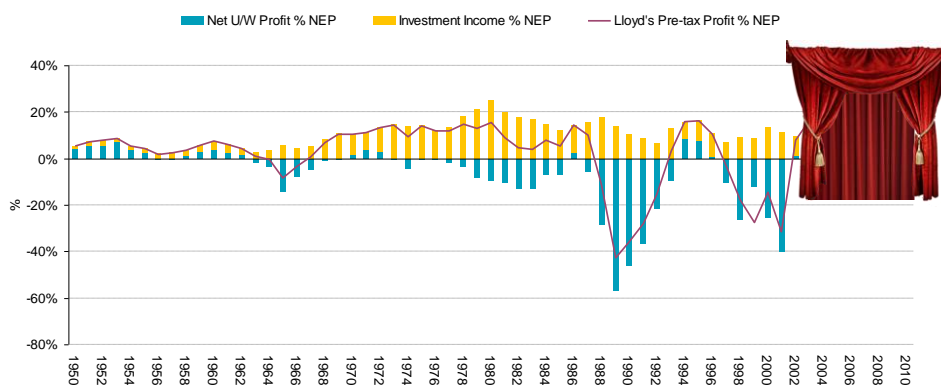
## **Agenda**

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- Performance framework at Lloyd's
- The role of Underwriting Performance
- Performance analysis tools and metrics
- Intervention
- Have we made a difference?

# Performance Framework at Lloyd's

## Lloyd's market performance since 1950



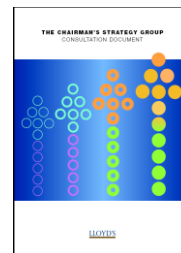
Source: Lloyd's Annual Reports, Statistics relating to Lloyd's 2001; Lloyd's data for 1950 – 1999 on three year accounting (assuming written=earned premium and 18% brokerage), and from 2000 onwards on annual accounting basis.

## A Prudential Priority

- The Performance Framework is prudential in nature. This means:
  - Ensuring that the businesses in Lloyd's do not fall below certain standards which may threaten the market; and
  - Seeking to raise standards across the market.
- In particular, Lloyd's recognises that to ensure its syndicates have the long term ability to meet claims it is necessary to safeguard:
  - The New Central Fund, which is available, at the discretion of the Council of Lloyd's, to meet any portion of any member's liabilities that the member is unable to meet in full.
  - Lloyd's ratings
  - Lloyd's brand and reputation

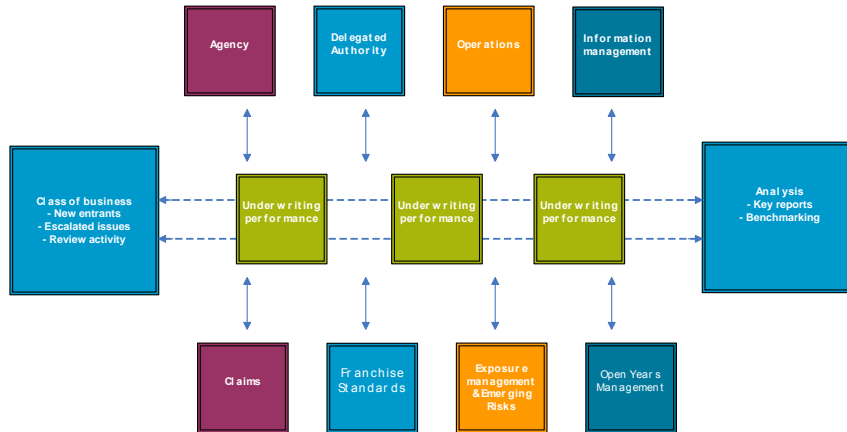
## The Role of Performance Management Directorate (PMD) – Since 2003

- Review and approve Syndicate Business Plans
- Ensure agents meet Lloyd's Underwriting and Claims Standards
- Assist with the review of capital assessments
- Monitor performance vs. agreed Business Plans
- Thematic reviews undertaken
- Provision of market intelligence



Franchise framework was set out in the chairman's strategy group consultation paper  
<http://www.lloyds.com/Lloyds/About-Lloyds/What-we-do/Our-Strategy>

## How does PMD deliver in practice



## The role of Underwriting Performance

## Understanding Syndicate Businesses

Performance oversight means understanding managing agents' businesses:



## Performance Analysis Tools and Metrics

## Lloyd's performance metrics



## Performance reports

### To Managing Agents:

- Performance Management Data Return report
- Performance Information
- Cross Cycle Performance Information
- Claims Benchmark Reports
- Agent Reserve Benchmarking Packs
- Reinsurance Asset Quarterly Packs
- Realistic Disaster Scenario Playback Packs
- Catastrophe Benchmark Packs
- Lloyd's Cat Model Benchmarks

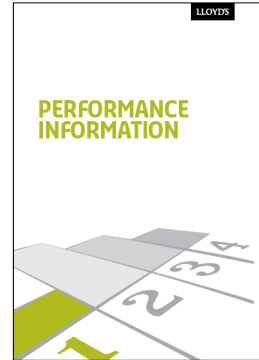
### To the Market:

- Statistics Relating To Lloyd's
- Historical PRI
- Market Intelligence Country Profiles
- 360 Risks Insight



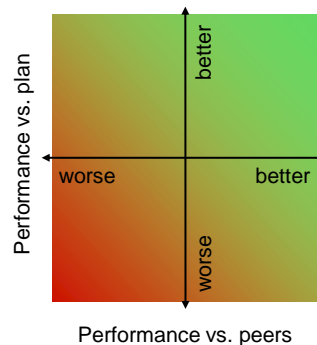
## Performance Information (PI)

- Joint work between Actuaries, Class of Business Experts and Analysis team
- The Performance Information reports provide
  - Key messages and market review
  - Relative **gross** underwriting performance vs. market and plan
    - Tailored to the syndicate's individual business mix
  - Market share information



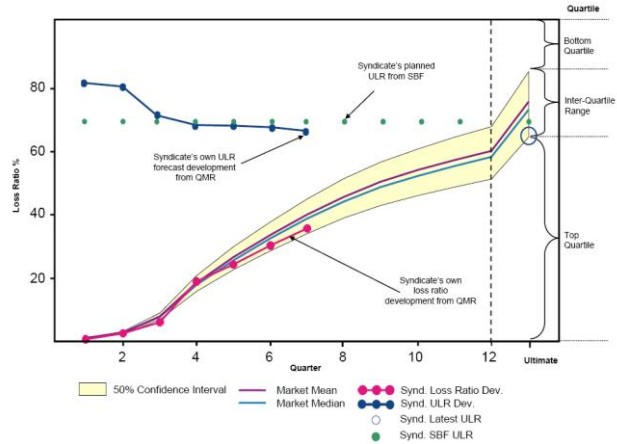
## Benchmarks vs. peers and plan

- Underwriting performance benchmarks vs. **notional market and plan**
  - Top performing syndicates or classes sit in the top right quadrant
  - Bottom performers sit in the bottom left quadrant
  - Movements over time highlight changes in performance

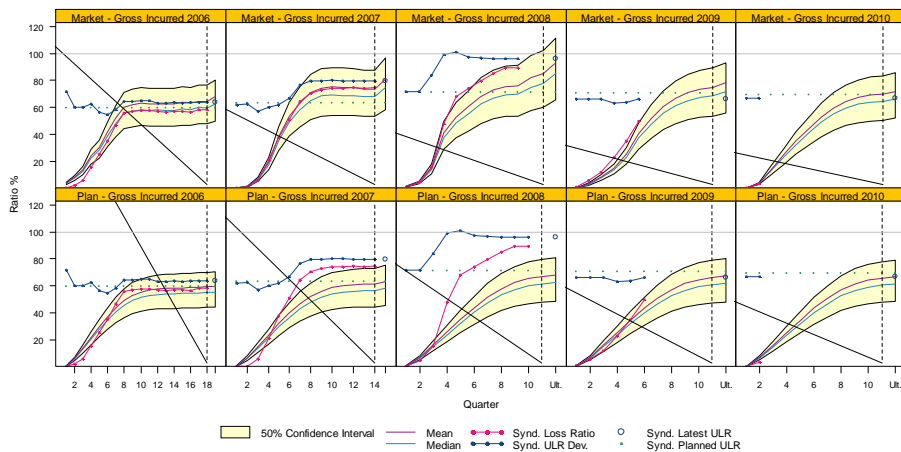


## Gross relative underwriting performance benchmarks

Shows syndicate loss ratio performance vs. a benchmark book



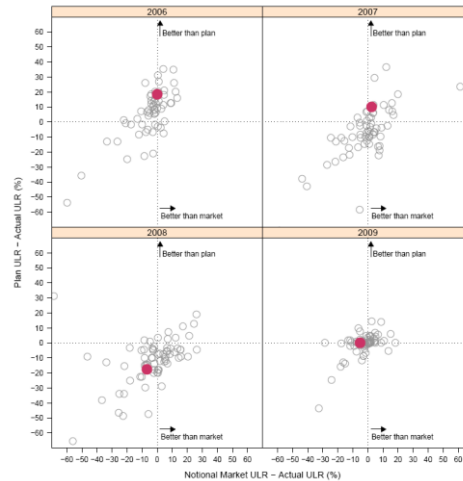
## Benchmarks over time allow to identify trends and to take actions





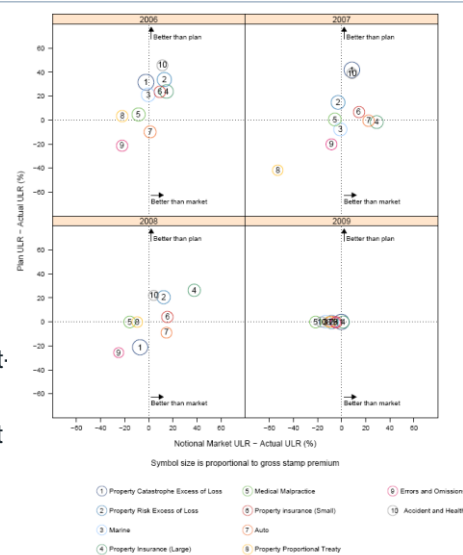
## Obtaining a market overview

- Plot differences between planned and notional market benchmark loss ratio vs. actual
- Identify which syndicates deviate the most from their plan and/or market
- Check for movements over the years

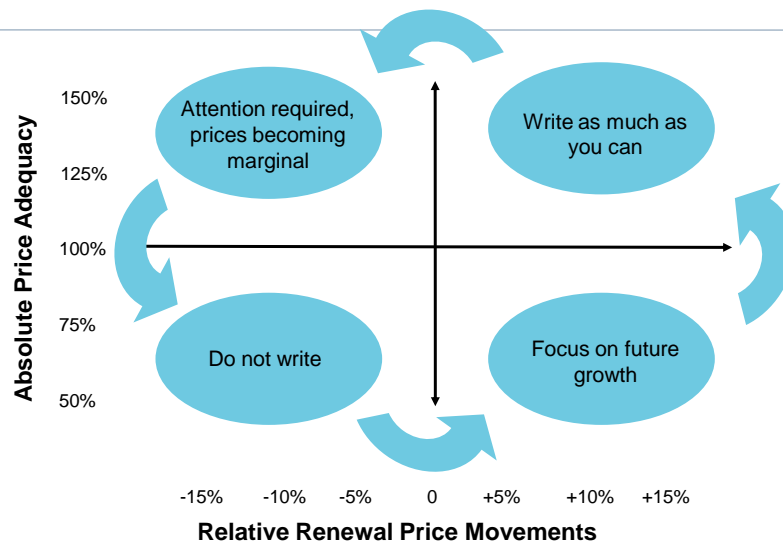


## Obtaining a syndicate overview

- Plot differences between planned and notional market benchmark ULR vs. actual
- Identify which COBs deviate the most from their plan and/or market
- Check for movements over the years
- Check for constant under/out-performers
- Check portfolio management



## Monitoring business through the cycle

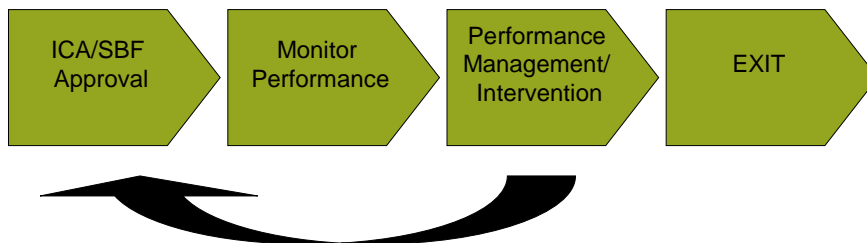


## Intervention

## Targeted Performance Management

- On occasion, risks and issues will be identified which require a more proactive approach to performance management.
- In every case, the aim of Lloyd's is to achieve the best *commercial* outcome for all the parties concerned subject to Lloyd's prudential responsibilities.
- Targeted intervention is about ensuring that managing agents continue to meet the Franchise Standards, are able to meet their business plans and continue to have the appropriate level of capital.
- Lloyd's aims to take a facilitative and flexible approach, involving the *minimum of formality*, but one that ensures action plans are agreed and implemented.

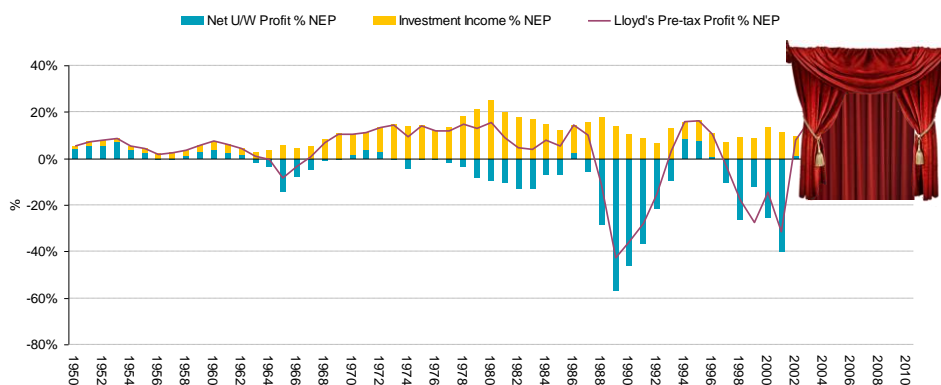
## The Escalation of Lloyd's Oversight



- ❑ Issues should be reviewed & resolved with the minimum of formality, wherever possible.
- ❑ Where not possible, a structured process of review is used, targeted on issues, involving all relevant experience within Lloyd's

# Have we made a difference?

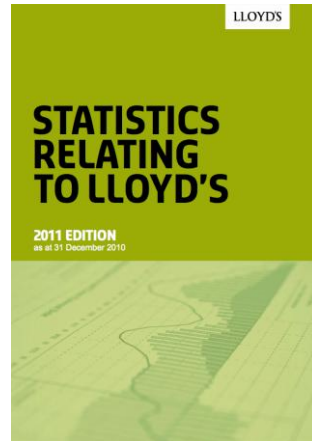
## Lloyd's market performance since 1950



Source: Lloyd's Annual Reports, Statistics relating to Lloyd's 2001; Lloyd's data for 1950 – 1999 on three year accounting (assuming written=earned premium and 18% brokerage), and from 2000 onwards on annual accounting basis.

## Statistics Relating to Lloyd's

- Access to Lloyd's market data
  - Historical market statistics
  - P&L and balance sheet information by syndicate
  - Segmental analysis
  - Online: [www.lloyds.com/stats](http://www.lloyds.com/stats)



Lloyd's Data

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## Questions or comments?

Expressions of individual views by members of The Actuarial Profession and its staff are encouraged.

The views expressed in this presentation are those of the presenter.

