“FPD – an overview”
GIRO Workshop

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Agenda

- Franchise concept
- Role of FPD
- Business planning
- Reinsurance
- Claims
- Run-off
- Summary

Franchise Vision & Goal

“To create and maintain a commercial environment in which the long term return to all capital providers is maximized”
The Franchise concept

- Transform Lloyd’s into a modern, transparent and profitable marketplace of choice
- Improve & sustain performance and profitability
- Attractive to capital providers
- A disciplined marketplace of distinct independent businesses
- Standards of best practice become the standards of the market as a whole

FPD Structure

Main functions of the FPD

- Strategy – Annual Business Plan & longer term strategic options
- Market Analysis – Provision of independent, accurate and timely MI, identification of trends and comparison of Lloyd’s performance against international insurance industry
- Claims Strategy – service levels, brand, role of the Franchisor, scale benefits
- Reinsurance Strategy – oversight and monitoring of market’s reinsurance asset, review of current programmes
- Run-off – Strategic management of syndicates in run-off
- Underwriting & Business Plan review – reviews, approves and monitors syndicate performance and works with syndicates to improve underwriting performance
Business Planning

- Working closely with other departments
- Communication of new Business planning procedure to the market
- Initial discussions with Agents
- The 2004 business plan process was successfully completed
- 2005 business planning process – Syndicate Business Forecasts submitted 18th June and complete plans submitted 24th September

Performance management

- Business plan approval
  - Franchise guidelines
  - Monitoring terms & conditions, e.g. deductibles
  - Line utilisation – risk/attachment profiles
  - Catastrophe modeling
  - Actuarial pricing input/modelling
- Coaching/facilitating
  - Market level data
  - Benchmarking
  - Suggestions for improvement

Business Planning - Guidelines

- Profitability/Performance
- Catastrophe exposure
- Re-insurer selection
- Gross line size
- Reinsurance leverage
- Multi-year policies
- Overall market dominance by a franchisee
- Dealings with brokers
- Service standards
Principal areas of focus

- Historical v projected performance
- Franchise guidelines
- Problem cases
- Problem classes of business
- More in depth analysis of market data
- Improved monitoring of rate/exposure change

Reinsurance

- Reinsurance – development of MI to better understand/manage reinsurance asset and concentration of prospective reinsurance
- Assess concentration risk
- Assess default risk
- Materially improve market reinsurance risk management
- Raise market standards
- Analysis of 2004 reinsurance programmes
- Develop strong strategic relationships with key reinsurers

Claims Strategy

- Implementation plan for claims strategy – e.g. minimum standards/shared delivery options
- Create substantial brand value and capital return through efficient and effective claims management
- Proactive monitoring/management of market/syndicate claims risk
Run-off

- Consolidation of current team – change management programme in place to embed in new structure
- Contract management
- Improve and develop management reporting structure
- Need for well-resourced and professional team

Summary

- Strong progress made to date
- Active cycle management by franchisees is crucial to the delivery of stable earnings
- Need for a bespoke approach to franchisees and lines of business
- Improve standards
- Change culture & approach of the market
- A lot of work still to be done to make the Franchise work