



# International risk team

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## The future at Lloyd's

### Introduction

At the end of last year Lloyd's published its Blueprint One, another instalment in the Future at Lloyd's initiative. Blueprint One is a strategic document which maps out the ways in which the Corporation intends to combine data, technology and new ways of working in order to revolutionise the Lloyd's market. The proposals are wide ranging and touch upon all facets of business at Lloyd's, from risk placement through to claim payment, along with initiatives for attracting more capital and the development of new products.

In this article we review Lloyd's ambitions in respect of the "Claims Solutions" workstream. We also take a look at the progress that has been made since the publication of Blueprint One last year and consider the significance of the proposals in light of the challenges posed by COVID-19.

### Claims solutions

Blueprint One's claims solutions initiative seeks to transform the way in which both simple and complex claims are handled. The intention is to develop a digital solution which triages a full spectrum of claims related to policies placed or renewed through the Lloyd's risk exchange or

complex risk platform. The digital interface will be powered by artificial intelligence and will be responsible for assigning claims to one of three broad handling processes: (i) straight-through processing; (ii) non-complex; and (iii) complex.

#### Straight-through processing and non-complex

It is here that Lloyd's proposals are most progressive. For simple low value claims, Lloyd's intention is to utilise AI which will remove the need for human intervention altogether. With these proposals Lloyd's seeks to emulate the successful streamlining of claims processes achieved

by new innovative market entrants, such as Lemonade in the US. Lemonade's "claims bot" has been instantaneously processing and settling lower value consumer claims since 2017 (in Lemonade's IPO last month on the NYSE its stock soared 100% on the first day of trading and has continued to climb at the date of publication of this article).

As to the defining parameters of "simple low value claims", a governing body will be responsible for setting the "business rules" for complexity and indemnity thresholds. Whilst Lloyd's acknowledges that "ultimate cost is only one driver of complexity", it seems that claim value is likely to be a key determinative parameter. Blueprint One highlights the discrepancy that exists in terms of the volume to value ratio of claims, noting that 48% of claims closed between 2016 and 2018 were £5,000 or below, but accounted collectively for less than 1% of total indemnity value. Conversely, the top 3% of claims represents 66% of total incurred claim costs. As to where the value parameter will be set, Lloyd's emphasis on these statistics suggests that it will be in the low thousands.

"Future-forward products" are separately identified as a form of insurance product which could also benefit from Lloyd's straight-through processing, these include parametric policies and insurance linked securities. These products are intended to respond to events which fall within pre-defined parameters without the insured needing to prove its loss. Lloyd's hopes that claims under these products will benefit from "touchless" claim payments. This raises the prospect of large sums being paid instantaneously and without human intervention.

For non-complex claims, Lloyd's intends to establish a "one-stop shop" market claims service for their management. This claims service will handle the non-complex claims on behalf of the market, utilising technology, analytics and centrally procured services. It is envisaged that these claims will require only one or two human interventions to reach their conclusion.

### Complex claims

In relation to "complex claims", Lloyd's ambition is to engender greater empowerment of the lead underwriter to handle the claims and provide the market with better support to deal with them. While low value low complex claims might be amenable to processing without any human intervention, Blueprint One implicitly recognises the continued importance of the human touch when it comes to navigating the nuances of complex claims (see our recent article "[The march of the machines?](#)" which considered the potential application and limitations of AI in the claims process).

As far as "complex claims" are concerned the digital solution will be there to support and assist the claims handling processes. ECF and associated claims infrastructures will ultimately be replaced with a market-wide and flexible orchestration platform, making it one of the most significant areas for reform. The aim is for technology to support faster, easier negotiation and resolution of claims queries within the claims agreement process. Messaging systems will ensure that the appropriate market participant is taking action when necessary.

### How and when?

Implementation of Blueprint One is to be carried out over three phases, with the claims solutions being rolled out from January 2022 onwards. The timetable is ambitious, particularly in the context of the wider reforms to other aspects of the business. Recognising this, in February 2020 Lloyd's announced its intention to focus on the delivery of three specific components including the claims solutions workstream (also part of the "sharpened focus" in response to Covid-19).

Phase I is already well underway. Steps have been taken in the development of the technological infrastructure which will underpin Lloyd's ambitions. At the end of last year, Lloyd's produced a [video](#) showing a prototype claims interface created in collaboration with McKenzie Intelligence Services. It is a demonstration of what their "event observer" might look like. Using the example of a wildfire, it illustrates the kind of real time information which might be available to market participants and policyholders alike.

Lloyd's has also launched its pilot for Small Claims Auto Settlement (SCAS) for specific lines of business and agreed financial limits. This is intended to support fewer touchpoints and reduce transaction time for customers. A significant step towards its ambitions for straight-through processing and the handling of non-complex claims.

Meanwhile, the initial steps towards the re-design and replacement of ECF have been taken. Claims technology market scans have been issued to 15 technology vendors who are current suppliers of claims management solutions to insurers. This will inform Lloyd's technology strategy as a foundation for ECF replacement.

### Concluding remarks

Blueprint One sets out the strategy through which Lloyd's will meet its stated aim of becoming the world's most advanced insurance marketplace. This goal, and the need to establish the infrastructure which will help achieve it, has become even more prescient in the context of COVID-19. As noted by Lloyd's, the recent lockdown "reinforced the importance of building a digital Lloyd's ecosystem powered by data and technology". In relation to the claims solution workstream, the last few months have also highlighted the importance of an even more efficient, transparent and robust claims process.

On publication of Blueprint One at the end of last year, commentators remarked on what were perceived to be overly-ambitious timelines. These have since been refined with sharpened focus on specific areas. Nevertheless, the progress that Lloyd's has shown to date in respect of its claims solution workstream (one such area) demonstrates its commitment to achieving these goals in short order.



**Hugh Thomas**  
Senior Associate  
+44 20 3060 6025  
[hugh.thomas@rpc.co.uk](mailto:hugh.thomas@rpc.co.uk)



**Toby Savage**  
Partner  
+44 20 3060 6576  
[toby.savage@rpc.co.uk](mailto:toby.savage@rpc.co.uk)

## The RPC international risk team

Energy | Power | Marine | Construction | Mining | Heavy Industry | Cyber | Political Risk |  
Political Violence | Trade Credit | Specialty | Facultative & Treaty | First Party and Liability

	<b>Iain Anderson</b> Partner +65 6422 3050 <a href="mailto:iain.anderson@rpc.com.sg">iain.anderson@rpc.com.sg</a>		<b>Richard Breavington</b> Partner +44 20 3060 6341 <a href="mailto:richard.breavington@rpc.co.uk">richard.breavington@rpc.co.uk</a>		<b>Mark Errington</b> Partner +65 6422 3040 <a href="mailto:mark.errington@rpc.com.sg">mark.errington@rpc.com.sg</a>
	<b>Dorothy Flower</b> Partner +44 20 3060 6481 <a href="mailto:dorothy.flower@rpc.co.uk">dorothy.flower@rpc.co.uk</a>		<b>Carmel Green</b> Partner +852 2216 7112 <a href="mailto:carmel.green@rpc.com.hk">carmel.green@rpc.com.hk</a>		<b>Catherine Percy</b> Partner +44 20 3060 6848 <a href="mailto:catherine.percy@rpc.co.uk">catherine.percy@rpc.co.uk</a>
	<b>Antony Sassi</b> Partner +852 2216 7101 <a href="mailto:antony.sassi@rpc.com.hk">antony.sassi@rpc.com.hk</a>		<b>Toby Savage</b> Partner +44 20 3060 6576 <a href="mailto:toby.savage@rpc.co.uk">toby.savage@rpc.co.uk</a>		<b>Victoria Sherratt</b> Partner +44 20 3060 6263 <a href="mailto:victoria.sherratt@rpc.co.uk">victoria.sherratt@rpc.co.uk</a>
	<b>Naomi Vary</b> Partner +44 20 3060 6522 <a href="mailto:naomi.vary@rpc.co.uk">naomi.vary@rpc.co.uk</a>		<b>Gary Walkling</b> Partner +44 20 3060 6165 <a href="mailto:gary.walkling@rpc.co.uk">gary.walkling@rpc.co.uk</a>		<b>Leigh Williams</b> Partner +44 20 3060 6611 <a href="mailto:leigh.williams@rpc.co.uk">leigh.williams@rpc.co.uk</a>
	<b>Gerald Yee</b> Partner +65 6422 3060 <a href="mailto:gerald.yee@rpc.com.sg">gerald.yee@rpc.com.sg</a>		<b>Paul Baker</b> Legal Counsel +44 20 3060 6031 <a href="mailto:paul.baker@rpc.co.uk">paul.baker@rpc.co.uk</a>		<b>Prakash Nair</b> Director +65 6422 3061 <a href="mailto:prakash.nair@rpc.com.sg">prakash.nair@rpc.com.sg</a>
	<b>Alex Almaguer</b> Latin America Insurance Practice Lead +44 20 3060 6371 <a href="mailto:alex.almaguer@rpc.co.uk">alex.almaguer@rpc.co.uk</a>		<b>Damon Brash</b> Senior Associate +44 20 3060 6247 <a href="mailto:damon.brash@rpc.co.uk">damon.brash@rpc.co.uk</a>		<b>Chris Burt</b> Senior Associate +44 20 3060 6593 <a href="mailto:chris.burt@rpc.co.uk">chris.burt@rpc.co.uk</a>
	<b>Samuel Hung</b> Senior Associate +852 2216 7138 <a href="mailto:samuel.hung@rpc.com.hk">samuel.hung@rpc.com.hk</a>		<b>William Jones</b> Senior Associate +65 6422 3051 <a href="mailto:william.jones@rpc.com.sg">william.jones@rpc.com.sg</a>		<b>Jonathan Lim</b> Senior Associate +65 6422 3062 <a href="mailto:jonathan.lim@rpc.com.sg">jonathan.lim@rpc.com.sg</a>
	<b>Summer Montague</b> Senior Associate +65 6422 3042 <a href="mailto:summer.montague@rpc.com.sg">summer.montague@rpc.com.sg</a>		<b>Hugh Thomas</b> Senior Associate +44 20 3060 6025 <a href="mailto:hugh.thomas@rpc.co.uk">hugh.thomas@rpc.co.uk</a>		<b>Rebecca Wong</b> Senior Associate +852 2216 7168 <a href="mailto:rebecca.wong@rpc.com.hk">rebecca.wong@rpc.com.hk</a>
	<b>Leah Wood</b> Associate +44 20 3060 6203 <a href="mailto:leah.wood@rpc.co.uk">leah.wood@rpc.co.uk</a>	<b>Helping to resolve high value insurance claims – worldwide</b>			

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