

Lutine Luncheon Club - Seminar

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“How Lloyd’s Names can encourage their Underwriters to be more fully prepared to react to chaos and unpredictability”

A talk by Paul May to members of the High Premium Group of Lloyds Names 5th December 2023 at the RAC Club, London.



Thank you for the opportunity to share some thoughts, “fly some kites” and I hope encourage a more critical and pro-active approach to your investment in Lloyd’s of London.

Now in its 4th Century of operation the great institution still supports the UK with income from Invisible Exports, and helps London to remain one of the most important and influential financial centres in the world.

It is a unique market and should really I feel have incorporated its own Lloyd's Livery Company decades if not centuries ago.

HPG members at this lunch today have I estimate about 1,500 years of working experience and probably in the region of 2,500 to 3,000 years of life experience.

The success that has led each of you to be in the position to invest upwards of £1 million in Lloyd's means that you have coped with and overcome chaos to survive and thrive!

All the individual Names represent a unique and powerful group with massive and diverse experience.

I am not sure that this experience is being harnessed to the mutual benefit of Names or of Lloyd's. The governance and oversight structures at Lloyd's (defined in the Lloyds Act of Parliament 1982) have an overly inward focus.

A look at the backgrounds of the 15 members of the current Council responsible for "management and supervision of the market" shows that 11 of the 15 are insurance people.

It is essentially a homogeneous group with + / - similar work experience and mainly of a certain age.

Would Lloyd's benefit from the input of more diverse individuals including Names?

Recent reactive responses from Lloyd's over issues such as:

- Diversity
- Coal and fossil fuel
- Alcohol during the day
- Working from home
- Reparations for slave trade
- Attacks on the building

suggest strongly to me that there is insufficient forward looking inquiry of the external environment in order to be pro-active and keep ahead of events.

That approach of inward looking and reactive responses is suggestive of the presence of group think and a limited range of focus on the future.

An "annual" outlook is instilled from the 12 monthly policy and reinsurance cycle.

Where are the signs of longer term research and Thought Leadership?

Scenario planning, future scanning and external advisory think-tank usage doesn't seem to be much in evidence.

In your individual roles as backers of Underwriters I wonder how often you have taken part in face-to-face discussions and Q & A sessions with your Underwriters. Your experience, questions, and views on the future are I believe being under-utilised.

I know that you are well connected to Lloyd's through the HPG and your specific financial advisors.

There is though an opportunity to support and encourage your Underwriters and their risk and claims teams to seek your opinions.

You are external and as "friendlies" your questions, opinions and viewpoints have value.

Underwriters are good, or should be, at asking the right questions. They should not be reluctant or resistant to being asked questions by you – and should be ok asking you questions regarding your views on future areas of risk and concern.

How prepared is Lloyd's for future events?

The Lloyd's Market Association has on its web site a link to *"further information about*

– business continuity planning, and

- disaster recovery

in The London Market and the plans developed by the Corporation of Lloyd's."

I don't know how many of you will have seen those plans (the link is in fact password protected) but I feel sure that your experience and external perspective could be used to critique them.

So how Lloyd's Underwriters are prepared organisationally to react to chaos and unpredictability is something of a confidential mystery.

There have been a number of predictable unpredictable such as:

- pandemic
- cyber
- Ukraine - Russia
- AI
- Lithium battery fires
- Israel – Hamas

Insurers generally, not just Lloyd's, have played catch-up and seem to have lost the confidence to lead opinion, research the detail, and create policy wordings that are clear and don't need lawyers and litigation to interpret.

There is a need to invest in researching future scenarios in geo-political, bioscience and technology as well as increasing the level and types of professional training.

This will go towards making Underwriting fighting fit for the future, but won't immediately address the "sameness" and reactivity within the executive of Lloyd's (and most likely the syndicates that you back).

I would encourage you as individuals and as the HPG to become more pro-active to bring your experience to bear on your investment by enquiring, questioning and volunteering your views, opinions and advice.

In essence you should I suggest be less passive and be more pro-active to help your Underwriters be more profitable, survive and thrive.

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