

# Praedicat's Response to Lloyd's Liability Scenarios

Praedicat's Scenario Platform helps make reporting Lloyd's liability scenarios easy and more robust!

## Executive Summary

Praedicat makes reporting on Lloyd's six new liability scenarios easy. Lloyd's scenarios will be featured in our software, and our streamlined reporting process not only ensures that all of Lloyd's requirements are met quickly and efficiently, but surpasses the requirements making the exercise compliant, business relevant, and actionable.

## Reporting Lloyd's Liability Scenarios

UK regulators are increasing their focus around approaches to man-made risk exposure management. As part of this initiative relating to liability risk, Lloyd's are requiring syndicates to report against six newly defined liability scenarios, over two data collection periods in 2021.

We're assisting our clients by making this exercise straightforward and efficient. Our work with Lloyd's to represent their scenarios in our software not only ensures that all of Lloyd's requisites are met, but actually goes beyond what is required, to help syndicates begin to build a robust forward-looking casualty emerging risk management framework.

Praedicat are a liability emerging risk analytics company that has developed a forward-looking exposure-based system to identify and quantify potential future latent casualty catastrophe risks. Our framework is built upon a scalable approach to systematically identify emerging latent casualty risks and track them over the lifecycle of emergence, quantifying the probability and severity of resulting litigation as the risk develops. We also profile over 100,000 global companies matched to emerging risks to facilitate portfolio exposure modeling and point-of-underwriting application of portfolio strategies.

Once a client provides us with basic policy information – company name or industry, line of insurance (D&O, GL, EIL, PL and E&O), trigger (occurrence, integrated occurrence, claims-made) limit and attachment – the portfolio data is run against Praedicat's scenario suite. Our bottom-up approach allows syndicates to identify which companies and industries that are driving the losses within their portfolio, while simultaneously meeting all of Lloyd's reporting requirements. These scenarios can also help syndicates identify portfolio risk drivers to aid cross-team collaboration with actionable insight.

Scenario losses are exported in the format needed for reporting, so there is no extra reformatting required.

Let's take a closer look at how Praedicat can help your business use scenarios to manage liability risk and fulfill regulatory reporting requirements to Lloyd's

- **In-software suite of Lloyd's liability scenarios**, developed in dialogue with Lloyd's, which can be used to report Lloyd's liability scenarios as required, both gross and net of reinsurance and for all impacted jurisdictions and lines as defined by the scenario descriptions. Output will expose sources of accumulation for your specific portfolio, to facilitate underwriting decision making and a wider liability risk management framework. This includes analysing the results down to the account level. For the August reporting period, as an alternative to the damage factors, Praedicat will offer a suite of Lloyd's-approved scenarios based on actual emerging risks for Pharmaceutical Products US, Construction Products Global, and Chemicals in Food US. These scenarios will include alternative industrial footprints that may meet your view of risk. They will also give you contextual insights that make the regulatory exercise more business relevant (e.g. information for underwriting on specific chemicals in food of concern). Praedicat will deliver the results via a briefing in addition to supplying output.
- **Clear explanation of the Praedicat scenario parameters**, to provide syndicates with more detail around the exact scenarios that have been used for reporting, providing scenario specifics to supplement the broader definitions contained within the Lloyd's Liability Scenario Guidance & Instructions.
- **Transparent and detailed methodology documentation** allowing syndicates to review Praedicat's approach as required by Lloyd's, and to develop their 'own view of risk.'
- **In-software access to Lloyd's damage factors** to enable classification of policy data into required industries, and creation of Lloyd's liability scenario losses using the damage factor method, should the client prefer (or for the purpose of comparison). Praedicat have a robust inventory of company profiles, and their associated industries. We can help by taking the heavy lifting out of assigning primary industry codes to run the damage factors and will supply final output that can be provided to Lloyd's.



## Praedicat's Complete Scenario Platform

Regulators are shining the spotlight on emerging risk identification, reserving and exposure management practices. In addition to meeting reporting requirements, regulators are looking for syndicates to develop wider casualty risk and exposure management frameworks. This is where Praedicat's Scenario Platform can be a differentiator.

Praedicat maintain a growing library of more than 50 liability scenarios that can be run in addition to the requirements set by Lloyd's. This library includes multiple food, pharmaceutical and construction product related scenarios which provide a deeper understanding of portfolio emerging risk. They can also drive more advanced risk mitigation strategies and initiate better portfolio steering when underwriting. The scenarios have been specifically designed to provide a methodology to manage emerging litigation types in the context of social inflation.

Here is how to achieve better risk management using our Scenario Platform:

- **Access to Praedicat's suite of over 50 additional liability scenarios**, which can be run against a syndicate's portfolio to identify other potential accumulations, and to provide insight and context against the liability risk horizon. Example scenarios include: COVID-19 liability, water litigation over PFAS, 1,4-dioxane, building product litigation, cell phones, 'next opioids', 'next asbestos' scenarios. In addition, Praedicat will be building a suite of climate change liability scenarios in the second half of 2021.
- **Industry and company level scenario loss detail** for all scenarios, to identify company and industry loss drivers by scenario, to help advise risk mitigation and portfolio management.
- **Defence costs per scenario** are considered (currently not considered in the Lloyd's liability scenarios).
- **Access to additional permutations of the Lloyd's liability scenarios** to allow syndicates to compare reported losses with similar event losses for a syndicate portfolio.
- **Access to Praedicat experts** to discuss embedding a wider liability risk and exposure management framework, and access to Praedicat risk insights and expertise which can be applied to business decision making. Praedicat will provide emerging risk briefings on specific top risks identified via scenarios and/or of concern to management.

Praedicat can also help advise syndicates around establishing a wider liability exposure management program, as we have worked with over 25 (re)insurers who have implemented our analytics. We collaborate with our industry partners to design and implement liability risk and exposure management frameworks, integrate with casualty insurance workflows, and deliver actionable insights.

In addition to our scenarios, we can run our fully probabilistic model against your portfolio to understand the loss potential for 200 emerging liability perils for both in-force and historical exposures.

Praedicat have also published advice around how companies can respond to the Dear CRO letter issued by the PRA in late 2020. You can [learn more about that here](#).

We look forward to working together and being a part of your casualty risk management framework.

