LLOYD'S

Market Bulletin

Ref: Y5292

Title	2021 Business Plan and Capital approval process and timeline
Purpose	To inform the market of the 2020 process for agreeing 2021 Business Plans and Capital requirements
From	Jon Hancock, Director Performance Management
Date	4 May 2020

As part of our commitment to supporting both the Corporation and the market through the challenges posed by COVID-19, we have reconsidered our approach for 2021 business and capital planning. The changes we have made are more reflective and considerate of the current environment and aim to streamline business and capital planning, whilst ensuring a robust risk-based approach. Our new and adapted approach has also been informed by feedback received from both the Corporation and the market in relation to last year's process.

A three-tiered, risk-based approach to 2021 business plans

Lloyd's will take a three-tiered, risk-based approach for approving 2021 business plans.

1. Following a successful pilot last year, our Light Touch approach will continue for those syndicates recognised as Lloyd's strongest performers. Light Touch syndicates will have a 'file and use' approach to planning.
2. Lloyd's will also adopt a file and use approach for other syndicate plans that are submitted in line with defined key performance indicators. Where syndicates do not meet the defined KPI criteria, they will follow the normal Capital and Planning Group (CPG) process.
3. There will be no change in our approach for High Touch syndicates. These plans will continue to be reviewed in full and must be approved by CPG.

All plans must be approved in writing by the CEO and the Chair of the managing agency Board as part of the submission and any file and use plan approvals assume no changes will be made to existing permissions, such as line size dispensations and class of business permissions.

In the first quarter of next year, Lloyd's will review plans and may require resubmissions. This allows an opportunity to reconsider the appropriateness of plans, with a better understanding of the post-pandemic market conditions.

Fast track approach for capital

We will be piloting a ‘fast track’ approach for 2021, which aims to achieve confidence in models prior to submission. This will reduce the level of review required during the CPG process and increase the predictability of capital requirements for syndicates.

In order to participate, syndicates must be subject to a satisfactory review prior to their submission and have no material model change subsequent to this. Further information, including the fast track eligibility criteria, will be shared with the market in May. We are considering how to ensure the pilot can accommodate any model changes required to appropriately reflect experience related to COVID-19. Outside of the pilot, we will continue to use a risk-based classification. Each syndicate will be informed of the category of their review, which is finalised following submission.

All syndicates, regardless of fast track status, will still be considered for capital appropriateness based on their catastrophe risk appetite, appropriateness of prospective loss ratios and opening balance sheet reserves. Syndicate Reserving will be engaging from the end of May on reserving thematic tests for uncertainty. Prospective loss ratios will continue to be an area of key focus, in light of the performance of the 2019 year of account.

Strong engagement and communication

Oversight managers will provide more detail on our expectations for planning and capital in a letter to CEO’s in May. Our annual market message will be delivered on 16 July by John Neal, CEO and Burkhard Keese, CFO and will reaffirm the defined KPIs for 2021 business and capital plans. In July we will also publish the 2021 guidance on the Syndicate Business Forecast (SBF), Lloyd’s Capital (LCR) and Catastrophe Returns. Further support and guidance will also be provided through the capital and planning pages on www.lloyds.com.

Engagement with managing agents will commence from early July. Every managing agent will meet with Lloyd’s representatives, led by our Oversight Managers, with support from technical teams.

High Touch syndicates will continue with full strategic business discussions (SBDs). These discussions will give managing agents the opportunity to present their prospective syndicate business plan, evolution of capital in light of risk profile and 3-year plan activities to Lloyd’s. Meetings should be attended by your CEO, CFO and CUO / Active Underwriter, along with any other team members you wish to attend.

With all other syndicates, including those in the Light Touch category, we will have a 30-minute plan check-in meeting, also led by our Oversight Managers. This will be more streamlined than the SBDs and will be a high-level discussion about the syndicate’s business plan and capital submission.

Written feedback will be provided to each syndicate following the discussions, which will state Lloyd’s’ view of the plan, capital, reserves and other areas for consideration. Syndicates should consider the feedback prior to final business plan and capital submissions and respond to any action points provided.

A phased timetable for 2021 plan and capital submissions

The phased approach for business plan and capital submissions, introduced last year, will continue for 2021. Each syndicate will be given a specified return submission date based on capital structure and our risk-based approach. The ‘coming into line’ deadline is 30 November 2020.

Syndicates will follow one of four submission phases, which will be confirmed by your Oversight Manager in May. In response to market feedback, non-aligned syndicates will submit their plan and capital information in one phase this year (phase 1).

Syndicate group	SBF return submission deadline	LCR return submission deadline
Phase 1	1 September	3 September
Phase 2	14 September	17 September
Phase 3	21 September	24 September
Phase 4	28 September	1 October

Lloyd’s recognises that the current circumstances are unprecedented and remains committed to supporting the market through these challenging times.

If you have any questions, please contact your Oversight Manager in the first instance.