

# 2024 Q4 Lloyd's Market Message

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# Today's session

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Current market conditions & outlook

2

Ambition & 2025 planning outcomes

3

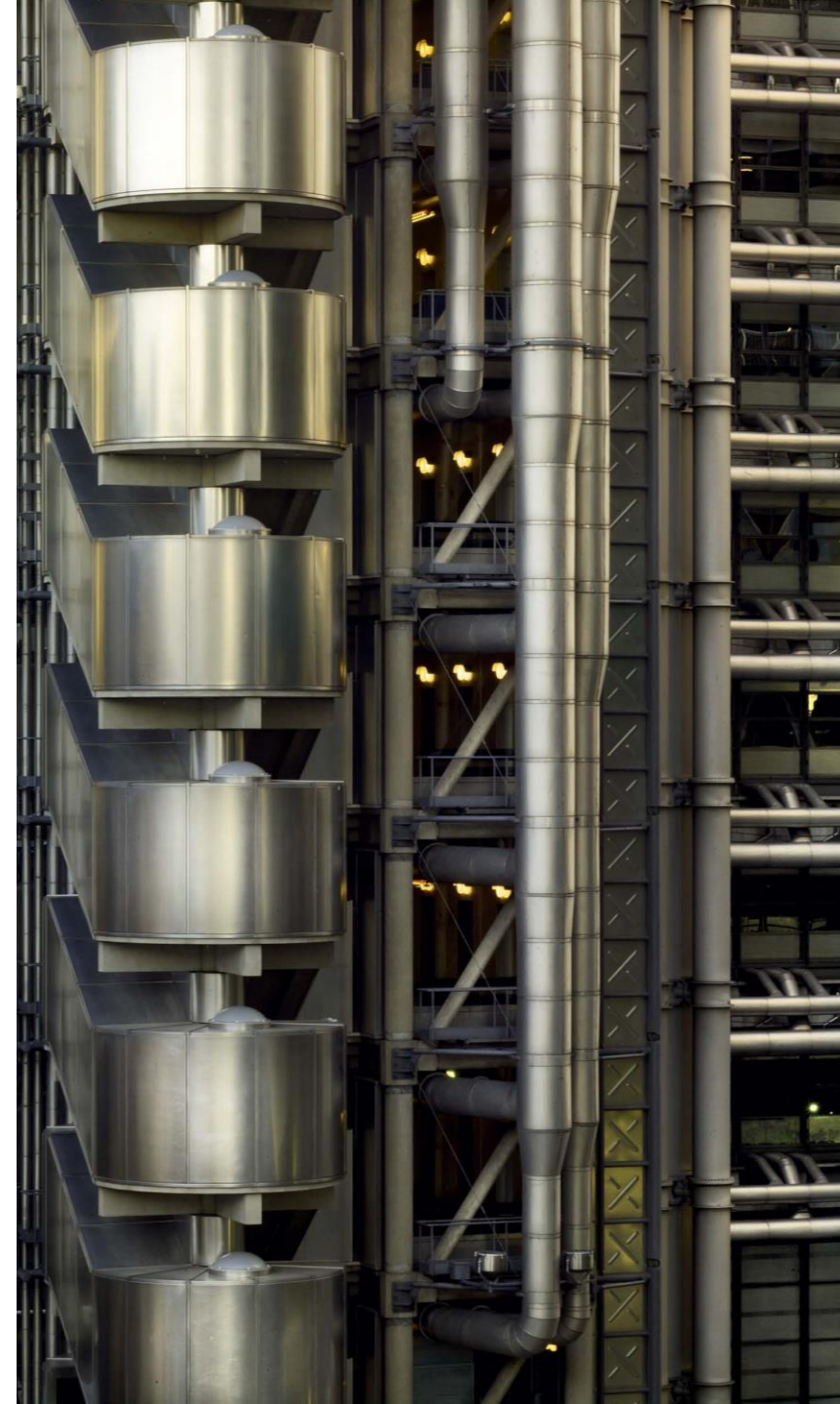
Capital & reserving

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Market oversight plan

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Key takeaways



# Current market conditions

- Favourable but competitive conditions
- Fundamentals of risk, demand and capital expected to hold through H1 2025
- Reforecast GWP of £59bn is £2.5bn behind plan
- Lloyd's outlook: more cautious than 12 months ago
- Rate adequacy & aggressive trading challenges pressuring sustainable growth

# Current market conditions



Property



**Moderating rate** but attachment points, terms and conditions are holding



Hurricane activity ameliorating broad-based underwriting pressures



Casualty



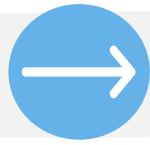
PYD and settlement driven inflation not adequately reflected in pricing



Robust approach required to establish **adequate baseline**



Specialty



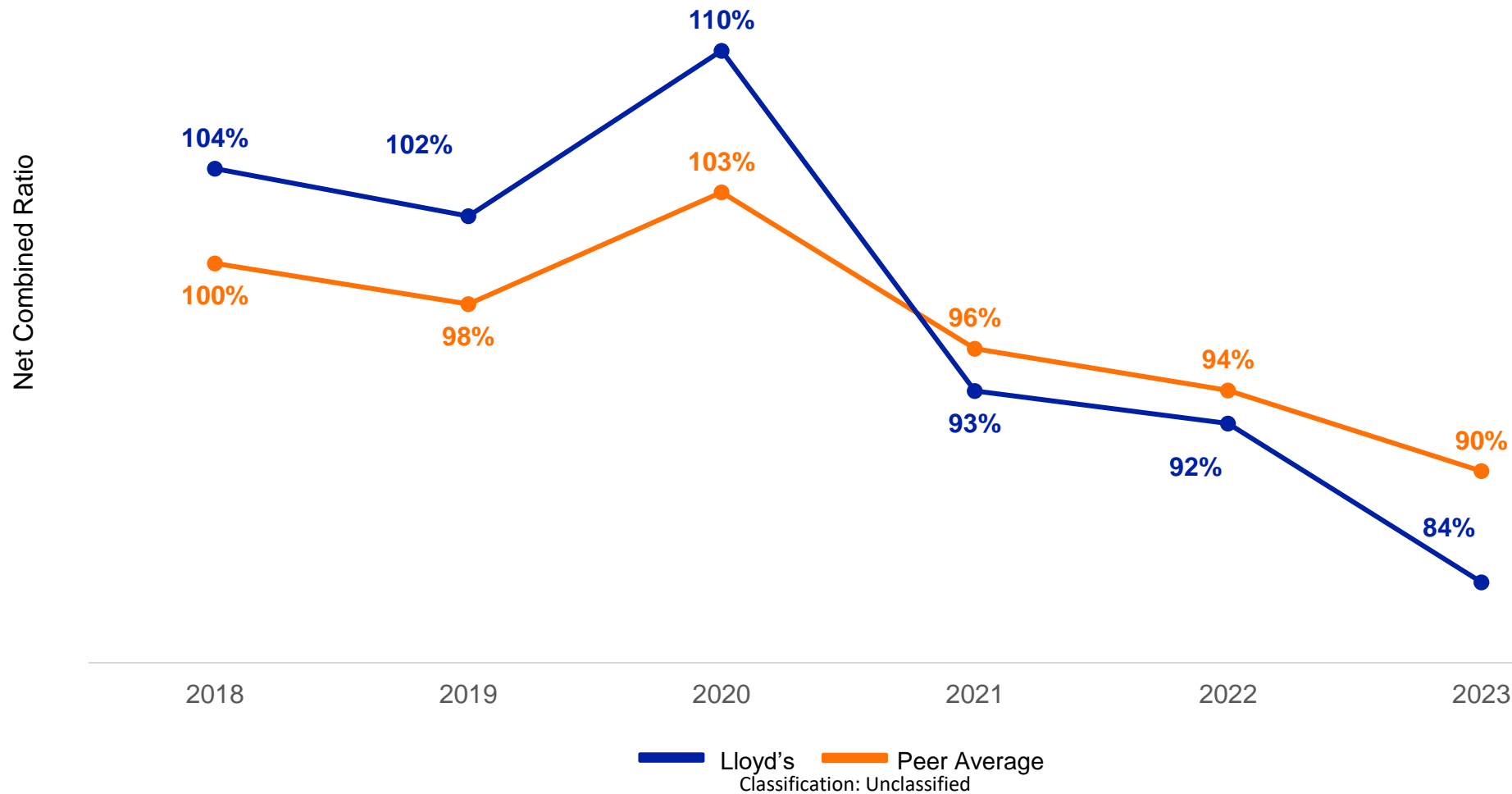
Monitoring **adverse trading conditions** to avoid contagion

# Ambition in context

- Sustainable profitability remains our primary performance criteria
- Focus on top-quartile performance; not headline growth
- Size of the market will oscillate with market forces and share of wallet
- £5bn of declined premium from potential new entrants
- Ensuring syndicates stay disciplined will become noticeably more robust

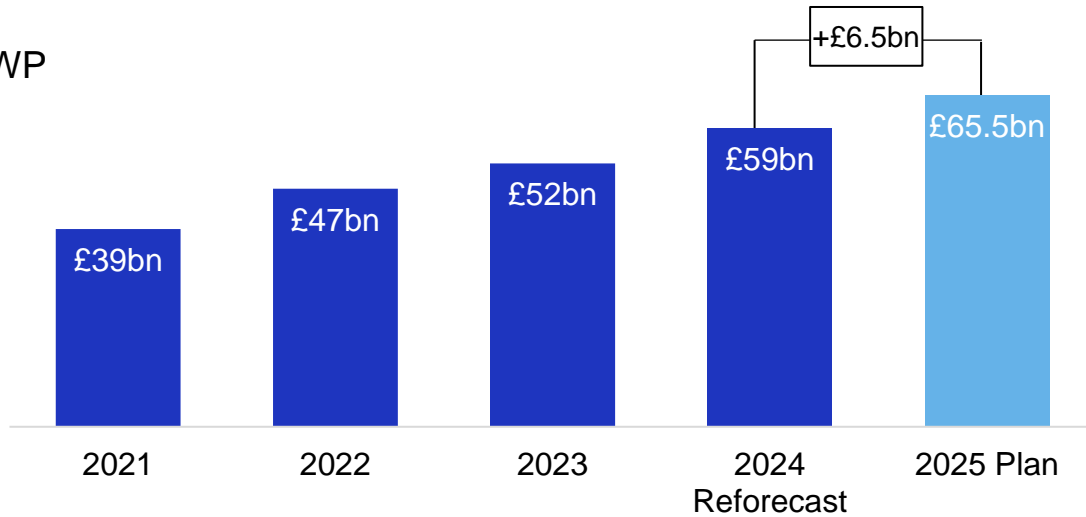
# Lloyd's-Dowling Index

Lloyd's 5 year CAGR 8% versus 12% in peer group

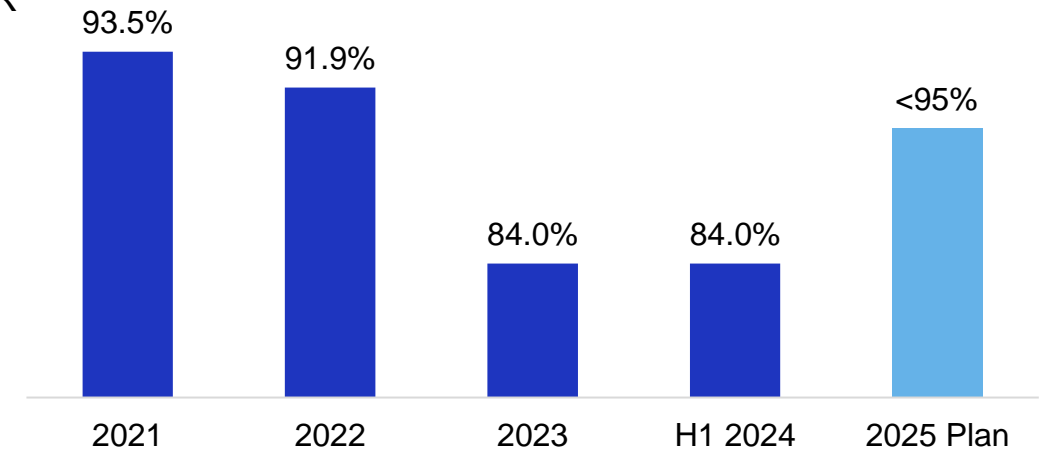


# Key outcomes of 2025 business planning

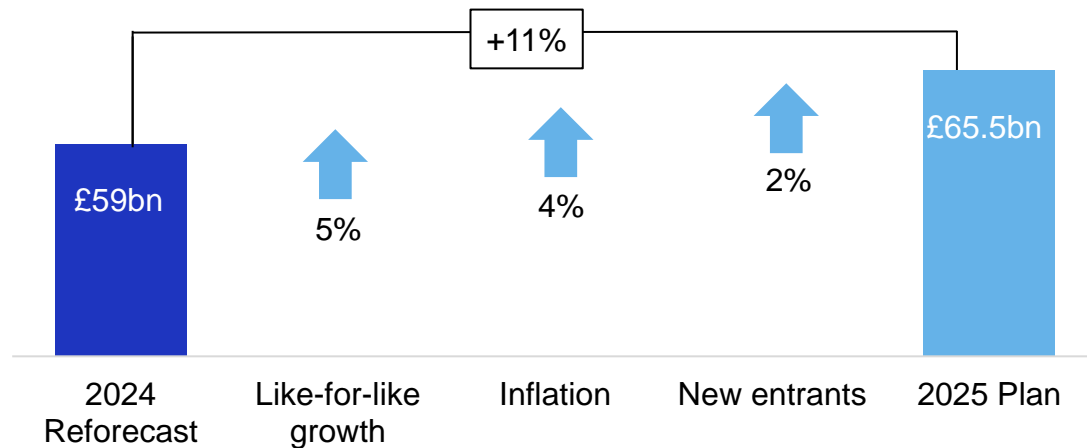
GWP



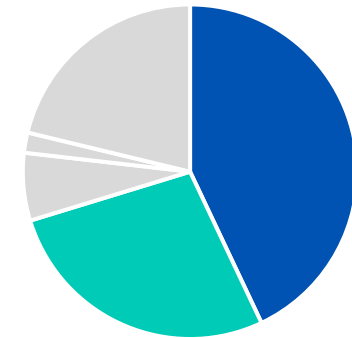
NCR



Growth



Growth by PBO Category



# Disciplined management of delegated authority and expense



DA accounts for 39% of GWP, is profitable, and growing



Syndicates must demonstrate active DA management on a timely basis



Poor underwriting and poor controls will result in removal of permissions

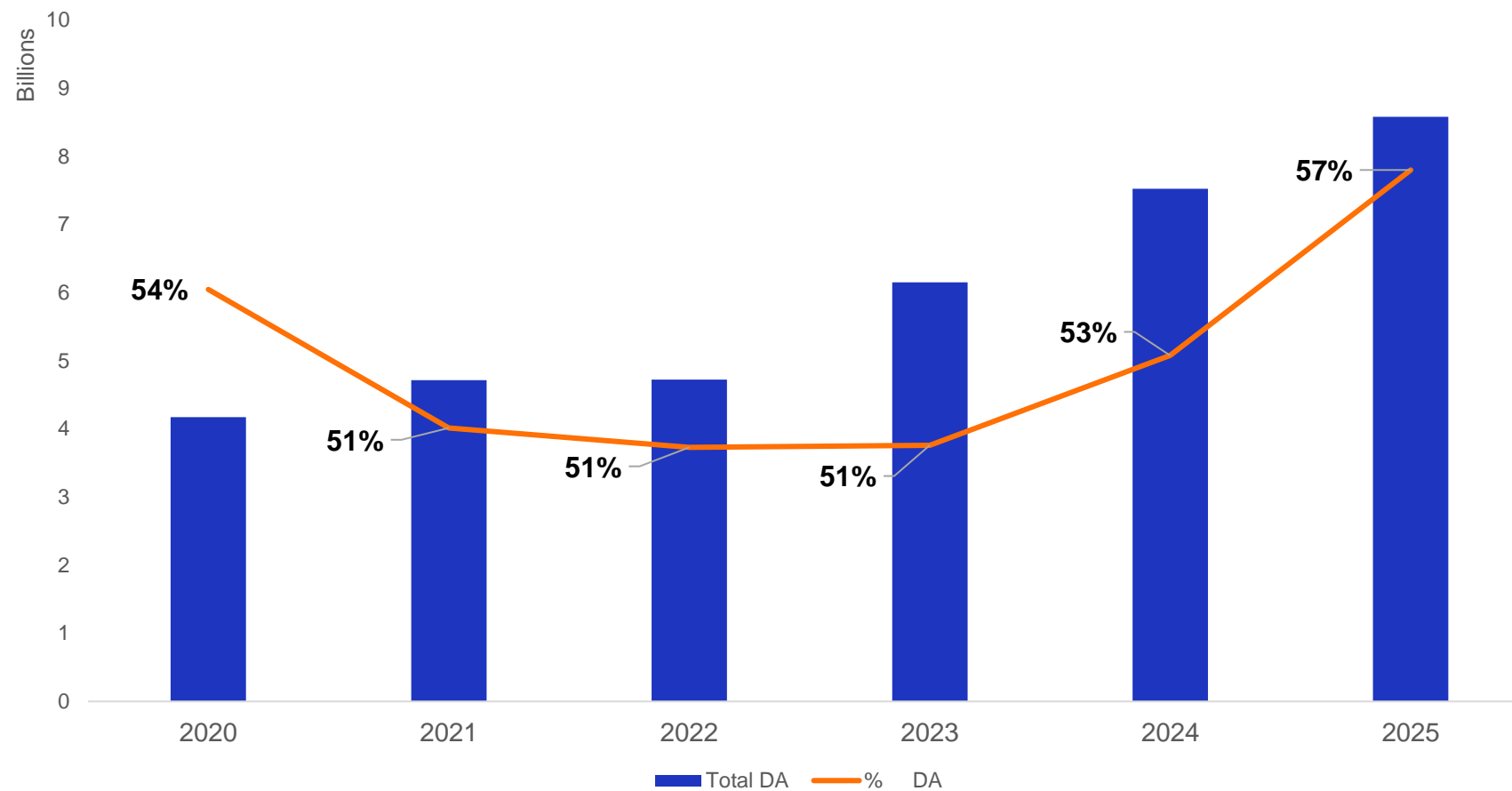


Ensure aligned interests on expense



Transparency is critical as rates moderate

# Delegated growth in Property D&F



# Disciplined management of delegated authority and expense



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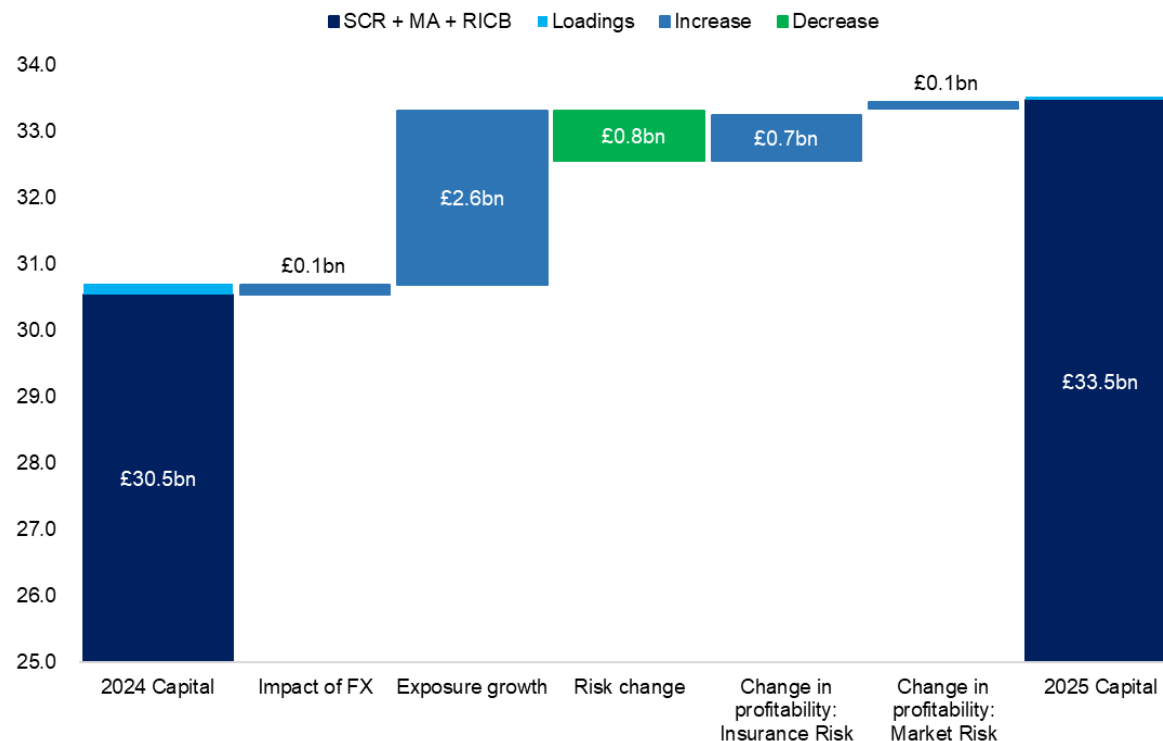
Transparency is critical as rates moderate

# Capital Outcomes & Reserving Expectations

Emma Stewart, Chief Actuary

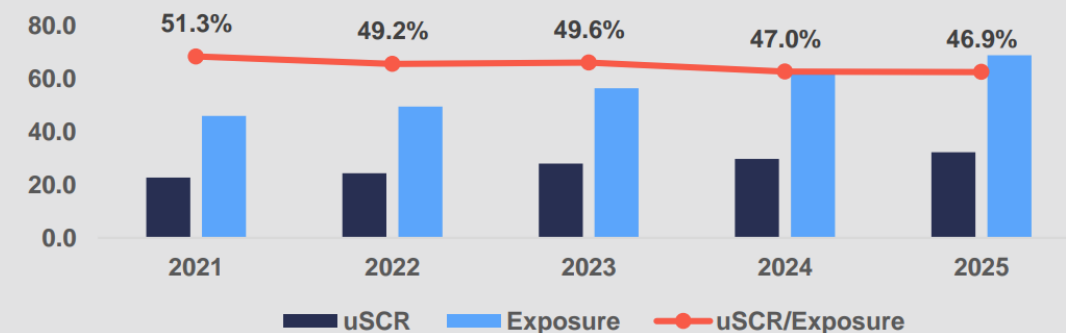
# 2025 capital increase in line with exposure

## Breakdown of capital increase

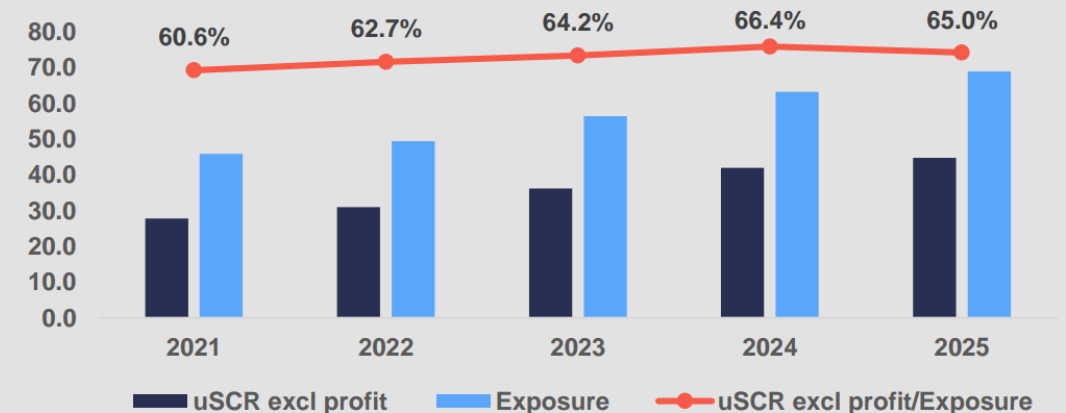


*\*Capital is SCR (on an ultimate basis) plus syndicates' management adjustments and includes Reinsurance Contract Boundary (RICB) adjustments*

## uSCR/Exposure over time



## 'uSCR excluding profit'/Exposure over time



# Continuing the journey to enhance capital oversight



Smooth review process



Year-round capital oversight



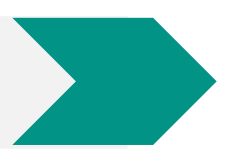
Tailored oversight and not a "one-size fits all"



Deferred reviews for aligned syndicates

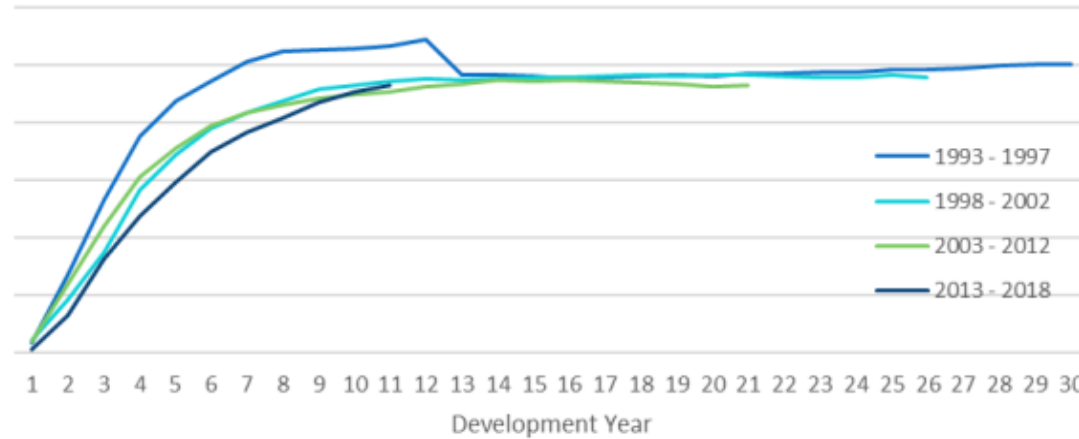


Alternative approaches to set capital for new entrants

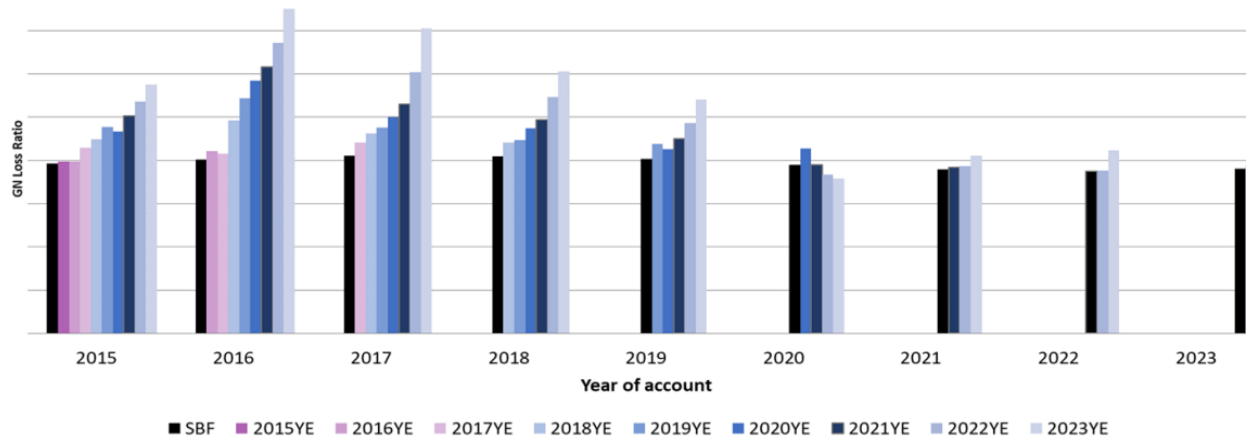


# US General Liability

Incurred:Ultimate – US General Liability



Loss Ratio trends – US General Liability



*Chart shows gross net written loss ratios over time for each year of account as at 2015YE to 2023YE, calculated using the aggregate market view from the TPD for the Non-Marine General Liability US (Direct) class*



Reserving philosophy



Margin



Remediation

# Reserving Focus

Reserving cycle and feedback loops



Reserving philosophy

Clear view of best estimate by class and year



Margin

Validate and monitor credit in reserves



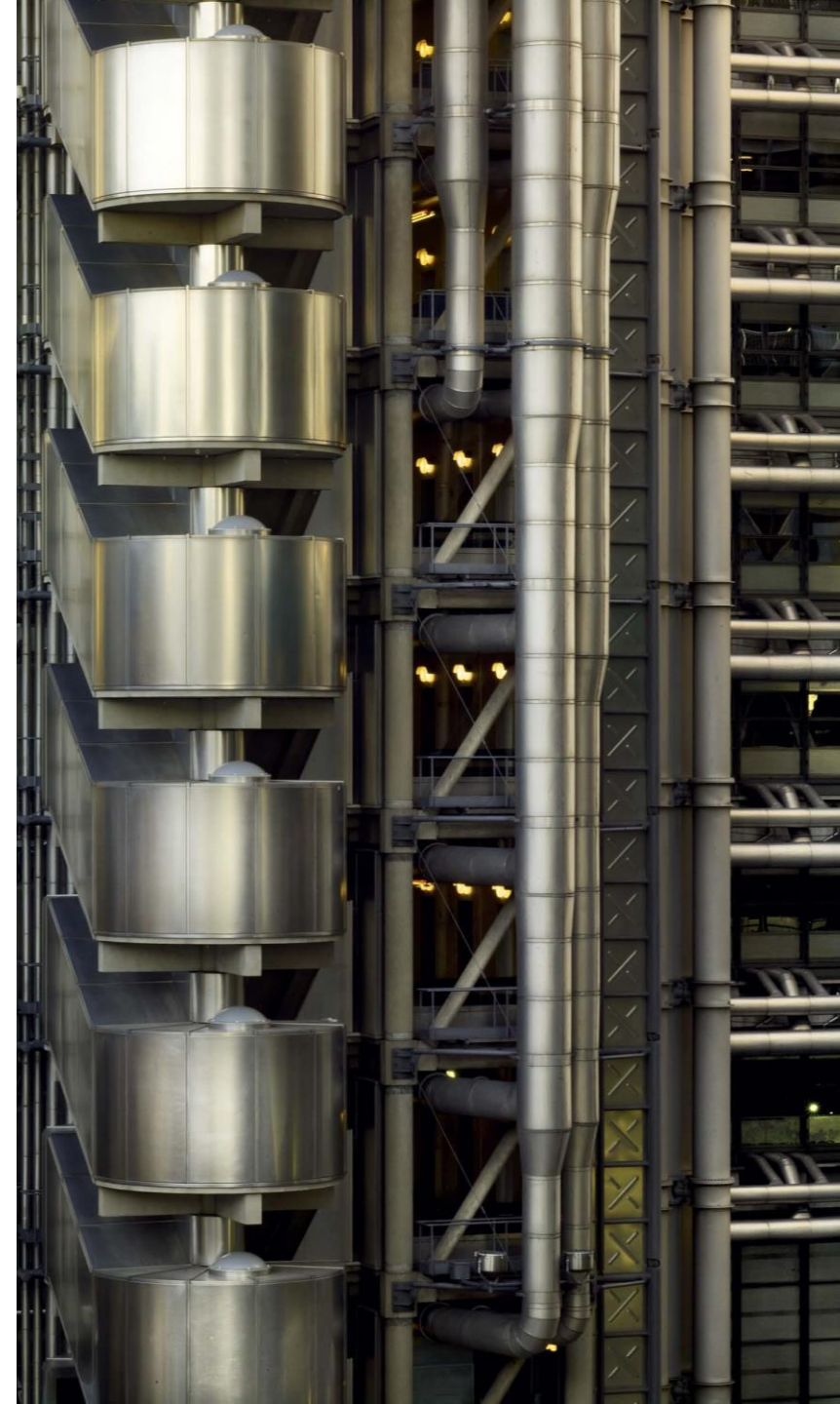
Remediation

# Market Oversight Plan

Peter Montanaro, Market Oversight Director

# Top key risks from syndicate ORSA's

- 1 Geopolitical Risk
- 2 AI
- 3 Market Risk
- 4 Climate Change
- 5 Cyber Threat
- 6 Emerging Technologies
- 7 ESG
- 8 Inflation



# Market oversight plan: key themes



Sustainable market performance



Operational resilience



Regulatory change



Culture



# Claims



Fifth hurdle principle 12-month window



Raising the profile of Claims

## PERFORMANCE

### Principle 4: Claims Management



#### Principle

Managing Agents should execute a Claims Management Strategy that is aligned to and supported by the business, delivering a high-quality claims service which includes a prompt and fair customer service, complying with legal and regulatory obligations.

# Governance



Regulatory endorsement



Tier 1 Managing Agents



Structured engagement



SMF notifications

## OPERATIONAL

### Principle 10: Governance, Risk Management and Reporting



#### Principle

Managing agents should have governance structures and internal risk management and control frameworks in place which align to Solvency II requirements, enable sound and prudent management of the business and support delivery of the business strategy.

# Culture



Proposals for a new misconduct framework



Protecting and retaining a diverse pool of talent

## OPERATIONAL

### Principle 13: Culture



#### Principle

Managing agents should be diverse and create an inclusive and high-performance culture.

# Key takeaways

1 Sustainable profitability remains our primary performance criteria

2 2025 plan GWP £65.5bn; growth of 11%

3 More cautious underwriting outlook

4 Be disciplined, be dynamic, get on top of delegated

5 No top line targets just top performance ambitions