

2021 business and capital plans at Lloyd's

Delivering plans that are logical, realistic and achievable



Agenda

A discussion on business and capital plans

- 1** | **Lloyd's performance and market context**
John Neal, CEO
- 2** | **Objectives for 2021**
Tony Chaudhry, Head of Syndicate Performance
- 3** | **Our approach for 2021 plans**
Caroline Dunn, Head of Underwriting
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Burkhard Keese, CFO
- 5** | **Catastrophe Risk Appetite**
Kirsten Mitchell-Wallace, Head of Risk Aggregation
- 6** | **Priorities and planning timetable**
Peter Montanaro, Head of Syndicate Capability
- 7** | **Closing remarks**
John Neal, CEO
- 8** | **Q&A**







Opening remarks

John Neal
Chief Executive Officer

Business planning: where are we today?

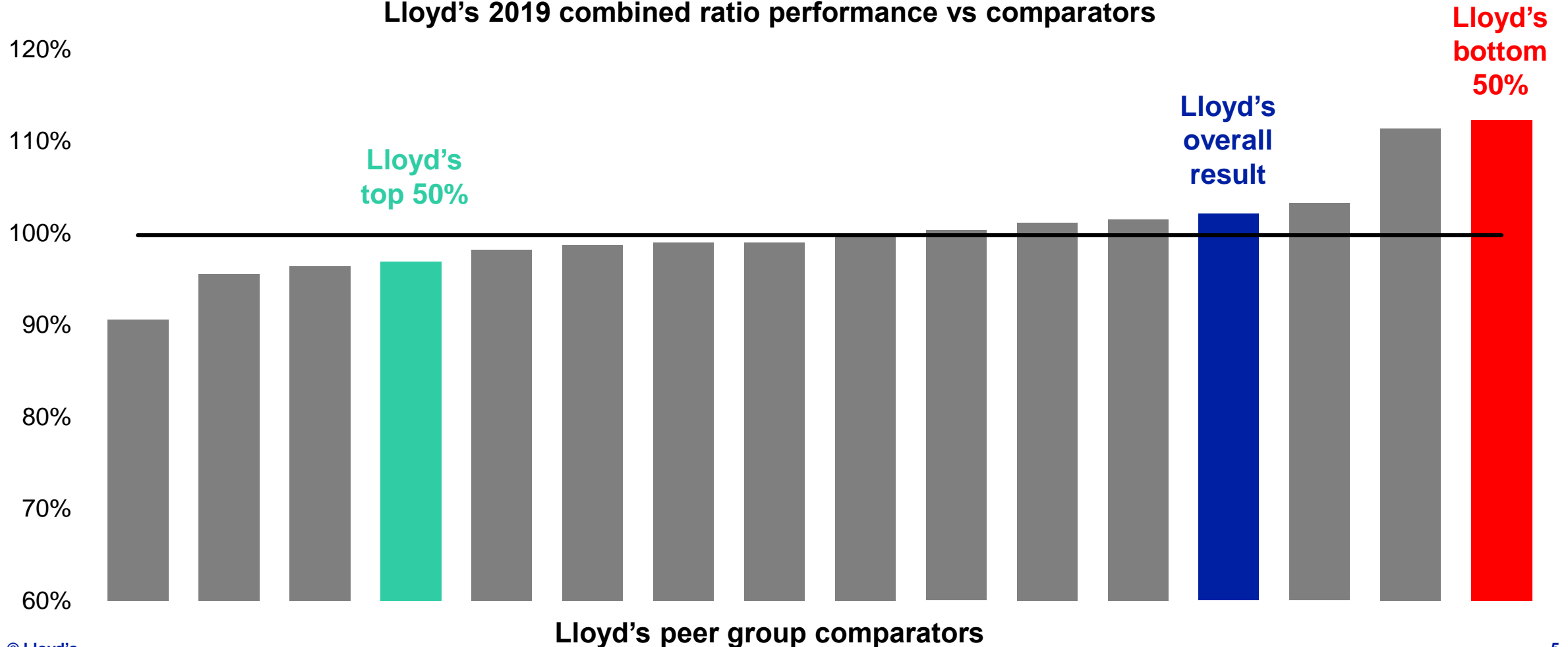
We have made improvements over the last three years

-  **2018:** Closing the performance gap
-  **2019:** Closing the performance gap II
-  **2020:** Returning to world class underwriting at Lloyd's
-  **2021:** Logical, realistic and achievable

Significant differentiation of market performance

Lloyd's quartiles 1 and 2 perform well, whereas quartiles 3 and 4 fall well behind

Lloyd's 2019 combined ratio performance vs comparators



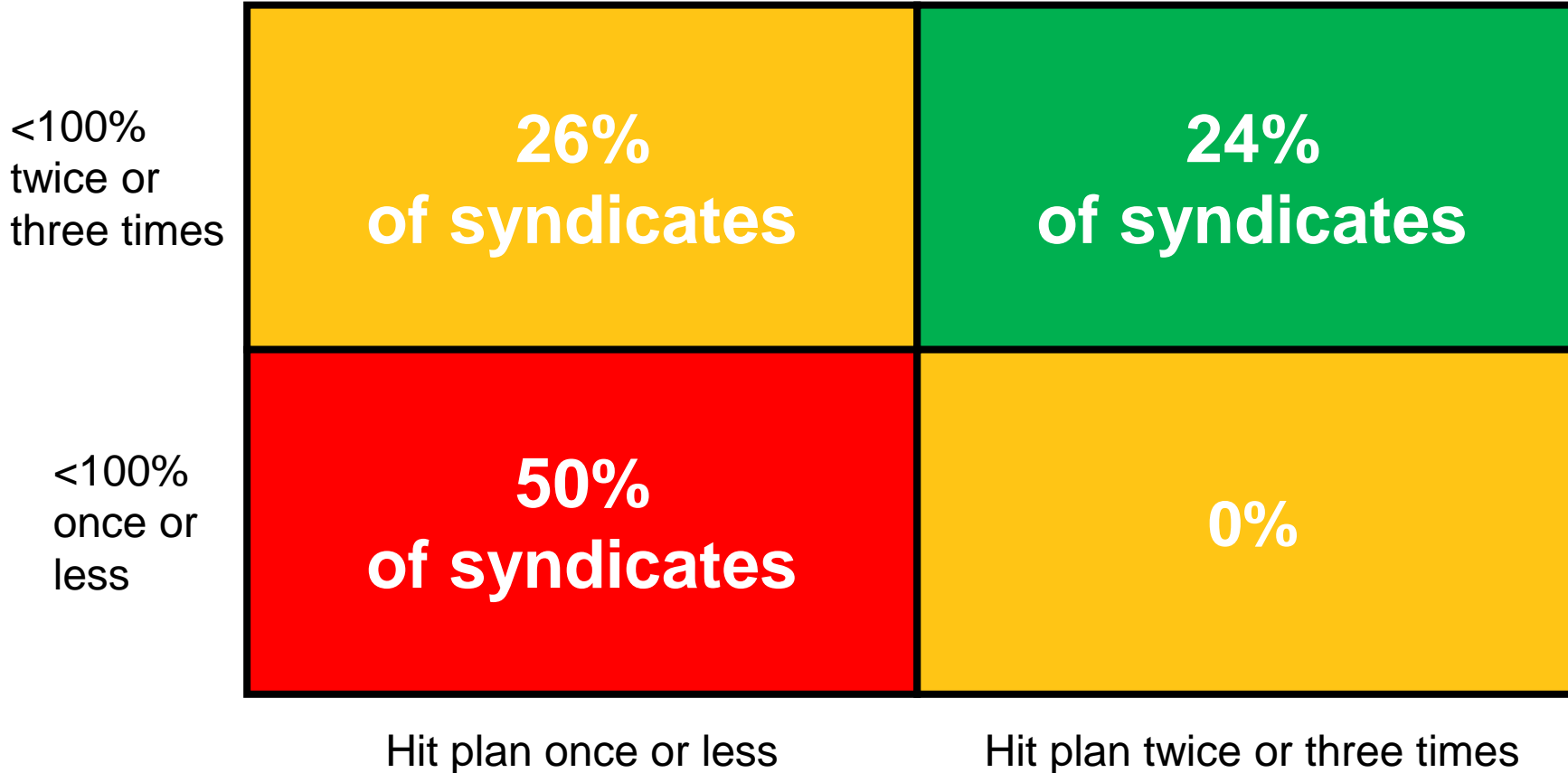
Objectives for 2021 plans

Tony Chaudhry
Head of Syndicate Performance

Our differentiated approach reflects past performance

Half the market is performing and half the market still has a lot more to do

Normalised* NCR vs 100%, 2017-19



Normalised* NCR vs plan, 2017-19

You must demonstrate that business plans are logical, realistic and achievable



Logical: executing the right performance actions



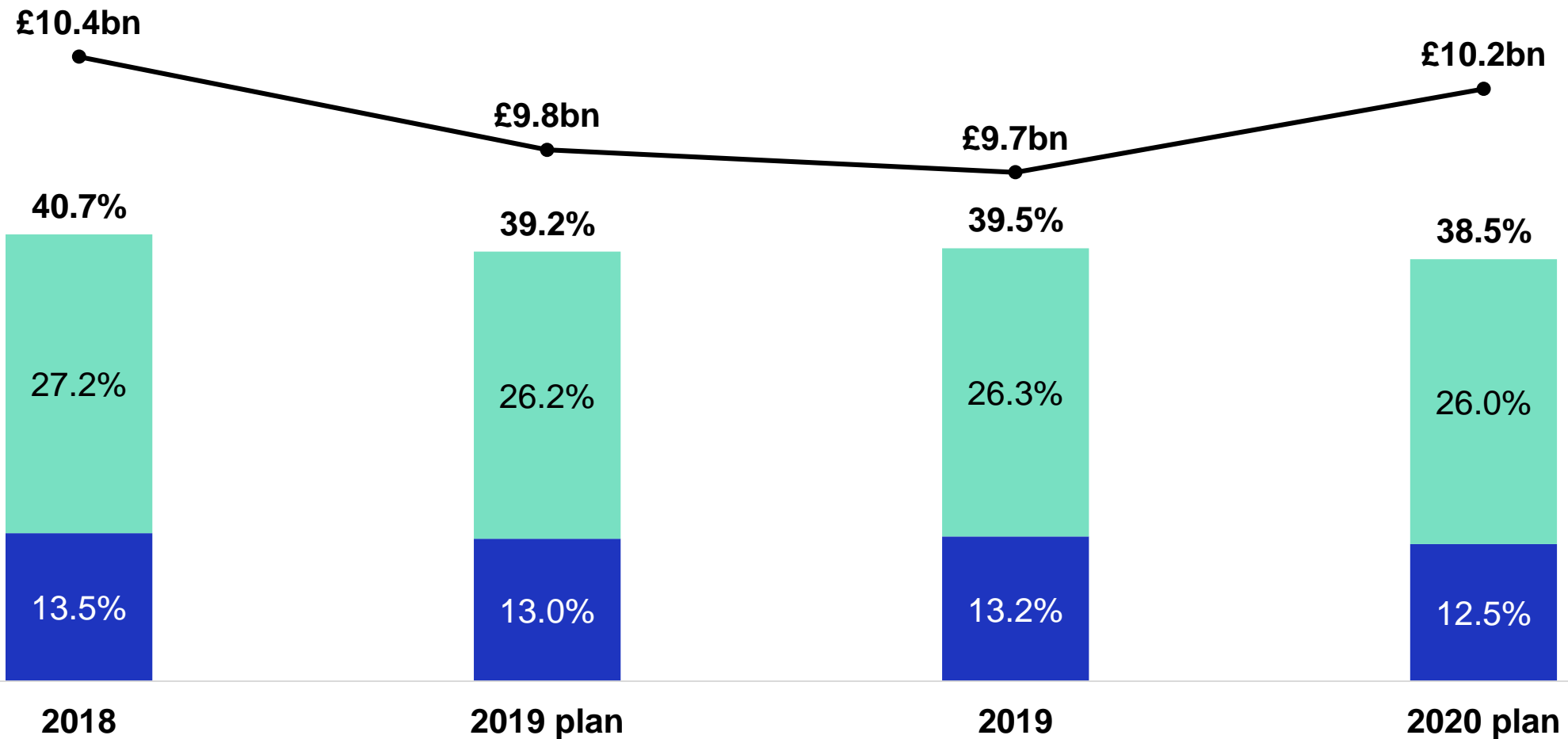
Realistic: key assumptions take account of current conditions



Achievable: capability and track record to deliver the plan

Lloyd's operating expenses remain stubbornly high

The Future at Lloyd's will support a reduction in cost of doing business



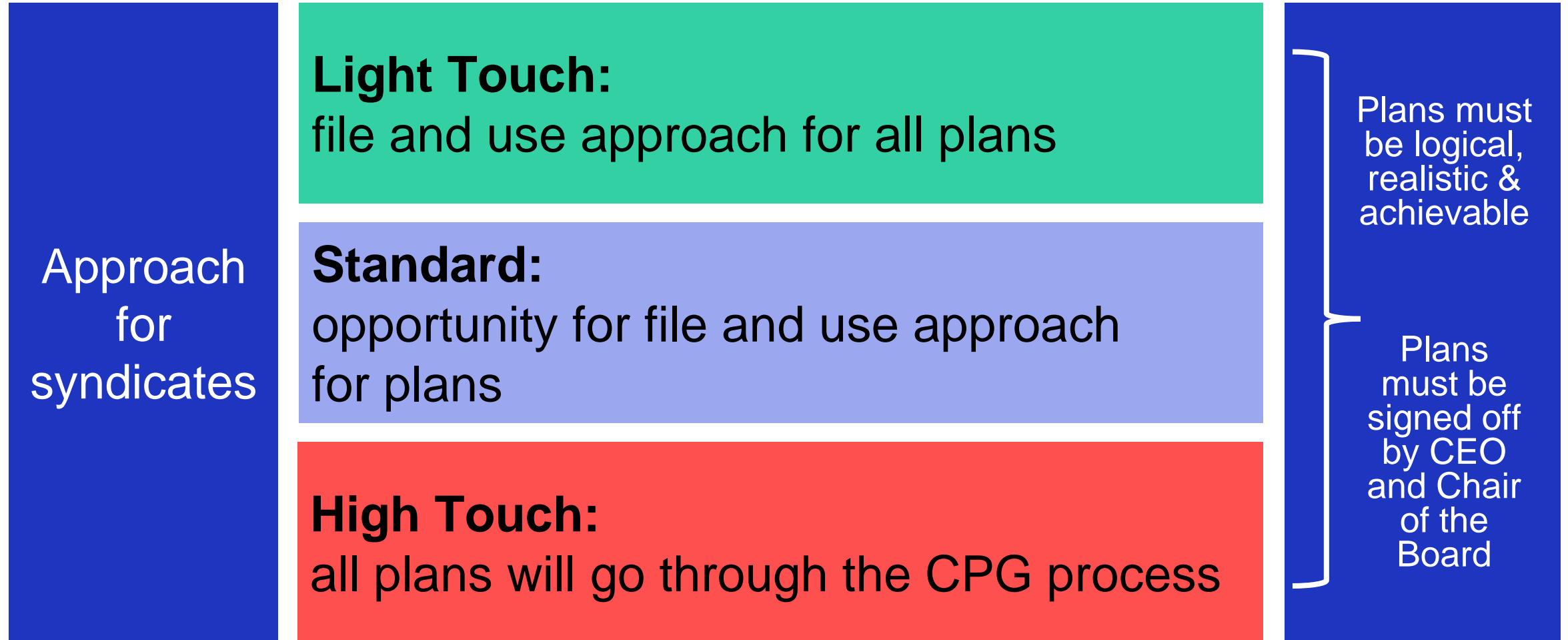
■ Net admin ■ Net acquisition ● Net operating expenses

Our approach for 2021 business planning

Caroline Dunn
Head of Underwriting

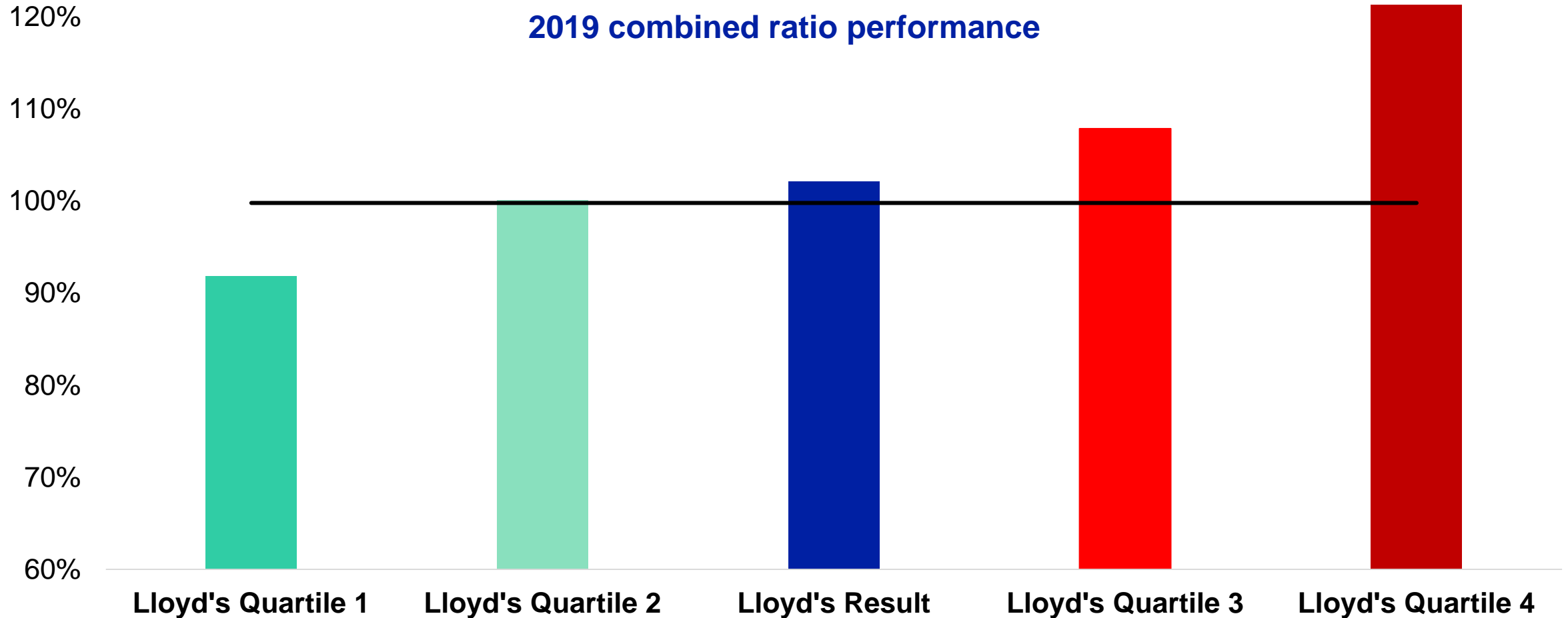
Our approach to 2021 plans

A more streamlined process, with syndicates segmented based on historical performance



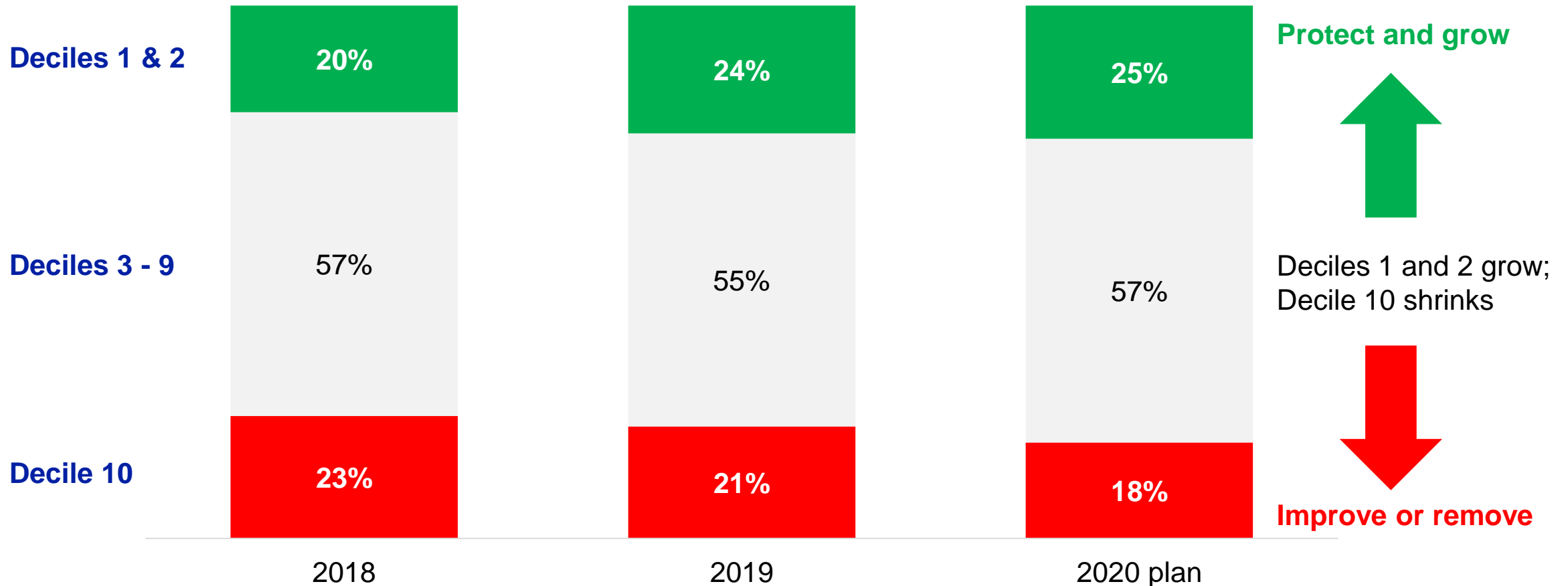
We will support the ambitions of Lloyd's best performers

Quartile performance differentiates our approach to plans for the best and worst performers



A targeted approach to portfolio management

Protect and grow the best; improve or remove the worst



Capital setting for 2021

Burkhard Keese
Chief Financial Officer

Priorities for 2021 capital setting

1

Changes to the review process

2

Assumptions on expected performance

3

Incorporating changing risk profile

Improving predictability in the capital setting process

Improvements made during 2020 and for 2021

Changes



- ✓ Reviews throughout the year, outside CPG
- ✓ Fast track review pilot launched
- ✓ Collection of calendar year plans

Benefits

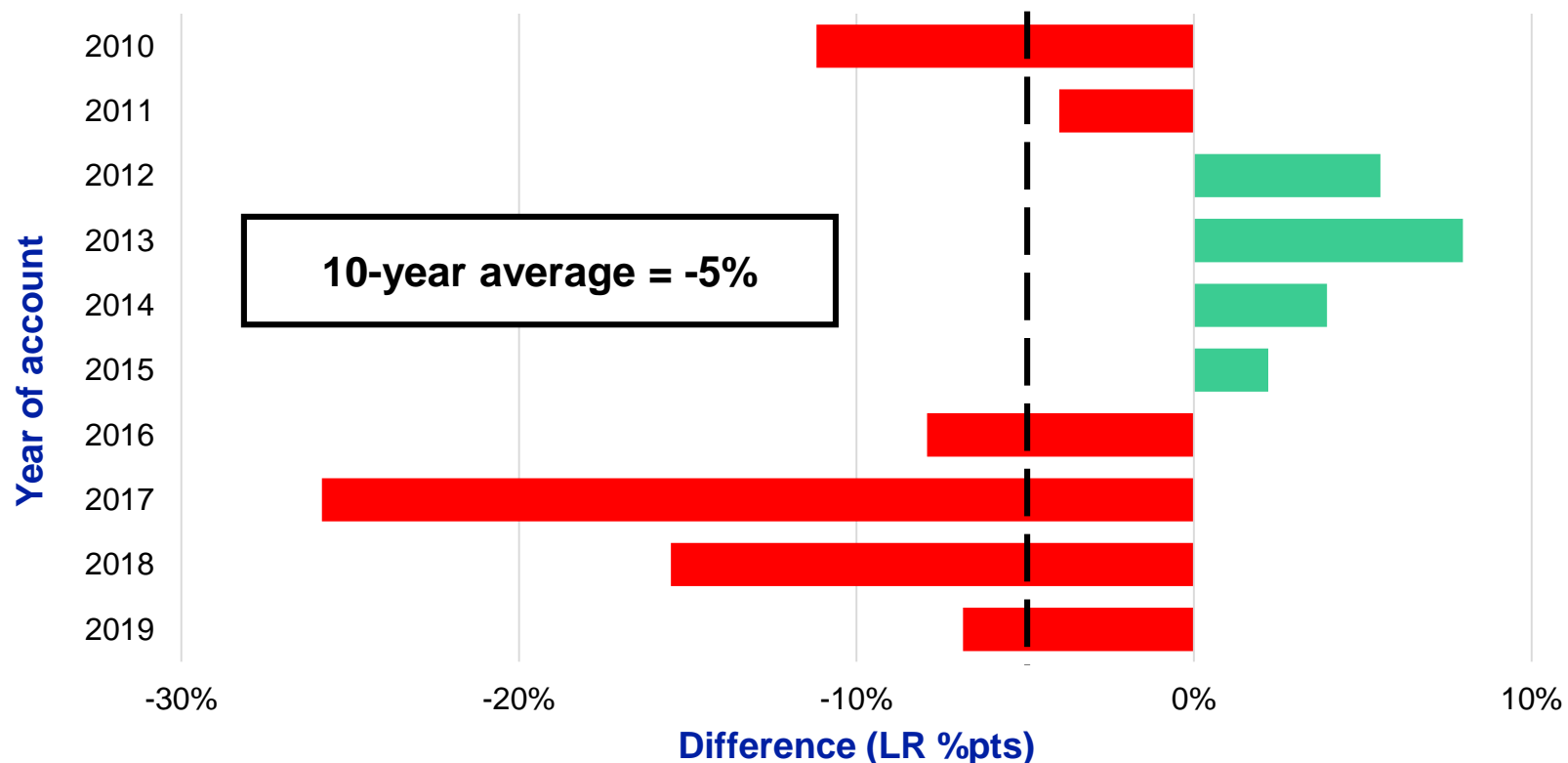


- ✓ More time to resolve issues
Smoother, more efficient review process
- ✓ More predictable capital requirements
Increased likelihood of submitted models being approved
- ✓ Links underwriting action with market result

Market has missed plan in each of the last four years

2019 deviation from plan worse than 10-year average and higher than uplift in modelled loss ratios

Difference between plan loss ratio and written best estimate ultimate loss ratio



2021 capital setting

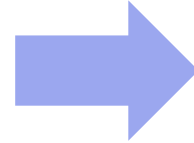
No credit for plan assumptions

Profitability is your past performance

Your actuarial function must set profitability assumptions for capital

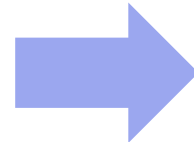
Submissions should reflect risk profile

Up-to-date



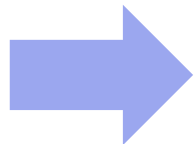
- Understand latest position
- Don't write off 2020 as exceptional

Top-down



- Build in uncertainty
- Do not rely on implicit coverage

**Clear &
comprehensive**

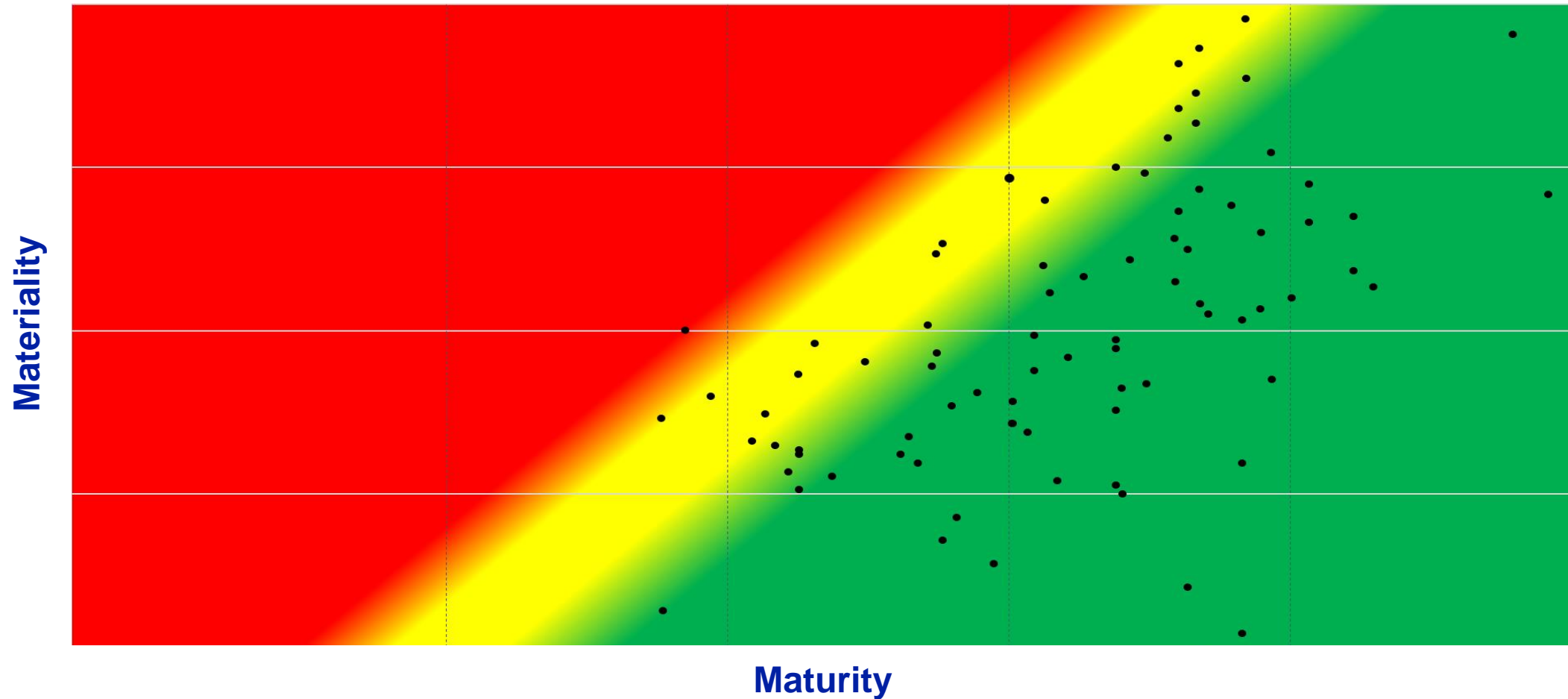


- Quantify COVID-19 impact
- Consider primary and secondary impacts

Catastrophe Risk Appetite

Kirsten Mitchell-Wallace
Head of Risk Aggregation

More targeted management through our Catastrophe Risk Operational Framework (CROF)



Actively managing catastrophe risk by flexing market appetite

Increasing our appetite, but only for the very best performers



Flexing Lloyd's Catastrophe Risk Appetite ratio



Strong management of catastrophe risk through CROF



Supporting Lloyd's' best performing businesses



2021: Leveraging better market conditions

Priorities and timetable

Peter Montanaro
Head of Syndicate Capability

Supporting the market through planning and oversight

Adapting priorities and presenting new opportunities

Revised 2020 Market Oversight Plan

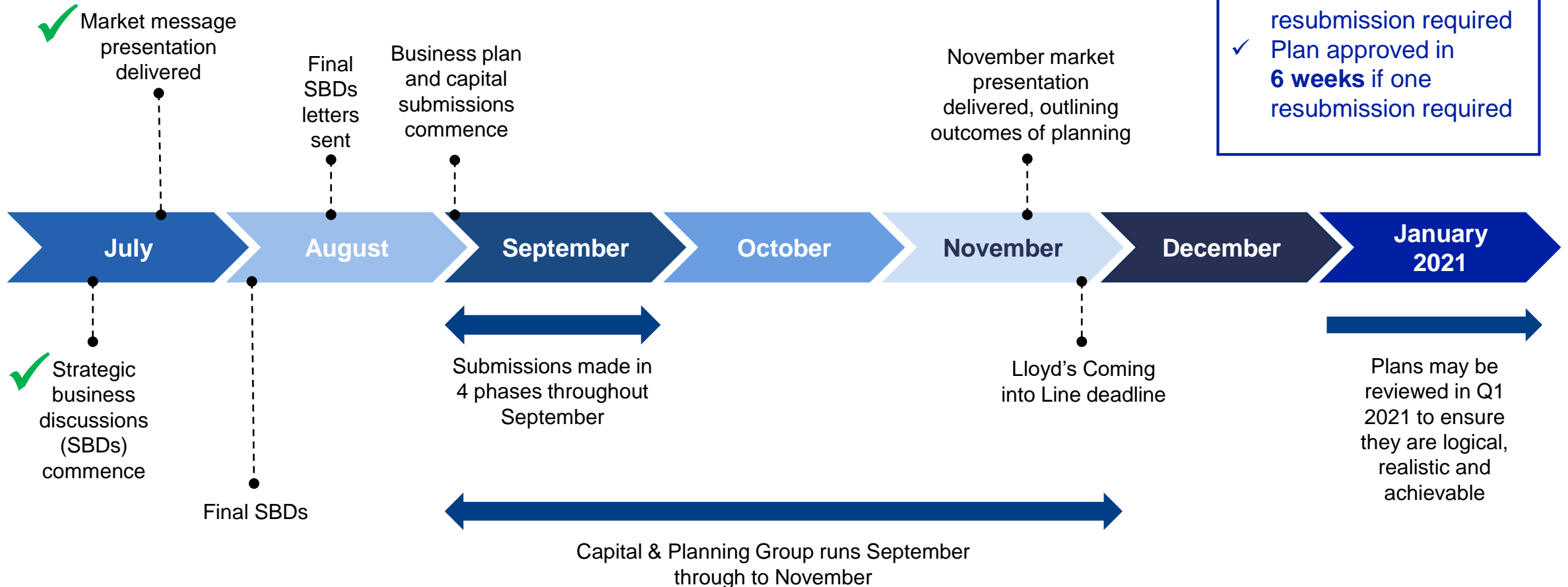
Revised thematic review on corporate culture

**Introduction of an 'innovation pot'
2% GWP for new & accretive business**

Refreshed Minimum Standards and Best Practice Pricing

Streamlining this year's planning cycle

Refining our approach



Closing remarks

John Neal
Chief Executive Officer

A differentiated approach to planning for 2021

Balancing our ambition for profitable growth

Strong progress made over the last 3 years as **market conditions improve**

Results are telling us to **differentiate** between the best and worst performers

Supporting the ambitions of
our best performers

Poor performers must **prioritise**
profitability over growth

Further streamlining of capital setting and approvals

Plans must be **logical, realistic and achievable**

Time for questions

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