LLOYD'S

Investor Roadshow

2024

Sharing risk to create a braver world

Agenda

2023 Full Year Results

LLOYD'S

Sustainability Framework remains our 'North Star'

1	Enhance our **value proposition** to customers and stakeholders	→ ● **Relevance** **Top 20 presence at Lloyd's** *(% of top 20 global re/insurer premium placed on the Lloyd's platform)*	→ ● **Brand awareness** **Media sentiment** **Social Media Engagement**	→ ● **Customer satisfaction** **Managing Agent NPS to be implemented**
2	Deliver sustainable, profitable **growth to drive value creation**	→ ● **Growth** **Lloyd's global market share** *(Total premium/ total commercial and reinsurance market)*	→ ● **UW Performance** **Net Combined Ratio**	↑ ● **Investment** **Central Fund performance** **Lloyd's Market Portfolio performance**
3	Deliver strong **capital and financial credibility**, including Central Fund protection	→ ● **Financial strength** **Financial Strength Ratings**	→ ● **Solvency** **Market wide solvency ratio** **Central solvency ratio**	
4	Create an **inclusive culture** to attract, develop and retain talented people	→ ● **Talent and Engagement** **Employee engagement score**	→ ● **Inclusion** **Women in leadership positions** **Hiring of ethnic minorities**	

● Sustainable/at target

● Non critical status but needs improvement

● Critical status, not sustainable

↑ Trend

Classification: Unclassified

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Sustainable performance backed by strategic execution

Sustaining our performance

- **Consistent financial performance**

  *Combined ratio excluding major claims comparable to 2022 at **80.5%***

- **Double digit premium growth**

  ***11.6%** increase with **4%** organic growth*

- **High quality balance sheet**

  *Improved central solvency ratio to **503%***

  *Reserve margin of **£4.6bn***

  *Financial strength ratings **improved***

Executing our strategy

- **Solid progress against our four strategic priorities**

  *Improving **performance***

  *Continued progress on **digitalisation***

  *Showing **purpose-driven** leadership*

  *Progress on our **culture** targets*

- **Embedding principles-based oversight and performance management framework**

  *Differentiated approach providing **focus** where improvement is needed and **freedom** where it is not*

  *Supporting **enterprise thinking** through data and innovation to reduce cost and create growth*

Profitable market delivering sustainable value for customers and capital partners

Executing our strategic priorities

Performance

- Outstanding underwriting with **combined ratio of 84%** in a low large loss year
- Consistent growth with **gross written premium** up 11.6% to **£52.1bn** (7% price, 4% growth)
- Exceptionally strong capital position with central solvency ratio of **503%**
- Return to investment yields generating total return of **£5.3bn**

Digitalisation

- Phase one **technology build will complete** in July 2024
- Cutover of **phase one moved to October 2024**, providing market participants with additional time to complete testing and assurance
- The new platform will **boost resilience** and **reduce friction** for market participants
- Once delivered Blueprint Two will offer greater access to **data and insights** for market participants

Purpose

- Working with market to agree a three-year roadmap for **'insuring the transition'**
- New partnership with **UN Capital Development Fund** to build disaster resilience in climate-vulnerable countries
- Working with **36 innovative charities** and **2,000 market volunteers** through the Lloyd's of London Foundation

Culture

- Fifth Market Policies & Practices return shows **solid progress** towards a more diverse market
- Met **35% women in leadership target** with progress towards **one in three** ethnicity hiring ambition
- Launching **Inclusive Futures** to support Black and ethnically diverse talent from classroom to boardroom
- **Winning awards**[1] for programmes supporting ethnic diversity, future leaders and veterans among others

[1] See Culture slide in the Appendix

Outstanding 2023 to be maintained

FY 2023 Result	FY 2023 vs FY 2022
£52.1bn Gross written premium	**+£5.4bn**
25.3% Return on capital	**+27.3%pts**
84.0% Combined ratio	**(7.9)%pts**
£10.7bn Profit before tax	**+£11.4bn**

The foregoing should not be relied upon as a promise or representation as to past or future performance. Furthermore, past performance is not necessarily indicative of future performance.

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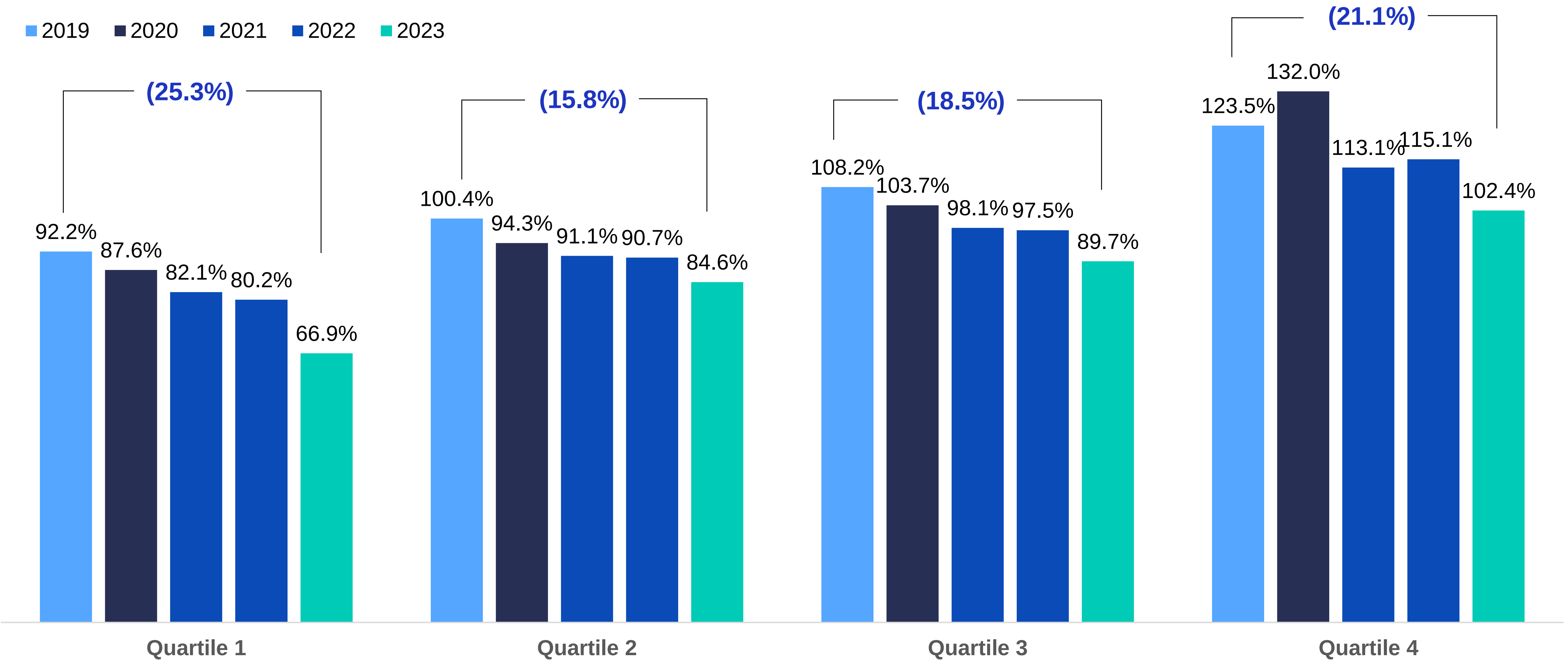
Top quartile performance 2019-2023



Note: Weighted average combined ratio. The chart relates to syndicates with an active status and the active status is based on the position in the reporting year.

11.6% growth with an 80.5% underlying combined ratio

£m	FY 2020	FY 2021[1]	FY 2022	FY 2023
Gross written premium (GWP)	35,466	39,216	46,705	52,149
Net earned premium (NEP)	25,876	26,657	32,458	36,925
Net incurred claims	(18,929)	(15,440)	(18,655)	(18,302)
Operating expenses	(9,623)	(9,476)	(11,162)	(12,713)
Underwriting result	**(2,676)**	**1,741**	**2,641**	**5,910**
Net investment (loss)/income*	2,268	948	(3,128)	5,310
Foreign exchange (loss)/gains	(374)	(478)	158	(134)
Other expenses, net	(105)	66	(440)	(423)
Profit/(loss) before tax	**(887)**	**2,277**	**(769)**	**10,663**
Loss ratio	**73.1%**	**58.0%**	**57.5%**	**49.6%**
Attritional losses	51.9%	48.9%	48.4%	48.3%
Prior year (release)/strengthening	(1.8%)	(2.1%)	(3.6%)	(2.2%)
Major claims	23.0%	11.2%	12.7%	3.5%
Expense ratio	**37.2%**	**35.5%**	**34.4%**	**34.4%**
Admin expense ratio	11.1%	11.5%	11.0%	11.8%
Acquisition cost ratio	26.1%	24.0%	23.4%	22.6%
Combined ratio (excluding COVID-19) [2]	**97.0%**	**93.5%** [2]	**91.9%**	**84.0%**

[1] FY2021 Restated for UK GAAP

[2] FY 2020 stated 110.3% including COVID-19

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Balance Sheet

£m	FY 2022	FY 2023
Cash and investments	95,872	100,686
Reinsurers' share of unearned premiums	4,847	5,036
Reinsurers' share of claims outstanding	29,408	26,768
Other assets	31,403	32,605
Total assets	**161,530**	**165,095**
Gross unearned premiums	(23,228)	(25,065)
Gross claims outstanding	(80,905)	(78,774)
Other liabilities	(17,192)	(15,987)
Net resources	**40,205**	**45,269**
Member assets	37,100	42,161
Central assets	3,105	3,108

Growth continues with price adequacy in most classes

£52.1bn

Gross written premium

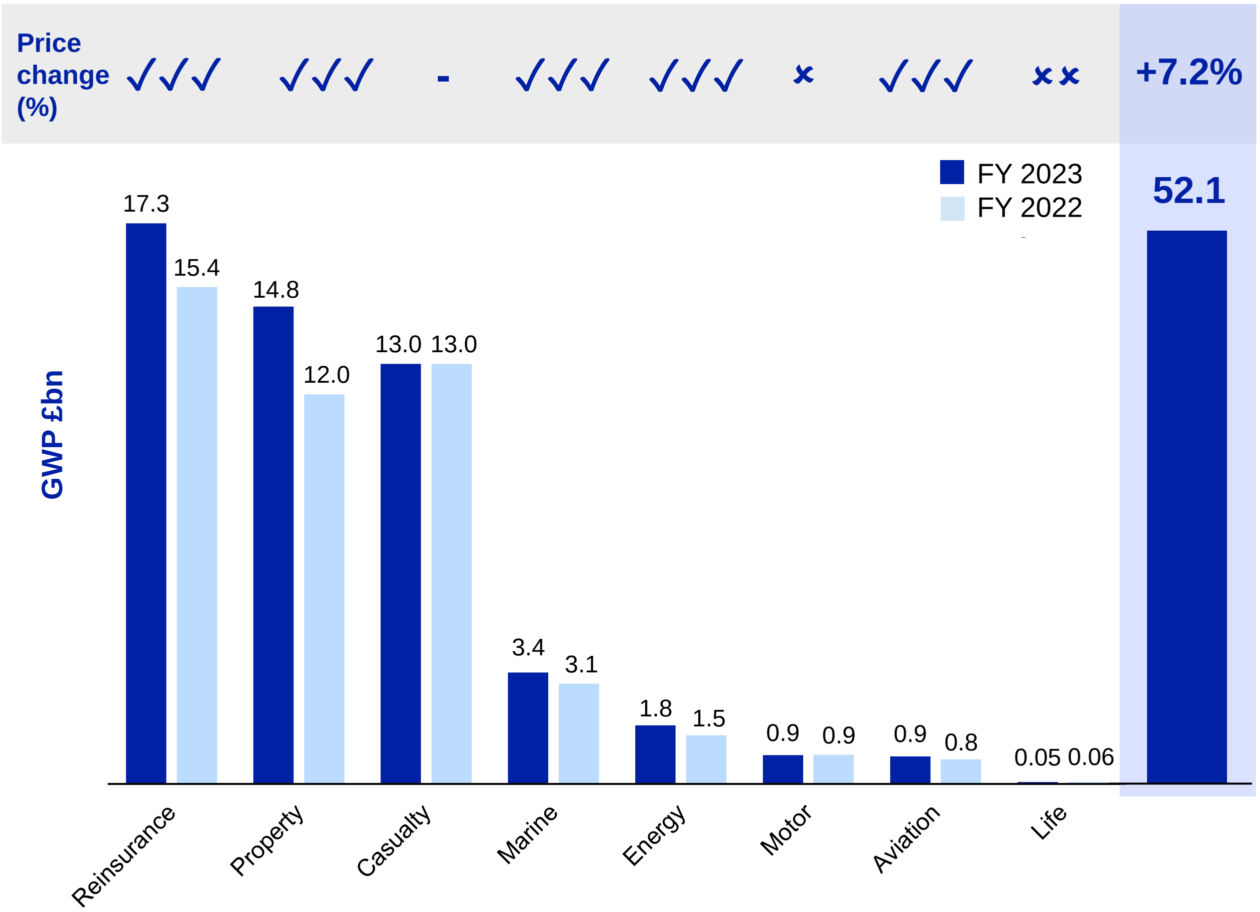
FY 2023

11.6%

Growth

FX	**0.1%**
Price	**7.2%**
Volume growth	**4.3%**

24 consecutive quarters of positive price improvement



✓ indicates 0%-5% price improvement
✓✓ indicates 5%-10% price improvement
✓✓✓ indicates 10%+ price improvement

× indicates 0%-5% price deterioration
× × indicates 5%-10% price deterioration
× × × indicates 10%+ price deterioration

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Revenue growth reflects balanced strategy

Price

7.2%

FY 2023

7.7%

FY 2022

- Strong price improvement has been experienced across all classes of business, in particular the Property and Reinsurance business lines offset by slightly less attractive conditions in Casualty

Volume growth

4.3%

FY 2023

Growth new syndicates

1.5%

Growth existing syndicates

2.8%

- New syndicates contributed 1.5% growth to premium income. The new syndicates comprise two traditional syndicates, two SIABs and one SIAB transitioning to a full syndicate during 2023
- Growth from existing syndicates contributed 2.8% to the premium increase for the period
- Volume in line with our strategy of balanced growth. Syndicates grow where conditions allow and forgo volume where conditions are unsatisfactory. Particularly in D&O and Cyber, where we grew less than expected because of unattractive conditions, together with the FX impact, explains our gap to our ambition of £56bn

Underlying combined ratio remains stable

	FY 2023 Result	FY 2023 vs FY 2022
Combined ratio	84.0%	(7.9)%pts
Underlying combined ratio[1]	80.5%	1.3%pts
Attritional loss ratio	48.3%	(0.1)%pts
Major claims	3.5%	(9.2)%pts
Prior Year Releases	(2.2)%	(1.4)%pts

[1] Underlying combined ratio calculation: combined ratio excluding Major Claims

Key ratios remain stable

Major claims

1.3bn
FY 2023

4.1bn
FY 2022

Major claims (£bn)	2023
Cyclone Gabrielle	0.2
Middle East Earthquake	0.3
New Zealand Floods	0.1
Sudan Conflict	0.1
Hawaii Wildfires	0.4
Hurricane Idalia	0.2
TOTAL	**1.3**

Attritional loss ratio

48.3%
FY 2023

48.4%
FY 2022

- Attritional loss ratio is as expected on prior year levels

Expense ratio

34.4%
FY 2023

34.4%
FY 2022

- Acquisition cost ratio: 22.6% (-0.8%)
  Admin expense ratio:11.8% (+0.8%)

Prior Year releases

(2.2)%
FY 2023

(3.6)%
FY 2022

- Releases reported across all lines of business other than specialty reinsurance, casualty reinsurance
- Property releases were driven by favourable developments
- Casualty releases were driven by loss portfolio transfers
- The casualty releases follow strengthening of market reserves of almost £950m for the past four years

Lloyd's Market approach to major event reserving and capital setting

Proactive approach

- Early recognition of how much losses may ultimately cost limits surprises on the balance sheet.
- Probability weighted exposure- based reserving based on full range of scenarios.
- Ensure different outcomes are reflected at appropriate return periods for capital.
- Independent reserve and capital oversight carried out by Lloyd's centrally in conjunction with independent actuarial reserve reviews and model validation.

Ability to manage complex losses

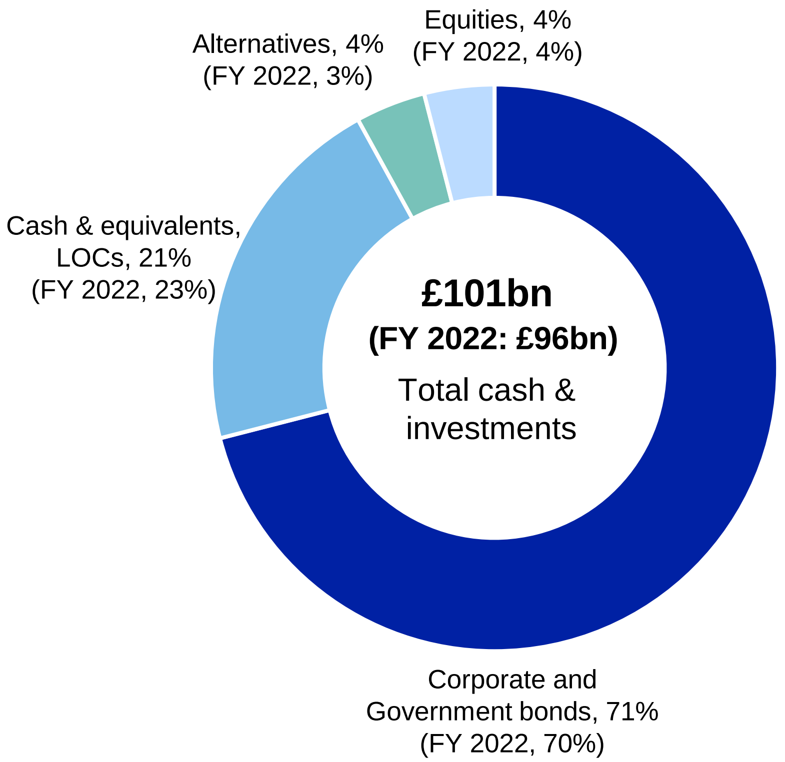
- COVID-19 net ultimate stable at £3.2bn, including 21% IBNR (on a gross basis) after three years as at 2023YE.
- £1.9bn net ultimate for Ukraine losses as at 2023YE, including 78% net IBNR.
- Established process for getting a deep understanding of major events and uncertainties. We are well versed in dealing with complexity.
- Central and Syndicate capital setting includes variety of event outcomes and oversight process ensures capitalisation is adequate.

Reserve margins and capital to reflect uncertainty

- 2.2% prior year reserve release in 2023.
- Margins are strong enough to digest unexpected claims movement such as inflation.
- Track record of consistent prior year reserve releases over the last 5 years.

Strong investment return forecast to continue

Conservative asset allocation



FY 2022 Results	FY 2023 Results	2024 Forecast [2]
£1.7bn Investment income	**£3.9bn** Investment income	**c.£3bn** Investment income forecast
£(3.7)bn[1] Fixed income price variance	**£0.9bn[1]** Fixed income price variance	**c.£0.8bn[1]** Fixed income price and mark-to-market variance
£(3.1)bn Investment return	**£5.3bn** Investment return	**c.4%** Total investment performance

[1] Analytically derived
[2] Subject to financial markets, F/X, and unpredictable economic developments.
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Strong balance sheet recognised in S&P upgrade to AA-

FY 2023 Result	FY 2023 vs FY 2022
207% Market-wide solvency [1]	**+26%pts**
503% Central solvency [1]	**+91%pts**
£45.3bn Total capital	**+5.1bn**
£4.6bn Reserve margin [2]	**+0.8bn**

Financial strength ratings and outlook

AA- Fitch Ratings	**Stable**
AA- KBRA	**Stable**
AA- S&P Global	**Stable**
A A.M. Best	**Positive**

[1] The 2019 tranche of syndicate loans will be repaid on the fifth anniversary of commencement, being 20 March 2024, reducing the CSCR by 7%, with no impact to the MWSCR. Further, the subordinated debt maturing in 2024 currently accounts for 1% of the MWSCR and 26% of the CSCR.

[2] Reserve margin includes central adjustments for 2023

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Resilient profitability and capital position

Strong overall profitability

Sustainable premium growth

Improving yield environment

High quality balance sheet

Outlook

2023 Results	2024 Outlook[1]
£52.1bn Gross written premium	**£57bn +/- 5%** Gross written premium
84% Combined ratio	**90-95%** Combined ratio
£5.3bn Investment result	**~4%** Investment return

[1] Subject to financial markets, F/X, unpredictable economic developments, and major losses within normal expected range.

Investor opportunities

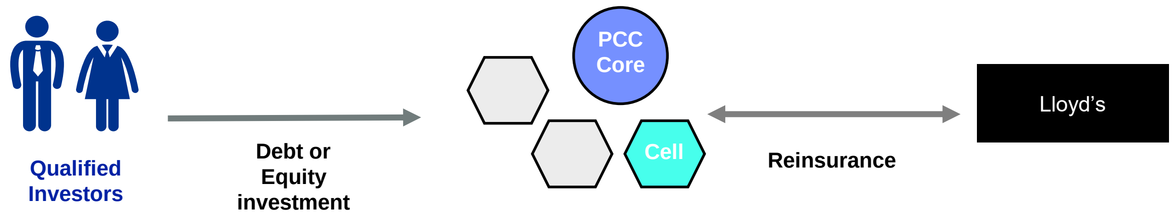
Good progress on market access & process improvements

- Development and publication of "***An Introduction to Lloyd's***" guide for institutional investors
- Successful execution of multiple Member Funds At Lloyd's ("FAL") Reinsurance transactions and the first 144A cat bond transaction for a syndicate
- Variation to the LB2 regulatory permissions to
  a) streamline the Member FAL Reinsurance structure; and
  b) facilitate the issuance of 144A cat bonds for multiple cedants and the use of New York as the governing law
- Provision of access to the Member Modeller for the leading reinsurance brokers/advisors involved in structuring and placing of Member FAL Reinsurance transactions.
- Development and implementation of a fast-track route to review Corporate Member applications
- Enhanced flexibility of liquidity options for Member FAL investors through the Reinsurance to Close (RITC); Quarterly Corridor Test (QCT); and Open Year Profit release mechanisms.
- Continue to advocate the other potential uses for the London Bridge platform, including:
  a) Member FAL Reinsurance (on an Excess of Loss basis)
  b) Syndicate Reinsurance 144A Cat Bond, using an industry loss index structure, and
  c) Syndicate Reinsurance Quota-share Sidecar structure

What is London Bridge 2 PCC Limited?

London Bridge 2 PCC Limited (“LB2”) is the second Multi-arrangement Insurance Special Purpose Vehicle (a “transformer” vehicle), sponsored by Lloyd’s, which transforms (re)insurance risk underwritten at Lloyd’s business into investible securities (equity or debt instruments) offered to institutional investors.

Participation in the underwriting of risks at Lloyd’s can be structured in multiple ways, with several unique aspects that can make deploying capital flexible, efficient and cost effective, as LB2 has a set of regulatory permissions that enables it to execute at speed.



Reinsurance Risk Transformation

- LB2 is an **onshore protected cell company** incorporated in England under the Risk Transformation Regulations 2017.
- Authorised and supervised by the PRA and FCA (“UK Regulators”) as a multi-arrangement insurance special purpose vehicle.
- LB2 is licensed to **reinsure business underwritten at Lloyd’s** and issue securities to fully fund the obligations under the reinsurance agreements.
- LB2 is tax transparent and is not subject to withholding or income tax on its transactions.

Protected Cell Structure

- Each transaction will be entered into through a **segregated protected cell** that will also issue the applicable securities. The liabilities of each cell are **ringfenced for insolvency purposes**.
- Each transaction entered into will be:
  - on a **limited recourse** basis with the aggregate liability limited to the value of the cell’s funded assets, and
  - subject to priority of payments with **investors’ rights subordinated to the reinsured**.

Enhanced Regulatory Permissions

- The regulatory permissions for LB2 enables it to offer a broad range of risk transfer options to both **Corporate Members and Syndicates at Lloyd’s**.
- The Board of LB2 has the authority to enter into these transactions **without further regulatory approval,** *provided that* the key transaction documentation include certain **Mandatory Terms** that comply with the Risk Transformation Regulations 2017 and certain articles of the Commission of Delegated Regulation (EU) 2015.
- LB2 need only share transaction Term Sheets 5 days prior to completion and confirm risk being bound 5 days after.

Why is Lloyd's Attractive to Institutional Investors?

Offers investors access to diversified, capital efficient underwriting exposure with robust oversight

Diverse Pools of (Re)insurance Risk

- Lloyd's is a global market leader in many specialty (re)insurance classes.
- Provides access to (**re)insurance classes not found in traditional ILS products**
- Offers highly diversified portfolios of (re)insurance risk.

Attractive Underwriting Conditions

- The underwriting performance at Lloyd's, and attractive market conditions is being noticed by investors.
- Lloyd's has **historically generated equity-like return characteristics** that compares favourably with other traditional asset classes, with relatively **low correlation** levels.

Capital Efficiency

- Lloyd's is one of the most capital efficient places to underwrite specialty (re)insurance risk:
  - 35% uplift on a 1 in 200 basis for AA- rating, including Central Fund leverage
  - Investors can leverage up to 50% in LOCs for ECA, further reducing capital requirement and cost of capital
- Diversification benefits and inter-availability of capital across multiple underwriting years enables access to more risk per unit of capital.

Liquidity Optionality

- **Reinsurance-to-Close ("RITC") framework** provides a liquidity/finality option that is difficult to replicate outside Lloyd's.
- Quarterly Corridor Test ("QCT") enables early distribution of profits and/or excess capital.
- Independent oversight of syndicates' RITC premium calculation will provide additional comfort to investors.

Market Oversight

- The **active oversight of The Corporation of Lloyd's** with syndicate business planning and performance monitoring.
- The SBAI* confirmed the role of a Managing Agent has strong similarities to that of an Alternative Investments Fund Manager, including its fiduciary responsibility to Members.

** SBAI – Standards Board of Alternative Investors*

Liquidity Options at Lloyd's

Mechanisms at Lloyd's that allow efficient distribution of underwriting profits and release of excess capital

Quarterly Corridor Test (QCT)

- Excess solvency capital, including profits held in the premium trust funds, can be released before the open year of account has closed.
- On a quarterly basis, the value of solvency assets held in Lloyd's trust funds is compared to a revised Economic Capital Assessment (ECA).
- If solvency capital assets are greater than 110% of the required ECA, then the release of these "excess" funds can be requested by the Managing Agent.

Profit release from Open Years

- For open years of account, where losses have not occurred or are materially less than forecast, and liabilities have expired, the Managing Agent can apply to Lloyd's to release profits held in the premium trust funds, into the members' capital account.
- Once in the members' capital account, excess solvency capital assets are available for distribution.

Reinsurance-to-Close ("RITC") framework

- After three years (the underwriting year, plus two years of reserve development), all outstanding liabilities are reinsured into the next oldest open year of account, allowing the underwriting year to fully close.
- Upon RITC, the members supporting that year of account are released from their liability for that year.

Case Study: Member FAL Reinsurance

OTTP raises capital to support the 2021 underwriting plan of multiple syndicates

November 2021

LONDON BRIDGE Risk PCC LIMITED
acting through one protected cell.

US$ Undisclosed

ONTARIO TEACHERS' PENSION PLAN

Private Placement of Non-Voting, Redeemable Preference Shares

Ontario Teachers' Pension Plan (OTTP) became the debut user of the London Bridge Risk PCC ("LB1") risk transformation vehicle.

OTTP invested a substantial undisclosed sum via a single corporate Member supporting multiple syndicates in the Lloyd's market including: Beat Syndicate 1416, Beazley Syndicate 5623 and CFC Syndicate 1988.

The reinsurance agreement with the corporate Member was a whole-account quota share agreement, with the proceeds being lodged as Funds-at-Lloyd's ("FAL"), under the Lloyd's Deposit Trust Fund.

Adrian Cox, CEO of Beazley Group, said*: "Beazley is pleased to see the successful launch of the first LBR PCC acting as a transformer for institutional capital to access one of our most innovative underwriting portfolios. As those portfolios continue to grow over the coming years, Beazley hopes to see further users of the new UK ILS infrastructure benefiting from low cost, efficient access to the group's underwriting expertise."*

Case Study: Member FAL Reinsurance

Ariel Re raises $172mn to support the 2023 underwriting plan for Syndicate 1910

February 2023

LONDON BRIDGE 2 PCC LIMITED
acting on behalf of 4 protected cells.

US$171.5 million

Private Placement of Non-Voting, Redeemable Preference Shares

Financial Advisor:
Howden Tiger Capital Markets & Advisory

Ariel Re became the debut user of the recently established London Bridge 2 PCC ("LB2") risk transformation vehicle.

LB2, through 4 separate protected cells, issued non-voting redeemable preference shares with an aggregate notional value of US$171.5 million, to generate funds for 4 separate corporate Members that participate in the 2023 underwriting of Syndicate 1910.

The reinsurance agreements with the respective corporate Members were whole-account quota share agreements, with the proceeds of the securities issued being lodged as Funds-at-Lloyd's ("FAL"), under the Lloyd's Deposit Trust Fund.

The qualified investors that purchased the preference shares were all new investors in the Lloyd's market, including U.S. private equity funds and a U.S. alternative asset manager.

Ryan Mather (CEO of Ariel Re) commented "*We strongly support Lloyd's effective efforts to make it simpler and more efficient to invest in Lloyd's, and we are delighted that part of our new funding is the first successful example of investors coming to Lloyd's via the innovative LB2 structure.*"

Since the initial transaction, Ariel Re has introduced further investors via LB2 during 2023 and expanded the level of capital support for the 2024 year of account.

Lloyd's recently approved a material distribution of profits from the 2023 year of account to investors supporting that year of account.

Case Study: Syndicate Reinsurance (144A Property Cat Bond)

Beazley sponsors its first ever 144A property catastrophe bond via LB2

December 2023

LONDON BRIDGE 2 PCC LIMITED
acting through its protected cell
Fuchsia 2023-1

Principal At-Risk Variable Rate
Notes due April 6, 2027
US$100 million

beazley

Financial Advisor:
AON Securities

Beazley sponsored a catastrophe bond via the London Bridge 2 PCC ("LB2") risk transformation vehicle. This is Beazley's **debut 144A natural catastrophe bond**, and the **first excess-of-loss cat bond issuance** through the London Bridge 2 PCC structure. London Bridge 2 PCC Limited issued a single, $100 million tranche of Series 2023-1 notes via a protected cell named Fuchsia 2023-1.

The Fuchsia 2023-1 notes were sold to institutional investors and the proceeds used to collateralise a reinsurance agreement between the cell of London Bridge 2 PCC and Beazley. The principal transaction documentation were governed by New York law, with the mandatory conditions governed by the laws of England and Wales.

The protection provides indemnity coverage to Beazley against losses from named storm and earthquake events affecting the United States, Canada and certain parts of the Caribbean. This multi-year excess of loss reinsurance coverage protects multiple Beazley underwriting entities, including its syndicates at Lloyd's, its US E&S insurer, and Irish insurer.

Adrian Cox, CEO of Beazley plc**,** commented**:** "*Beazley is delighted to be sponsoring the first 144A property catastrophe bond utilising the London Bridge platform. We were impressed with the smooth and efficient way that an ILS transaction can be issued out of the UK market.*"

LLOYD'S

Why set up a Lloyd's Captive Syndicate?

Cost, control and capital

	Common captive pain points	Why set up a Lloyd's captive syndicate
Cost	Cost of fronting arrangements	✔ Lloyd's reduces the need for fronting partners and associated variable cost *Through Lloyd's underwriting permissions that give direct insurance access in 80 countries*
Control	Unable to write related third-party risk	✔ A Captive Syndicate can write both first-party and related third-party risks *Related third-party risks includes related entities where there is alignment of interests and a degree of control over risk mitigation e.g. employees, partners, contractors, group customers etc*
Control	Limited control over wordings & coverage	✔ A Captive Syndicate sets its own coverage, retentions and wording
Control	Changing appetite of fronting partners	✔ Reduced reliance on fronting arrangements means a Captive Syndicate has more control over its risk appetite *Ensuring captives have continuity of cover*
Capital	Hard to recognise profit	✔ Profit is released every 3 years *As a result of Lloyd's reinsurance to close mechanism*
Capital	Non Rated Paper *increases collateral requirements with fronting partners*	✔ Captive Syndicates share the financial strength rating of the Lloyd's market. *- Resulting in lower collateral requirements where fronting arrangements are required* *- Meets internal insurance purchasing risk appetites*

Two captive solutions offered by Lloyd's

1. Traditional Captive Syndicate

- A risk management solution to provide coverage for identified, often attritional, risks
- Allows the Group entity to manage the type and level of risk in line with their risk appetite and supplements the traditional transfer of risk to commercial insurers
- Supports the Group's management of risk by increasing awareness and knowledge of exposure – allowing improvements in governance and compliance across global business units
- Exposure beyond the Economic Capital Assessment can be managed through the use of additional security (including limiting indemnity, LoCs, reinsurance and/or parental guarantees) or fully collateralised

2. Transfer of peak peril & specialty insurance exposure

- A risk management solution for peak perils & specialty insurance classes, allowing the Group entity to manage exposure to volatile risks
- Provides the opportunity to share risk exposure with Third Party Investors
- Exposure must be fully collateralised to limit

Subject to independent accounting advice a Lloyd's captive could be deconsolidating

Benefits of a Captive syndicate at Lloyd's

Lloyd's Global Licence Network

Lloyd's global licences covers onshore insurance in 80 countries, onshore reinsurance in 100 countries and offshore reinsurance in over 200 countries:

- Allows the captive owner to write cross-border business in 80 countries without the need for fronting partners, reducing variable cost. Subject to local regulatory requirements, this can be on a single policy written out of London - complemented by Lloyd's subsidiaries where required (Europe, Japan and China).
- Central premium payment and local claims payment possible depending on local requirements.
- Lloyd's reinsurance licences permit syndicates to reinsure local direct writers where Lloyd's does not have permission to underwrite directly.
- Lloyd's shared financial strength rating may mean that fronting collateral is reduced, where fronts are required.

Lloyd's Capital Structure

All syndicates benefit from Lloyd's Financial Strength Rating

Reinsurance to close enables members to release profits after three years.

Lloyd's capital requirements will be assessed upfront to provide an early assessment for captive owners.

Capital set in line with UK implementation of Solvency II. Additional protection may be required if risks are volatile.

London Bridge 2 provides a cost effective and flexible route for affiliated third party capital providers such as suppliers or financiers.

Financial Security

AA-
Fitch Ratings (Very strong)

A
A.M. Best (Excellent)

AA-
Kroll Bond Rating Agency (Very Strong)

AA-
Standard & Poor's (Very Strong)

Control

Lloyd's Captive syndicates can set their own policy wordings, retentions and structures.

All syndicates must meet Lloyd's requirements, including operating in accordance with the Principles for doing business at Lloyd's but it is for each syndicate to implement controls that are appropriate for their business.

The managing agent will be able to provide a range of services to the Captive syndicate where desired. Functions can also be delegated back to the captive group or to a third party.

Lloyd's oversight of the Captive syndicate will be proportionate to the business proposed.

Lloyd's Investment Platform: What does it offer you?

Investment Solutions

- **Private Assets** - Access to private asset returns through fund solutions that meet Lloyd's specific investment requirements (FAL-eligibility, liquidity etc.)
- **Public Assets** – Wide range of bespoke public asset strategies that increase return potential and lower operational complexity

Central Governance & Ease of Reporting

- Independent governance of managers
- Lloyd's compliant Solvency II reporting
- Increased transparency through detailed, central investment reporting

Responsible Investing

- ESG requirements for investment solutions
- ESG criteria for investment manager selection
- Environmental, Social and Governance (ESG) data reporting
- SFDR Article 9 Impact Fund

Economies of Scale

- Access to a wider range of investment opportunities in lower cost, co-mingled solutions
- Competitive fee structures by consolidating investment activities under one umbrella

Current Investment Solutions

	Investment Solution	Target Features	Target capital
Private Assets	Private Impact Fund	✓ Access to Private Equity returns ✓ Climate Change & Social Impact ✓ FAL Eligibility: Evergreen fund structure, quarterly dealings ✓ Article 9 SFDR classification	• Mid-size and large capital providers • FAL-focus • USD & GBP share class
	US Mid-market Direct Lending Fund	✓ Access to Private Credit returns ✓ FAL Eligibility: Evergreen fund structure, quarterly dealings ✓ Floating rate income	• Mid-size and large capital providers • FAL-focus • USD
Public Assets	USD Enhanced Yield Liquidity Fund	✓ Higher target return over cash / MMF ✓ High Liquidity: Settlement t+1 ✓ High Quality: Low Solvency 2 capital charge ✓ ESG Considerations	• All market participants, especially syndicates • FAL & PTF • USD
	CAD Core Fixed Income Solution (Launch:April'24)	✓ Reduced operational complexity / cash drag within Canadian Trust Fund structure ✓ Access to wider range of CDS cleared assets through a local manager ✓ ESG Considerations	• All market participants, especially syndicates • PTF • CAD

More funds to be launched in 2024

Reinsurance to close – assets released

Based on an example member underwriting for 3 years of account from January 2024

Nov 2023 → **Jan 2024 on** → **Dec 2026** → **End 2028** → **June 2029**

Commitment of capital (Funds at Lloyd's)

- Investor lodges underwriting capital to the member (assets referred to as Funds at Lloyd's) to support the members syndicate participation(s)

Underwriting - first year of account

- The member commences underwriting for the 2024 year of account
- Member elects to continue underwriting for the 2025 and 2026 years of account

Member elects to cease underwriting

- Member has underwritten for 3 years of account
- Member elects to cease underwriting at end 2026
- Member does not underwrite / has no obligations for business written into the 2027 year of account

3 year accounting

- The member's final 2026 year of account continues to be accounted for a further two calendar years to December 2028
- As at December 2028, the residual liabilities of the 2026 year of account are reinsured into the 2027 year of account
- The member's final year of account has been 'Reinsured to Close'.
- Member's obligations to policyholders ceases

Funds at Lloyd's assets released

- Residual Funds at Lloyd's assets are released back to the member

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Members are only exposed to underwriting for the year(s) of account they support

Year by year participation

- Members can elect to support one or more syndicates on an annual year of account basis.
- Members are only exposed to underwriting for the year(s) of account they support.
- Members can re-visit their syndicate participations annually.

Limitation on duration

- Capital is not locked in.
- When a member ceases to underwrite, the capital will be released after 2 further calendar years following the Reinsurance to Close process.

Reinsurance to Close

- Cuts off member's future exposure/liabilities.
- Members' liabilities are reinsured to another Lloyd's syndicate.
- Reinsurance is a 100% treaty unlimited in time and amount.
- Once syndicate is closed, all capital requirements for the syndicate are reduced to zero.

Sale of members

- There is the limited opportunity for ongoing members to be sold

Strategic imperatives

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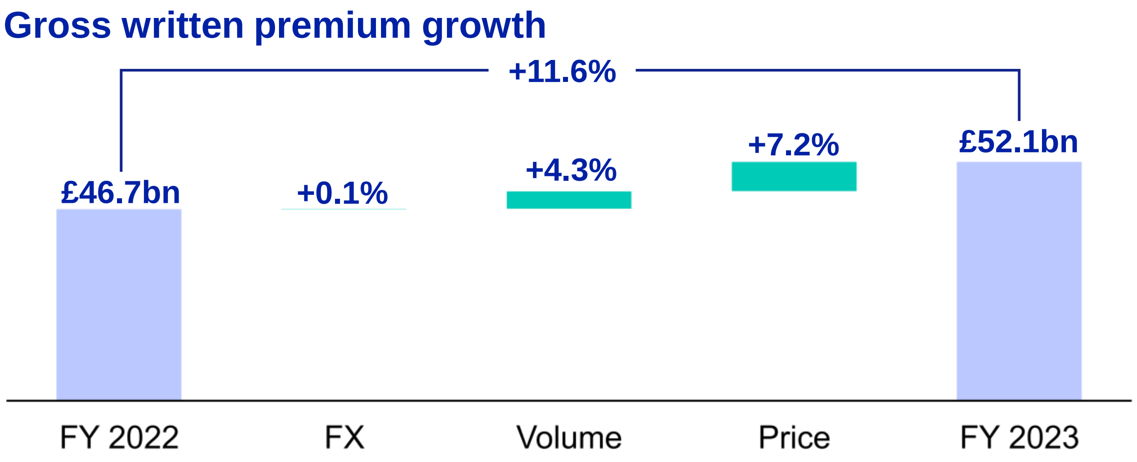
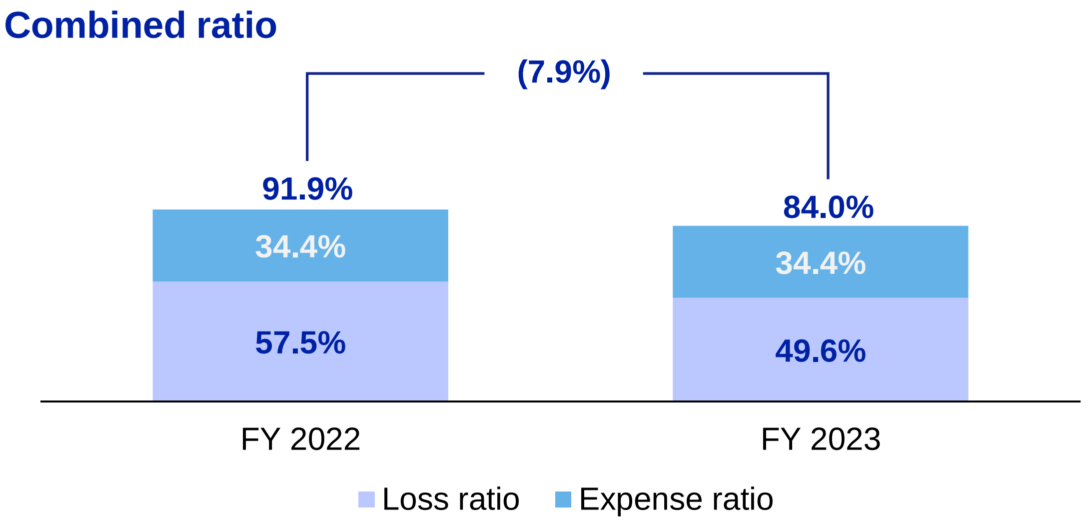
Strong progress made on strategic imperatives

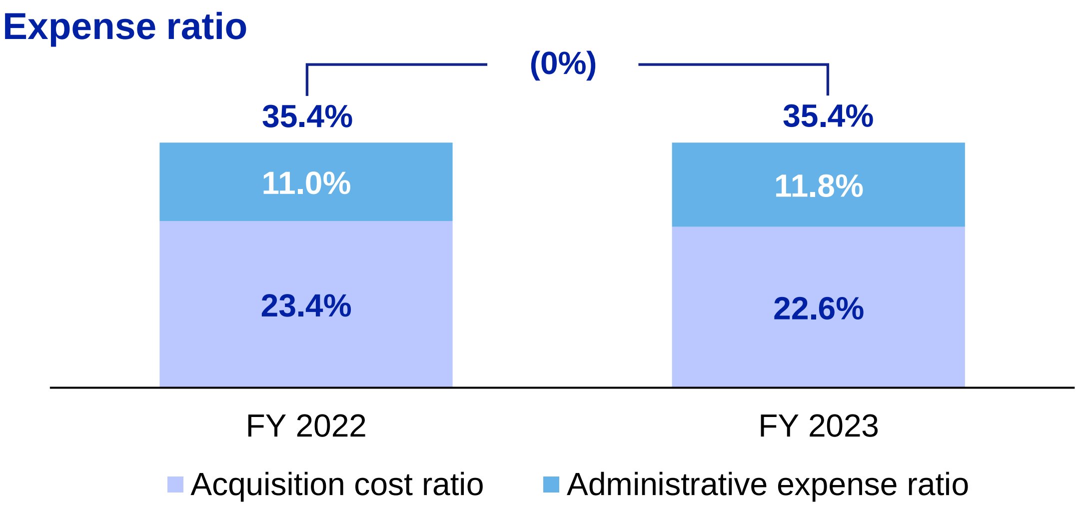
Four strategic pillars

Performance	Digitalisation	Purpose	Culture
Improve & sustain the underlying performance at Lloyd's	Build the world's most advanced insurance marketplace	Creating a more sustainable marketplace	Build an innovative, inclusive and high performing culture

Continued sustainable performance and profitable growth







Digitalisation: delivering our ambitions for the market

Better

- Re-engineer the way business is transacted in the market through all aspects of placement and processing of premiums and claims
- Offer greater access to data and insights for market participants

Faster

- Complete the processing of transactions within placement and claims in seconds and minutes, rather than weeks
- Reduce friction and boost resilience

Cheaper

- Deliver efficiency and cost savings through digitalisation of the marketplace, avoiding errors and rework

What does it look like when we get there?

Brokers and insurers could **realise a myriad of benefits from operating in our new digital marketplace**. Having a **standardised data set and modern processing platforms** gives the market the **pipeline and tech platform to innovate and grow**

Current state	Future state
A people intensive London market processing environment, using a **legacy processing environment** where people are the control point for quality	**A more digital** processing environment for the London market with a **set of modern platforms** where business rules are the control point for quality
Incomplete data with high error rates	A **common set of data standards** with low error rates
A **legacy mainframe environment** with **low resiliency** given the nature of the platforms	A modular **cloud-based policy processing, claims and accounting platform** that speeds up tech changes, as needed, and improves resiliency
A **claim orchestration platform** that **does not allow for electronic notice of loss, claim triage and routing, or electronic settlement**	The ability to **electronically place loss notices, triage the claims, route them to the right adjuster, and settle payments** in hours and days
A **delegated authority ecosystem** with annual contracts, data standards different to open market, suboptimal claim payments process, and **loss fund deficits during large claim events**	A **delegated authority ecosystem** with continuous contracts, data standards aligned to open market, claim payments that **take hours** with **no loss fund deficits**, and a better centralised data store for the market
Document submissions with multiple error-loop cycles	An MRCv3 with structured data embedded into it, a **common way to place business**, a **digital gateway** that ingests, appends and validates the data and sends it for digital processing, placement and money movement in days

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The five sequences of the digital processing build

Phase one technology build will complete in July 2024, with delivery to the market moved to a target date of October 2024, to provide market participants with additional time to complete testing and assurance activities in advance of cutover

Already delivered

Foundational capability

1 — Delivered Dec 2022

Set of foundational components that will be used across services/ future phases of delivery

Global premium & claims service

2 — Delivered March 2023

Global specialty insurance service to manage premium movement and claims orchestration for singleton, peer-to-peer non-complex business

Phase one

London market premium & claims service

3 — Delivers Oct 2024

London market service to manage premium movement and claims orchestration for syndicated business within Lloyd's and company open market

Delegated authority premium & claims service

4 — Delivers Oct 2024

London market service expanded to handle delegated authority premium and claims submissions

Phase two

Gateway risk service

5 — Delivers April 2025*

Supports London open market placement through ingestion of Core Data Record, including data validation, augmentation and notifications

Note: * The programme is working with the market to confirm any changes to the Phase two timeline required as a result of changing the Phase one timeline

Purpose: Creating a more sustainable marketplace

Building a more sustainable, resilient and inclusive market and society

- The Corporation's sustainability strategy is **underpinned by seven priority Sustainable Development Goals*** and **aligned to government policy** commitments **(**Net Zero by 2050).
- We are **committed to insuring a just transition to Net Zero** by providing and pioneering products and services that enable and protect progress around the world.
- We are committed to be **carbon neutral for Corporation operational emissions by 2025** and have reduced our global emissions per FTE by 33% since 2019.
- We are progressing our commitment to **transition Lloyd's Central Fund** to Net Zero by 2050
- We continue to **convene and lead the industry towards a sustainable future**, partnering with governments, the UN, and the SMI to deliver solutions to the world's most pressing issues

* 5: Gender Equality; 7: Affordable and Clean Energy; 8: Decent Work & Economic Growth; 9: Industry, Innovation, & Infrastructure; 10: Reduced Inequalities; 11: Sustainable Cities & Communities; 13: Climate Action

Insuring the transition

- In collaboration with Moody's Analytics we have developed a proof of concept solution to measure **insurance-associated carbon emissions** across the market
- Launched a consultation on our **three year roadmap for insuring the transition**, covering our proposed approach across underwriting, investments, exposure management and capital and reserving
- We supported a number of climate innovations in our market including a first-of-its-kind carbon credit insurance solution (Oka SIAB)

Impact Investments

- We currently allocate 5% of Central Fund assets to **impact investments**, and have committed to increasing this to 10% by 2025.
- In 2023, **Lloyd's added three impact bonds to the Impact Bond Fund**: a $25m African Development Bank (ADB) Bond, a $25m Inter-American Development Bank (IADB) Bond and a $3m Bank Nederlandse Gemeenten (BNG) Social Housing Bond.
- Launched **Lloyd's Private Impact Fund**, with an **initial allocation of £250m**, a sustainability-focused fund in themes of climate mitigation and adaptation.

Leading the industry

- As Chair of the **Insurance Task Force of the Sustainable Markets Initiative** (SMI), we continue to connect customers, government and industry to deliver solutions for the future
- This includes signing a landmark partnership with the **United Nations Capital Development Fund** (UNCDF) to scale insurance access for climate-vulnerable countries
- We convened the global insurance industry at COP28 to highlight the important role we play in supporting societal and economic resilience, transition and growth.

Purpose: Driving action leadership through Lloyd’s Futureset

Sustainability

- Our **Risk revealed by Lloyd’s** climate transition series convened over 3,000 industry experts, insurance practitioners and risk managers across six technologies and solutions and at 13 events over 2023
- This included sessions on carbon capture and storage, hydrogen, floating offshore wind, biofuels, carbon credits, and battery and energy storage solutions
- We released three episodes as part of our **Business leaders** video series featuring discussions between Lloyd’s CEO and leading firms in the private sector, including Octopus Energy, Mars and the SMI

Cyber

- Lloyd’s Futureset has run a series of events, including our first ever **Cyber Risk Summit**, an interactive **Cyber Attack Simulation** and a **Cyber Innovation Forum** bringing together senior business leaders, policy makers, law enforcement, technology firms and cyber risk specialists to discuss creative solutions for this emerging and interconnected threat
- We published a new report in March 2024 exploring the potential impact of **Generative AI on the cyber risk landscape**

Resilience

- Lloyd’s **Disaster Risk Facility** has backed a new insurance mechanism to support the International Federation of Red Cross and Red Crescent Societies’ (IFRC) Disaster Response Emergency Fund (DREF)
- Together with **Cambridge Centre for Risk Studies** (CCRS) we published a series of scenarios exploring the potential economic impact of some of the world’s greatest risks and highlining the role that insurance, together with the public and private sectors, can play in strengthening society’s resilience

Culture: Building an inclusive, diverse culture at Lloyd's

Lloyd's Inclusive Future's Programme

Lloyd's has launched a multi-faceted programme to attract, develop and retain ethnically diverse talent as a response to the findings of the Underwriting Souls research into Lloyd's history with Trans-Atlantic slavery.

Improvements against Market gender and ethnicity targets

Lloyd's has achieved the 35% Women in Leadership target for the wider Market. Ethnic representation has increased +2% to 13%. Progress against our 1 in 3 hiring ambition for ethnic diversity has increased by +4% to 21%.

Market oversight

Culture is now embedded as part of our oversight framework and progress against the framework is evident across the managing agent population. We are now maturing the framework and raising the bar for larger organisations.

Foster an inclusive culture

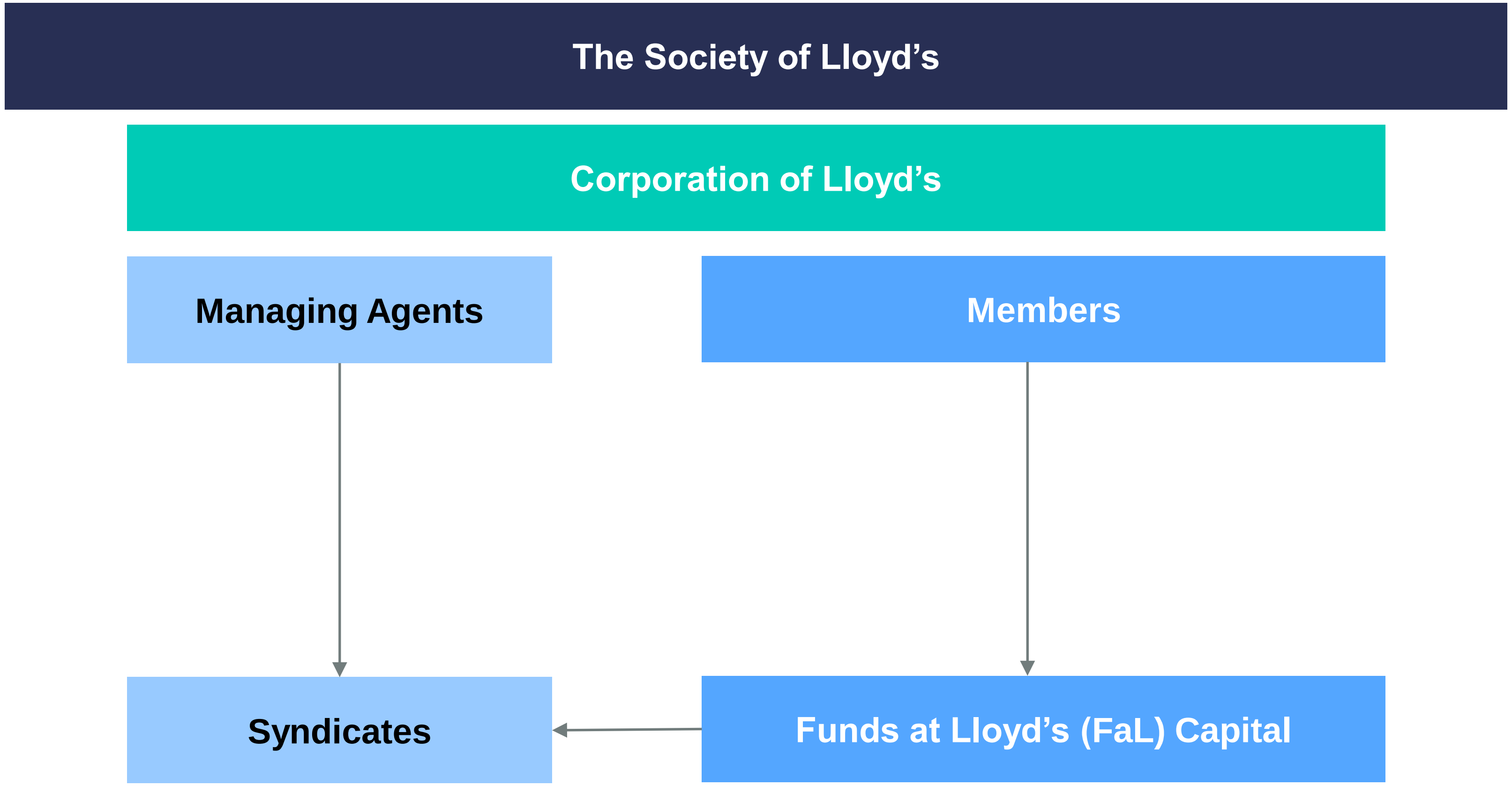
Our Culture Strategy has helped the culture of the Lloyd's Market improve, surpassing the Financial Services Benchmarks as measured in the 2024 Culture survey.

2024 Culture strategy

All Year 3 deliverables are on track. The Corporation has surpassed the Women in Leadership target and achieved key KPIs, such as the Market-wide Women in Leadership Target.

Overview of the Lloyd’s market

Lloyd’s market structure



Corporation of Lloyd’s

- Provides robust, but risk-based underwriting oversight.
- Manages centralised services.
- Regulates capital requirement.

Managing Agents

- 57 agents managing the syndicate underwriting operations
- Majority owned by insurers.

Syndicates

- 90 syndicates underwriting risks and binds Lloyd’s, with anything from 1 to several hundred members participating in the syndicate.

Members

- >1,780 members who severally commit capital and carry the underwriting risk.

Funds at Lloyd’s

- Capital provided by Members to 1:200 year risk level plus 35% uplift.

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Lloyd's capital structure

Chain of Security

Several Assets **Total £113.2bn**	**Premiums Trust Funds**	**£81.3bn of syndicate level assets**	Premiums and claims reserves that are held in trust on members' behalf at syndicate level. **The first resource for paying policyholder claims from the syndicate.**
	Members' Funds at Lloyd's (FAL)	**£31.9bn of regulatory capital** (77.1% fully paid: 22.9% contingent Letters of Credit)	The capital provided to Lloyd's and held in trust to support claims in excess of premium trust funds. **Every member's Funds at Lloyd's is set on an annual basis and its adequacy is monitored throughout the year.**
Mutual Assets (including reinsurance cover) **Total £5.6bn**	**The Central Fund £3.0bn**	**'Callable' contingent capital layer (up to 5% of member overall premium limits) £2.6bn**	The Central Fund can meet the obligations of members whose FAL is exhausted. **Current levy 0.35% premium at the discretion of the Lloyd's Council**
	£450m reinsurance over £600m losses in aggregate Aggregate 5 year term from 1/1/2021		Risk supported by **fully collateralised reinsurance** placed by JPMorgan above £790m of aggregate losses*
	£200m reinsurance over £1,050m losses in aggregate Aggregate 5 year term from 1/1/2021		**Additional reinsurance** purchased from a panel of global reinsurers providing cover above £790m*
	£604m of subordinated debt		**Subordinated debt** placed with institutional investors
			Lloyd's has **option to call 5% of overall premium limits** from the Premium Trust funds to supplement the Central Fund

Total Capital Resources £45.3bn

Figures are as at 28/03/2024.
*Original attachment at £600mn in 2021, subsequently adjusted to £790m in 2023 as the attachment point is adjusted based on exposure growth

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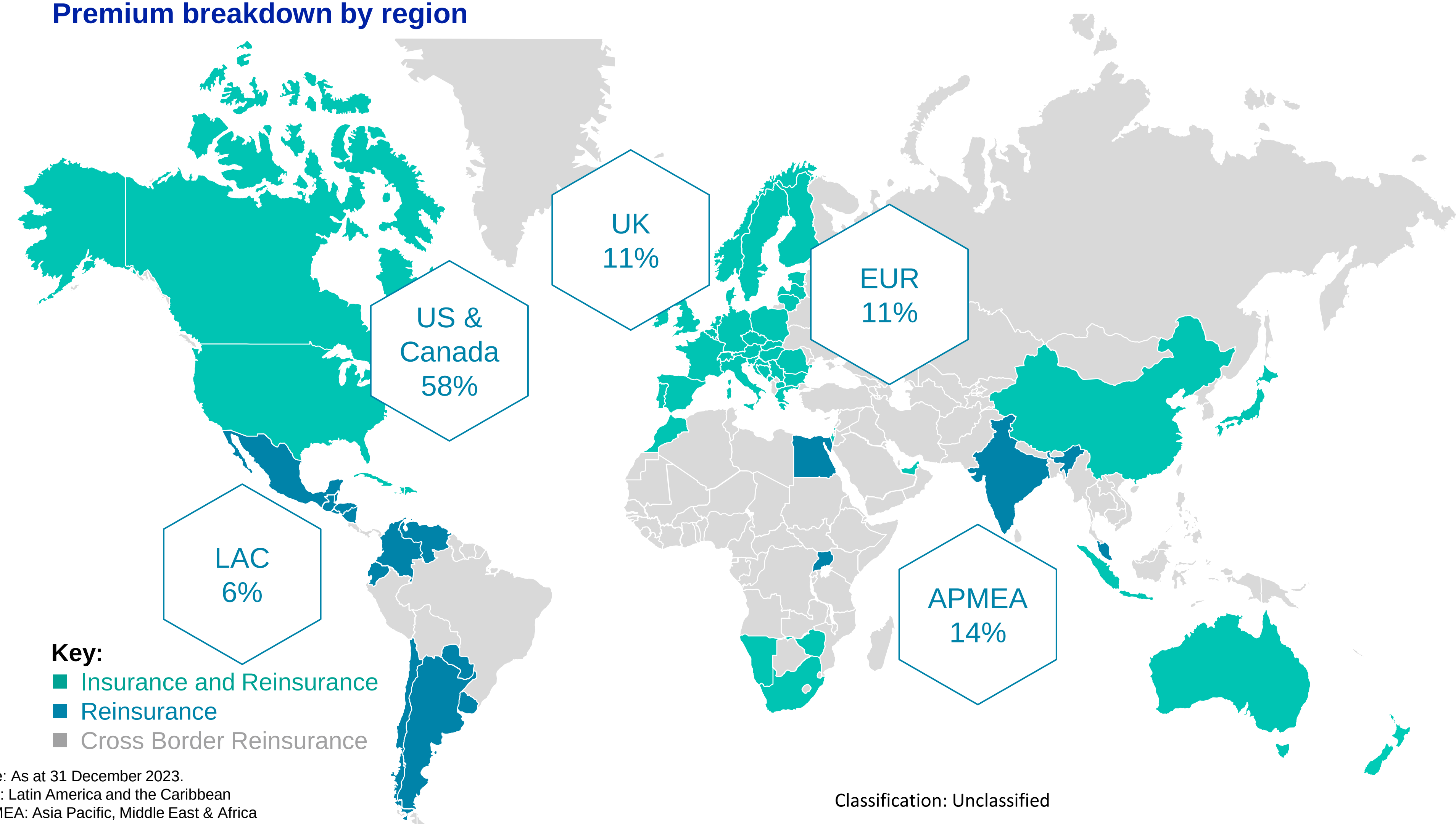
Participating in the Lloyd's market

Lloyd's is the world's largest insurance marketplace and global distribution network

Premium breakdown by region



Insurance + Reinsurance

c.80 territories where Lloyd's is licensed or authorised to write insurance and reinsurance business.

Reinsurance only

c.20 territories where Lloyd's is specifically registered or licensed to write reinsurance business only.

Cross Border Reinsurance

Where Lloyd's can transact cross-border reinsurance business from outside of the territory in which the risk is situated.

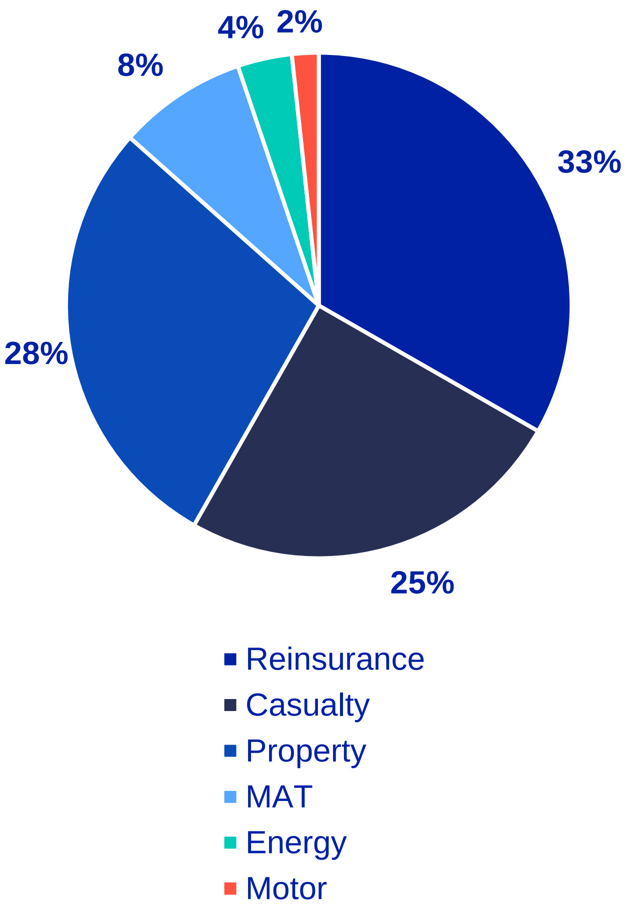
Broker and coverholder distribution

Over 300 brokers and over 4,000 coverholders.

Note: As at 31 December 2023.
LAC: Latin America and the Caribbean
APMEA: Asia Pacific, Middle East & Africa
All % are based on gross signed premiums by calendar year and country of origin processed through Xchanging and LDR

Diversification of risks

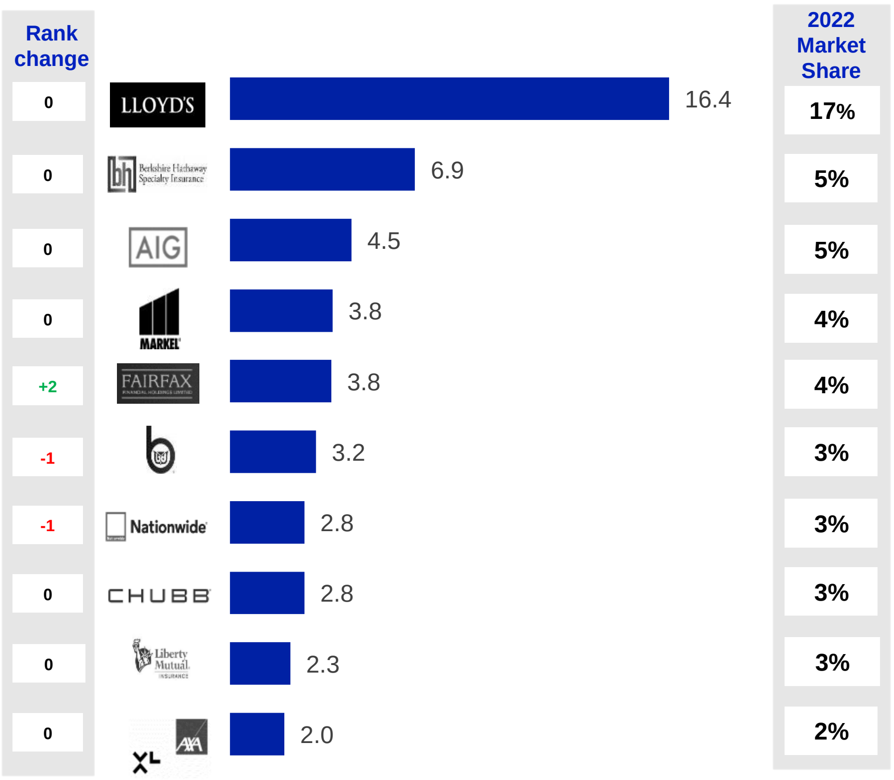
Premium by classes of business



Source: Lloyd's Annual Report 2023

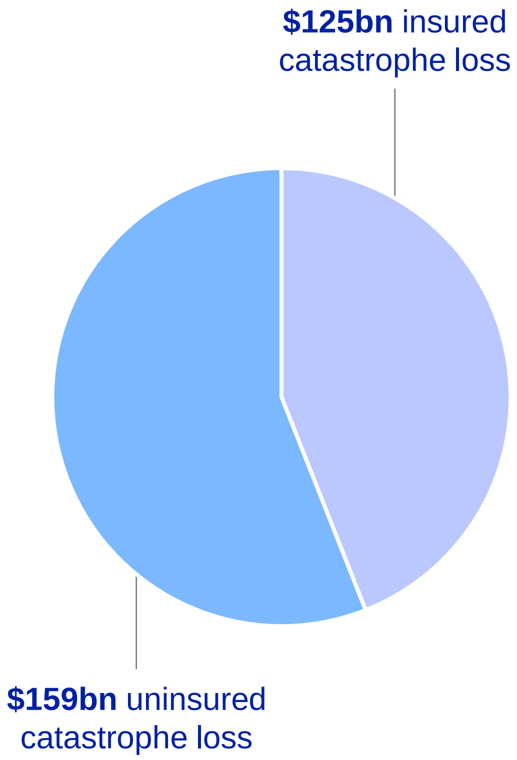
USA 2023 E&S Providers Ranking

Direct Written Premiums in USD bn



Source: AM Best

56% catastrophe losses were uninsured in 2022



Source: Swiss Re Institute, 2023

Infrastructure in place to develop new business opportunities

Centralised infrastructure

- Lloyd’s offers flexible shared services including central settlement and regulatory reporting.
- Lloyd’s subscription model means you can benefit from the expertise of other market leaders in business lines where you want exposure.
- Lloyd’s mutual assets improves return on capital especially for those that do not maintain a separate financial strength rating.
- Lloyd’s sets a broad range of acceptable assets to support underwriting efficiency, including Letters of Credit.

Corporation oversight

- Lloyd's provides robust, risk-based performance oversight. Where prudential risks arise from underperformance, Lloyd's will take action through its Principles Based Oversight framework and through the business planning process.
- Significant remediation at syndicate and class of business level has resulted in the market returning to profitability and now positioned for further growth.
- Classes of business targeted for remediation are now outperforming the Lloyd’s market average.
- Differentiated approach to performance oversight, enabling good performers and taking appropriate action on underperformers.

Leading marketplace for protecting against new and emerging risks

- Lloyd’s reputation for innovation is supported by Lloyd’s Lab, an InsurTech accelerator programme which aims to help innovative ideas gain traction and success in our market.
- Through Lloyd’s subscription market or consortia arrangement, you are able to develop new business opportunities while sharing the risk with the collective strength of the market.
- By operating at Lloyd’s, you will have a unique global perspective with access to the Lloyd’s market’s insights and benchmarking data that can provide rich insights to help you challenge and improve your own performance

Becoming a member

Becoming a member

Member

The risk carrier.
Underpins any underwriting commitment in Lloyd's

- The members are the (re)insurers of the risks.
- Members can support one or more syndicates – and can change their participation on an annual (year of account) basis.
- Members carry the regulatory capital to support underwriting (referred to as Funds at Lloyd's) and can be supported by third party capital providers.
- Within the Standard Asset Allocation, Funds at Lloyd's assets can be invested within the discretion of the Member.
- Multiple syndicate participation can diversify the overall risk profile, reducing the level of capital (Funds at Lloyd's) required at member level.
- Funds at Lloyd's can be provided by a first or third party directly or through a cell established through the Lloyd's sponsored London Bridge Protected Cell Companies.

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Members put up their required level of capital

Members' assets

Syndicates calculate Solvency Capital Requirements (SCRs) according to Solvency II regulation, on an "to ultimate" basis

Syndicates' assessments and modelling of underlying risks

Syndicate ultimate SCRs are reviewed and agreed by Lloyd's Actuarial Oversight team and Capital Planning Group

Lloyd's review/ discussion/ amendment

Business Plans

Other data

35% uplift applied to reach "Economic Capital" requirement

Capital requirement **Allocated to members**

Funds at Lloyd's *(members' assets)*

Central assets

Syndicate risk information input to Lloyd's Internal Model and other information regarding "risks" to Central Fund assessed

Lloyd's SCR and **Central Fund** target established (central assets)

How is a member's capital requirement calculated?

Syndicate level SCR modelling – calculated by Managing Agent, reviewed by Lloyd's

- Application of Solvency II (SII) based stochastic modelling drives strong Solvency Requirement.
- Syndicates calculate their Solvency Capital Requirement (SCR) such that it considers their risks on an ultimate basis (not just how they may emerge over a one-year time horizon)
- 35% capital uplift increases security to drive the Economic Capital Requirement.

Member Modeller – calculated by Lloyd's

- The Member Modeller tool outlines the amount of capital a Member must lodge at Lloyd's in a given year, deriving the Funds at Lloyd's (FAL) requirement for each Member.
- Model takes account of Member diversification through syndicate and year participations. This is calculated based on syndicate information where possible and based on the Lloyd's internal model to determine the diversification for Members participating on more than one syndicate.

Central Fund – calculated by Lloyd's

- Member-level contribution to Central Fund is driven by syndicate level premiums.
- This provides a key element of the additional layers of solvency capital security, in excess of Member-level Funds-at-Lloyd's.

How can capital be provided into a Member?

Direct Deposit

- Traditional direct provision of capital from traditional names but is now provided in the large part by Insurance Companies operating through Lloyd's.
- Direct deposits and third-party capital can be provided in cash, securities, and up to 50% in LOCs.

Third Party Capital Provision

- Institutional Investors have been backing Lloyd's for some time.
- Opportunity to diversify Economic and Market Risk by accessing pure Insurance Risk.
- Increasing interest in the Lloyd's market.

London Bridge Protected Cell Companies

- Available as on-shore UK market vehicles to support ILS investment at Lloyd's.
- Sponsored by Lloyd's under its Future At Lloyd's programme and the optionality has been expanded by the introduction of the new London Bridge 2 PCC.
- Ability to rapidly deploy capital through a pre-approved structure.

Becoming a managing agent

The role and construct of a managing agent

The role of a managing agent

- A syndicate is not a legal entity – it is the collection of one or more members supporting a common underwriting venture.
- Every syndicate member appoints the managing agent and delegates all authority to the managing agent to manage the syndicate and to determine all matters related to underwriting.
- A managing agent can manage more than one syndicate.

Construct of a managing agent

- A managing agent's governance structure is similar to that of a UK insurance company.
- It is required to maintain a full board of directors representing key areas of activity , for example Underwriting, Finance, Operations, Risk/Audit and Investment.
- Lloyd's and the PRA/FCA require the appointment of experienced non-executive directors, one of which will usually be the Chair.

Managing agent resources

- The Board is supported by a number of sub-committees that may include key areas of activity such as Underwriting, Risk, Finance, Operations, Investment, Audit.
- The managing agent may elect to formally outsource functions, for example bulk claims handling to other group companies or to third party suppliers.

Third party syndicate management

Third party syndicate management

- In most cases managing agents manage their own syndicate / underwriting entity.
- It is possible for an underwriting group to appoint a third-party managing agent to manage their syndicate.
- Managing agents can manage more than one syndicate.
- Current third-party managing agents include Asta, Apollo, Polo.

Why appoint a third-party managing agent?

- The process to establish a syndicate is complex. Establishing a manging agent at the same time increases the complexity.
- There can be a substantial difference in application duration – managing agents are approved by the PRA/FCA, a new syndicate is a Lloyd’s-only application.
- Some groups may not have the appetite or need to establish own managing agent

Implications of third-party management

- Secures the necessary regulatory framework to manage the syndicate without incurring 100% of the costs.
- Removes the direct regulatory interaction for the underwriting business.
- The third-party managing agent board is required to agree all syndicate business plans annually prior to submission to Lloyd’s.

Becoming a managing agent

Options – Build or Buy

- It's usual to establish a managing agent to take over the management of an existing syndicate from a third-party managing agent.
- Possible to establish managing agent and syndicate at the same time however application durations are unlikely to align.
- All managing agents are required to comply with Lloyd's Principles for Business and will be monitored by Lloyd's Market Oversight team.

Build new

- Application to the PRA/FCA and Lloyd's.
- Requires a fully operational Board and to be fully resourced from day one.
- Expect key director roles to be dedicated to the managing agent.
- Certain functions may be outsourced intra-group or to third party providers.
- The application process can take more than 12 months, in line with the PRA/FCA service standards.
- No legacy business to administer/run-off.

Acquire existing

- May be a faster route into Lloyd's.
- Requires full Change of Control application to Lloyd's and the PRA/FCA.
- Requires demonstration of how the business of the managed syndicate(s) will be appropriately overseen/run off.
- PRA/FCA service standard is 60 days from confirmation of a complete application.

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Our oversight focus in 2024

Sustainable Market performance

Systemic, cyber & geo-political risk

Managing volatility

Macroeconomic uncertainty

Sustainability Including climate risk

Operational & cyber resilience

Responding to regulatory change

Putting claims service front and centre

Conduct

Continued focus on fair and consistent customer outcomes

Culture

Embedding good culture to achieve our goal for the Lloyd's Market to be the destination of choice for global talent

LLOYD'S

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