

Title	2025 YOA Business Plan and Capital approval process and timeline
Purpose	To inform the market of the 2024 process and timelines for agreeing 2025 YOA Business Plans and Capital requirements
Type	Scheduled
From	Peter Montanaro – Market Oversight Director
Date	24 April 2024
Deadline	N/a
Related links	N/a

Capital and Planning Group (CPG) strategic aim for the 2025 YOA approval process

Strategic Approach

Sustainably profitable performance remains our number one priority and it is critical that syndicates evidence that they have considered and factored in the risks related to macro thematic challenges that have been highlighted in Market Messages and other communications through the year. Continuing to build on the good work and collaboration with the market last year, we will again be defining areas of focus and levels of materiality for challenge early by setting clear direction during the Syndicate Business Discussions (SBDs) and maintaining consistency throughout the planning process.

Lloyd's principles-based oversight (PBO) model enables us to ensure a fair but differentiated approach to the capital and planning process for the 2025 Year of Account (YOA). This is due to the work undertaken with syndicates across all oversight dimensions throughout the year. We recognise there is oversight benefit to increasing the alignment of the Lloyd's planning process with the syndicate's own process(es). The level of flexibility we can afford is completely dependent on a syndicate's categorisation. We continue to enhance the attractiveness of the Lloyd's platform by capitalising on the opportunities that a principles-based framework allows for differentiation.

Outperforming syndicates

Recognised as Lloyd's strongest performers, we have high levels of confidence in Outperforming syndicates to run sustainably profitable businesses well and we are happy to see that they continue to proactively provide high quality supporting information. Our approach for Outperforming syndicates will be to understand what they intend to do, check that all material strategic or thematic issues have been resolved and evidenced through SBD engagement and trust them to have planned appropriately. This will manifest in de-minimis review in the Sept-Nov planning period, supplemented with a more continuous approach to oversight and performance management in line with the PBO model. This year, Outperforming syndicates will be offered the chance to have an earlier SBD meeting where the discussion will be less agenda led. Further details are set out in the SBD section below.

For syndicates which are not Outperforming, our principles-based approach means we will focus our review on the area(s) that is driving the overall categorisation rating and the potential impact of such on underwriting and capital.

Good syndicates

Our review of Good syndicates' plans will be typified by a focus on material issues as part of a portfolio based approach, supplemented with a more continuous approach to oversight and performance management in line with the PBO model. It will be incumbent on syndicates to give us confidence in their key material assumptions, including all loss ratios. The move from Good to Outperforming for underwriting must include evidence of meeting plans in the future.

Moderate syndicates

Moderate syndicates' plans will be reviewed in detail. Dealing explicitly with our key thematic issues throughout planning is critical. The onus is on syndicates to give us confidence in their loss picks and assumptions above the Lloyd's benchmarks.

Underperforming and Unacceptable syndicates

Underperforming syndicates will already have had their Board Level Discussions and must operate strictly within pre-agreed remediation plans.

Where a syndicate is classed as Unacceptable, Lloyd's will engage separately.

Pre-CPG engagement and communications

Further details of Lloyd's expectations and its risk-based approach for planning and capital will be provided in the annual pre-planning letter. This will include:

- Assigned specific submission phase(s)
- Confirmation of syndicate oversight categorisation and the CPG expectations
- Syndicate Business Discussion approach and agenda
- Data sharing agreement for Members Agents where applicable.

In addition, on 16 May we will host our Q2 Market Messages with Patrick Tiernan, Chief of Markets; Rachel Turk, Chief Underwriting Officer, and Mirjam Spies, Interim Chief Actuary, where we will go into further detail regarding our strategic approach to the 2025 planning cycle, reinforce our commitment to the market, and outline the focus areas and key thematic issues for 2025 business and capital plans.

Syndicate Business Discussions

The majority of SBDs will commence in late June and every managing agent will meet with Lloyd's representatives, led by Lloyd's Account Managers, and attended by Syndicate Performance Managers and relevant technical teams. Discussions will generally be performance focused and cover syndicates' intentions and ambitions for the 2025 YOA, including where appropriate, syndicate class of business data.

As indicated above, Outperforming syndicates will be offered the chance to have an earlier SBD meeting where the discussion will be less agenda led. We understand that with an earlier meeting, syndicates may not have completed the early stages of their planning preparation however this is not a pre-requisite for this meeting. To reflect our high level of confidence in Outperforming syndicates, the early SBD discussion will be a more open discussion in continuation of our normal ongoing engagement, led by the syndicate, where you will have the opportunity to highlight any matters you deem material. Some high-level themes we are likely to want to touch on are market pressures or insights that you are experiencing and any new opportunities you are interested in for the upcoming year.

Data requirements

All syndicates are required to complete and submit a whole account high-level SBD KPI template for 2025 plans.

This will include a request for syndicates to outline their whole account Delegated Authority (DA) portfolio. If syndicates do not have this data readily available it should be provided on a best estimate basis for the specific metrics of GWP, GULR components, Net OPEX components and NCR. The following methods of placement should be included as part of DA portfolios which are aligned to the existing Syndicate Business Forecasts (SBF) 164 form:

- Binding Authorities delegated to Third Party Coverholders
- Binding Authorities delegated to Service Companies
- Lineslips

Additionally, syndicates will be required to answer two questions in respect of their expectations of movements in capital. The questions are designed to provide details on the likelihood and number of Major Model Change (MMC) submissions expected, and around the expected movement in capital vs exposure since the latest approved capital submission. This will allow Lloyd's to engage in early conversations regarding capital movements if necessary, ensuring clear understanding of the syndicates' capital expectations prior to the 2025 capital submission.

Lloyds is no longer collecting decile information from syndicates and so there is no requirement for syndicates to submit their decile class information to us within the SBD KPI template.

As per last year, class KPIs will be requested from some syndicates and this will be determined by oversight category.

- For Moderate, Underperforming and New syndicates Lloyd's will require the completion of key KPIs for all syndicate classes of business. These will be pre-populated in the SBD templates when they are made available on SecureShare and the syndicate will receive a formal feedback letter following the meeting.

- For Good syndicates, Lloyds will require the completion of key KPIs for classes that are deemed `material` to a syndicate's portfolio or are the subject of focused/increased oversight due to the type of business being written. The Class KPI tab of the SBD template will be pre-populated with these classes and the syndicate will receive a formal feedback letter following the meeting.
- For Outperforming syndicates, there is no requirement for submission of class KPI data at SBD and no formal written feedback will be provided following the SBD meeting.

The class KPIs required will be anticipated 2025 GWP, GULR and NCR for each syndicate class of business listed, as well as details of any new classes that syndicates may seek to write, supported by a brief commentary.

For syndicates that are providing the additional class detail, it will allow for more meaningful conversations to take place during the SBDs, which in turn will allow Lloyd's to provide targeted written feedback following the meeting. Syndicates should consider the feedback prior to final business plan and capital submissions and respond to any action points provided, as well as continuing to engage with Lloyd's ahead of plan submissions.

The SBD KPI template for 2025 plans will be issued on 23 May 2024 via SecureShare (Market Performance and Oversight> Syndicate Number> SBD Documents) and the deadline for it to be returned is 7 June 2024.

Capital Fast Track

The Fast Track Process for capital will continue for the 2025 YOA Lloyd's Capital Return (LCR) submissions and the level of review of the LCRs carried out by Market Reserving and Capital (MRC) team will continue to be risk-based. Similarly, to last year, the review level will be linked to the following:

- The Capital Principle rating of the syndicate
- The amount of change submitted as part of the capital submission
- The amount of movement in key Solvency Capital Requirement (SCR)-to-exposure metrics
- Materiality of the syndicate in terms of ultimate Solvency Capital Requirement (uSCR).

All syndicates, regardless of Fast Track status, will still be considered for capital appropriateness based on their catastrophe risk appetite and model completeness.

Further detail on the Capital Fast Track process for the 2025 YOA submissions will be detailed in the LCR instructions to be published in July.

Capital Review Timetable for Aligned Syndicates

In response to feedback from the market, Lloyd's are considering giving aligned syndicates the option to have a longer capital approval window. All syndicates would still be required to submit the SBF and LCR per the published timetable. However, for eligible aligned syndicates, a file and use type approach might be possible during the September/October CPG period. The usual Lloyd's review would then take place later with any loadings or feedback provided by end of

January. This would allow syndicates a longer response period to any potential capital loadings. A formal proposal will be presented at the LMA Finance Forum and final communications on this will be made in May.

Reserving

The Reserving Tests of Uncertainty are used to assess key inputs to the capital model from a reserving perspective, which could lead to under-capitalisation if inappropriate. These inputs need to adequately reflect uncertainty and (where required) capital loadings will be applied to address deficiencies identified by the testing. We note that since introduction, the number of Lloyd's loadings applied to syndicates for these tests has materially reduced.

Appropriateness of internal model loss ratios continues to be a key focus area for Lloyd's. Recent history indicates that syndicates have appropriate model loss ratios assumptions as the number of Lloyd's loadings for inappropriate model loss ratio assumptions has materially reduced. The improved experience also means that syndicates generally have been able to align their underwriting and actuarial loss ratios more, with less actuarial uplifts being required. As a result, profits in the capital models have increased, which remains an area of focus in our reviews – with a particular onus on validators to provide comfort around these assumptions. Focus for this year will be risk-based oversight with guidance that underpins our expectations from syndicates with regards to appropriate model loss ratio selection validation as opposed to market wide testing. For the other tests within the framework, where syndicates are identified as requiring oversight they will be informed during July 2024.

Further details on the Reserving Tests of Uncertainty will be provided in the 2025 YOA LCR instructions to be published in July 2024.

Early View of Capital

In response to market feedback, we are planning to facilitate an early indication of member ECA for members, where this is needed, but are still consulting with the LMA. Syndicates will be given the option to submit an early view of the SBF, LCR and LCM returns in July. Lloyd's will update and release the Member Modeller at the end of July once these submissions have been received to provide the corresponding member capital. It is important to note that this will be an indicative view only and returns will not go through the usual review process at this point.

The early submissions will focus on a reduced subset of the full returns. Full submissions will still be required in line with the main CPG timeline, as usual. Further communication and guidance on what is required for the early view will follow within the 2025 SCR guidance.

Business Plan and Capital submission deadlines

The phased approach to business plans and capital submissions is being streamlined for the 2025 YOA Capital and Planning (CPG) process, with syndicates being split into three phases based on capital requirements ((1) non-aligned, (ii) aligned with Letters of Credit (LOC), and (iii) aligned without LOC). Note that where there are direct links between syndicates, such as with host syndicates and SPAs, these will be allocated in the same phase to support a holistic review of the plans and capital.

Syndicates will be required to follow one of three submission phases as per the below timetable, with syndicates receiving confirmation of the phase to which they have been allocated later in May in their annual pre-planning letter.

Syndicate group	SBF submission deadline	LCR submission deadline
Phase 1 (non-aligned)	2 September	5 September
Phase 2 (aligned with LOC)	16 September	19 September
Phase 3 (aligned without LOC)	30 September	3 October

Managing agents are expected to comply with the prescribed deadlines and extensions to submission deadlines will only be given in exceptional circumstances and will be considered on a case-by-case basis. If a managing agent has a business case to be moved to a different phase, the request should be raised with the Account Manager.

It will not be possible to re-submit a plan between 1 December 2024 and 3 January 2025. Should market conditions change materially, updated requirements will be communicated as early as possible, and guidance provided.

Full 2025 YOA guidance on the Syndicate Business Forecast (SBF), Lloyd's Capital Return (LCR) and Catastrophe Returns will be published in July.

Planner for the 2025 YOA cycle

Managing agents are asked to note the following confirmed dates relevant to the business planning and capital setting timetable:

- **16 May: Market Messages:** Patrick Tiernan, Chief of Markets; Rachel Turk, Chief Underwriting Officer and Mirjam Spies, Interim Chief Actuary, will outline the focus areas for 2025 business and capital plans.
- **W/c 20 May:** Pre-planning letter issued including confirmation of syndicate phasing group, oversight category and strategic business discussion approach.
- **23 May:** High level KPI template for 2025 YOA plans issued.
- **7 June:** Deadline to return the high level KPI template and any other data requirements.
- **From mid-June to end of July:** SBDs will take place and feedback letters sent (as relevant)
- **July 5 – 22:** Window for early 2025 YOA SBF and LCR submissions to support early view of capital.
- **July:** All 2025 SBF, LCR and Catastrophe guidance published.
- **2 September:** Phased submissions commence.