

Title	2024 Business Plan and Capital approval process and timeline
Purpose	To inform the market of the 2023 process and timelines for agreeing 2024 Business Plans and Capital requirements
From	Peter Montanaro – Market Oversight Director
Date	16 May 2023

Capital and Planning (CPG) strategic aim for the 2024 approval process

Strategic Approach

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 in their plans. This will provide us with the confidence to contextualise any immediate underwriting and exposure challenges. This year we will endeavour to define those areas of focus and levels of materiality for challenge, earlier and with more specificity by setting clear direction during the Syndicate Business Discussions (SBDs) and maintaining consistency throughout the planning process.

Lloyd's principle based oversight model will allow us to ensure a fair but differentiated approach to the capital and planning process for the 2024 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 will seek 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. Therefore, 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 SDB engagement, and trust them to have planned appropriately. This will manifest in a de- minimis review.

For syndicates who are not Outperforming, our principle-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 and moderate syndicates

Our review of Good syndicates' plans will be typified by a focus on only material issues as part of a portfolio based approach. It will be incumbent on syndicates to give us confidence in your 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' 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 your 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 Capital and Planning Group (CPG) expectations
- Syndicate Business Discussion approach and agenda
- Data sharing agreement for Members Agents where applicable

In addition, on 8 June we will host our Q2 Market Messages with Patrick Tiernan, Chief of Markets, Peter Montanaro, Market Oversight Director and Emma Stewart, Chief Actuary, where we will go into further detail regarding our strategic approach to the 2024 planning cycle, reinforce our commitment to the market, and outline the focus areas and key thematic issues for 2024 business and capital plans.

Syndicate Business Discussions

Syndicate Business Discussions (SBDs) will commence in June. 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 be performance focused and cover syndicates' intentions and ambitions for the 2024 YOA, including, where appropriate, looking at managing agents' ambitions for syndicate classes of business. Each syndicate's portfolio deciles and Performance Improvement Programme (PIP) classes will be discussed.

Data requirements

All syndicates are required to complete and submit a high-level SBD KPI template for 2024 plans, including the latest decile information. In addition, as part of Lloyd's increased focus on Delegated Authority performance, syndicates should outline their Delegated Authority (DA) portfolio at whole account level. Lloyd's recognizes that this is a new request and where the data is not readily available, managing agents should provide this information 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 SBF 164 form:

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

In addition, all syndicates that are intending to write property binding authorities involving risk codes B2, B3, B4, B5 and/or HP in 2024 will be required to answer a small set of supplementary questions designed to provide details of the control frameworks managing agents have in place for these syndicate classes of business. This will be relevant to the deep dive Lloyd's will undertake on property binding authorities in 2023 and is consistent with our previously communicated focus on potential sideways risk in this subclass due to changes in reinsurance protections.

As we outlined in our Strategic Approach, we will be taking a differentiated approach to 2024 planning. This means that expectations will differ depending on a syndicates' oversight categorisation. This year, syndicates that have an oversight category of Moderate, Underperforming, Unacceptable or New will be requested to provide additional data. This will include anticipated 2024 GWP, GULR and NCR for each syndicate class of business, as well as details of any new classes that syndicates may seek to write, supported by a brief commentary. Providing this extra detail 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.

For syndicates that have an oversight category of Outperforming or Good we will be requiring whole account KPIs, the outlined DA information and the property binding authority supplementary questions (where applicable). During the SBD meeting we will engage in discussion with you regarding the key thematic issues outlined in pre-planning letters and during Market Messages, but no formal written feedback will be provided following the SBD meeting.

The SBD KPI template for 2024 plans and property binding authority supplementary questions template will be issued on 26 May 2023 via SecureShare (Market Performance and Oversight> Syndicate Number> SBD Documents) and the deadline for both to be returned is 16 June 2023.

Capital Fast Track

The Fast Track Process for capital will continue for the 2024 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 2024 YOA submissions will be detailed in the LCR instructions that will be published in July.

Reserving

The Reserving Tests of Uncertainty were introduced in 2019 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. As a result, the testing framework has been further revised this year with removal of the Actual vs Plan test from the suite of tests. However, we highlight that the appropriateness of the mean loss ratio used within capital models remains an important focus area for Lloyd's and we will continue to retrospectively apply capital load to syndicates that have a trend of missing their capitalised loss ratio. For the other tests within the framework, where syndicates are identified as requiring oversight, they will be informed during July 2023.

Further details on the Reserving Tests of Uncertainty will be provided in the 2024 YOA LCR instructions that will be published in July 2023.

Business Plan and Capital submission deadlines

The phased approach for business plan and capital submissions will continue for the 2024 Capital and Planning (CPG) process. Syndicates will be required to follow one of four 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.

In response to feedback received on the process followed for the 2023 YOA, phase 3 and phase 4 submissions have moved to a later deadline for this year.

Syndicate group	SBF return submission deadline	LCR return submission deadline
Phase 1	4 September	7 September
Phase 2	11 September	14 September
Phase 3	25 September	28 September
Phase 4	2 October	5 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.

It will not be possible to re-submit a plan between 1 December 2023 and 5 January 2024. Should market condition changes materially, updated requirements will be communicated as early as possible, and guidance provided.

Full 2024 guidance on the Syndicate Business Forecast (SBF), Lloyd's Capital Return (LCR) and Catastrophe Returns will be published in July.

Planner for the 2024 YOA cycle

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

- **26 May:** Pre-planning letter issued including confirmation of syndicate phasing group, oversight category and strategic business discussion approach
- **26 May:** High level KPI template for 2024 YOA plans issued
- **8 June: Market message:** Patrick Tiernan, Chief of Markets; Peter Montanaro, Market Oversight Director and Emma Stewart, Chief Actuary will outline the focus areas for 2024 business and capital plans.
- **16 June:** Deadline to return the high level KPI template and any other data requirements
- **From mid-June to end of July:** Strategic Business Discussions will take place and feedback letters sent (as relevant)
- **By end July:** All 2024 SBF, LCR and Catastrophe guidance published
- **4 September:** Phased submissions commence