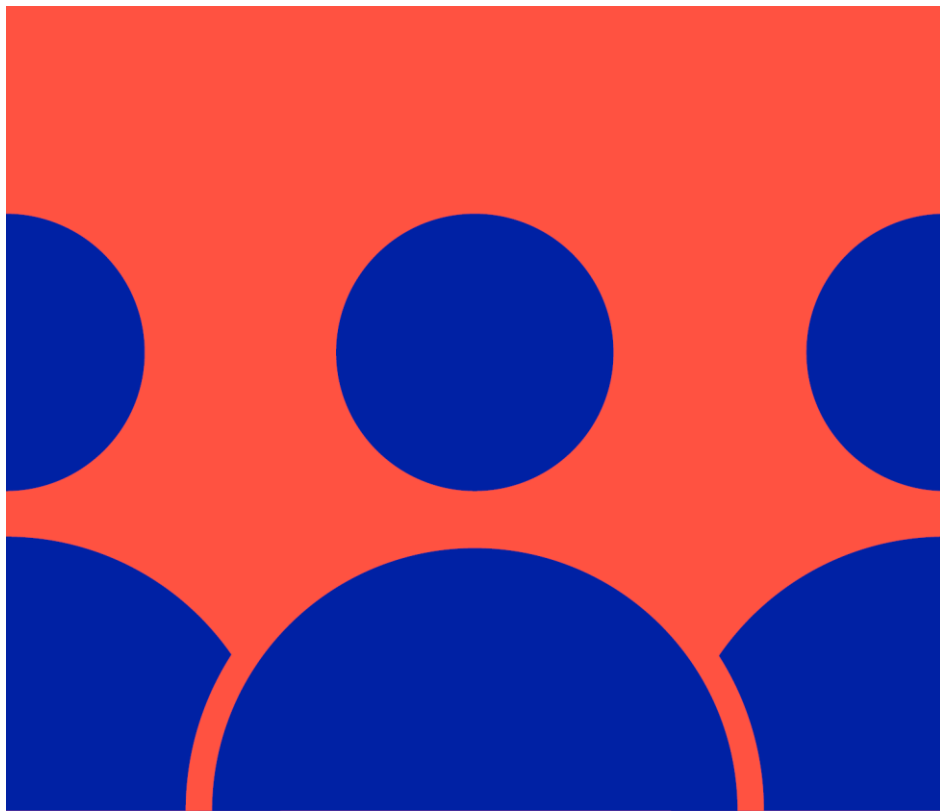


Establishing a Syndicate in a Box at Lloyd's.

A guide for applicants.

April 2024



This guide is for businesses who wish to establish a **Syndicate in a box (SIAB) in order to develop risk carrying capability.**

Lloyd's is the world's leading insurance and reinsurance marketplace.

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What is a Syndicate in a box?

A Syndicate in a box (SIAB) is a market facing syndicate that differs from a traditional syndicate in the following ways:

- A SIAB will write less than £100m GWP in year one.
- A SIAB can only write incidental exposure to Lloyd's most significant catastrophe perils (US Wind, North American Earthquake, Japanese Wind, Japanese Earthquake and European Storm).
- A SIAB should predominately write short-tail business.
- A SIAB is expected to have a projected net operating expense ratio (operating and acquisition cost) of less than 35% in its third year.

SIABs offer sponsors with innovative and entrepreneurial business cases an opportunity to join the Lloyd's market. During the third calendar year, Lloyd's will review the performance of the SIAB against Key Performance Indicators (KPIs) agreed at the outset between Lloyd's, the proposed managing agent and the backer of the syndicate. Meeting the KPIs is a key consideration when deciding whether the business can progress to full syndicate status.

Why establish an SIAB?

The SIAB model was developed to allow smaller, entrepreneurial and innovative business proposals the opportunity to establish an underwriting platform in Lloyd's at a smaller scale and lower cost base.

The SIAB model also provides:

- A faster approval timeline and reduced Lloyd's application fee.
- A reduced initial capital load proportionate to the risks written.
- Proportionate oversight to reduce the administrative burden. A SIAB is exempt from a number of Lloyd's financial reporting requirements.

Business (underwriting) plans for years two and three will be automatically agreed by the Capital & Planning Group (CPG), subject to there being no material change to the initial three year underwriting plan.

Lloyd's assessment criteria

Lloyd's has established overarching criteria for the assessment of new entrants; these criteria are provided for by the Underwriting Byelaw and set out in full in the requirements made pursuant to the Underwriting Byelaw ([available on Lloyds.com](https://www.lloyds.com)).

Lloyd's will consider the extent to which the applicant's proposed business adds value to the Lloyd's market, having regard to criteria including:

1. The nature and robustness of the business plan;
2. Whether the applicant is a competent, proficient and capable organisation;
3. Whether the applicant is of appropriate reputation and standing;
4. Whether the applicant has adequate capital and financial resources;
5. Whether the applicant is able to meet the Lloyd's principles framework, where applicable;
6. The applicant's support for 'Future at Lloyd's' and other market-wide initiatives.

You are strongly advised to read and consider the full requirements which can be found [here](#).

In terms of the value to Lloyd's, we are looking for a SIAB to:

- Deliver differentiation and/or innovation in terms of product or distribution.
- Operate through the application of existing and tested technology.
- Be a credible disruptor to traditional insurance practices.

In order to help you formulate your proposition and obtain a better understanding of the typical costs associated with operating a syndicate at Lloyd's we have created the following templates:

- [A. Lloyd's Standard Model \(LSM\)](#)
- [B. Triage Quantitative Submission](#)

For more detailed information on the Capital Setting framework please see Appendix 1 of this document and the relevant section of the [Lloyd's website](#).

The role of the managing agent

All members of Lloyd's must underwrite insurance through an agent, known at Lloyd's as a managing agent. It is the managing agent that will usually employ the underwriters who will bind the contracts of insurance and reinsurance on behalf of the Lloyd's members of the SIAB. Managing agents will also carry out all the other activities of insurance business at Lloyd's on behalf of the members. All Lloyd's managing agents are regulated in the UK by the PRA and FCA, as well as Lloyd's.

In the early stages of your application, we do not require you to have reached a final decision on which managing agent you intend to partner with. By the time your application has reached the stage where you are presenting to the Business Opportunities Committee, however, you will need to have identified who you will be working with and representatives of the managing agent will need to accompany you.

The managing agent will charge fees for the services they deliver (which may include finance, actuarial, claims etc), however the level of fees is a matter of commercial negotiation between you and the managing agent.

Fees and charges

- The SIAB application fee is £100,000 (VAT is not payable).
- The application fee invoice will be issued once the application has been recommended to Lloyd's Executive Committee by the Business Opportunities Committee.
- Please note the application fee is non-refundable.
- Further information on charges payable by members to operate in the Lloyd's market can be found in the [Triage Quantitative Submission](#).
- The fee for new 'non Private capital' members is currently £5,000, adjustable on the number of controller entities and directors requiring KYC checks. Because the member application is being submitted early, we will charge 20% of the fee at the time of the application, with the balance to be paid when 'Stage 2' of the member application is completed.
- The Third Party FAL provider application fee (complex) is £10,500 and this is payable in full with the application.

We review our charges annually and every September we release a Market Bulletin confirming the charges for the following year.

Application process

An application has six steps.

SIAB applications typically take three months from the Triage stage to permission to underwrite.

All SIAB applications are handled in full confidentiality



Application process

Step 1

Enquiry

Contact the Lloyd's New Entrants team

Please [contact the New Entrants team](#) to arrange an initial discussion.

The purpose of this initial discussion is to understand the principal features of the SIAB proposal and to discuss operating at Lloyd's and Lloyd's criteria for SIAB applications

We ask that you provide a summary of the proposition (maximum five slides), two full working days in advance of the initial discussion;

- Who you are, including your management team and relevant experience.
- A concise statement of the three year (strategic) plan for the SIAB. This may include future developments during the three year operation of the SIAB.
- What you do, including the opportunity, approximate gross written premiums for the first three years, classes of business to be underwritten by the SIAB and the geographical split of the business.
- Why Lloyd's is right for you and how you believe you will contribute to the success of the Lloyd's market.

We will advise you of the outcome within two full working days of the initial discussion. In most cases this will either be;

- Progress to Triage (stage two); or
- Why Lloyd's might not be the right place for your proposition.

Application process

Step 2

Triage

Qualitative and Quantitative submission

The Triage Group comprises heads of business areas from the following Lloyd's teams: Syndicate Performance; Underwriting Performance; Exposure Management and Aggregation; Strategy and Market Development. The Triage Group members report to the members of the Business Opportunities Committee.

The role of the Triage Group is to review a more detailed summary of the proposal, alongside relevant financial information. We ask that you complete both the [Triage Qualitative and Quantitative Submission](#) templates. If you have any questions about the templates please contact the New Entrants team.

There is a weekly standing meeting of the Triage Group to ensure we can review your proposal in a timely manner. You will need to provide the completed templates at least two full working days prior to the agreed Triage Group meeting to which we assign your proposal. Please note you do not attend the Triage Group meetings.

The Triage Group will review the submitted Qualitative and Quantitative templates and any other information provided and will confirm, within six working days, either:

- Progress to the Business Opportunities Committee (process stage three);
- A request for further information; or
- An explanation of why the Triage Group considers that your proposal does not meet the criteria for a new SIAB.

If the Triage Group agrees to progress your application to the BOC, ahead of that presentation we will undertake initial 'Know your Customer', Anti-Money laundering and other due diligence [collectively "DD"] checks on known key persons and controllers. If nothing adverse is identified, the application will proceed.

If the SIAB application is subsequently endorsed by the BOC to ExCo, any new member application(s) must be submitted ahead of the ExCo meeting for Lloyd's to complete the 'Stage 1' DD.

Step 3

Business Opportunities Committee

Detailed plan presentation

The eight voting members of Business Opportunities Committee comprise Directors and Heads of Underwriting, Oversight, Exposure Management, Finance, Actuarial and Market Development

You will be invited to attend an hour's meeting in person with the Committee. Typically, this will allow 25 minutes for you to present your opportunity, 20 minutes for the Committee to raise questions and 15 minutes for a discussion on capital, ESG and culture. Please note that if you are unable to attend in person then a virtual meeting can be arranged.

Your submission will consist of four parts:

- A. A summary presentation consisting of no more than 20 pages.
- B. [Narrative Submission: Business Plan & Governance](#)
- C. [3 Year GAAP P&L](#)
- D. [A completed Lloyd's Standard Model template](#)

There are scheduled meetings for the Business Opportunities Committee to review your proposal. We will agree with you the meeting to be allocated to your application. This ensures we can review your proposal in a timely manner. You will need to provide the information at least three full working days prior to the agreed meeting.

The outcome of the presentation will be either:

- Agreement to submit the application to Lloyd's ExCo with the support of the Committee;
- A request for further information; or
- An explanation as to why the Committee considers your proposal does not meet the criteria for a new SIAB.

If your application is to be supported by one or more new members, or third party Funds at Lloyd's providers, you will need to submit the relevant applications when the Business Opportunities Committee has endorsed your application to be submitted to the Council.

Step 4

Lloyd's Executive Committee (ExCo)

Our governing body grants 'in-principle' approval

If the SIAB application is endorsed by the Business Opportunities Committee, in addition to submitting the member application, Lloyd's will undertake the review of the SIAB Business Plan (aka Syndicate Business Forecast or SBF) and the modelled capital number.

The managing agent submits the SBF and Lloyd's Capital Modelling (LCM) output for that review and submission to the Capital & Planning Group (CPG).

CPG agreement to the SIAB SBF and Economic Capital Assessment (ECA) is necessary for escalation to ExCo.

Following CPG agreement, the New Entrants team prepares the paper for ExCo's consideration.

The ExCo paper, which may be supported by a short slide deck (prepared by the applicant) is presented, usually by Lloyd's Chief of Markets. The timing of the presentation to the Lloyd's ExCo will be determined by the next available scheduled ExCo meeting.

The outcome will be either:

- The ExCo grants 'in-principle' approval;
- The ExCo requests further information; or
- An explanation of why the ExCo considers that your proposal does not meet the criteria for new SIABs.

Please note that if you would like to start writing business from 1 January of the upcoming year of account, to allow for the time it may take to fully establish the SIAB, you are encouraged to submit your application with sufficient time so it can be considered by ExCo before the end of September

An 'in-principle' decision may be deemed to have lapsed if Permission to Underwrite for the SIAB is not secured within 6 months.

Step 5

Making it Happen

Deliver the operational and administrative aspects

Once the SIAB application has 'in-principle' approval from Lloyd's ExCo, we will work with you through a number of 'Making it Happen' actions.

The New Entrants team will set out and explain the actions required to obtain final approval (Permission to underwrite).

These actions include:

- Agreeing the SIAB Key Performance Indicators (KPIs)
- Securing capital and finalising the capital arrangements to support the SIAB.
- Obtaining approval of any new corporate member(s).
- Establish the necessary legal arrangements. This will include the SIAB management agreement and/or SIAB Active Underwriter Secondment agreement.
- Possible resubmission of the SBF to the CPG to reflect any material changes

We strongly prefer that the Active Underwriter (AU) of the SIAB is based in the UK. However we recognise that in some cases the applicant may wish to appoint an AU who is resident overseas.

In these cases the applicant and the managing agent will need to establish a set of protocols ((to be confirmed as appropriate by Lloyd's) that ensure the activities of the AU are conducted in the UK. Conducting AU functions overseas could create a 'permanent establishment' that could jeopardise Lloyd's tax agreements.

We anticipate that a SIAB application will take approximately six weeks to complete the Making it Happen stage. However, this time frame excludes any material period in which we are waiting for responses to questions we raise and responses to requests for additional information.

When all the Making it Happen actions are satisfactorily completed, your application will move to the final stage - Permission to underwrite.

Step 6

Permission to underwrite

Final approval and launch

The Business Opportunities Committee has delegated authority to agree the final Permission to underwrite. The New Entrants team will prepare a submission to the Committee summarising the application and confirming that the requirements of the Making it Happen process have been successfully completed. This stage can usually be completed by circulation of a paper to members of the Committee, without the requirement for a meeting. Unless a member of the Committee requests further information, agreement will be confirmed within two working days.

In some cases, where there are Making it Happen actions that are not fully completed, these may be addressed by the addition of conditions to the Permission to underwrite.

We will send a letter confirming Permission to underwrite. The SIAB cannot commit to or bind any business until this letter is received.

Post Permission to underwrite

The 'Making it Happen' review work is likely to give rise to a number of post-approval deliverables. In most cases these arise through the Principles review work but could relate to other MiH actions. The schedule of any such deliverables will be attached to the approval letter.

In line with all syndicates, the SIABs performance is subject to review and annual assessment by the relevant Lloyd's technical teams. The managing agent will provide half yearly metrics on behalf of the SIAB to validate it is performing in line with the agreed plan.

Please note that any material diversion from the three year strategy or underwriting plans will need to be submitted to the Business Opportunities Committee for review / agreement. This is intended to be a 'lite touch' process.

Appendix 1

Capital Setting and Lloyd's Standard Model

Calculating a SIAB's Solvency Capital Requirement (SCR)

Although not subject to a review against the Principles for doing business through the Making Happen process a SIAB needs to adhere to principle 5 relating to capital – which means that it needs a Solvency II compliant internal model, which requires longer timeframes and significant resource to build. Therefore, the practice for new SIABs is to set their capital using Lloyd's Standard Model (LSM) until they have had their internal model approved.

The Lloyd's Standard Model is a spreadsheet model which calculates the capital requirement for the SIAB, which is structurally based on the Solvency II Standard Formula.

All SIABs are required to have applied for and been granted internal model approval within four years of account of underwriting – this can be extended in some circumstances, e.g., if the first year of account was a partial year. A SIAB that is approved to transition to a full syndicate after three years can use the LSM to model capital in year four. Syndicates cannot normally apply for internal model approval in their first year of account.

[Click here for more information](#)

Lloyd's approach to setting the ultimate SCR for a new SIAB

Year 1 capital setting:

The LSM inputs include:

- The first year SBF set out by Lloyd's risk code. The net claims are used as exposures for the insurance risk calculation, but expected profit is also used as an offset in the capital calculation.
- A preliminary indication of the catastrophe risk within the proposed SIAB's plan during the first year, based on the Risk Disaster Scenario exposures and any cat model simulations.
- Information about planned asset holdings.
- Information about planned outwards reinsurance with regards to credit risk exposures and risk mitigation.

Operational risk is considered by the Capital and Planning group and, where relevant, added as a charge which depends on the age of the syndicates – so it is higher in the first year than subsequent years, with further risk charges for managing agents where there are any existing governance and risk management concerns.

Mid-year start – part year business plan:

Where a syndicate starts underwriting at Lloyd's part-way through a year of account ('mid-year start') Lloyd's will determine whether the premium needs to be annualised.

Factors affecting a SIAB's first year SCR/Economic Capital Assessment

Fixed:

- Economic Capital Assessment uplift: All syndicate SCRs are uplifted by a common factor to increase the SCR (at a BBB rating) to support Lloyd's current rating. At present the uplift is 35%.

Variable:

- Business mix: The SCR for an SIAB's business plan that is focused on a limited number of lines (classes) of business may result in a higher SCR.
- Volatility of business: A business plan focused on more volatile (e.g., catastrophe exposed) business in more volatile geographic locations may result in a higher SCR. Please note that this is also relevant for non-natural catastrophes like terrorism/war, cyber etc.
- Loss ratio and profit expectations: The LSM uses the expected claims from the syndicate, hence higher loss ratio and lower profit expectations will lead to a higher capital requirement.
- Risk Mitigation: Reinsurance arrangements like whole account stop losses will lower the capital requirement.
- Mid-year start: Projected part year premium may be a disproportionately low proportion of the annualised year 1 premium figure.

Lodging Funds at Lloyd's (FAL) in currencies other than GBP

It is acceptable to lodge FAL in currencies other than GBP. You are allowed a 7 day window on the 'day rate' (spot rate) to convert to GBP, however you should check with Lloyd's FAL team that the non-GBP FAL when converted is sufficient to cover the member's funding requirement (member ECA) in GBP.

Years 2 and 3 capital setting:

You can model the SCR for years one to four through the LSM. For year five the SIAB will need to have developed an approved Solvency II model for capital setting purposes.

You may also wish to review other useful resources on [Lloyd's.com](https://www.lloyds.com).

Disclaimer and Copyright

We have written this document to provide you with some general information. You should refer to the relevant byelaws and Lloyd's formal requirements, where applicable. The information in this guidance is correct at the date of publishing, but it may change.

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