

# **Market Message**

## **Q1 2024**

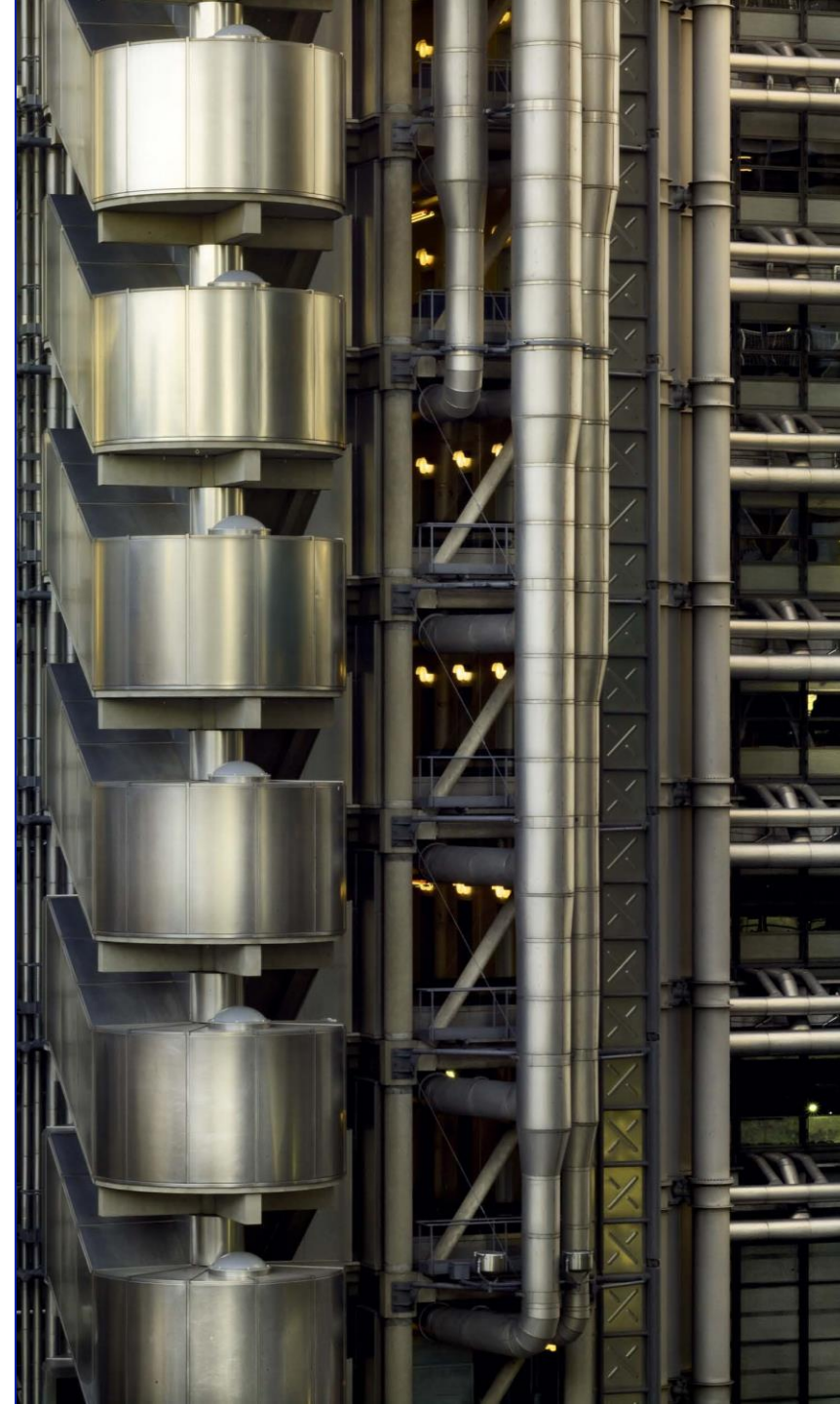
**Patrick Tiernan, Chief of Markets**

**Kirsten Mitchell-Wallace, Director of  
Portfolio Risk Management**

**Burkhard Keese, Chief Financial Officer**

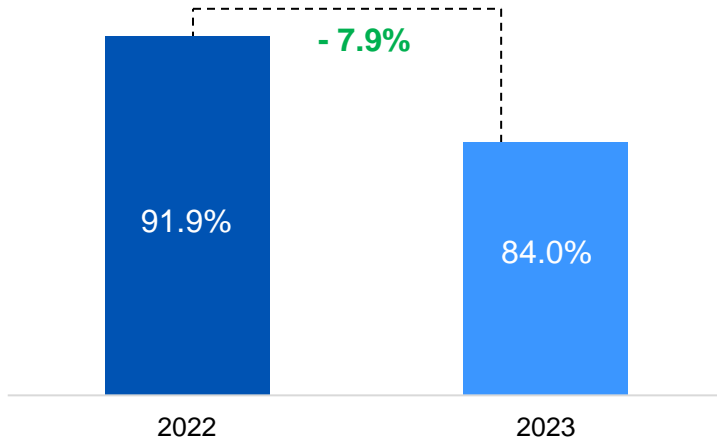
# Purpose of the session

- 1 2023 Preliminary Results
- 2 Market Outlook
- 3 Managing Volatility: Nat-Cat and Cyber
- 4 CFO Update
- 5 Key Takeaways

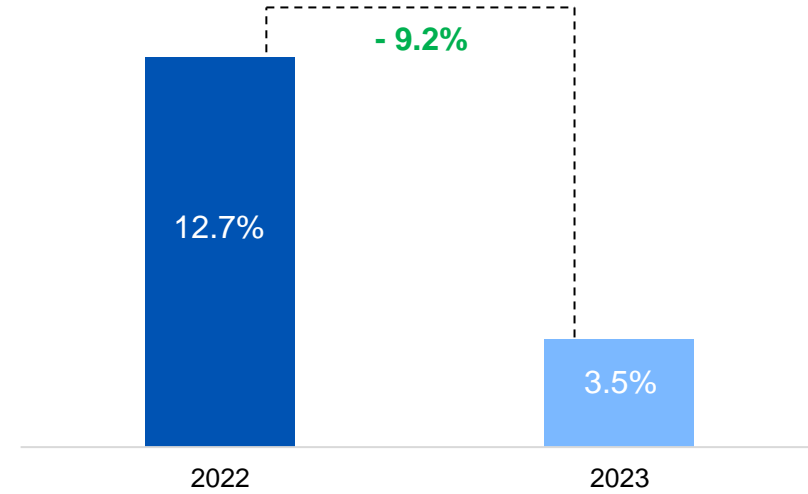


# 2023 Preliminary Results: Key Highlights

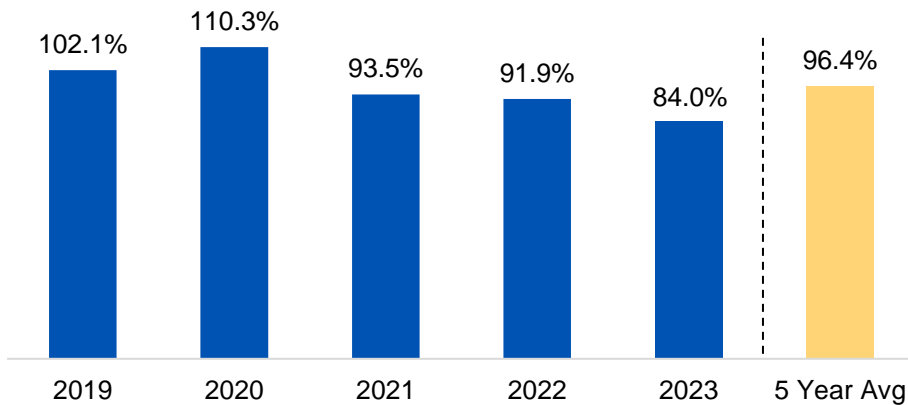
Net Combined Ratio



Major Claims Ratio



5 Year Net Combined Ratio



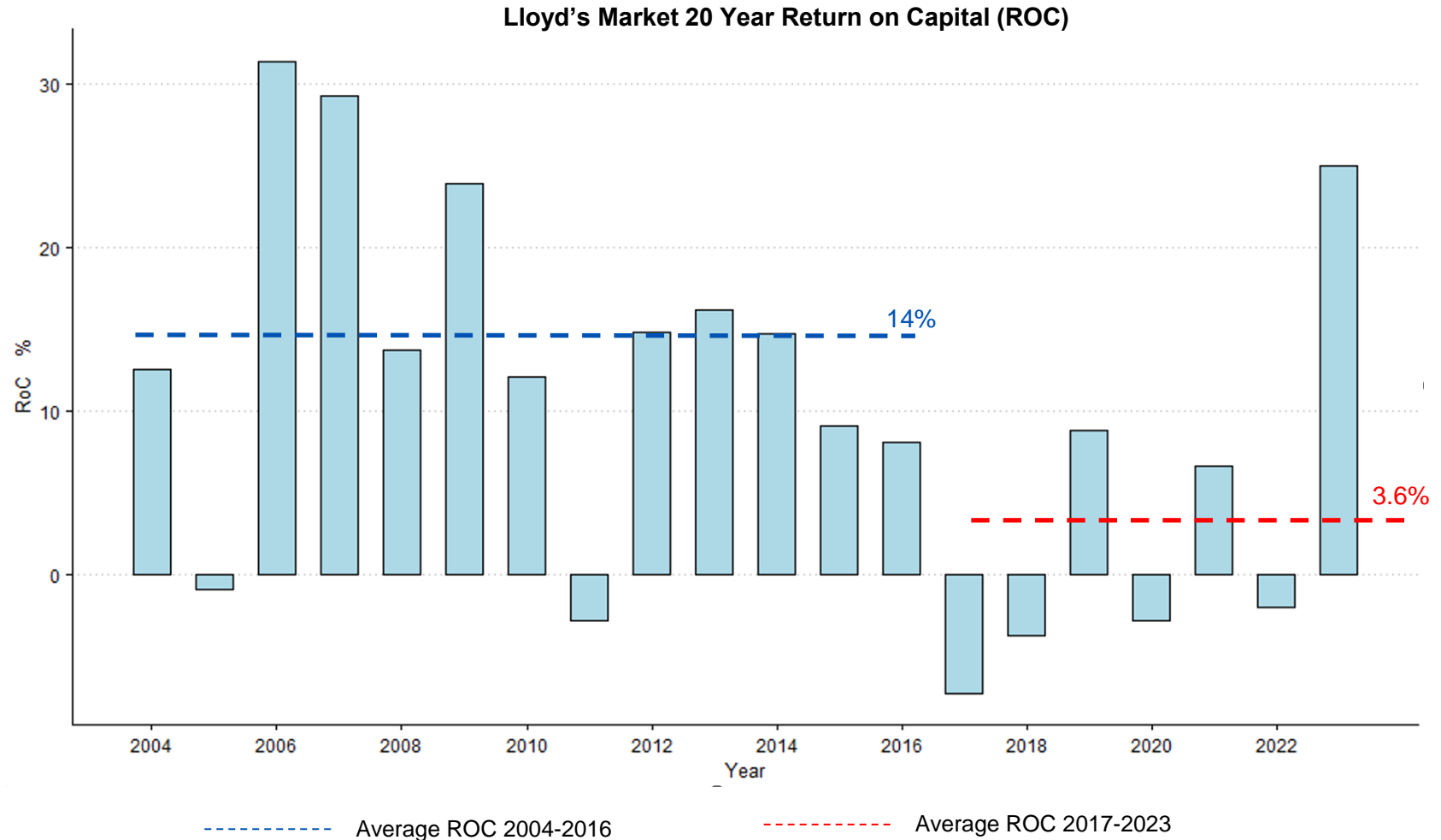
5 year average NCR ex-COVID is 93.7%

GWP Growth



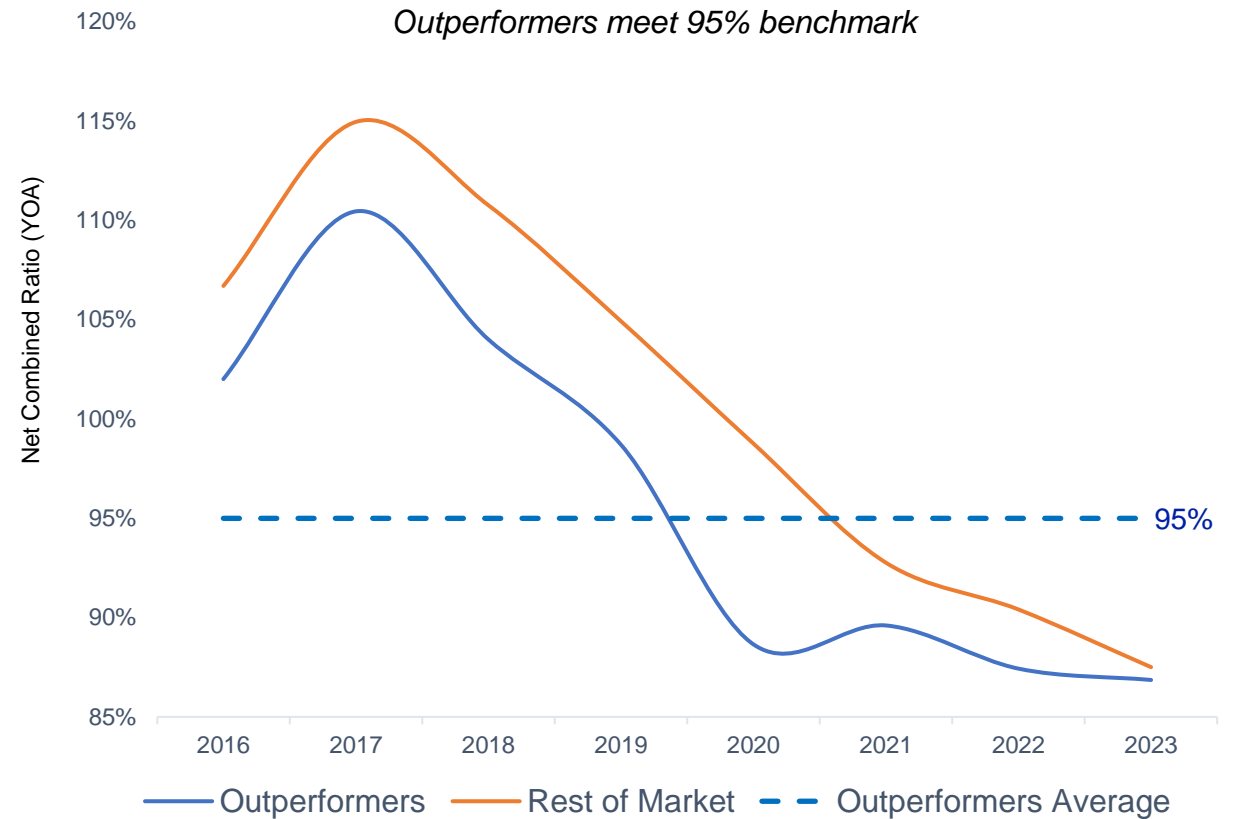
# Focus on the fundamentals

- 1 Capital
- 2 Demand
- 3 Volatility



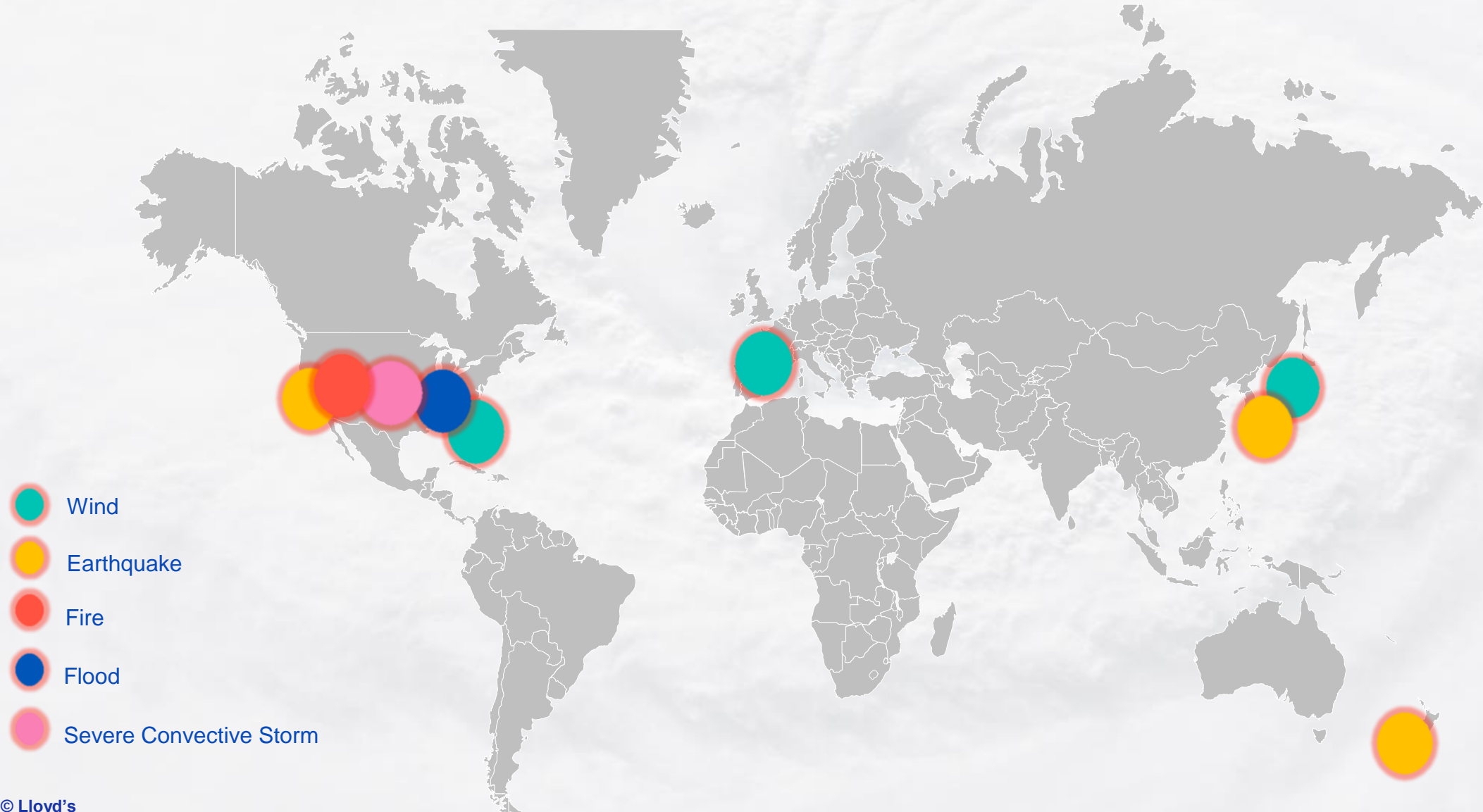
# Evolution of the current underwriting period

- 1 Remediation
- 2 Rising exposure values
- 3 Rising inflation and interest rates
- 4 Underlying rate adequacy
- 5 Sustaining underlying performance

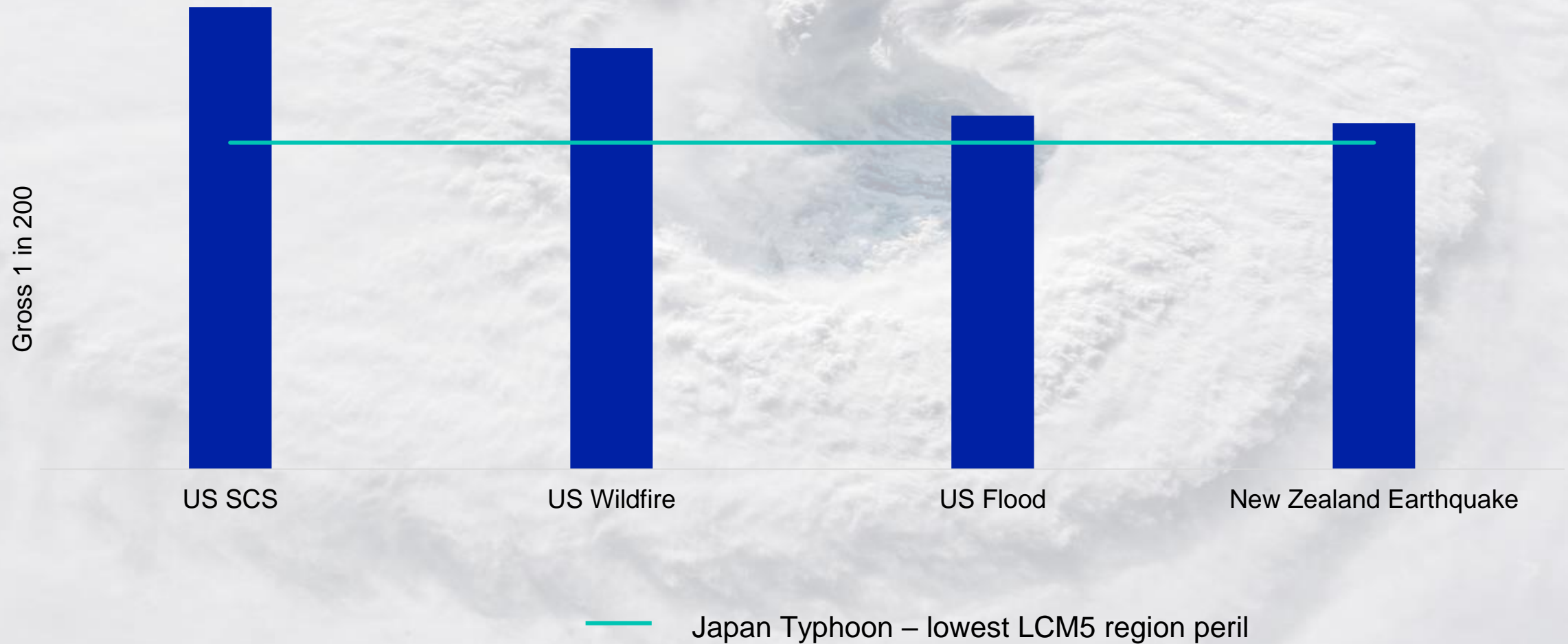




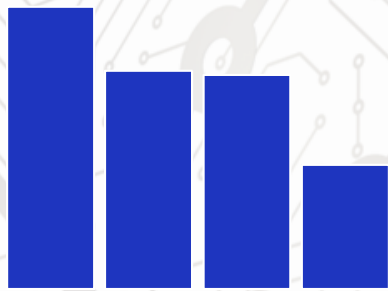
# Most material perils for Lloyd's



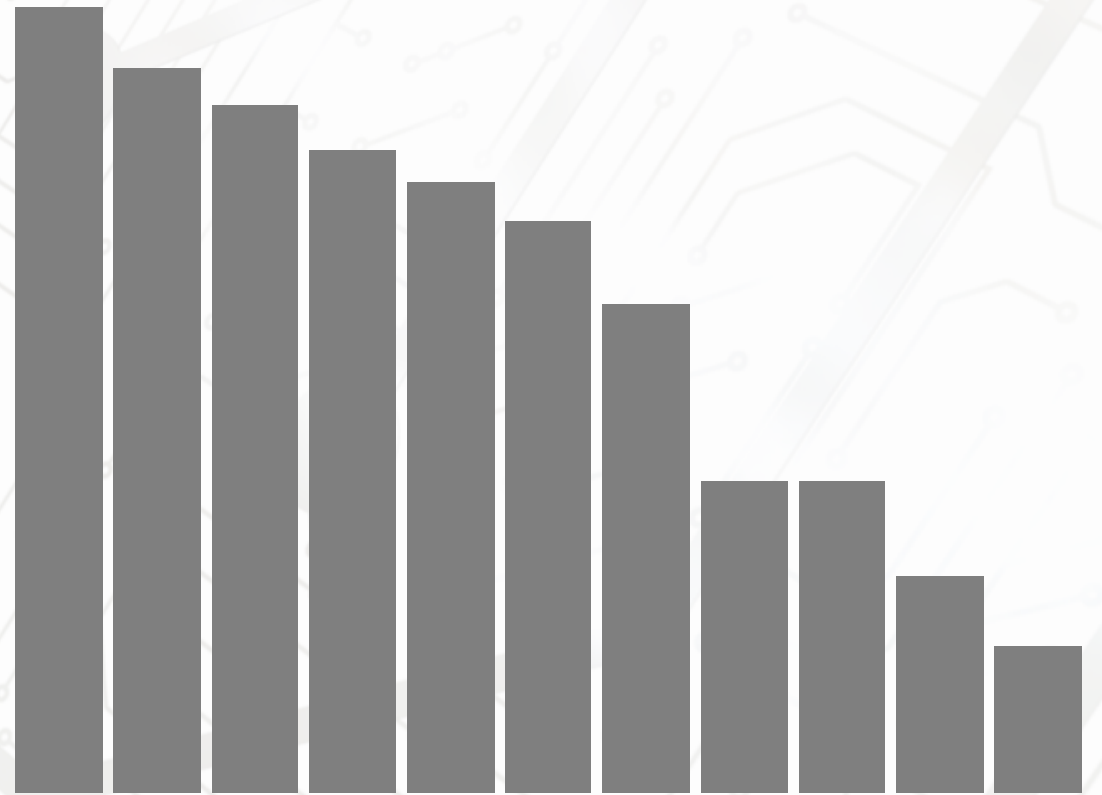
# Non-Peak exposure is increasing



# Cyber aggregations in context



Cyber RDSs



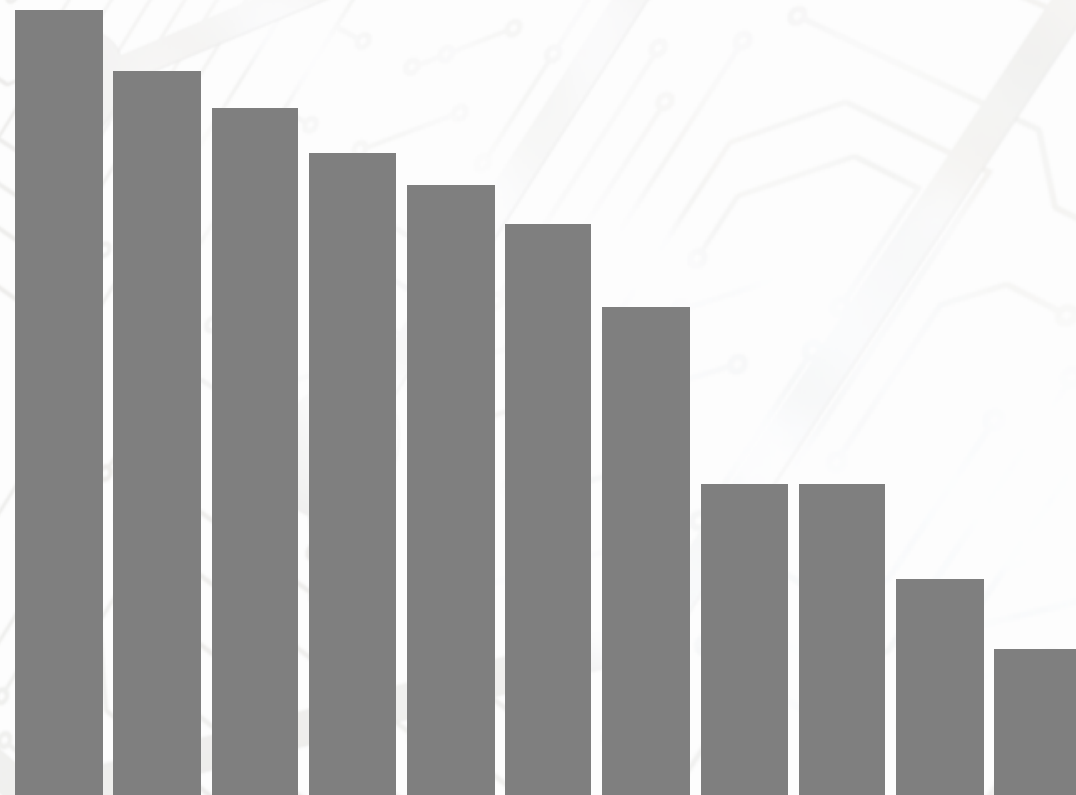
Nat Cat RDSs



# Cyber aggregations in context



Cyber RDSs



Nat Cat RDSs

# Cyber oversight

## Guiding Principles

- 1 Profitable across the rating cycle
- 2 Aggregation management
- 3 Adequate capitalisation

## Exposure Management Ingredients

- 1 Exposure data
- 2 Scenarios
- 3 Probabilistic models

**Creating confidence to take risk**

# Four pillars of Lloyd's cyber market management strategy

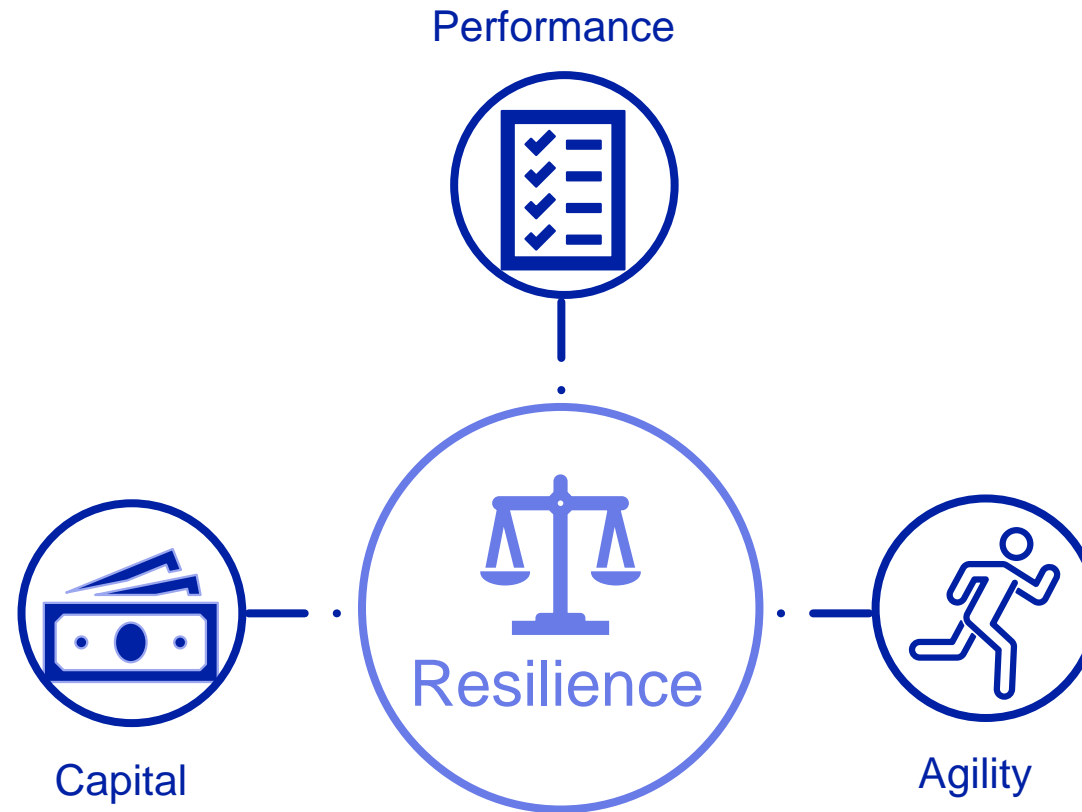
1 Assessing capability

2 Understanding exposures

3 Preparing for a major event

4 Developing insights and market intelligence

# In uncertain times, resilience is key



# 2023 Preliminary results context

## 2023 Performance

84.0% COR, including 4% major losses

25% return on capital

10-year US treasury rate is ~4%

**BUT**

## Multi-Year Perspective

Underlying COR (ex large losses) on 2022 level

Between 2017 and 2023, £1.5bn profit and 3.6% return on capital

US CPI is 3.1%, real interest rate is 0.9%



# Discipline must be maintained to deliver value

## 2023 Debrief

By the end of 2023, London Bridge had raised over \$750 million in capital to support underwriting at Lloyd's across 13 cells.

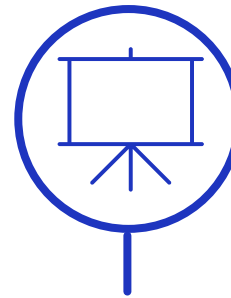
Solid progress on London Bridge's transactions and initiatives:

- ❑ LB2 successfully issued its first 144A cat bond, sponsored by Beazley.
  - ❑ Using New York as the governing law for the principal transaction documentation, it provided multi-year named storm and earthquake protection for Beazley's Lloyd's syndicates, US E&S insurer, and Irish carrier.
  - ❑ Positive media coverage highlighting the ease and efficiency of using the LB2 platform, providing a roadmap for other market participants to follow.
- ❑ Growth in existing investments:
  - Increased participation for Ariel Re Syndicate 1910; including >\$50mn excess FAL release
  - New cell supporting Nephila.

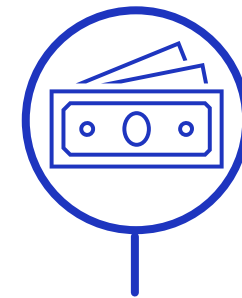
## Investor Needs



Adequate returns on  
Capital



Transparency of fully  
modelled and validated risk  
return profiles



Predictability of  
cash flows

# 2024: Reduction in costs and increase in transparency



**Reporting**

Responding to feedback by reimagining the QMA & TPD processes



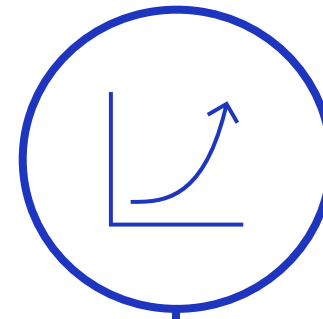
**Cost**

Optimising the charging structure for the Market



**Benchmarking Data**

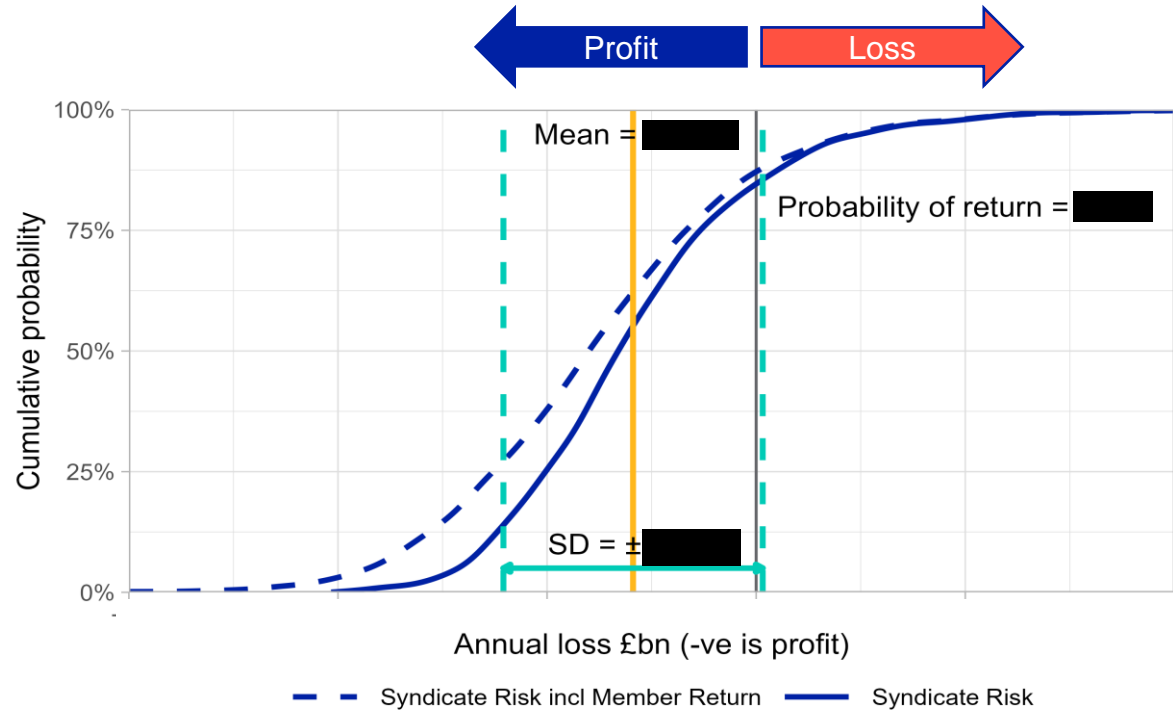
New Lloyd's Classes of Business



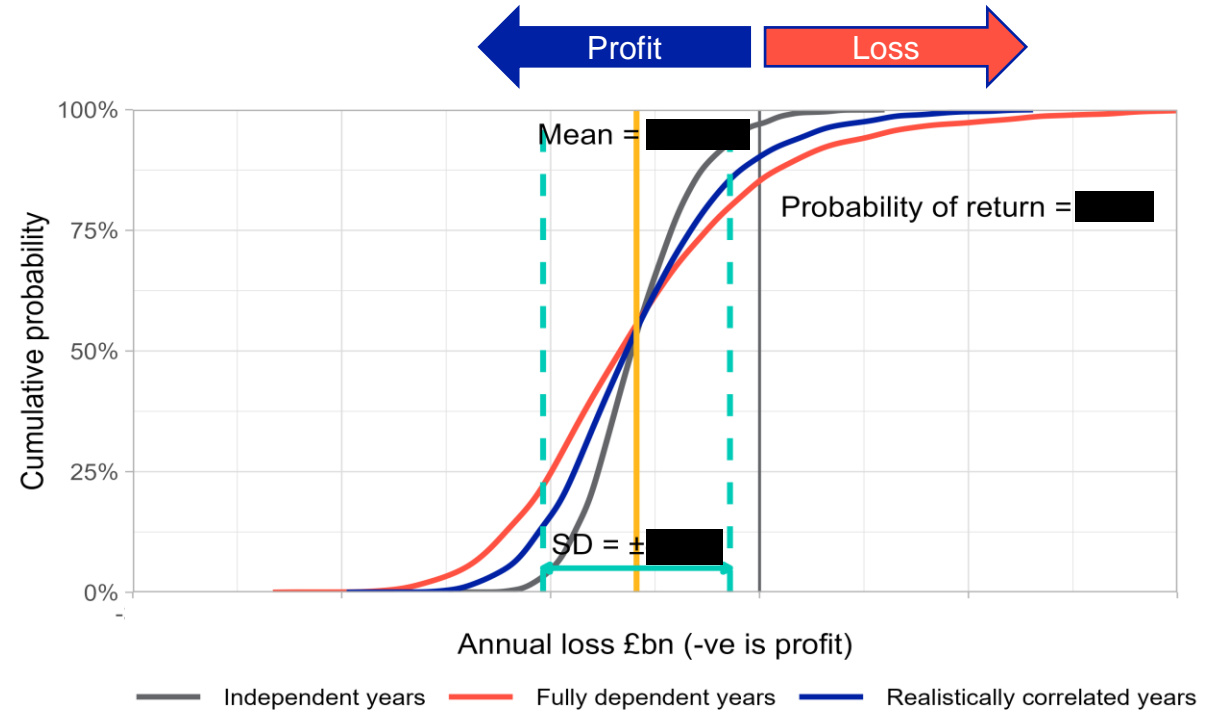
**Transparency**

Lloyd's EP Curves

# EP Curves: Telling the quantitative Lloyd's story

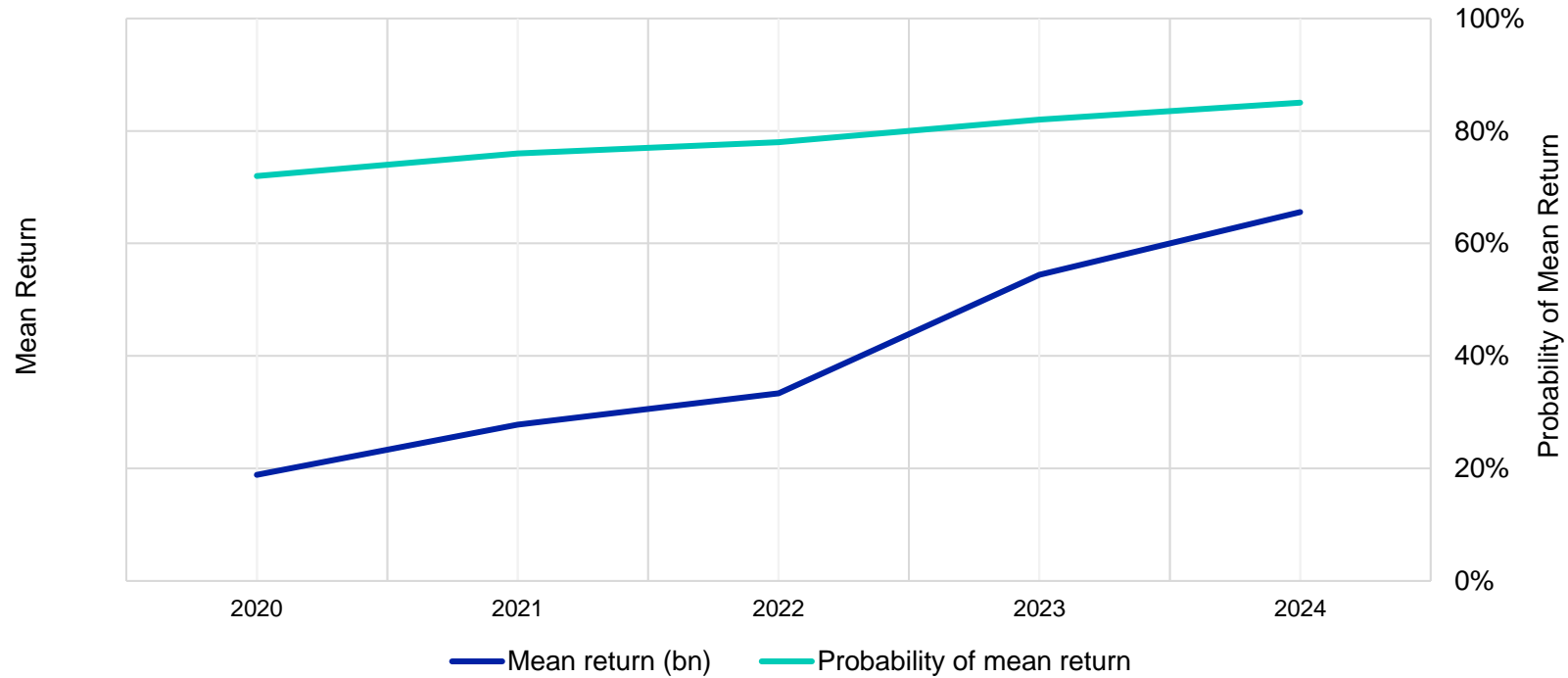


1-year standard deviation



5-year standard deviation

# EP Curves: Great development from 2020 - 2024



# Key Takeaways

1 We will not let go of performance at Lloyd's for any reason

2 Current super-cycle will endure

3 Four additional peak perils

4 Growth must be disciplined

5 Increased agility and transparency



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