

Q1 Market Message

Patrick Tiernan, Chief of Markets

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Risk Management**

Purpose of the session

1

Continuing performance improvement

2

Prevailing market conditions

3

Expected impact of 1/1 Reinsurance Renewals

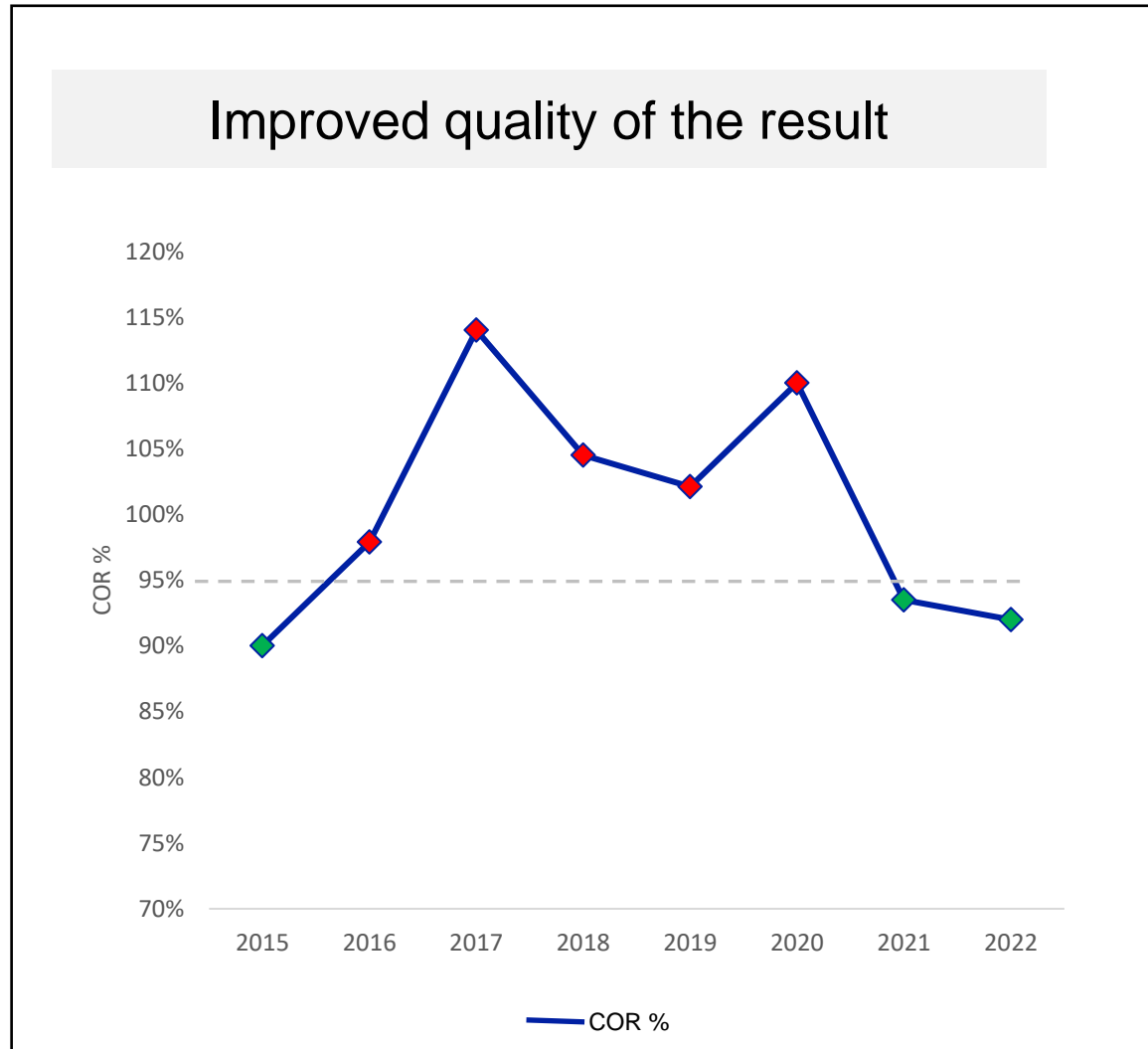
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Volatility and underwriting risk appetite requirements

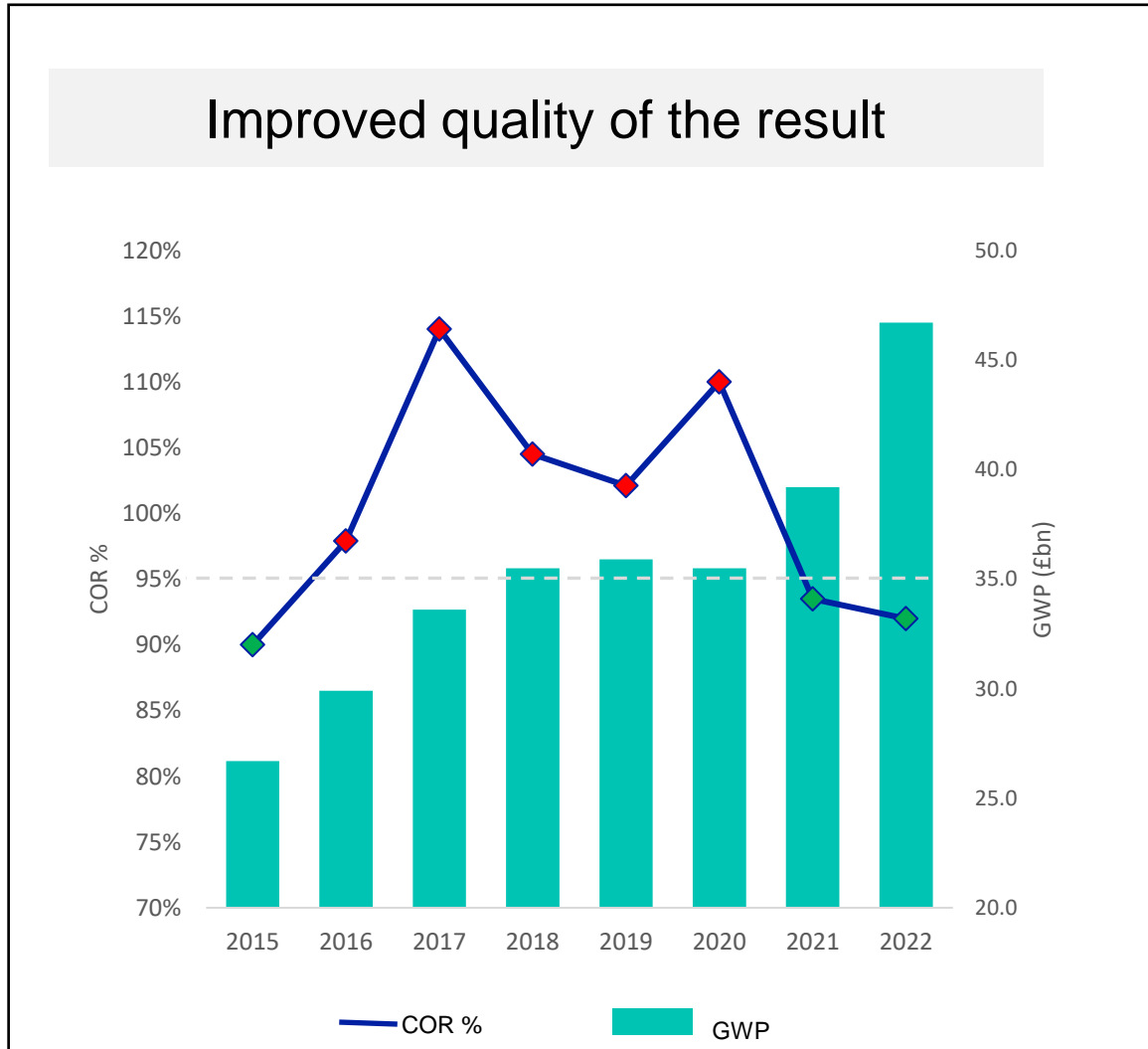
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Emerging Underwriting Risks

Continuing performance improvement

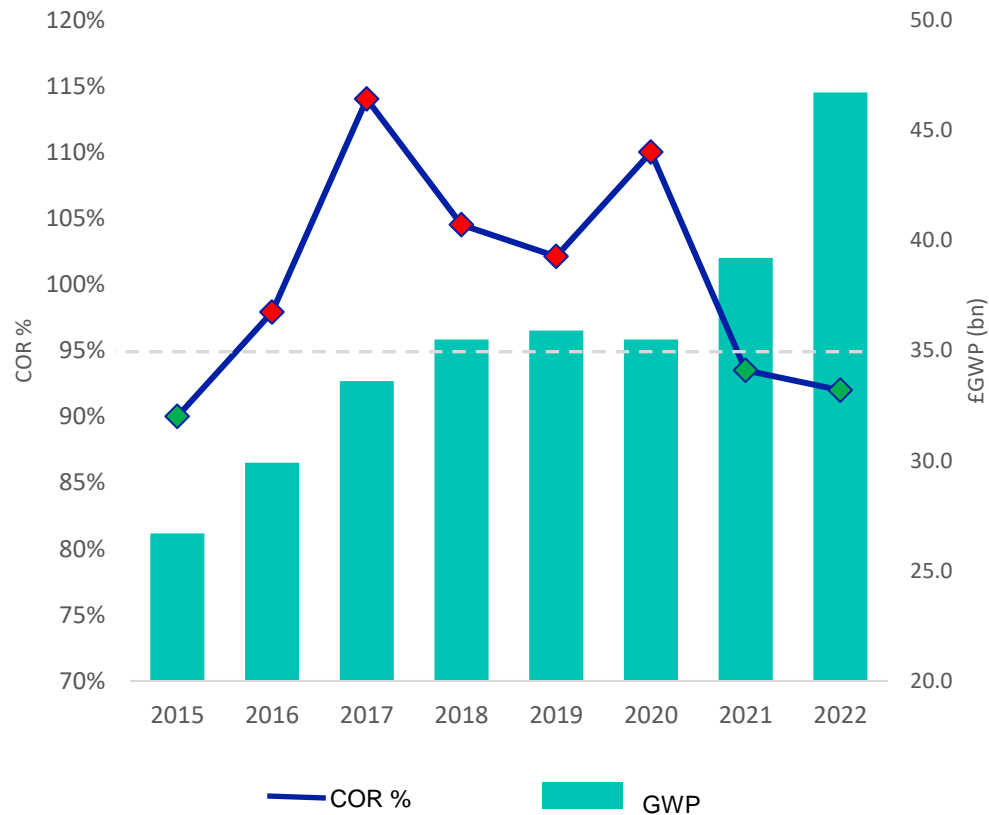


Continuing performance improvement

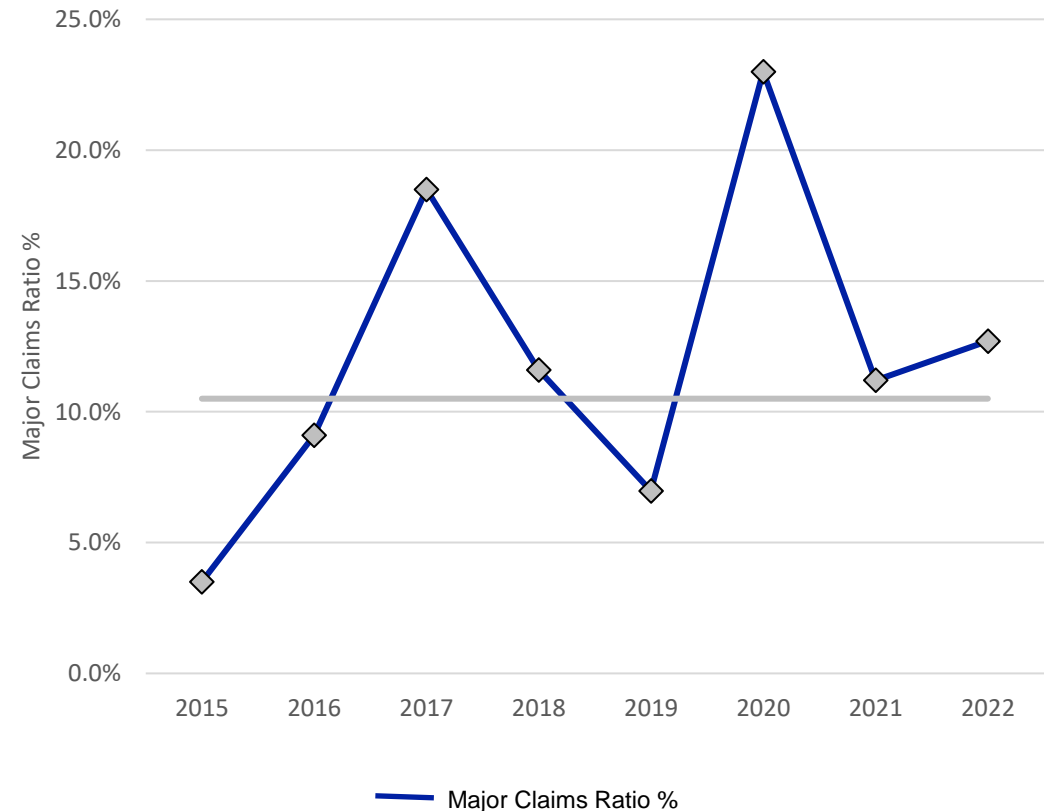


Continuing performance improvement

Improved quality of the result



Increased resilience to major losses



Prevailing Market Conditions



Reinsurance market dysfunction did not materialize but have introduced untested structural volatility



Aggregate impact of resubmissions will change the shape not the size of the portfolio



Property: attractiveness of well defined layers vs more difficult to protect low level binders



Rate and terms softening in D&O and Cyber



Coverage alignment issues in war impacted Specialty classes



Must demonstrate a clear understanding of your risk appetite

Creating confidence to take risk

Kirsten Mitchell-Wallace, Director of Portfolio Risk Management

Expected impact of 1/1 Reinsurance Renewals

Observations

Impact

Response

Property



- Attachment point increases from ~1 in 5 to ~1 in 10 return period
- Decrease in sideways cover
- More net exposure in Cat XL programmes
- More limited treaty coverage

- Increased volatility

- Scrutinising 1 in 10 modelled nat cat losses and planned breakeven probabilities.

Specialty



- Partial unbundling of composite treaties
- Material reduction in capacity for WTPV cover
- Tightening of event definitions

- Gap between inwards and outwards
- Potential increase in tail risk

- Equal focus on exposure management across all classes
- Prioritise gross underwriting management

Managing Volatility



The body of the distribution deserves just as much attention as the tail



Consistently review the proportion of earnings/capital you are willing to lose every 10 years



Best practice guidance will be issued to the market by Q3



Expect syndicates to be profitable at a frequency explicitly accepted by Boards



Give us confidence in your plans

Emerging Underwriting Risks

Patrick Tiernan, Chief of Markets

Geopolitical Risk



Critical that we learn lessons from experiences with Ukraine



Must build resilience against future external shocks



Assessing exposure from geopolitical tensions in the Taiwan straits region



Three scenarios escalating in terms of severity and supply chain impact



Considering the aggregation of risk across a number of key classes

Cyber



Lloyd's cyber war bulletin comes into effect on 31st March



Clarity on coverage and appropriately structuring risk is key to market sustainability



Focus must now shift towards developing new products and propositions



Lloyd's Cyber Pre-mortem inflight

Key takeaways

1

Improved quality of underwriting result in 2022

2

Must protect the attritional loss ratio for the volatility ahead

3

Underwriting appetite focus at the 1 in 10 to reflect market conditions

4

Open and supportive to those well positioned to take advantage of current opportunities

5

Challenges ahead require more creativity, collaboration, and capacity

Q&A