

Market Message

June 2023

Patrick Tiernan, Chief of Markets
Emma Stewart, Chief Actuary



Purpose of the session



State of the market



Forward looking underwriting perspective



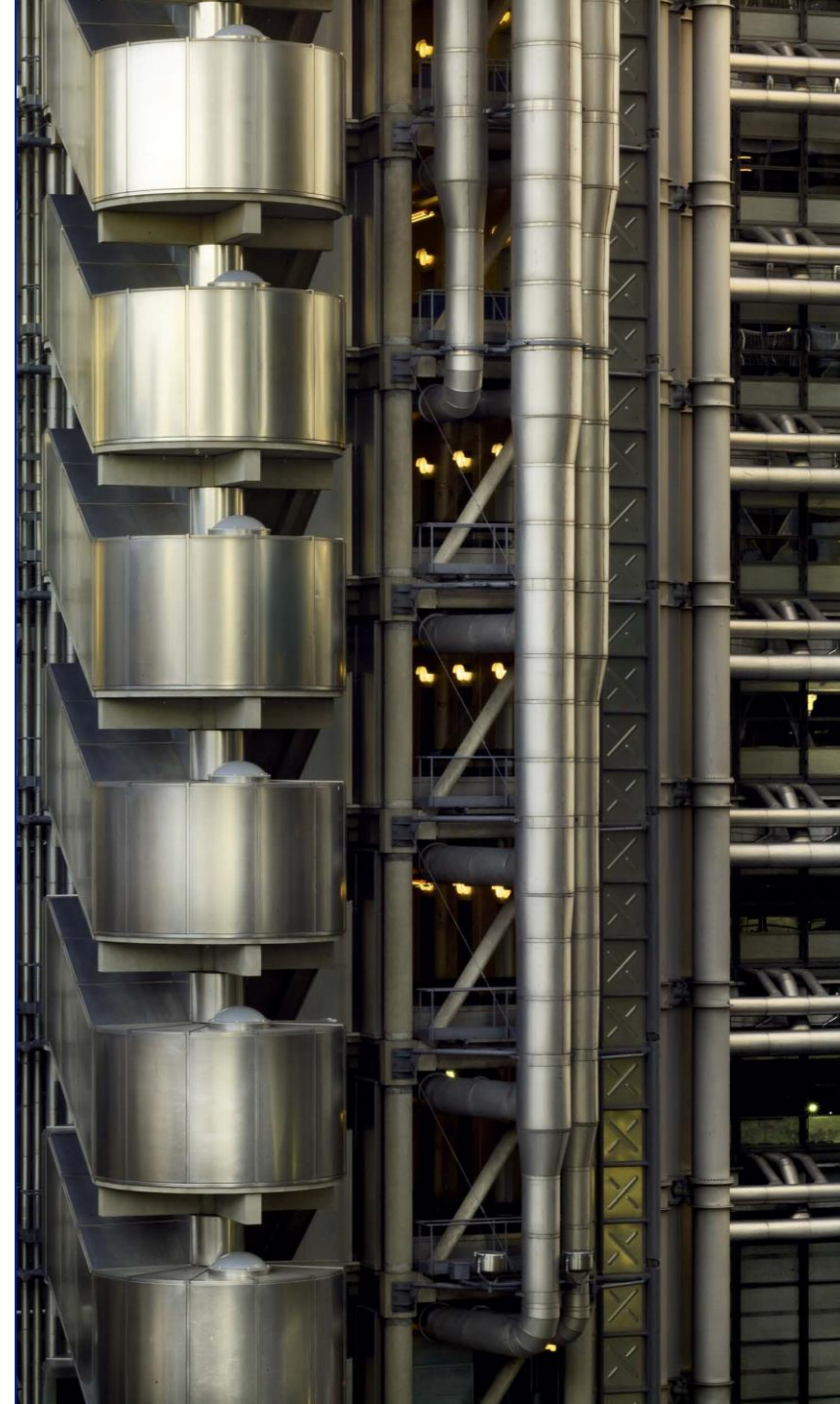
Approach to 2024 Planning



Claims



Key Takeaways

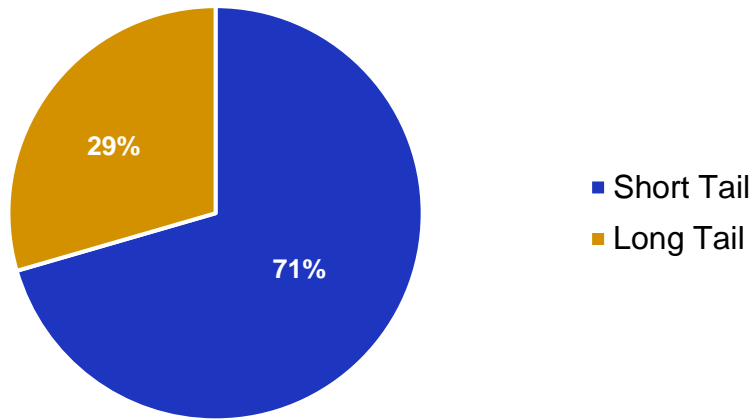


Well positioned for a sustainable future

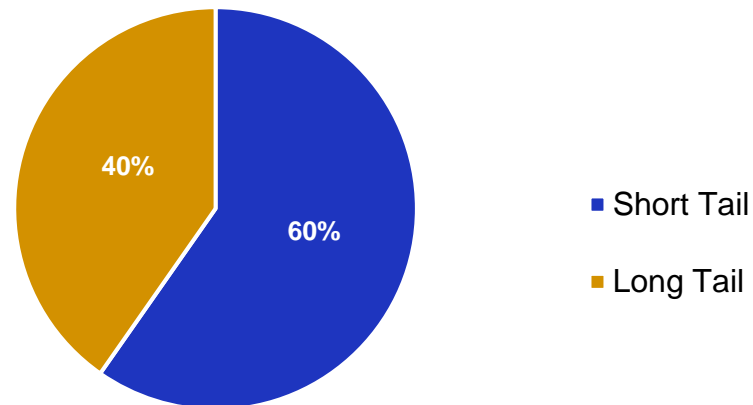


Changing Shape of the Portfolio

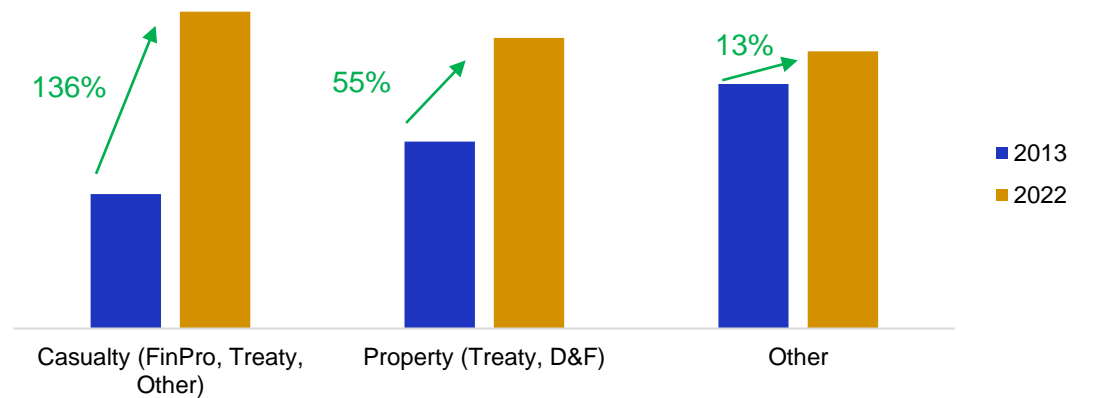
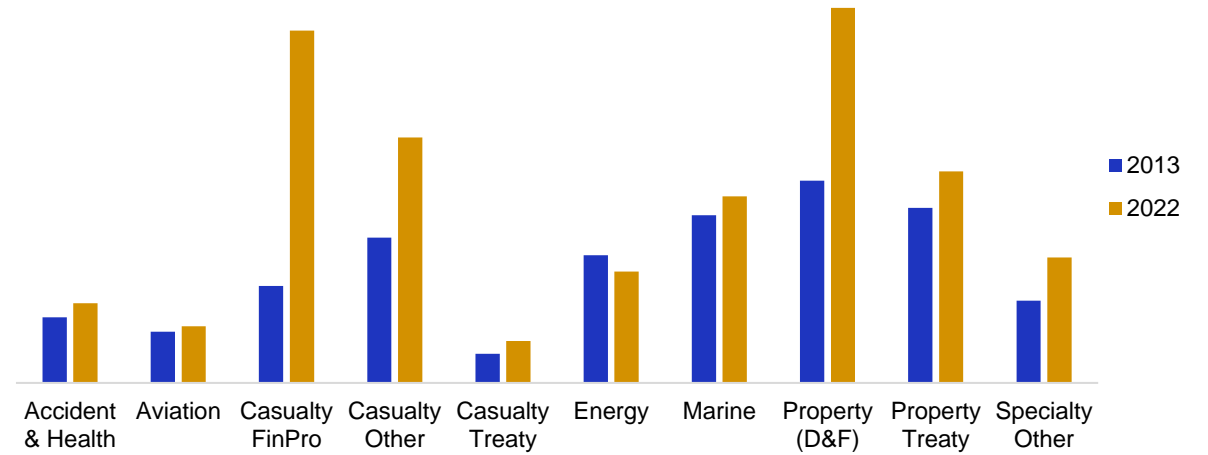
Short Tail / Long Tail Split (2013)



Short Tail / Long Tail Split (2022)

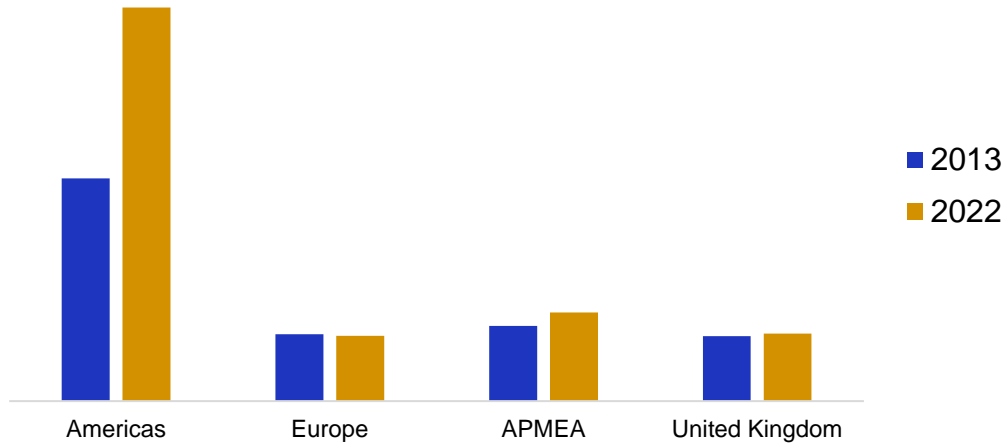


Gross Written Premium

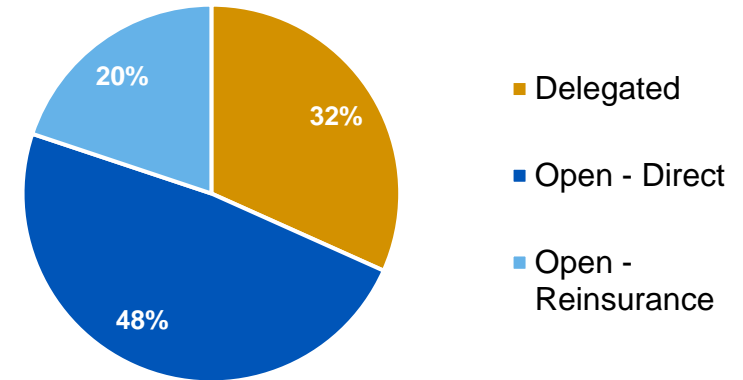


Changing Shape of the Portfolio

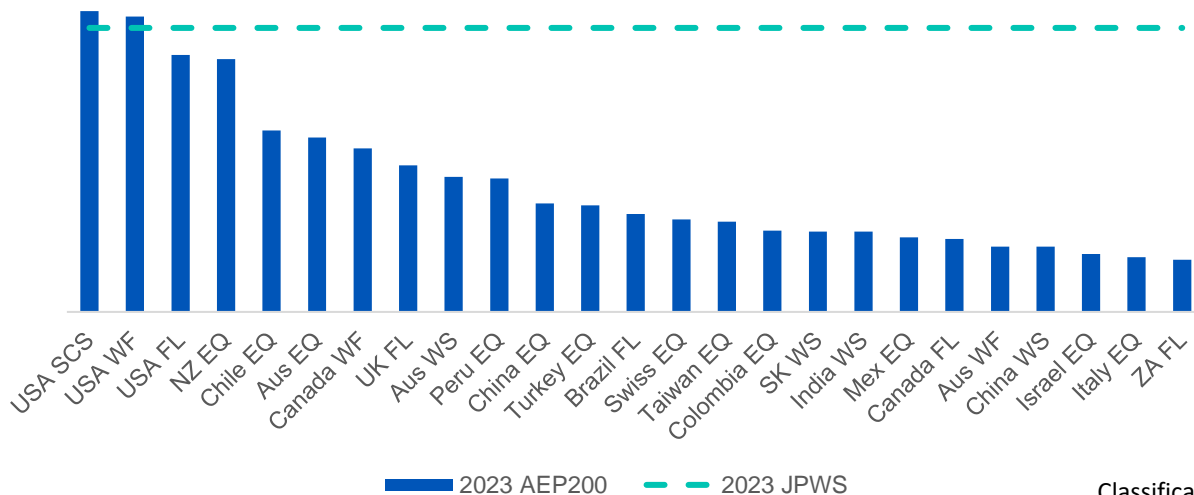
Geographic Split



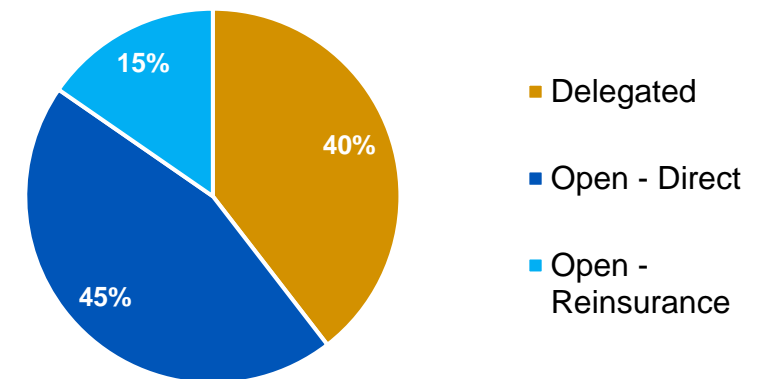
Distribution Method (2013)



Non-peak perils



Distribution Method (2022)



Underwriting Forward Looking Perspective

Stimulus

Focus Areas



Geopolitical Risk



Political Violence, Terror, SRCC



Macroeconomic Pressure



FinPro / D&O



Delegated Underwriting



Performance Management Framework



Catastrophe Loss Picks



Judgement beyond models



Reinsurance Market Volatility



Execution Risk



Cyber



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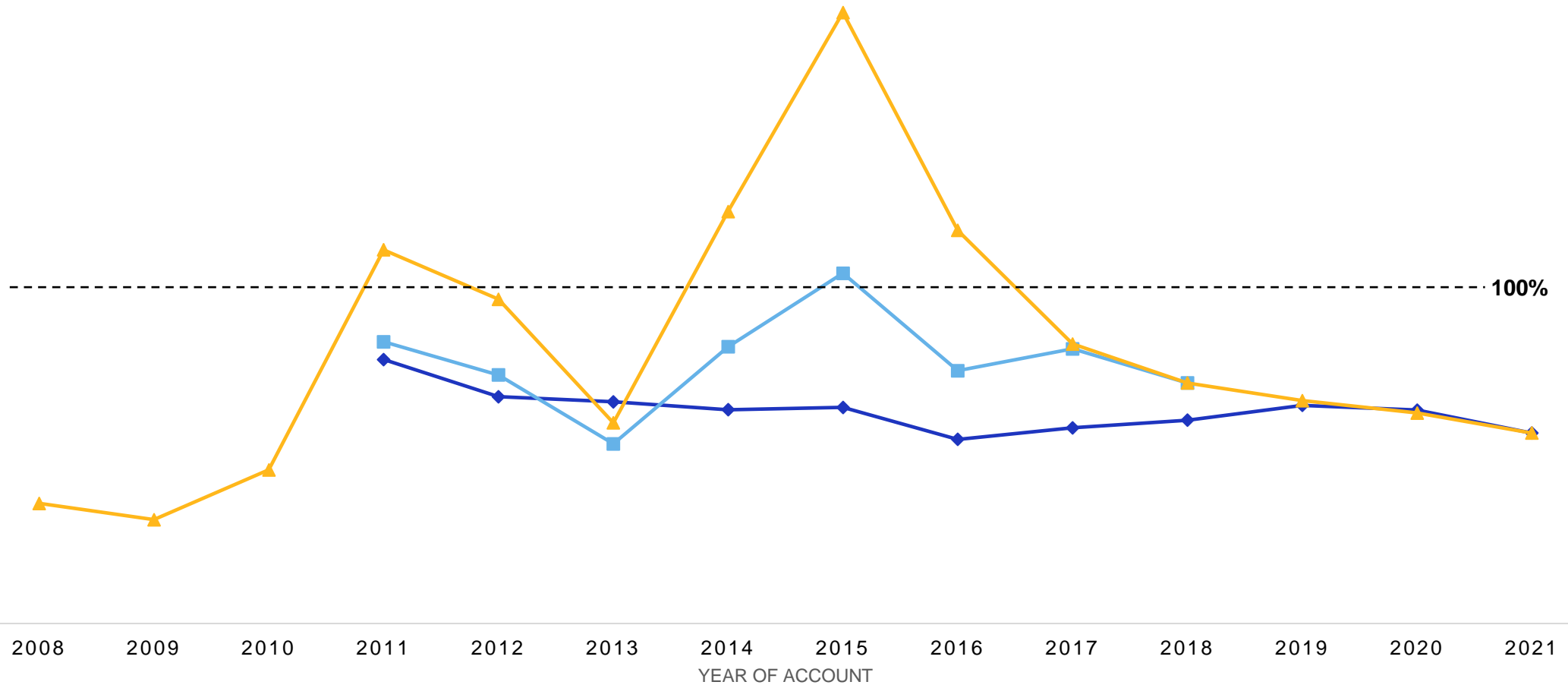


Cyber



Oversight Implications

D&O Loss Ratio Deterioration



◆ TPD @ Year 1 ■ TPD @ Year 4 ▲ TPD @ 21 YE

Classification: Confidential

Underwriting Forward Looking Perspective

Stimulus

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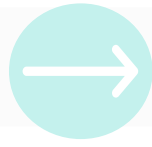
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Political Violence, Terror, SRCC



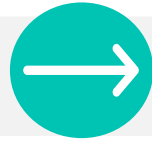
Macroeconomic Pressure



FinPro / D&O



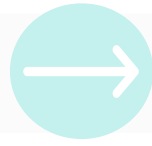
Delegated Underwriting



Performance Management Framework



Catastrophe Loss Picks



Judgement beyond models



Reinsurance Market Volatility



Execution Risk

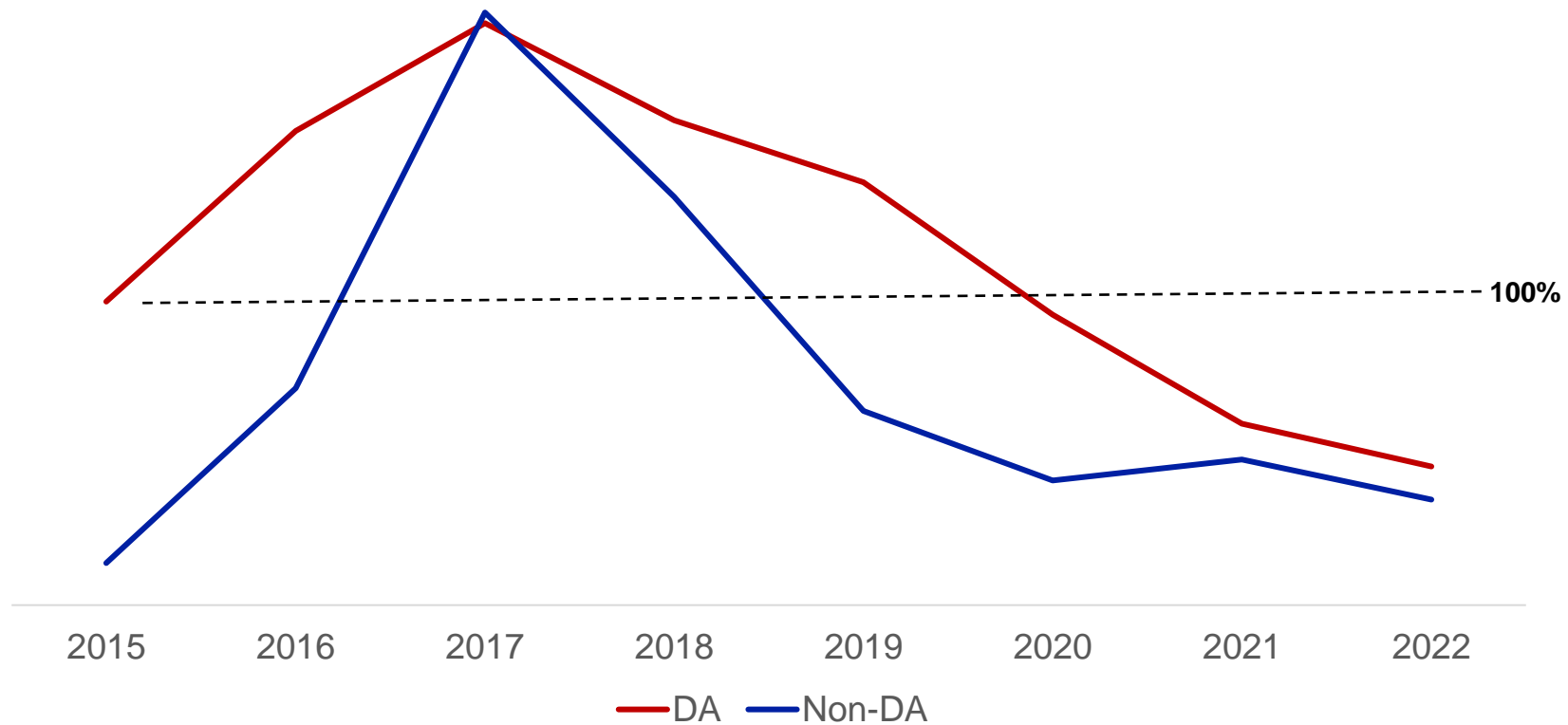


Cyber



Oversight Implications

Delegated Underwriting: Performance Lag



Underwriting Forward Looking Perspective

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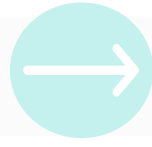
Macroeconomic Pressure



FinPro / D&O



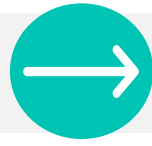
Delegated Underwriting



Performance Management Framework



Catastrophe Loss Picks



Judgement beyond models



Reinsurance Market Volatility



Execution Risk

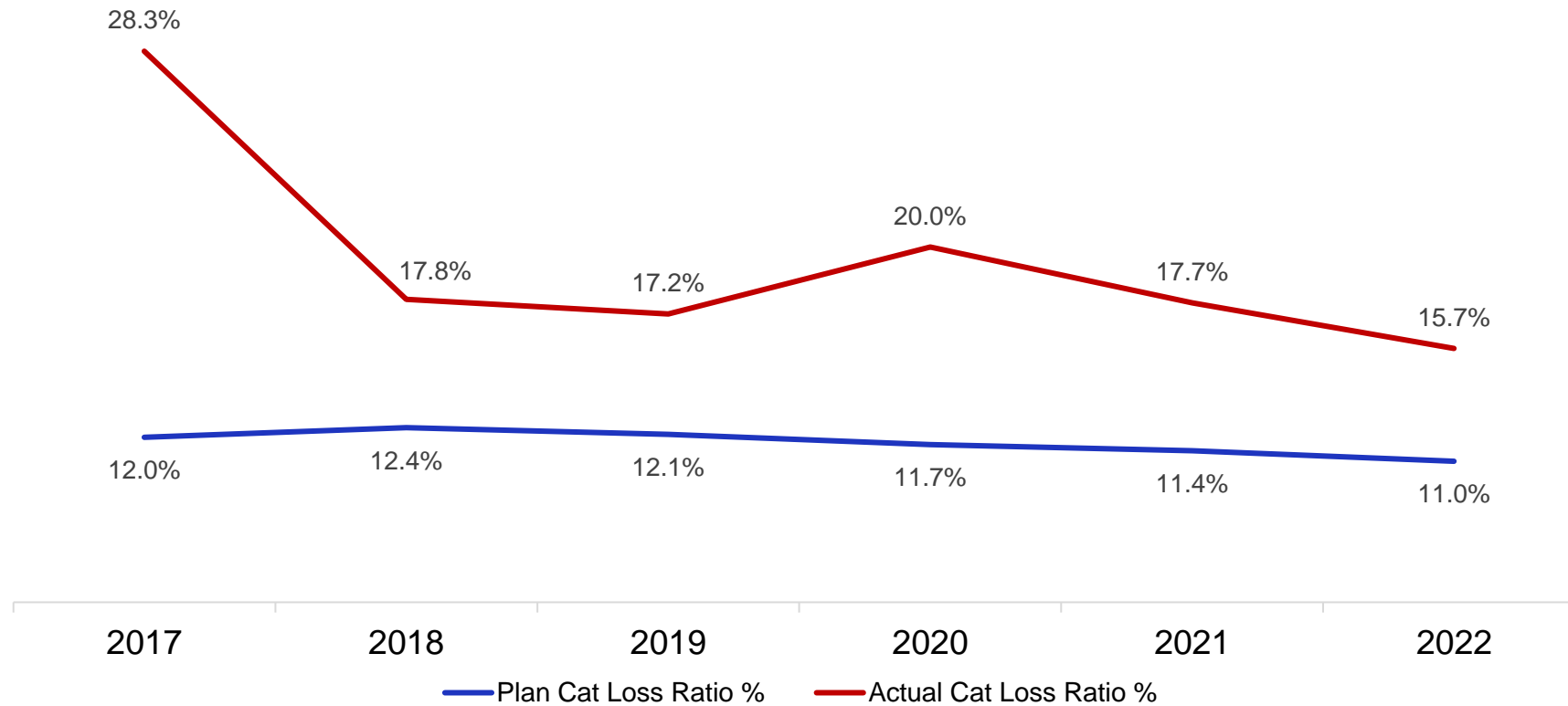


Cyber



Oversight Implications

Catastrophe Loss Picks



Underwriting Forward Looking Perspective

Stimulus

Focus Areas



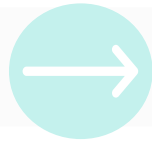
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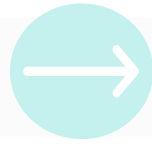
Macroeconomic Pressure



FinPro / D&O



Delegated Underwriting



Performance Management Framework



Catastrophe Loss Picks



Judgement beyond models



Reinsurance Market Volatility



Execution Risk



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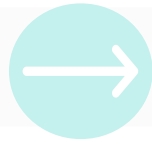
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Reinsurance Market Volatility



Execution Risk



Cyber



Oversight Implications

Approach to 2024 Planning

Outperforming

- De-minimis plan review
- Focus on performance

Good

- Business plan review to focus on material issues only as part of a portfolio based approach
- Expect light review across other areas of plan

Moderate / New

- Detailed Business Plan review
- Review level of other areas of plan driven by principle level rating & oversight framework

Underperforming

- Intensive plan review in line with Board Level Discussions
- Must operate strictly within confines of remediation plans

All plans subject to all franchise guidelines and LCR movements

Capital Setting environment continues to be complex

Capital increases

- **Capital requirements will increase with growth and net exposure**

The 'plateau of chaos'

- **The 'polycrisis' has settled and fewer stand out focus areas**
- **But landscape continues to be unpredictable and complicated**
- **Inflation has entered a new phase**

Models must reflect risks

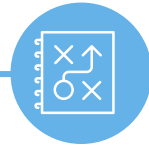
- **Capital must be aligned with the risk profile of the syndicate**
- **Models need to reflect the environment and dependencies**

Differentiated approach to syndicate capital reviews



Year-round capital oversight model

Detailed reviews moved out of the CPG window where comfort to do so



Fast-track eligibility linked to Capital Principle rating

Status confirmed once receive LCR submission (which fast-track status does not impact)



Review and interventions are risk-based

Immaterial loadings are waived and Indicative loadings signpost to material concerns

Claims



Lloyd's Claims Lead Arrangement effective from June 1



Increase ambition for claims management and customer experience



Claims must be a key strength of the Lloyd's brand



Adoption of Faster Claims Payment solutions is critical

Key Takeaways



Operating in a period of continuous elevated risk



Past performance gives reason for optimism not complacency



Managing key risks generates the confidence needed to provide flexibility



2024 planning will employ the benefits of a principles-based approach



Expect growth trajectory to continue with increased contribution from new solutions