

Lloyd's 2022 business and capital plans

Positioned for sustainable profitable
performance



Key messages



Positioned for a sustainable future



At an inflexion point for profitable growth



Performance remains our number one priority



Increased differentiation between the strong and poor performers



Thematic focus areas for the market

Market conditions



Challenging backdrop; Covid-19, macro economic, geo-political



Current rating environment



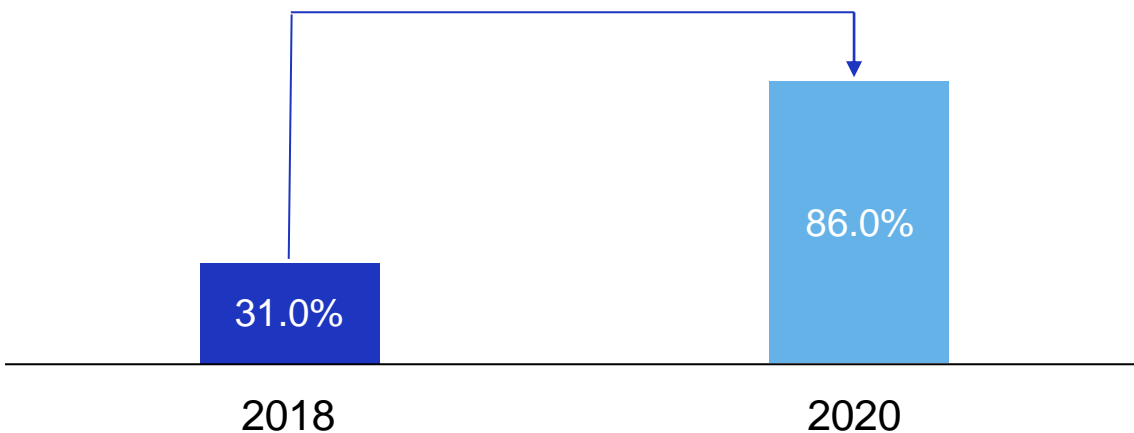
Return focused capital



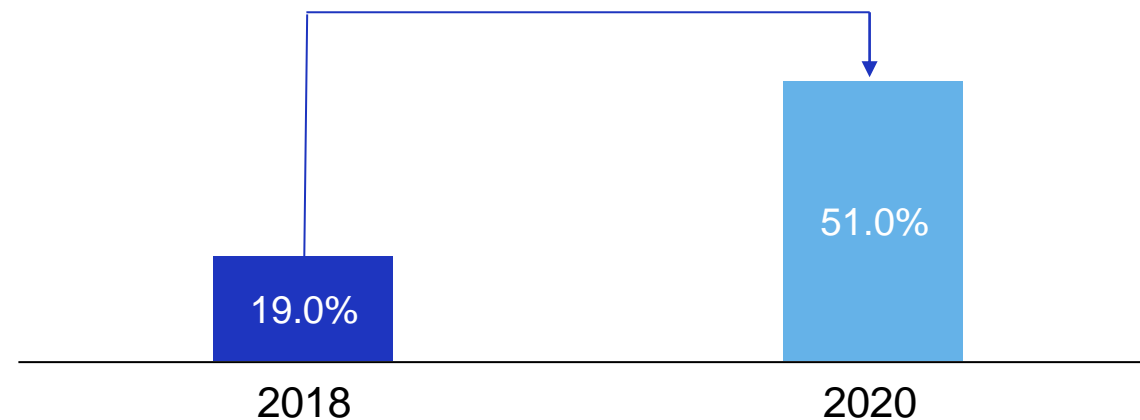
Opportunities for growth

Where we are today – syndicate performance

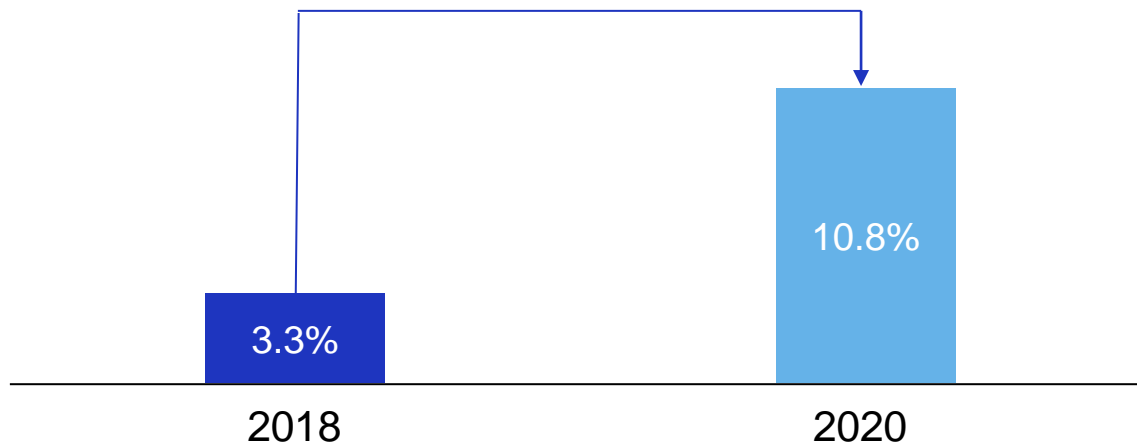
Syndicates with normalised NCR less than 100%



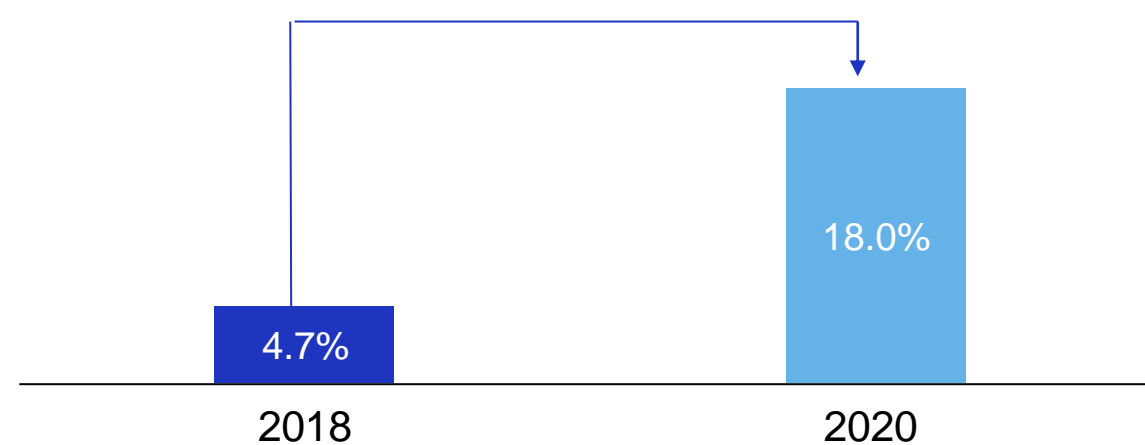
Syndicates achieving plan



Rate achieved by all syndicates



Growth achieved by Light Touch syndicates



Supporting strong performers in 2022



Proportionate oversight

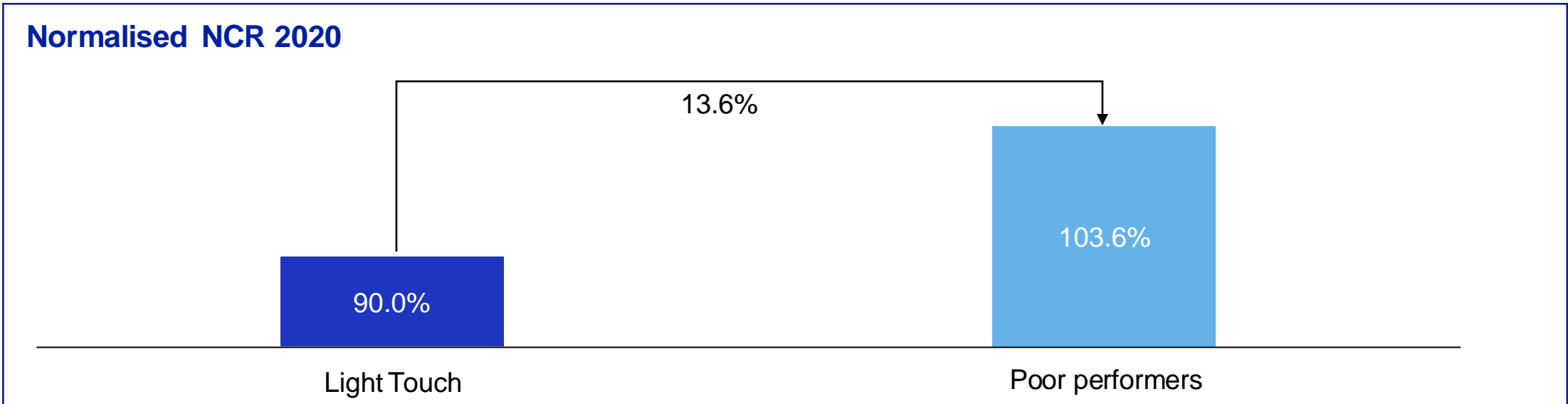
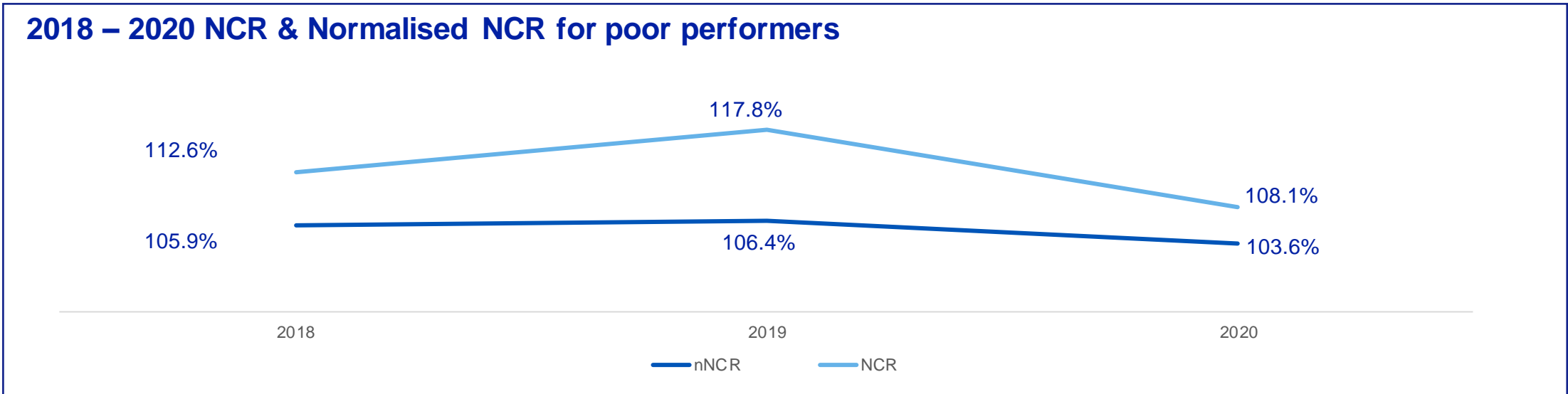


Light touch will feel the same



More standard syndicates to fast track

Persistent poor performers



Increased oversight for persistent poor performers



Board level engagement



Visibility of a 3 year plan

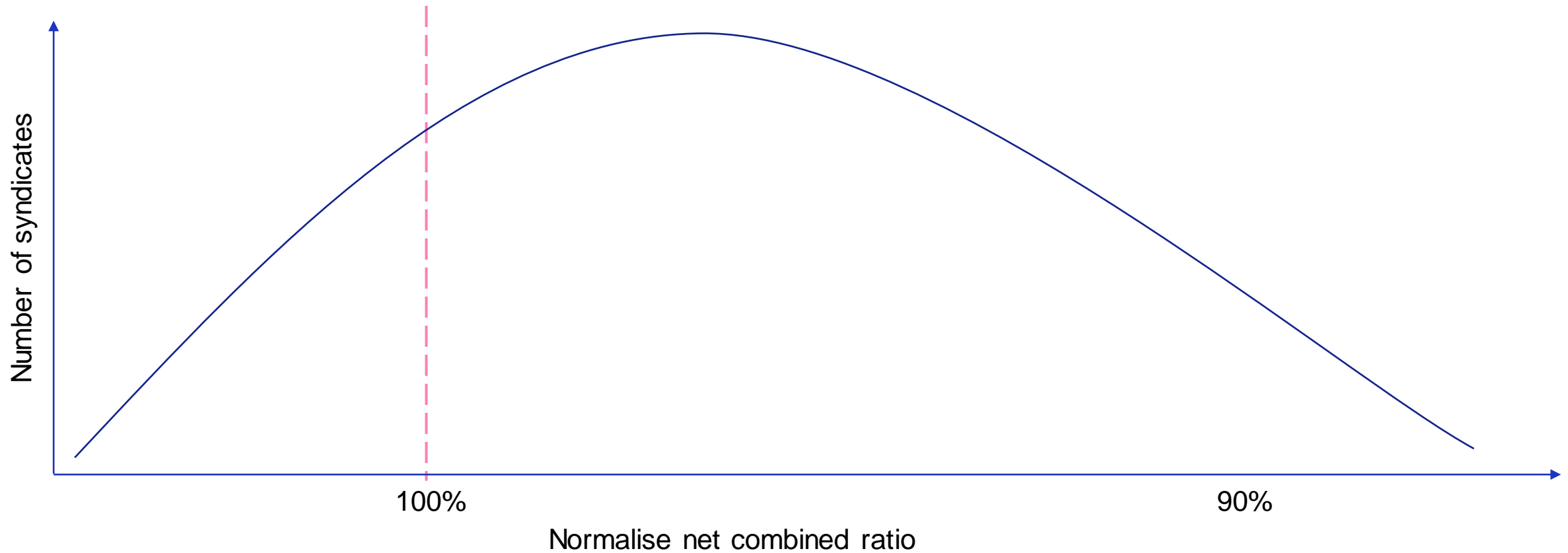


Must hit jointly agreed milestones



Clear consequences

Performance continues to be our number one priority

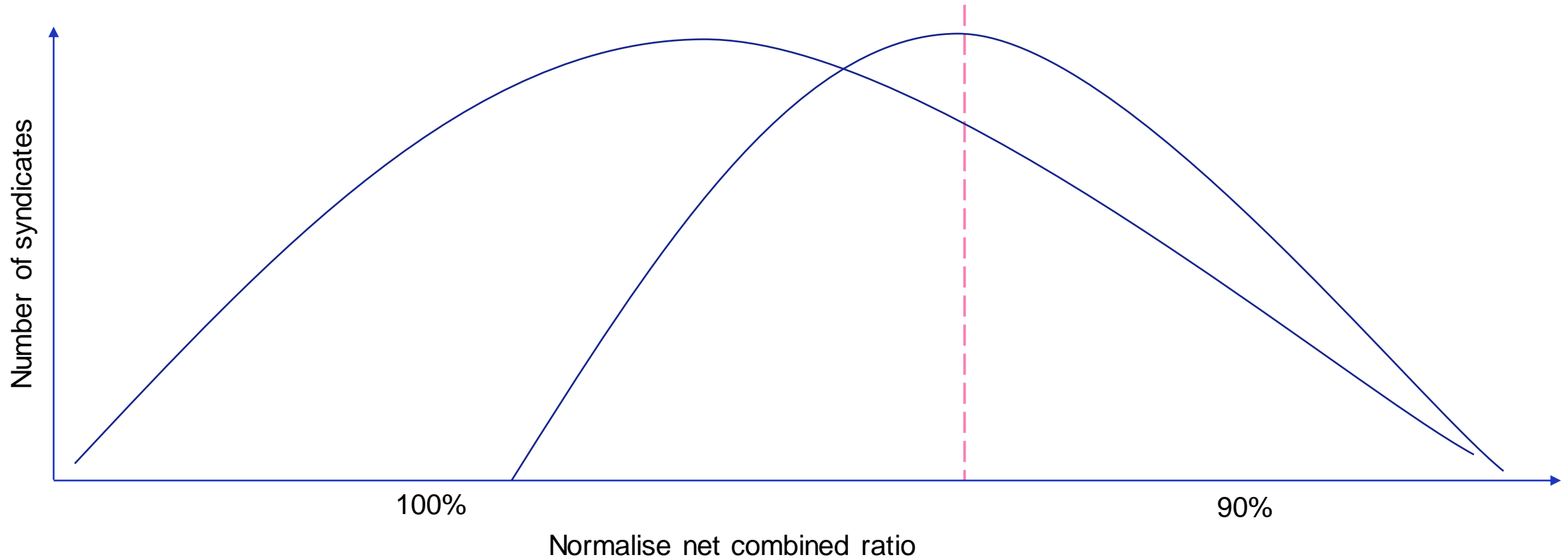


Consistently poor
performance

Improving performance

Consistently good performance

Performance continues to be our number one priority

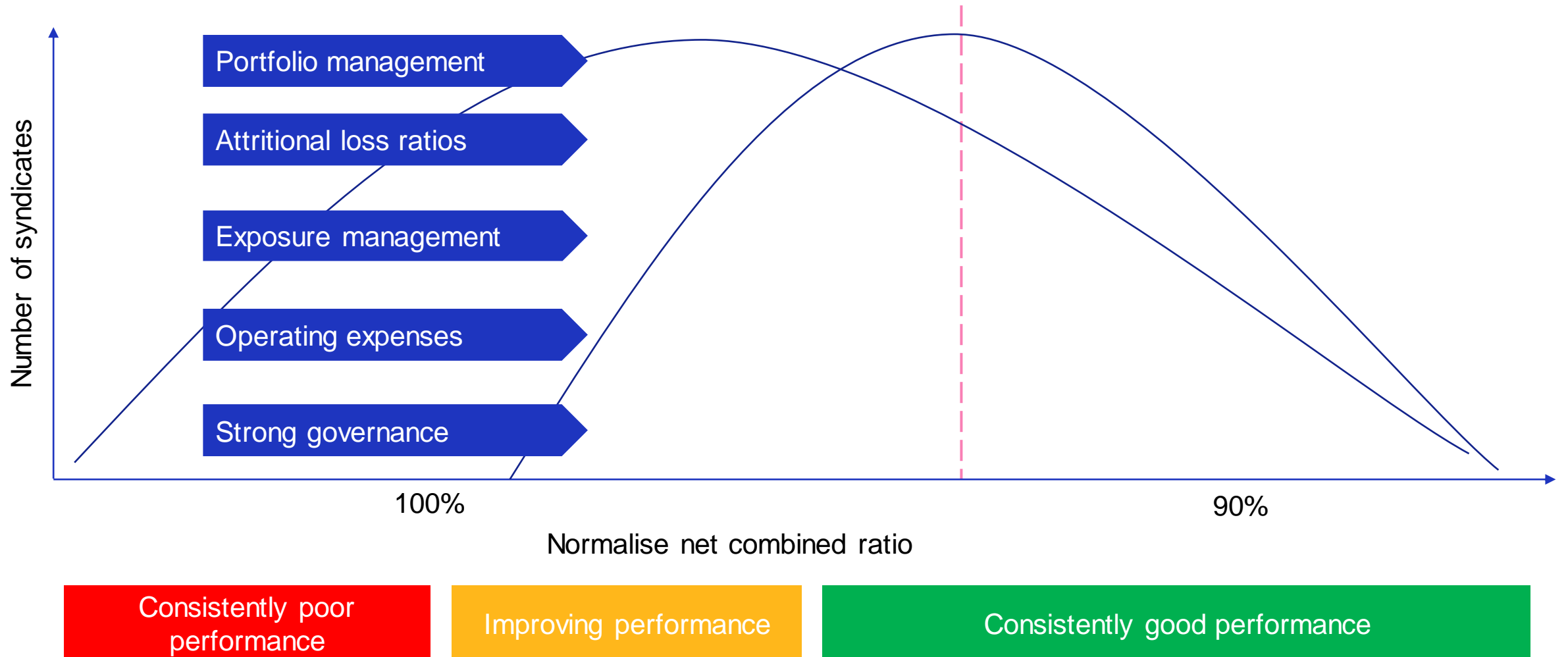


Consistently poor performance

Improving performance

Consistently good performance

Performance continues to be our number one priority



Thematic areas of focus for the market



Cyber



Covid-19



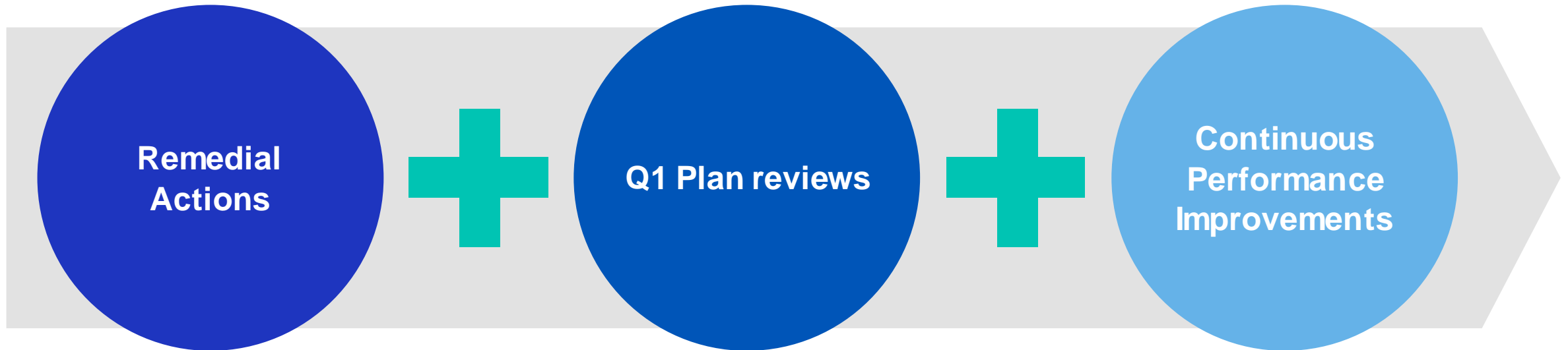
Reducing operating expenses



Environmental, Social and Governance (ESG)

Performance management and planning 2022

Platform for a sustainable future



The market remains confident that it will deliver its 2021 plans

Logical, Realistic and Achievable

Logical



Planned actions reflect *strong portfolio management to deliver sustainable, profitable performance*

Realistic



Assumptions that underpin those actions are credible in context of prevailing market conditions.

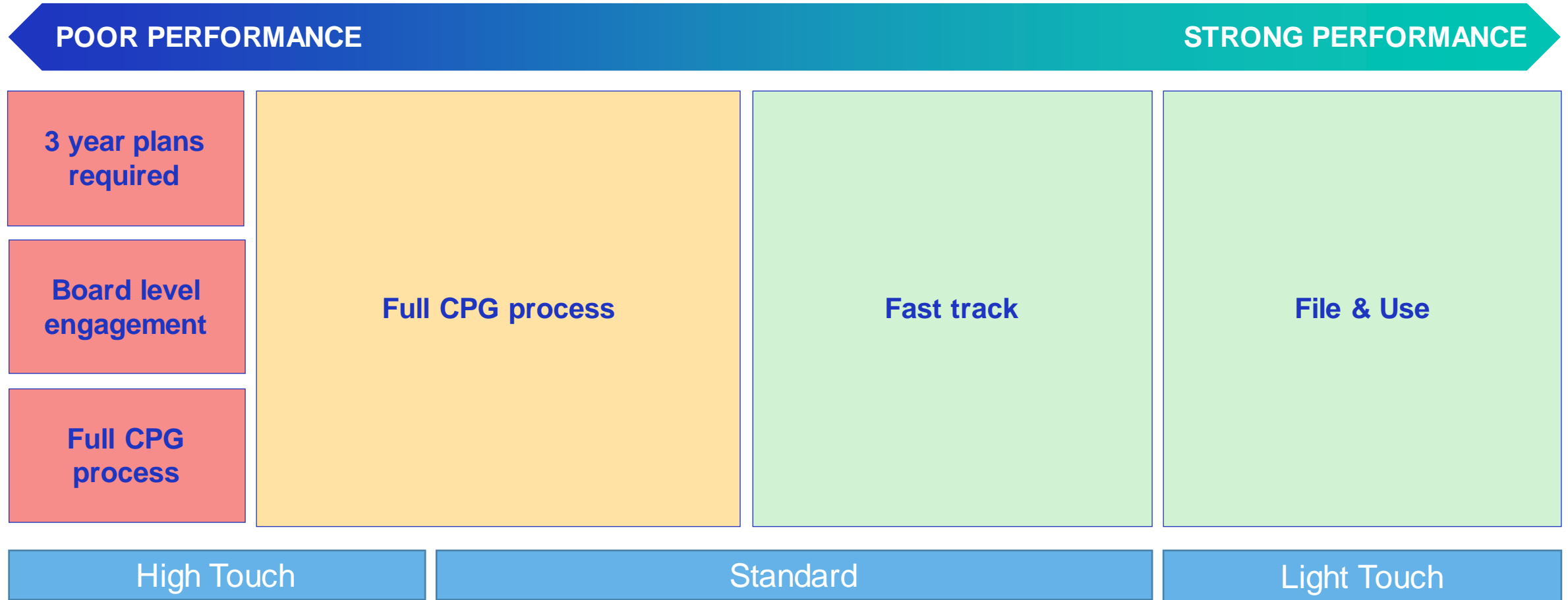
Achievable



Evidence *syndicate has the expertise, track record, controls and governance to execute plan*

All plans must be Logical, Realistic and Achievable

Differential approach to planning



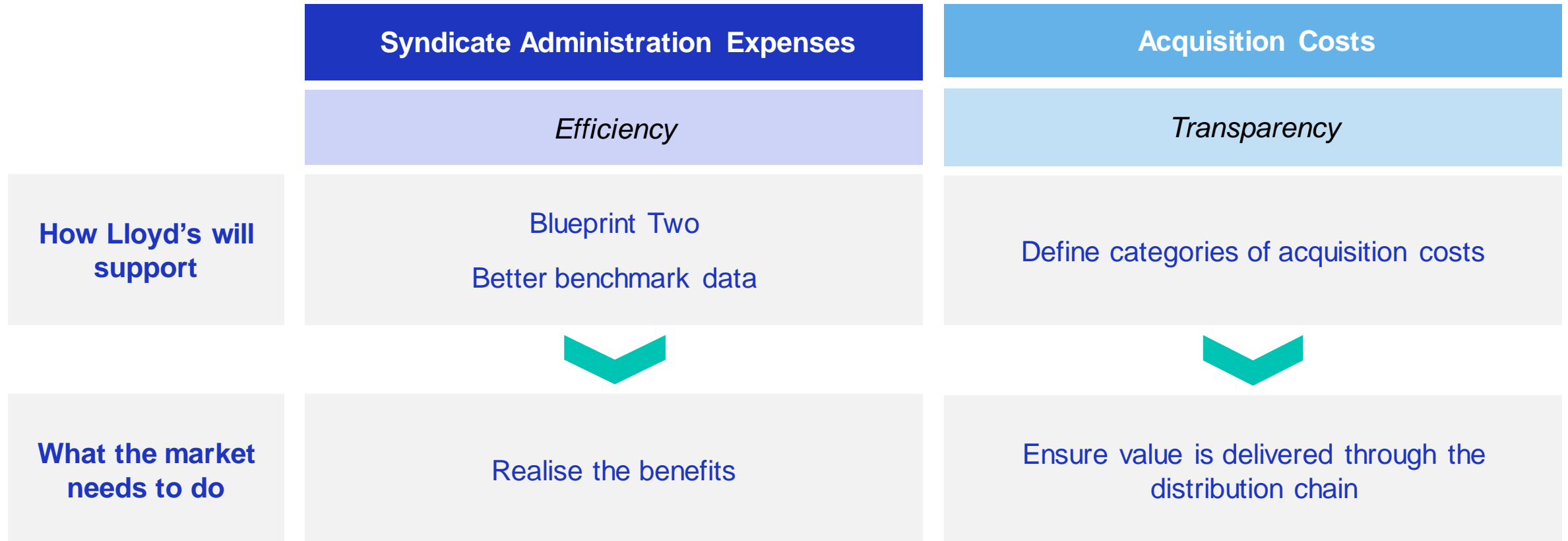
Support better syndicates with consequences for consistent underperformance

Consideration in supporting growth

- ✓ Expertise
- ✓ Rate adequacy
- ✓ Portfolio management
- ✓ Management of exposure and volatility
- ✓ Scalable operating model
- ✓ Strong oversight and controls

We will support growth that is both sustainable and improves profitability

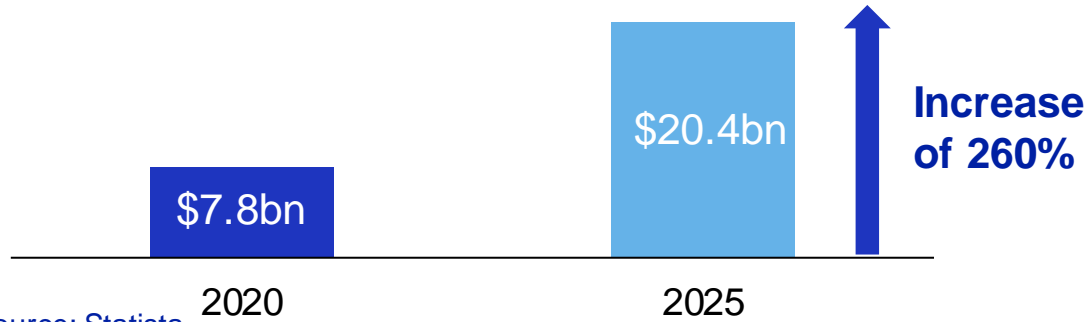
Reducing operating expenses



Efficiency and transparency will lead to better expense outcomes

Cyber – the industry challenge

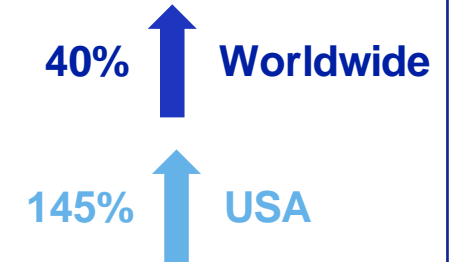
Global market in cyber predicted to grow



Source: Statista

Increase in the number of ransomware incidents

200 million
ransomware incidents in
first three quarters of 2020

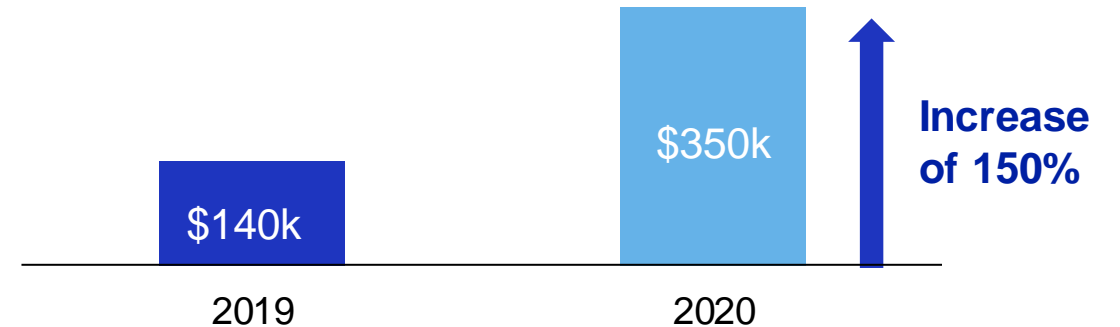


Source: SonicWall (Guidewire)

Cyber loss activity more widespread including;

- Geopolitical actions
- Criminal actions for profit
- Ideological violence
- Social discontent

Average paid loss for US standalone cyber claim



Source: Fitch

Over 20% of global cyber premium will be written in Lloyd's in 2021

Cyber – actions and considerations

Ongoing tactical actions



Lloyd's thematic underwriting review



Ongoing forensic monitoring of risks underwritten



Agile response to changing market conditions

Strategic considerations



Market crisis management plan



Supporting customers with risk mitigation solutions

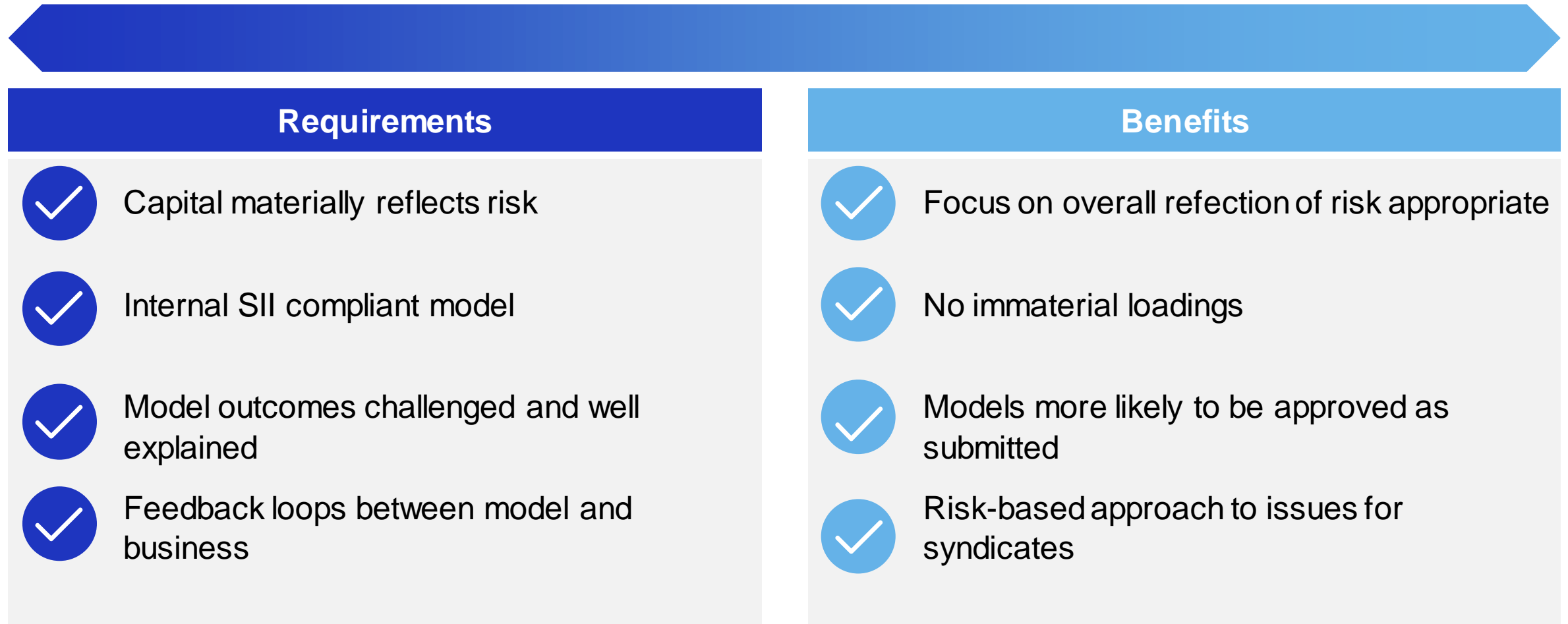


Government engagement

Cyber is a key focus area for the market

Approach to capital in 2022

Moving to a principle-based approach



We will rely more on your Pillar 2 controls

System of Governance

Risk Management including Validation

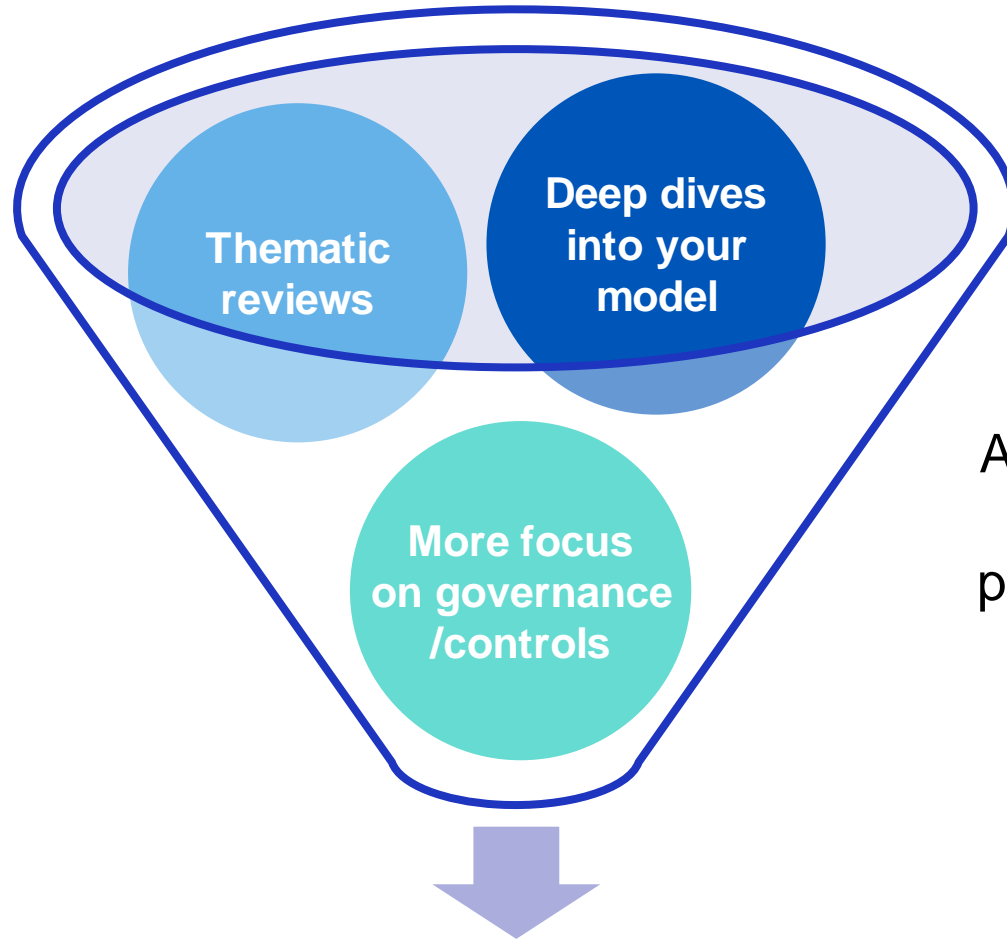
- Independence
- Robust and realistic assessment of risks

Internal Controls

- First line, validation and audit/compliance
- Challenge of numbers presented

If material issues identified then a Controls Loading

Principle-based approach changes how we review capital submissions

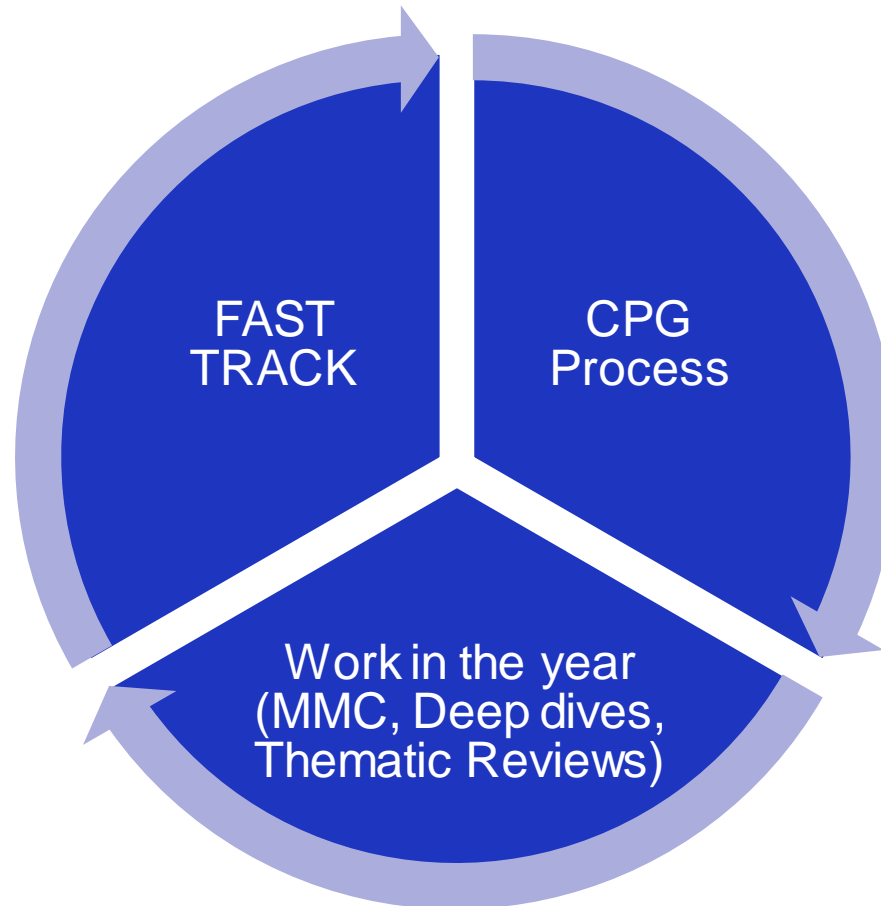


Any issues discovered will feed into capital setting process – but more time to be resolved

Principle-based approach

Boosting Fast Track

Target: Moving to a more year-round process and improved predictability of capital setting



Financial results should drive future loss ratios



Past experience should drive future loss ratios



Ensure consistency with calendar year financial results



Expect Capital implications where you are not meeting plan and vice versa

Key Takeaways

1

Move to principle-based approach

2

Most of review work outside planning cycle

3

Apply only material loadings

4

Focus on controls and governance

5

Loadings for missing plan and incentives for overachieving

Areas of focus for Lloyd's

Sign posting areas for the future



Oversight

- Standards to principles
- Best Practice Pricing Framework



Operations

- Brussels
- Adopting Blueprint 2



Culture

- Diversity and Inclusion
- Culture toolkit

Key Takeaways

1

Positive inflexion point for our market

2

Support **sustainable profitable growth**

3

Focus on **key thematic areas**

4

Continue to raise the bar on performance

5

Execute your plans