LLOYD'S

Investor Roadshow

2023

Sharing risk to create a braver world

Agenda

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2022 Full Year Results

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Our framework to ensure long term sustainability

Ratings as at February 2023

1	Enhance our **value proposition** to customers and stakeholders	→ Relevance (amber) **Top 20 presence at Lloyd's** *(% of top 20 global re/insurer premium placed on the Lloyd's platform)*	→ Brand awareness (green) **Media sentiment** **Social Media Engagement**	→ Customer satisfaction (amber) **Net promoter score**	
2	Deliver sustainable, profitable **growth to drive value creation**	→ Growth (green) **Lloyd's global market share** *(Total premium/ total commercial and reinsurance market)*	→ UW Performance (green) **Net Combined Ratio**	→ Value (green) **Economic value created**	↑ Investment (amber) **Central Fund performance** **Lloyd's Market Portfolio performance**
3	Deliver strong **capital and financial credibility**, including Central Fund protection	→ Financial strength (green) **Financial Strength Ratings**	→ Solvency (green) **Market wide solvency ratio** **Central solvency ratio**		
4	Create an **inclusive culture** to attract, develop and retain talented people	→ Talent and Engagement (amber) **Employee engagement score**	→ Inclusion (amber) **Women in leadership positions** **Hiring of ethnic minorities**		

- Sustainable/at target (green)
- Non critical status but needs improvement (amber)
- Critical status, not sustainable (red)
- ↑ Trend

Sustainable performance supports a digital, inclusive and purpose-led market

Performance

- Proven profitable performance with combined ratio of 91.9% and GWP growth of 19% with premiums rising to £46.7bn
- Exceptionally strong capital position, with increased central solvency coverage ratio to 412%
- Investment yields improve significantly from 2023 onwards

Digitalisation

- Strong progress made on Lloyd's digitalisation journey, including delivery of the first two digital processing phases with the Joint Venture
- London Market Data Council introduces global recognised data standard; a first in corporate and specialty (re)insurance
- Faster Claims Payment solution supports customers in the wake of Hurricane Ian

Purpose

- Working with global governments and policymakers to provide customers with protection and confidence
- Convening the industry to drive action on climate change, through the Sustainable Markets Initiative
- Launching the Lloyd's of London Foundation, supporting communities around the world

Culture

- Fourth Market Policies & Practices return demonstrates strong progress towards a diverse and inclusive culture
- 32% women in leadership (+2% increase) and 9% ethnic representation in leadership (+4% increase)
- Culture now embedded as a gateway principle in Lloyd's regulatory oversight framework

Strong underwriting result supported by profitable growth and resilient capital position

Sustainable performance

- Outstanding underwriting result of £2.6bn and combined ratio of 91.9%
- Attritional loss ratio of 48.4% demonstrates consistent, improved performance
- Expense ratio of 34.4% improves a further 1.1%
- Loss of £0.8bn driven by mark-to-market losses of £3.1bn will resolve through 2023-2024

Profitable growth

- GWP growth of 19% with premiums rising to £46.7bn
- 8% average price change, reflecting 20 consecutive quarters of positive price change
- 4% organic growth from syndicates
- Sustainable underwriting performance permits the market to grow through 2023

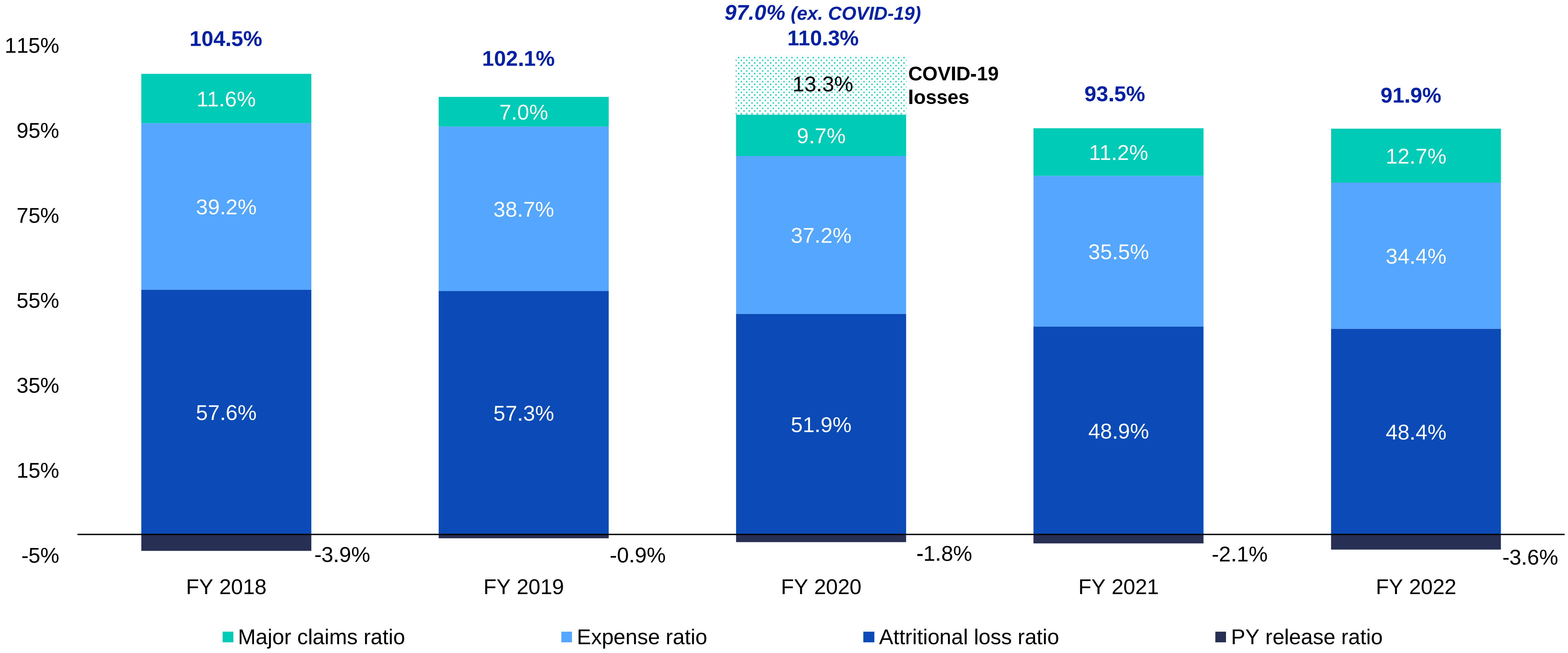
Resilient capital

- Lloyd's capital, liquidity and solvency further strengthened in 2022
- Increased central solvency coverage ratio to 412%
- Increased market wide solvency coverage ratio to 181%
- Heightened major loss activity continues; Hurricane Ian and Ukraine losses within expected estimates (£2.0bn and £1.4bn)

Macro environment

- Volatile risk environment; COVID-19, conflict in Ukraine, climate change and systemic risk
- Inflation, cost of living crisis and energy costs are all challenging
- Supporting Lloyd's people remains paramount
- The insurance industry has a vital role to play, providing customers with confidence and protection

Performance turnaround delivers solid underwriting result



* Major claims are based on syndicates internal definition which may not align to those used for Lloyd's market reporting

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Record year 2022: Strong profitable growth

2022 Result	2022 vs 2021
£46.7bn Gross written premiums	**+4%** Volume
£2.6bn Underwriting profit	**+53%** YoY Growth
91.9% Combined ratio	**(1.6%pts)**
412% Central solvency ratio	**200%** Risk appetite
(£0.8bn) Net Loss	**(£3.0bn)**

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Record year 2022: Strong profitable growth

Growth

46.7bn

2022 vs 2021

+19%

Stated growth

FX	**+7%**
Price	**+8%**
Volume	**+4%**

Net loss

(£0.8bn)

2022 vs 2021

(3.0bn)

- US Treasury base rate increase of about 425bps in 2022 resulted in a £3.7bn accounting loss. This has no cash flow impact and will unwind in the next 2-3 years
- Together with the £1.1bn mark-to-market loss of our equity portfolio, this £3.7bn valuation loss resulted in a net loss of £0.8bn

Balance sheet strength

412%

Central solvency ratio

200%

Risk appetite

- Central solvency ratio of 412% and Market wide solvency ratio of 181%
- Reserve margin according to the signing Actuaries at £3.5bn in Syndicate net earned reserves after £3.0bn for 2021 and £2.8bn for 2020
- The reserve margin represents around 7% of the reserves

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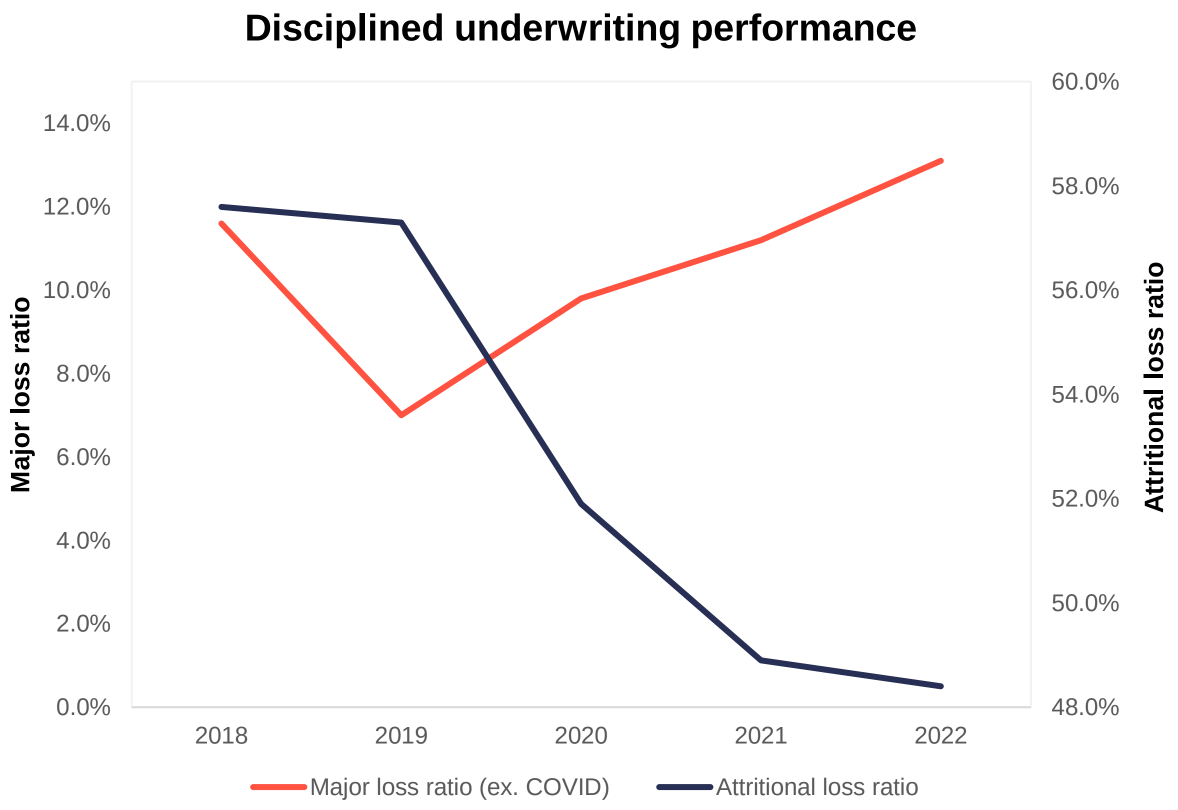
Successful management actions deliver results

Underwriting



Disciplined underwriting played out as expected

Expense ratio

34.4%

2022 vs 2021
(1.1%pts)

2022 vs 2018
(4.8%pts)

11.0%
Admin expense ratio

2022 vs 2021
(0.5%pts)

23.4%
Acquisition cost ratio

2022 vs 2021
(0.6%pts)

On track for 2025 target expense ratio of 31.5%

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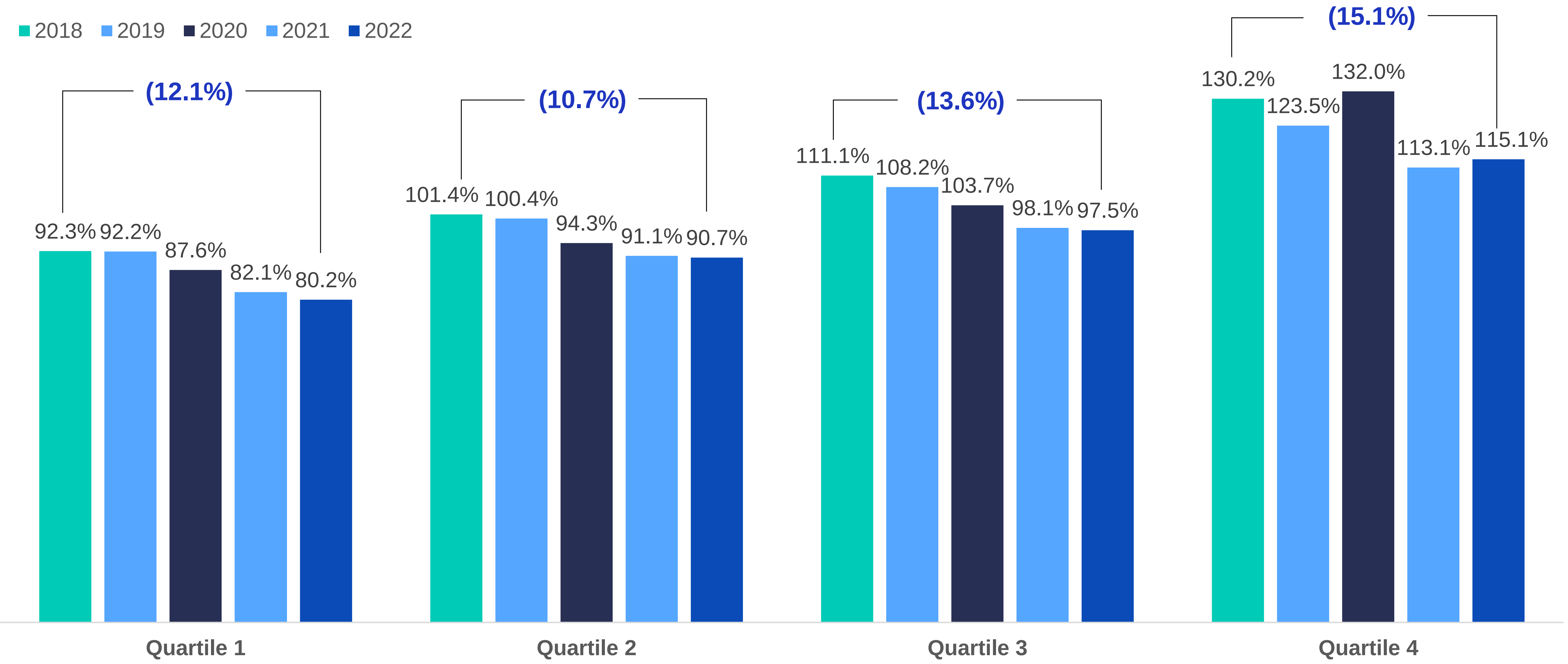
Top quartile performance 2018-2022



Note: Weighted average combined ratio. The chart relates to syndicates with an active status and the active status is based on the position in the reporting year.

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19% profitable growth with a 91.9% combined ratio

£m	FY 2020	FY 2021*	FY 2022
Gross written premium	35,466	39,216	46,705
Net earned premium	25,876	26,657	32,458
Net incurred claims	(18,929)	(15,440)	(18,655)
Operating expenses	(9,623)	(9,476)	(11,162)
Underwriting result	**(2,676)**	**1,741**	**2,641**
Net investment income	2,268	948	(3,128)
Other expenses, net	(374)	(478)	(440)
Foreign exchange gains	(105)	66	158
Profit/(loss) before tax	**(887)**	**2,277**	**(769)**

Loss ratio	**73.1%**	**58.0%**	**57.5%**
Attritional losses	51.9%	48.9%	48.4%
Prior year development	(1.8%)	(2.1%)	(3.6%)
Major claims	23.0%	11.2%	12.7%
Expense ratio	**37.2%**	**35.5%**	**34.4%**
Admin expense ratio	11.1%	11.5%	11.0%
Acquisition cost ratio	26.1%	24.0%	23.4%
Combined ratio (excluding COVID-19)**	**97.0%**	**93.5%**	**91.9%**

***FY 2021 Restated**
****FY 2020 stated 110.3% including COVID-19**

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Balance Sheet

£m	FY 2021	FY 2022
Cash and investments	83,998	95,872
Reinsurers' share of unearned premiums	4,076	4,847
Reinsurers' share of claims outstanding	24,208	29,408
Other assets	25,873	31,403
Total assets	**138,155**	**161,530**
Gross unearned premiums	(19,074)	(23,228)
Gross claims outstanding	(67,800)	(80,905)
Other liabilities	(14,728)	(17,192)
Net resources	**36,553**	**40,205**
Member assets	33,480	37,100
Central assets	3,073	3,105

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Strong pricing environment continues

£46.7bn

Gross written premiums

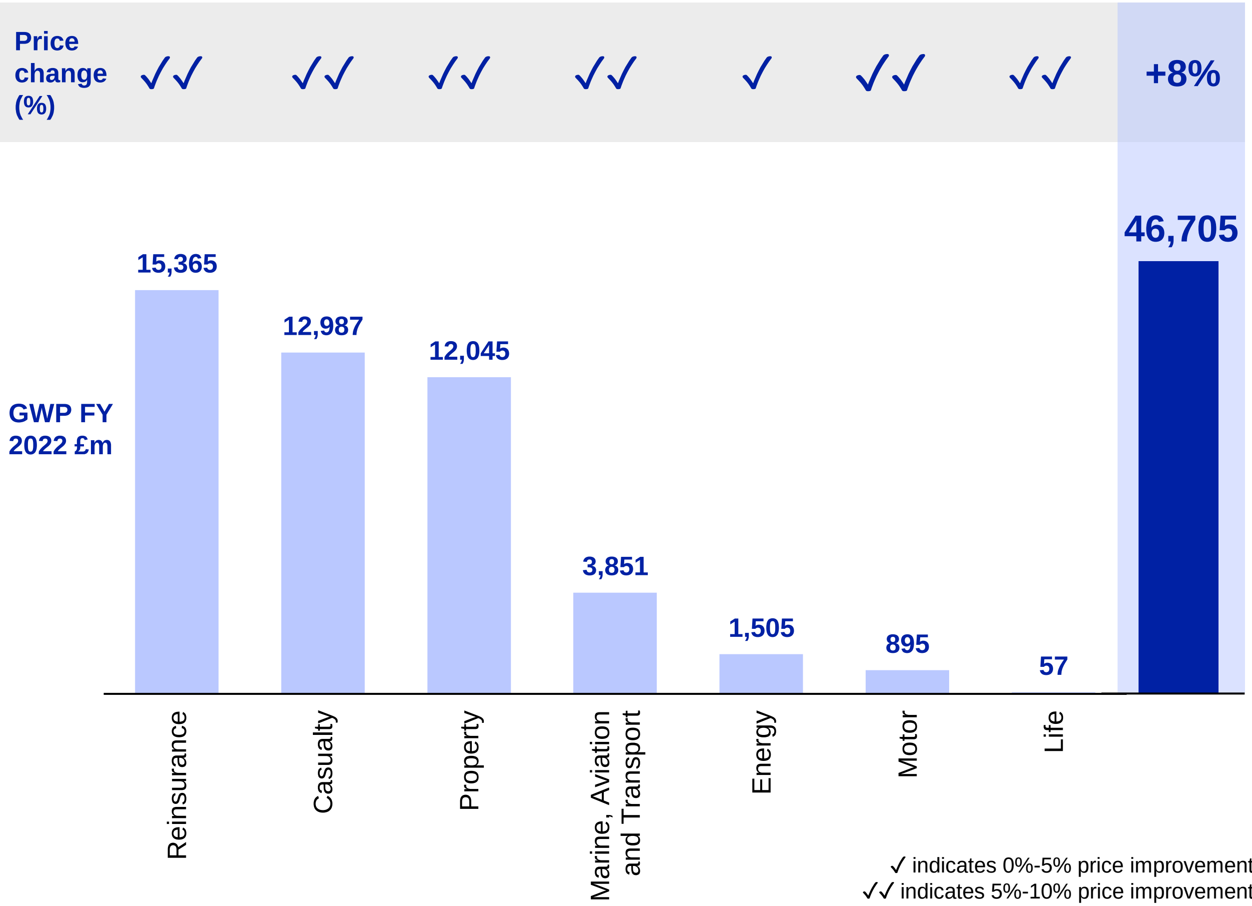
2022 vs 2021

+19%

Growth

FX	**+7%**
Price	**+8%**
Volume	**+4%**

20 consecutive quarters of positive price improvement



✓ indicates 0%-5% price improvement
✓✓ indicates 5%-10% price improvement
✓✓✓ indicates 10%+ price improvement

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2023 underwriting conditions

2023 underwriting year plan

£56bn

Gross written premiums

+14% ↑

Rate	**+4%**
Price	**+6%**
Volume	**+4%**

1/1 renewals

- Property covers affected by price, retention levels, and terms and conditions all shifting significantly
- Coverage for war / political risks were severely restricted
- Other specialty placements were affected through restructuring of composites, and price / coverage changes
- Casualty and liability covers were least impacted

Q1 2023

- Inwards pricing and reinsurance structures will alter the shape of the portfolio but not materially impact GWP
- Expecting rate increases to continue across most classes
- Increasing underwriting oversight on Cyber, D&O, and Property Binders
- Improving attritional profitability comes with increased volatility at the 1 in 10 return period
- Lloyd's cyber war bulletin came into effect March 21st

***Subject to significant F/X volatility**

Continued improvement in underwriting

2022 Result	2022 vs 2021
91.9% Combined ratio	**(1.6%pts)**
48.4% Attritional loss ratio	**(0.5%pts)**
34.4% Expense ratio	**(1.1%pts)**
12.7% Major claims	**+1.5%pts**
3.6% Prior Year Releases	**+1.5%pts**

LLOYD'S

Continued improvement in underwriting

Attritional loss ratio

48.4%

2022 vs 2021

(0.5%pts)

- Attritional loss ratio below target of 50%
- Pricing and underwriting measures over compensated inflationary trends and improved the attritional loss ratio by 0.5% points

Major claims

12.7%

2022 vs 2021

+1.5%pts

- Ukraine loss estimates on an earned basis of £1.4bn or 4.3% of the combined ratio
- Hurricane Ian reserves are £2bn in line with December guidance

Prior Year Releases

3.6%

2022 vs 2021

+1.5%pts

- Overall, over 2022 there has been a prior year reserve release of 3.6%, compared to 2.1% for FY 2021.
- There have been prior year releases on most lines of business, notably on Property classes, both insurance and reinsurance.
- These releases were partially offset by 2% prior year deterioration on casualty reserves, reflecting impacts of excess (including social) inflation.

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Major losses

Largest net losses (£bn)	FY 2021	FY 2022
Hurricane Ian	-	2.0
Ukraine losses	-	1.4
Eastern Australia floods	-	0.3
Winter Storm Elliot	-	0.2
Hurricane Ida	1.5	-
Winter Storm Uri	0.8	-
Other	0.7	0.2
Total	**3.0**	**4.1**
Major Claims as a % of NEP	**11.2%**	**12.7%**
Nat cat ratio	**11.2%**	**8.4%**

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Our approach to claims reserving

Proactive approach

- Early recognition of how much losses may ultimately cost limits surprises on the balance sheet.
- Probability weighted exposure- based reserving based on full range of scenarios.
- Ensure different outcomes are reflected at appropriate return periods for capital.
- Independent reserve and capital oversight carried out by Lloyd's centrally in conjunction with independent actuarial reserve reviews and model validation.

Ability to manage complex losses

- COVID-19 reserve stable at £3.2bn, including 22% IBNR.
- £1.4bn net reserves for Ukraine losses, where IBNR makes up 90% of the net ultimate loss estimate.
- Established process for getting a deep understanding of major events and uncertainties. We are well versed in dealing with complexity.

Reserve margins and capital to reflect uncertainty

- 3.6% prior year reserve release in 2022.
- Margins are strong enough to digest unexpected claims movement such as inflation.
- Central and Syndicate capital setting includes variety of event outcomes and oversight process checks capitalisation is adequate.

Promising investment outlook

2021 Results
(£, mn)

1,442mn
Investment income

(1,137mn)*
Fixed income price variance

948mn
Investment result

2022 Results
(£, mn)

1,667mn
Investment income

(3,670mn)*
Fixed income price variance

(3,128mn)
Investment result

2023 Forecast**
(£, bn)

2.7bn
Investment income forecast

0.5bn*
Fixed income price and mark-to-market variance

>3%
Total investment performance

*Analytically derived
** Assuming market rates move to terminal rates. Subject to financial markets, F/X, and unpredictable economic developments

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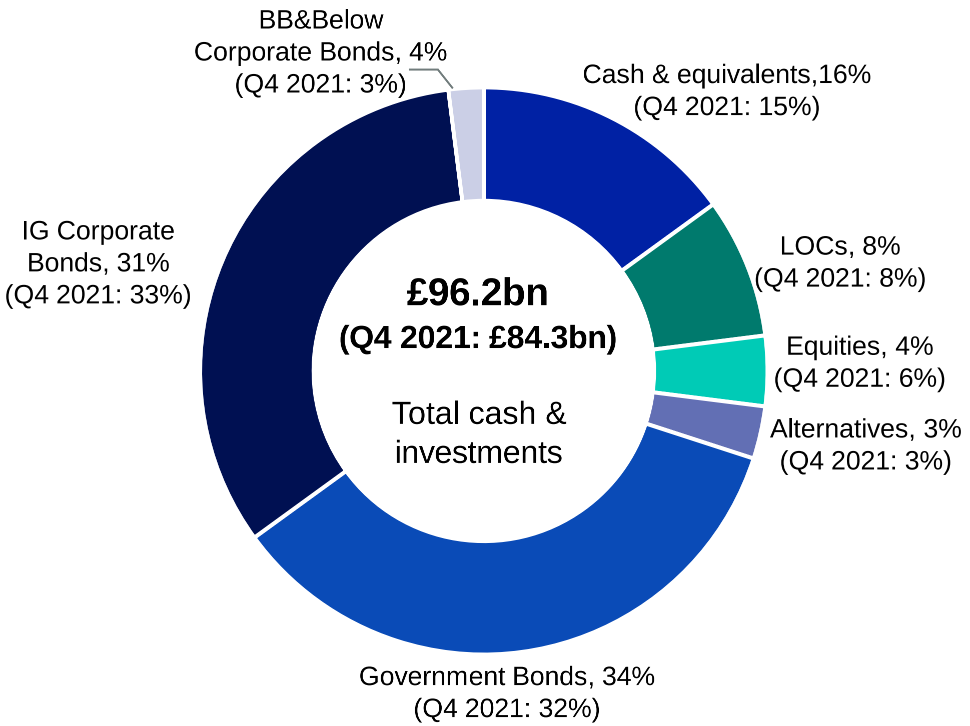
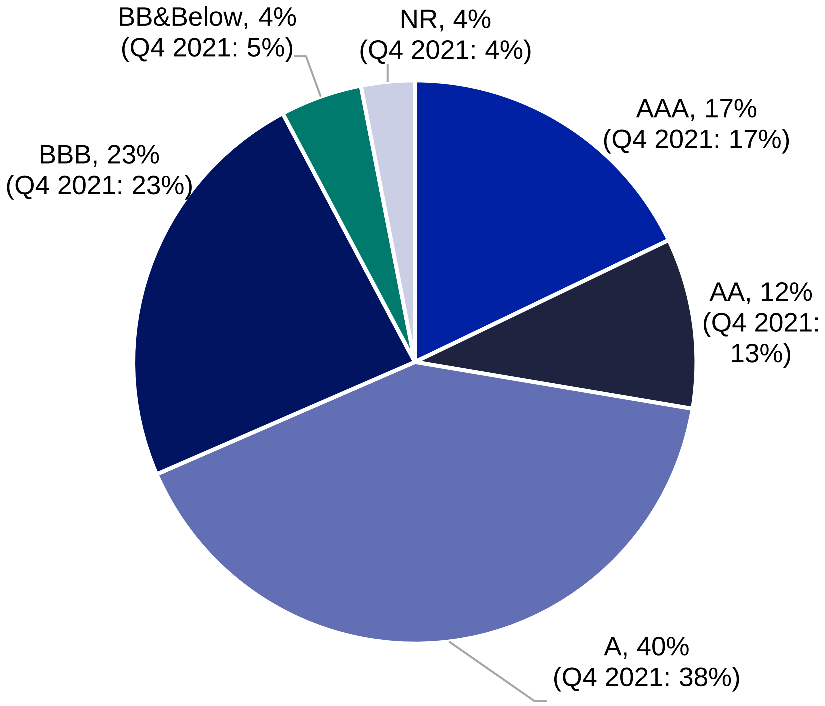
High quality investment portfolio

Conservative asset allocation



High quality corporate bond portfolio



Asset Liability Management

Overall short duration

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Strong balance sheet

2022 Result	2022 vs 2021	Financial strength ratings
181% Market-wide solvency	**+4%**	**AA-** Fitch Ratings
412% Central solvency ratio	**+24%**	**AA-** KBRA
£40.2bn Paid in capital*	**+10%**	**A+** Standard & Poor's
£3.5bn** Reserve margin	**+16%**	**A** AM Best

*Total capital, reserves and sub-ordinated loan notes
**According to the signing actuaries

LLOYD'S

Strong balance sheet

Solvency

412%

Central solvency ratio

181%

Market-wide solvency ratio

2022 vs 2021

+24% **+4%**

- Lloyd's capital and solvency positions remain strong with a market-wide solvency coverage of 181% (FY 2021: 177%) and central solvency coverage of 412% (FY 2021: 388%).
- Both solvency coverage ratios are comfortably above risk appetite levels.
- Net resources stand at £40.2bn despite net loss of £0.8bn

Reserving

£3.5bn

Reserve margin*

2022 vs 2021

+16%

- The signing actuaries have reported a £3.5bn margin in the Syndicate net earned held reserves. This margin represents about 7% of the reserves.
- As per our market policy, we book losses early, like we did for Ukraine and COVID-19.
- Ukraine loss estimates on an earned basis of £1.4bn based on probability weighted estimates. 90% of this is IBNR.
- COVID IBNR now sits with £0.7bn (£0.9bn in 2021), which is 22% of the £3.2bn net ultimate loss
- 93% of syndicates (representing 99% of net reserves) explicitly considered the current inflationary environment, with syndicates making an average 2.9% uplift for the heightened inflationary environment (beyond that captured in the historical trends) across all underwriting years

AA-
Fitch Ratings

AA-
KBRA

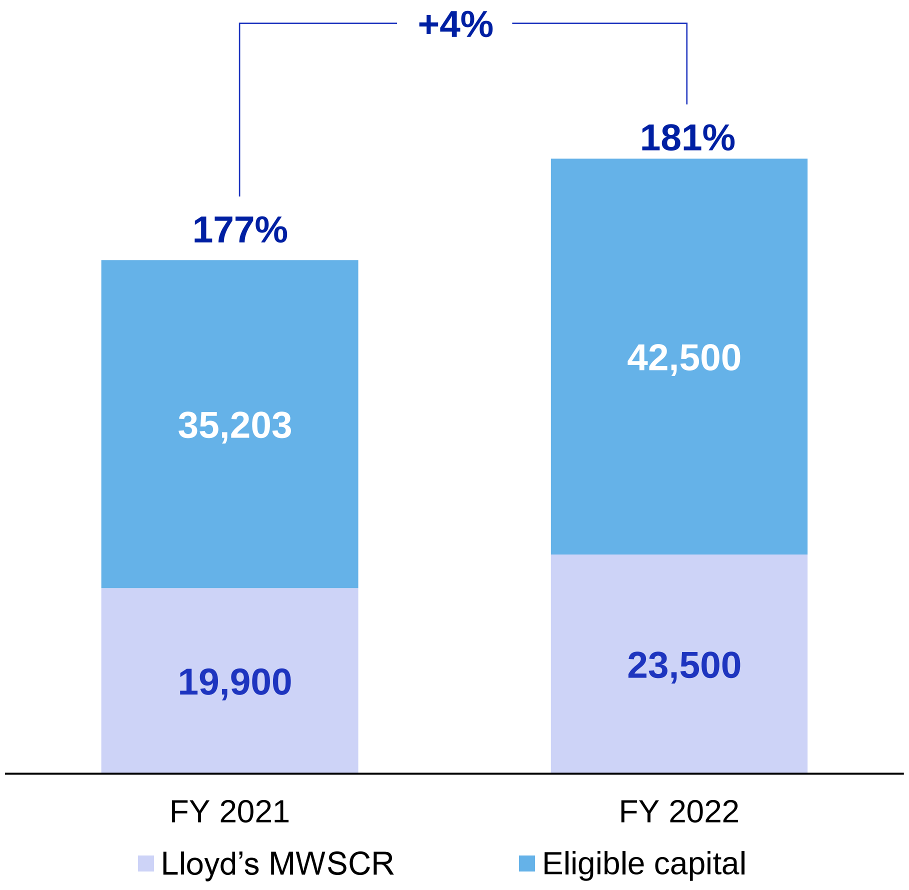
A+
Standard & Poor's

A
AM Best

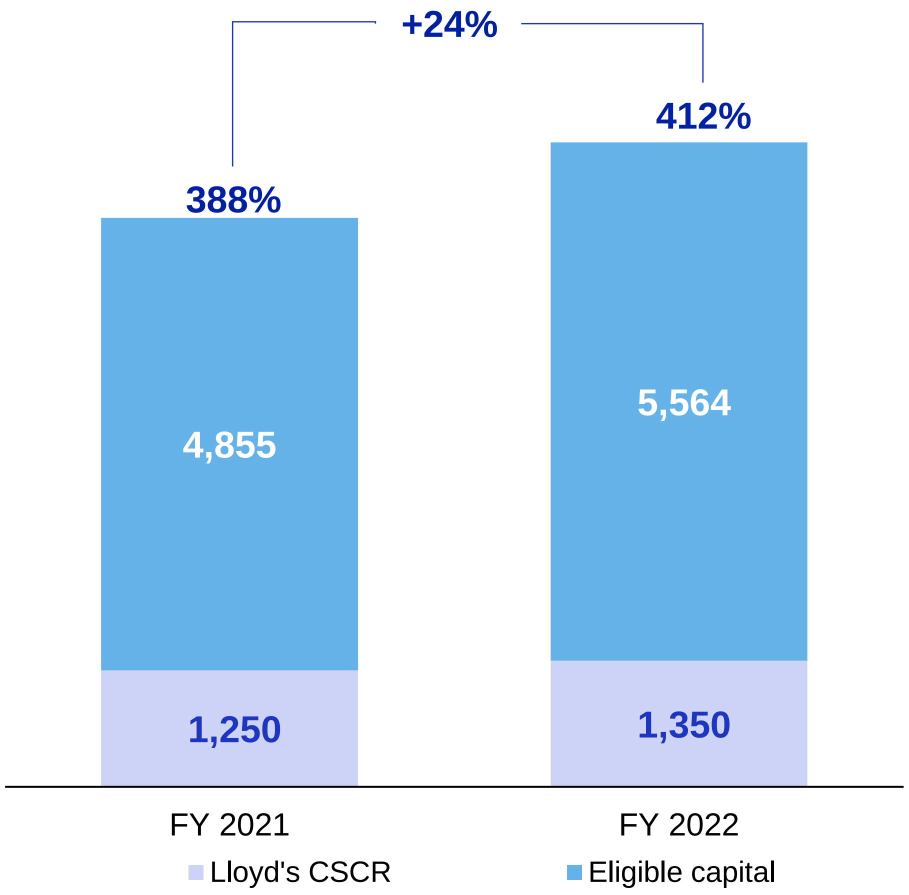
*According to the signing Actuaries

Solvency coverage ratios well above risk appetite

Market wide solvency coverage ratio (£m)



Central solvency coverage ratio (£m)



A+
Standard & Poor's

A
AM Best

AA-
Fitch Ratings

AA-
KBRA

Strong underwriting result, resilient capital position and promising investment outlook

- Strong underwriting result
- Strong pricing conditions
- Improving yield environment
- High quality balance sheet

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2023 Outlook

2022 Actual	2023 Outlook*	
£46.7bn Gross written premium	**£56bn** Gross written premium	
91.9% Combined ratio	**<95%** Combined ratio	
(£3.1bn) Net investment income	**>3%** Total investment performance	

- **Profitable growth, sustainable performance**
- **Performance and capital management unabating**
- **Continue Blueprint Two delivery**
- **Maintain focus on building an inclusive and high performing culture**

***Subject to financial markets, F/X and unpredictable economic developments**

Investor opportunities

London Bridge 2 PCC ("LB2") sponsored by Lloyd's

Supporting the capital transformation and growth of the Lloyd's market

London Bridge 2 PCC Ltd (LB2)

- Lloyd's has sponsored LB2 as a reinsurance risk transformation vehicle, onshore in the UK, to support the Lloyd's market and facilitate the participation of institutional investors in (re)insurance risk underwritten at Lloyds.

Future at Lloyd's Strategy

- One of the key deliverables is to **enhance the accessibility of Lloyd's underwriting for qualifying investors**.
- LB2 provides greater flexibility and risk transfer options, to become a more meaningful source of capital/risk transfer for the Lloyd's market.

Qualifying [Institutional] Investors

- LB2 allows the issuance of **both preference shares and/or debt securities** to fund the reinsurance obligation of each cell.
- Debt securities are probably more appropriate for Excess of Loss structures.
- Multiple tranches of security are permissible per cell.

Lloyd's Participants

- LB2 provides enhanced options for Lloyd's market participants to:
  - Raise **corporate member capital** to support syndicate underwriting plans, and/or
  - Transfer **specific class(es) of business risk from syndicates** as part of the syndicate outwards reinsurance programs.

What is London Bridge 2 PCC Limited ("LB2")?

An independent insurance risk transformation company, regulated by the PRA & FCA

Reinsurance Risk Transformation

- LB2 is a **protected cell company** incorporated in England under the Risk Transformation Regulations 2017.
- Authorised and supervised by the PRA and FCA ("UK Regulators") as a multi-arrangement insurance special purpose vehicle.
- LB2 is licensed to **reinsure Lloyd's business** and issue securities to fully fund the obligations under the reinsurance agreements.

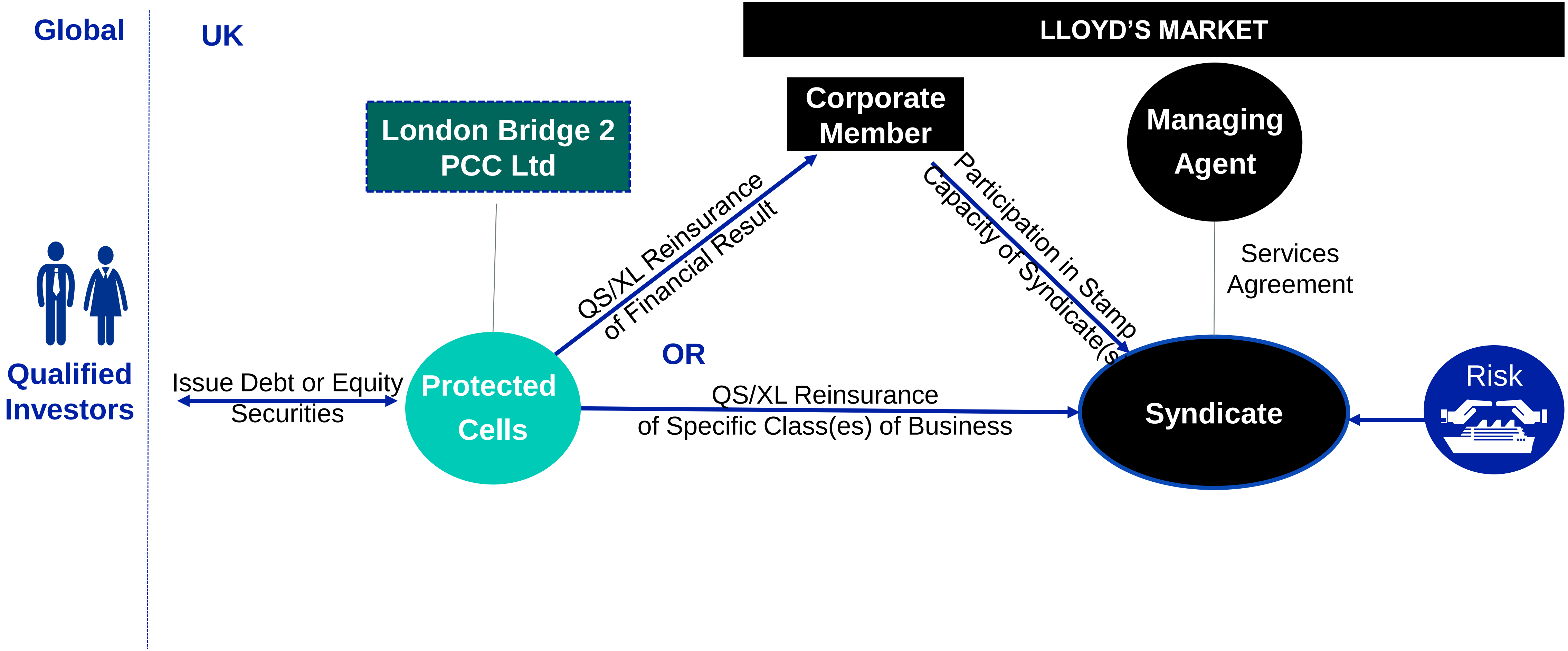
Protected Cell Structure

- Each transaction will be entered into through a **segregated protected cell** that will also issue the applicable securities. The liabilities of each cell are **ringfenced for insolvency purposes.**
- Each transaction entered into will be:
  - on a **limited recourse** basis with liability limited to the value of the cell's funded assets, and
  - subject to priority of payments with **investors' rights subordinated to the reinsured.**

Enhanced Regulatory Permissions

- The regulatory permissions for LB2 enables it to offer a broad range of risk transfer options to both **Corporate Members and Syndicates**.
- The Board of LB2 has the authority to enter into these transactions **without further regulatory approval,** *provided that* the key transaction documentation include certain **Mandatory Terms** that comply with the Risk Transformation Regulations 2017.

London Bridge 2 PCC Limited ("LB2")



Why is Lloyd’s Attractive to Institutional Investors?

Offers investors access to diversified, capital efficient underwriting exposure with robust oversight

Diverse Pools of (Re)insurance Risk

- Lloyd’s is a global market leader in many specialty (re)insurance classes.
- Provides access to **(re)insurance classes not found in traditional ILS products**
- Offers highly diversified portfolios of (re)insurance risk.

Attractive Underwriting Conditions

- The underwriting performance at Lloyd’s, and attractive market conditions is being noticed by investors.
- Lloyd’s has **historically generated equity-like return characteristics** that compares favourably with other traditional asset classes, with relatively **low correlation** levels.

Capital Efficiency

- Lloyd’s is one of the most capital efficient places to underwrite specialty (re)insurance risk.
- Diversification benefits and inter-availability of capital across multiple underwriting years enables access to **more risk per unit of capital.**

Liquidity Optionality

- **Reinsurance-to-Close (“RITC”) framework** provides a liquidity/finality option that is difficult to replicate outside Lloyd’s.
- Independent oversight of RITC premium calculation will provide additional comfort to investors.

Market Oversight

- The **active oversight of The Corporation of Lloyd’s** with syndicate business planning and performance monitoring.
- The SBAI* confirmed the role of a Managing Agent has **strong similarities to that of an Alternative Investments Fund Manager**, including its fiduciary responsibility to Members.

** SBAI – Standards Board of Alternative Investors*

Case Study: London Bridge 2 – Corporate Member FAL

Ariel Re raises $172mn to support the 2023 underwriting plan for Syndicate 1910

February 2023

LONDON BRIDGE 2 PCC LIMITED
acting on behalf of 4 protected cells.

US$171.5 million

Private Placement of Non-Voting, Redeemable Preference Shares

Financial Advisor:
Howden Tiger Investment Banking

Ariel Re became the debut user of the recently established London Bridge 2 PCC ("LB2") risk transformation vehicle.

LB2, through 4 separate protected cells, issued non-voting redeemable preference shares with an aggregate notional value of US$171.5 million, to generate funds for 4 separate corporate members that each support the 2023 underwriting of Syndicate 1910.

The reinsurance agreements with the respective corporate members were whole-account quota share agreements, with the proceeds of the securities issued being lodged as Funds-at-Lloyd's ("FAL"), under the Lloyd's Deposit Trust Fund.

The qualified investors that purchased the preference shares were all new investors in the Lloyd's market, including U.S. private equity funds and a U.S. alternative asset manager.

Ryan Mather (CEO of Ariel Re) commented "*We strongly support Lloyd's effective efforts to make it simpler and more efficient to invest in Lloyd's, and we are delighted that part of our new funding is the first successful example of investors coming to Lloyd's via the innovative LB2 structure.*"

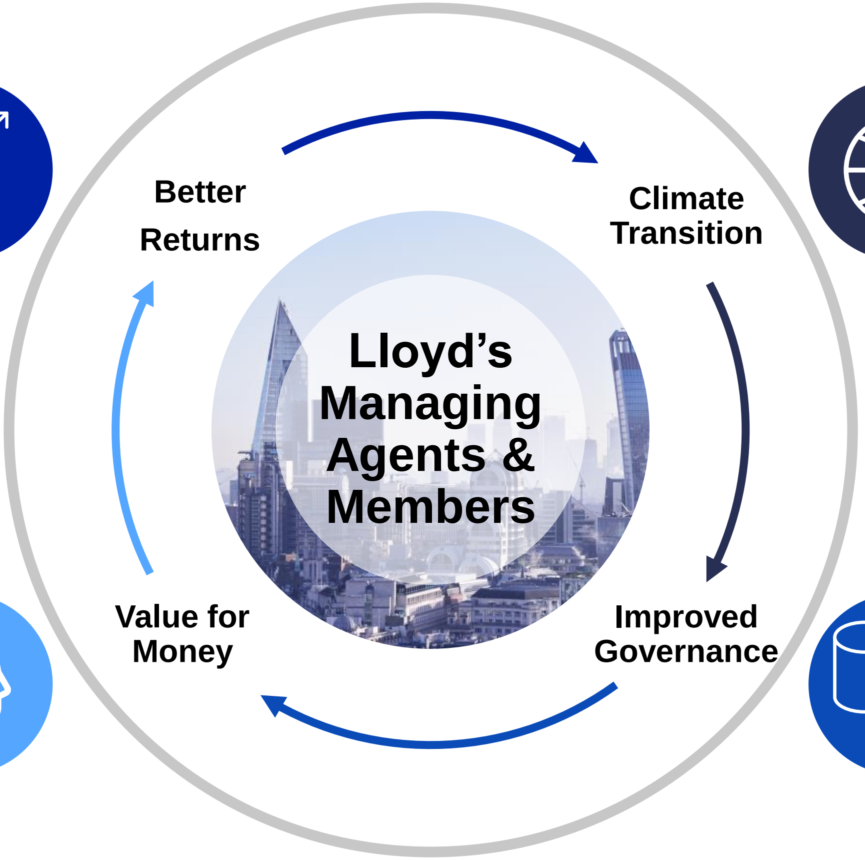
Lloyd's Investment Platform

Accessing the advantages of scale

Open architecture across asset classes

Access to private assets and other alternatives

Access to 'cash +' funds for more efficient liquidity management



Alignment to our shared ESG philosophy and goals

Investing for transition to a low carbon world

Preparedness for future regulatory change

Together all investors benefit from the economies of scale

Key metrics and costs reported and continually benchmarked

All funds specifically designed to fit within Lloyd's investment constraints

Look-through high quality data to create ease of reporting.

Open ended investment vehicles with some secondary liquidity between market investors.

The Investment Platform

Generating Investment Returns on your capital held at Lloyd's

Direct dealing on your capital

- The capital invested to support the syndicates is held by Lloyd's as Trustee (the Funds at Lloyd's)
- As the beneficial owner Lloyd's delegates the right to make investment decisions back to you or via your nominated investment manager.
- Lloyd's is introducing straight through dealing within admissibility rules.

Co-investment opportunities: Lloyd's Investment Platform

- Lloyd's is launching a series of co-investment funds to enable ease of access to a broad range of investments and economies of scale.
- Access to private assets
- Voluntary
- Pre-approved, low cost solutions
- Responsible investing
- SII level reporting

Financial reporting data needs: Holdings level data

- Portal access to all your holdings at Lloyd's including look through on Lloyd's investment platform funds.
- Available via portal or directly accessed at custodian level.

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Reinsurance to close – assets released

Based on an example member underwriting for 3 years of account from January 2023

Nov 2022 → Jan 2023 on → Dec 2025 → End 2027 → June 2028

Commitment of capital (Funds at Lloyd's)

- Investor lodges underwriting capital to the member (assets referred to as Funds at Lloyd's) to support the members syndicate participation(s)

Underwriting - first year of account

- The member commences underwriting for the 2023 year of account
- Member elects to continue underwriting for the 2024 and 2025 years of account

Member elects to cease underwriting

- Member has underwritten for 3 years of account
- Member elects to cease underwriting at end 2025
- Member does not underwrite / has no obligations for business written into the 2026 year of account

3 year accounting

- The member's final 2025 year of account continues to be accounted for a further two calendar years to December 2027
- As at December 2027, the residual liabilities of the 2025 year of account are reinsured into the 2026 year of account
- The member's final year of account has been **'Reinsured to Close'.**
- **Member's obligations to policyholders ceases**

Funds at Lloyd's assets released

- Residual Funds at Lloyd's assets are released back to the member

Members are only exposed to underwriting for the year(s) of account they support

Year by year participation

- Members can elect to support one or more syndicates on an annual year of account basis.
- Members are only exposed to underwriting for the year(s) of account they support.
- Members can re-visit their syndicate participations annually.

Limitation on duration

- Capital is not locked in.
- When a member ceases to underwrite, the capital will be released after 2 further calendar years following the Reinsurance to Close process.

Reinsurance to Close

- Cuts off member's future exposure/liabilities.
- Members' liabilities are reinsured to another Lloyd's syndicate.
- Reinsurance is a 100% treaty unlimited in time and amount.
- If the RITC premium is insufficient, liabilities do not pass back to the reinsured member.

Sale of members

- There is the limited opportunity for ongoing members to be sold

Strategic imperatives

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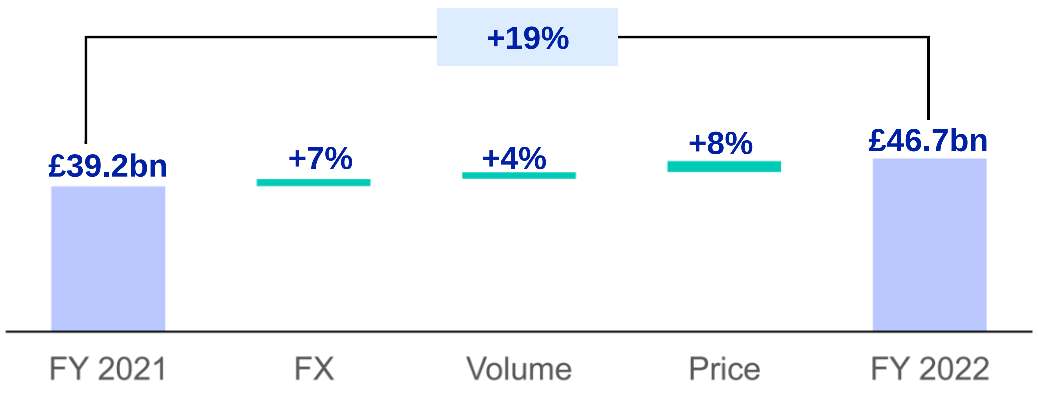
Strong progress made on strategic imperatives

Four strategic pillars

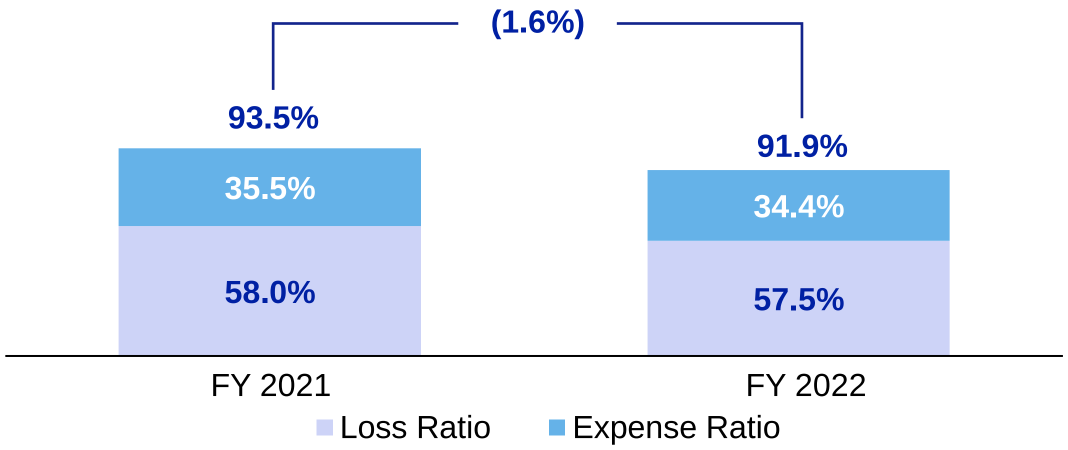
Performance	Digitalisation	Purpose	Culture
Improve & sustain the underlying performance at Lloyd's	Build the world's most advanced insurance marketplace	Put ESG and sustainability at the heart of everything we do	Build an innovative, inclusive and high performing culture

Continued sustainable performance and profitable growth

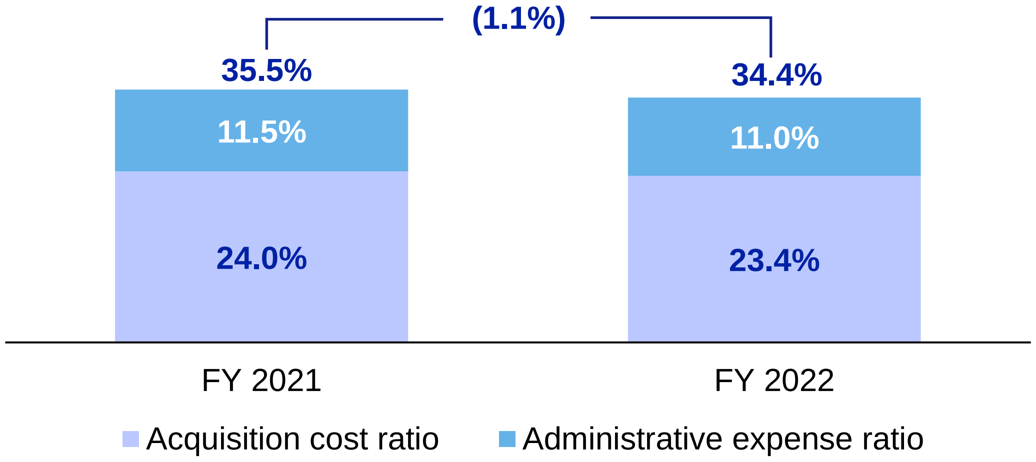
Gross written premium growth



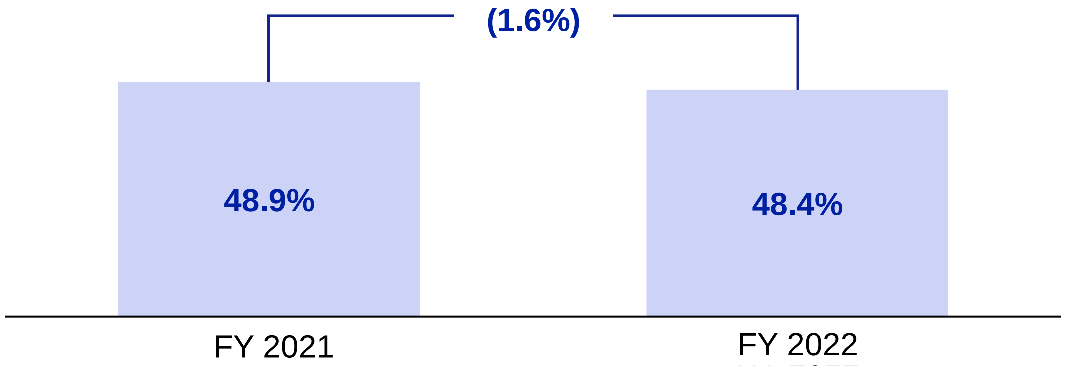
Combined ratio



Expense ratio



Attritional loss ratio



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Digitalisation: Delivering our ambitions for the market

Better

- Re-engineering the way business is transacted in the market through all aspects of placement and processing of premiums and claims

Faster

- Completing the processing transactions within placement and claims in seconds and minutes, rather than weeks

Cheaper

- Delivering significant cost savings through digitalisation of the marketplace, avoiding errors and rework

What does it look like when we get there

Brokers and insurers could **realise annualised benefits of over £800 million from operating in our new digital marketplace**. This is equivalent to **a 3% reduction in the combined ratio** of the market. Having a **standardised data set and modern processing platforms** gives the market the **pipeline and tech platform to innovate and grow.**

Current state	Future state
A people intensive London Market processing environment, using an **out-of-date processing environment** where people are the control point for quality	**A more digital** processing environment for the London market with a **set of modern platforms** where business rules are the control point for quality
Incomplete data with high error rates	A **common set of data standards** with low error rates
A **40 year old mainframe environment** with **arcane green screen input** and **low resiliency** given the nature of the platforms	A modular **cloud-based policy processing, claims and accounting platform** that speeds up tech changes, as needed, and improves resiliency
A **claim orchestration platform** that **does not allow for electronic notice of loss, claim triage and routing, or electronic settlement**	The ability to **electronically place loss notices, triage the claims, route them to the right adjuster, and settle payments** in hours and days
A **delegated authority ecosystem** with annual contracts, data standards different to open market, claim payments that **take weeks**, and **loss fund deficits during large claim events**	A **delegated authority ecosystem** with continuous contracts, data standards aligned to open market, claim payments that **take hours** with **no loss fund deficits**, and a better centralised data store for the market
Document submissions with multiple error-loop cycles. Submissions get **completed in weeks and months**	An MRCv3 with structured data embedded into it, a **common way to place business**, a **digital gateway** that ingests, appends and validates the data and sends it for digital processing, placement and money movement in days

The five sequences of the digital processing build

Foundational capability

1

Set of foundational components that will be used across services / future phases of delivery

Global Premium & Claims service

2

Global specialty insurance service to manage premium movement and claims orchestration for singleton non-complex business

London Market Premium & Claims service

3

London market service to manage premium movement and claims orchestration for syndicated business within Lloyd's and company open market

Delegated Authority Premium & Claims service

4

London market service expanded to handle delegated authority premium and claims submissions

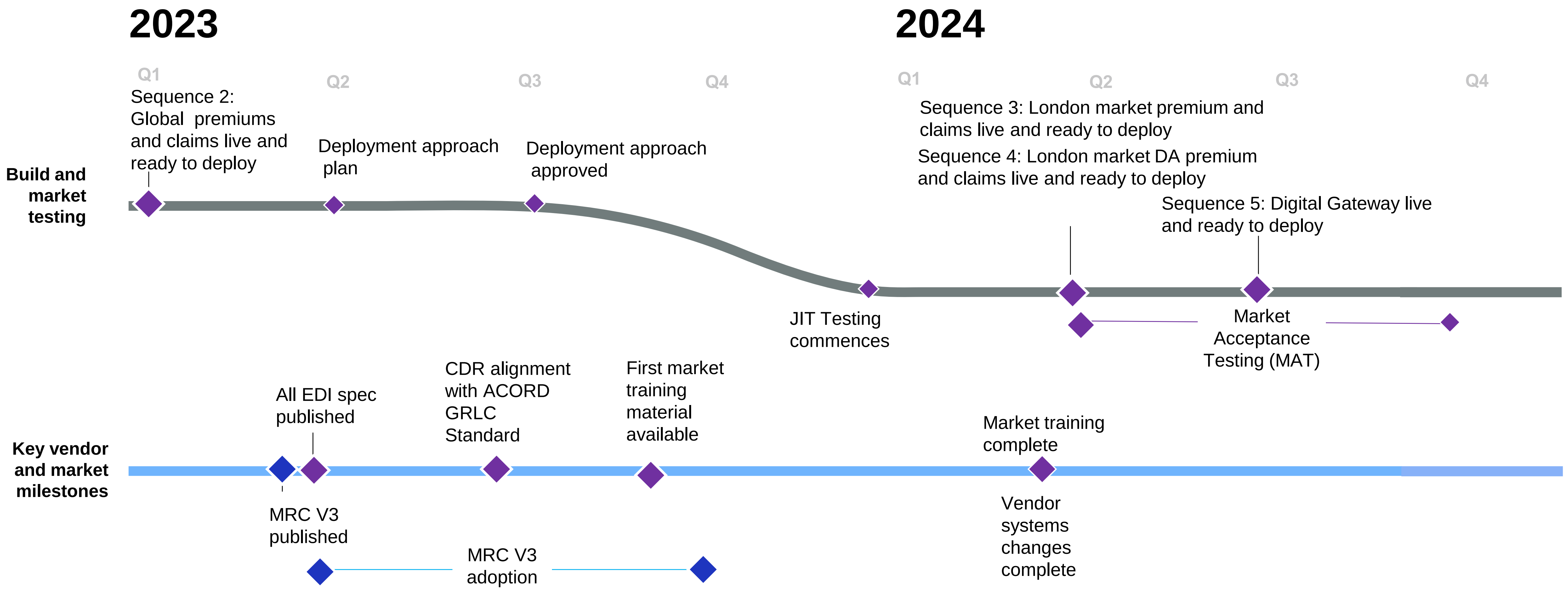
Gateway Risk service

5

Supports London open market placement through ingestion of Core Data Record, incl. data validation, augmentation and notifications

Key milestones for 2023/2024

JV milestone   Lloyd's milestone



Purpose: Driving action leadership through Futureset

Sustainability: Insuring the transition

- Help the market take action to understand the commercial insurance opportunity for low-carbon technologies
- Facilitate breakthrough partnership opportunities to drive collaboration e.g. BEIS, InnovateUK, National Grid and more
- Share stories of the critical role leading business and their insurers (from the finance and energy sectors) are playing in the transition to net zero

Cyber: A sustainable & resilient response to cyber risk

- Delivery of new research and commercial insights with leading cyber experts, to equip the Lloyd's market to better understand and manage risk
- Publication of a scenario based, systemic event (major cyber attack on global payments system) to reveal economic and insured loss
- Build on the work of Lloyd's 2022 cyber summit and spotlight the complexity and severity of the cyber challenge

Resilience: Solution-focused approaches to natural disasters

- Through a flagship piece of action leadership, demonstrate the critical importance of disaster resilience to increase adoption of new solutions and risk financing
- Spotlight the severity and impact of natural disasters in a changing climate and highlight disaster risk
- Facilitate and promote new solutions delivered by Lloyd's disaster risk facility and the SMI disaster risk framework

Sharing risk insights

- Deliver three Innovation Forums in partnership with Aon to drive action on critical challenges faced by customers, post Ukraine conflict
- Publish two reports on supply chain risks (semiconductors and transport and logistics)
- Publish ten individual systemic risk scenarios, across climate, digital and health, revealing economic impact and insures loss of events

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Purpose: Creating a more sustainable marketplace

Leading the industry to a sustainable future

- Lloyd's will continue to chair the SMI insurance task force (ITF) to provide risk solutions and capital to support mitigation, adaptation and resilience and accelerate the global economy's transition to a sustainable, low carbon future

Committing to net zero

- Committed to a net zero underwriting and investment position by 2050
- Corporation to achieve net zero for its own operations by 2025
- Joined the Net-Zero Insurance Alliance (NZIA)
- Launched a pledge to drive sustainability across insurance industry supply chains

Progressing Lloyd's Futureset

- Year three of Lloyd's Futureset: our global action leadership platform focused on sustainability, cyber and disaster resilience
- Q1 of 2023, the platform has delivered several events addressing low carbon technologies with partners like BEIS & Equinor with further events scheduled

Carbon measurement

- Working on a common approach to measuring the carbon impact of the Lloyd's markets underwritten risk in addition to other work across the SMI task force(s)
- Committed to a 3-year roadmap outlining our approach to measurement and oversight to be published in H1 2023

Embedding sustainability

- Publish feedback and guidance to support managing agents in establishing a sustainability strategy
- Publish our third Sustainability report in June 2023 to showcase our work and demonstrate progress against our commitments

Culture: Building an inclusive, diverse culture at Lloyd's

Lloyd's Collaborative Research Project on Trans-Atlantic Slavery
Lloyd's and Black Beyond Data have collaborated in pioneering research on the role of Lloyd's In Trans-Atlantic Slavery. The research will launch in 2023.

Improvements against Market gender and ethnicity targets
A 2% increase in women in leadership to 32% putting our Market target of 35% by December 2023 in sight. Improvements to ethnically diverse representation at all levels and improved progress against the 1 in 3 hiring ambition are evident from the MP&P return.

Market oversight
Culture assessed as part of our ongoing oversight of the market and forms an integral part of our new principles-based approach

Foster an inclusive culture
Lloyd's Together, Partner Networks, Dive In and Outreach partners reach over 50,000 people globally

2022 Culture strategy
All Year 1 deliverables achieved. and a stretching programme of transformation is being implemented for 2023-2025.

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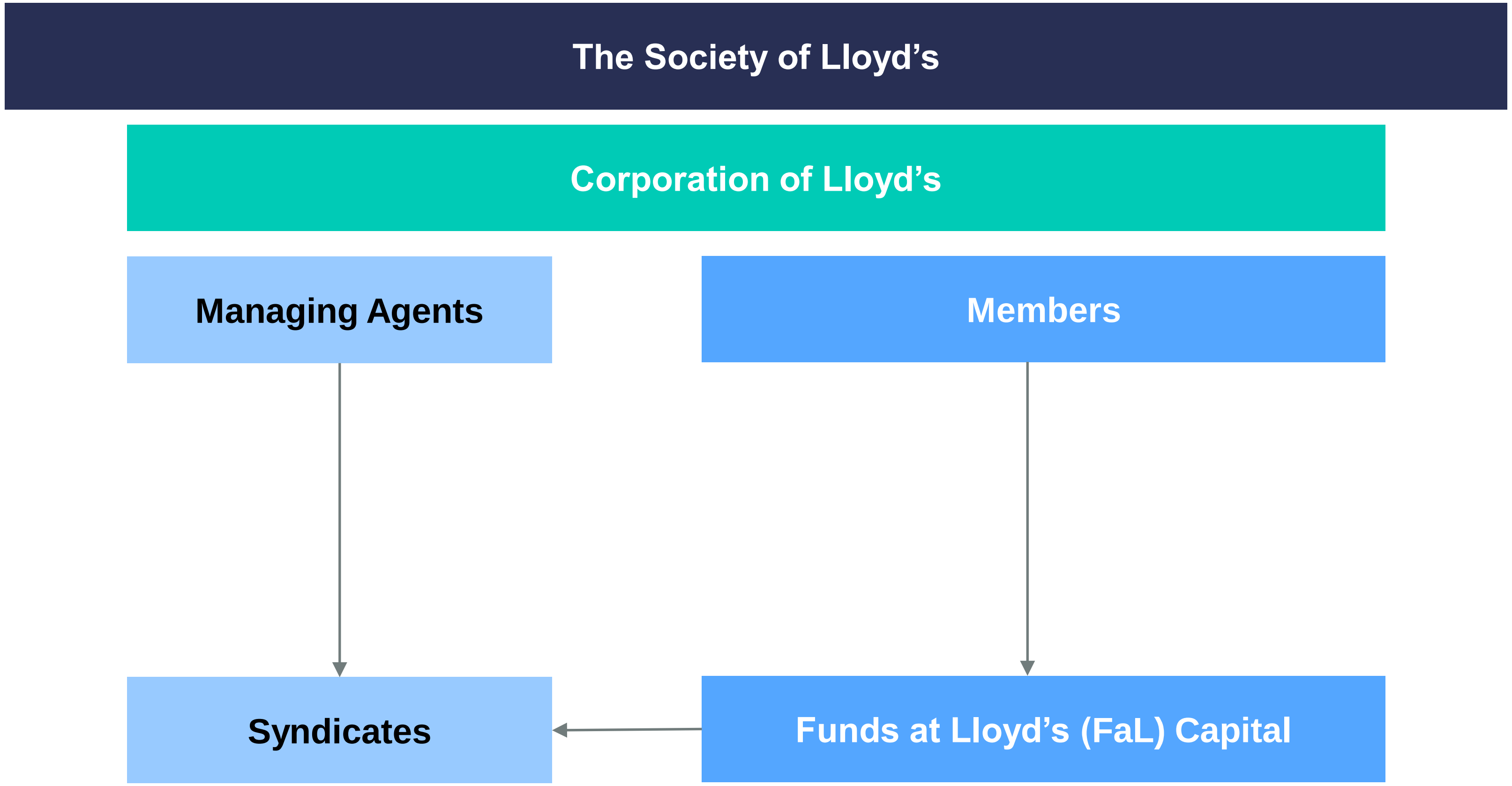
Overview of the Lloyd's market

Lloyd's market structure



Corporation of Lloyd's

- Provides robust, but commercial underwriting oversight.
- Manages centralised services.
- Regulates capital requirement.

Managing Agents

- 51 agents managing the syndicate underwriting operations
- Majority owned by insurers.

Syndicates

- 91 syndicates underwriting risks and binds Lloyd's.

Members

- >1,780 members who severally commit capital and carry the underwriting risk.

Funds at Lloyd's

- Capital provided by Members to 1:200 year risk level plus 35% uplift.

Lloyd's capital structure

Chain of Security

Several Assets Total £106.6bn	**Premiums Trust Funds**	**£72.5bn of syndicate level assets**	Premiums and claims reserves that are held in trust on members' behalf at syndicate level. The first resource for paying policyholder claims from the syndicate.
	Members' Funds at Lloyd's (FAL)	**£34.1bn of regulatory capital** (77.4% fully paid: 22.6% contingent Letters of Credit)	The capital provided to Lloyd's and held in trust to support claims in excess of premium trust funds. Every member's Funds at Lloyd's is set on an annual basis and its adequacy is monitored throughout the year.
Mutual Assets (including reinsurance cover) Total £5.5bn	**The Central Fund £3.1bn**	**'Callable' contingent capital layer (up to 5% of member overall premium limits) £2.4bn**	The Central Fund can meet the obligations of members whose FAL is exhausted. Current levy 0.35% premium.
	£450m reinsurance over £600m losses in aggregate **Aggregate 5 year term from 1/1/2021**		Central Fund risk supported by fully collateralised reinsurance placed by JP Morgan above £600m of aggregate losses
	£200m reinsurance over £1,050m losses in aggregate **Aggregate 5 year term from 1/1/2021**		Additional reinsurance purchased from a panel of global reinsurers providing cover above £600m
	£603m of subordinated debt		Subordinated debt placed with institutional investors of which £194m redeemed in December 2022
			Lloyd's has option to call 5% of overall premium limits from the Premium Trust funds to supplement the Central Fund.

Total Capital Resources £40.2bn

Figures are as at FY2022 Year Results

Participating in the Lloyd’s market

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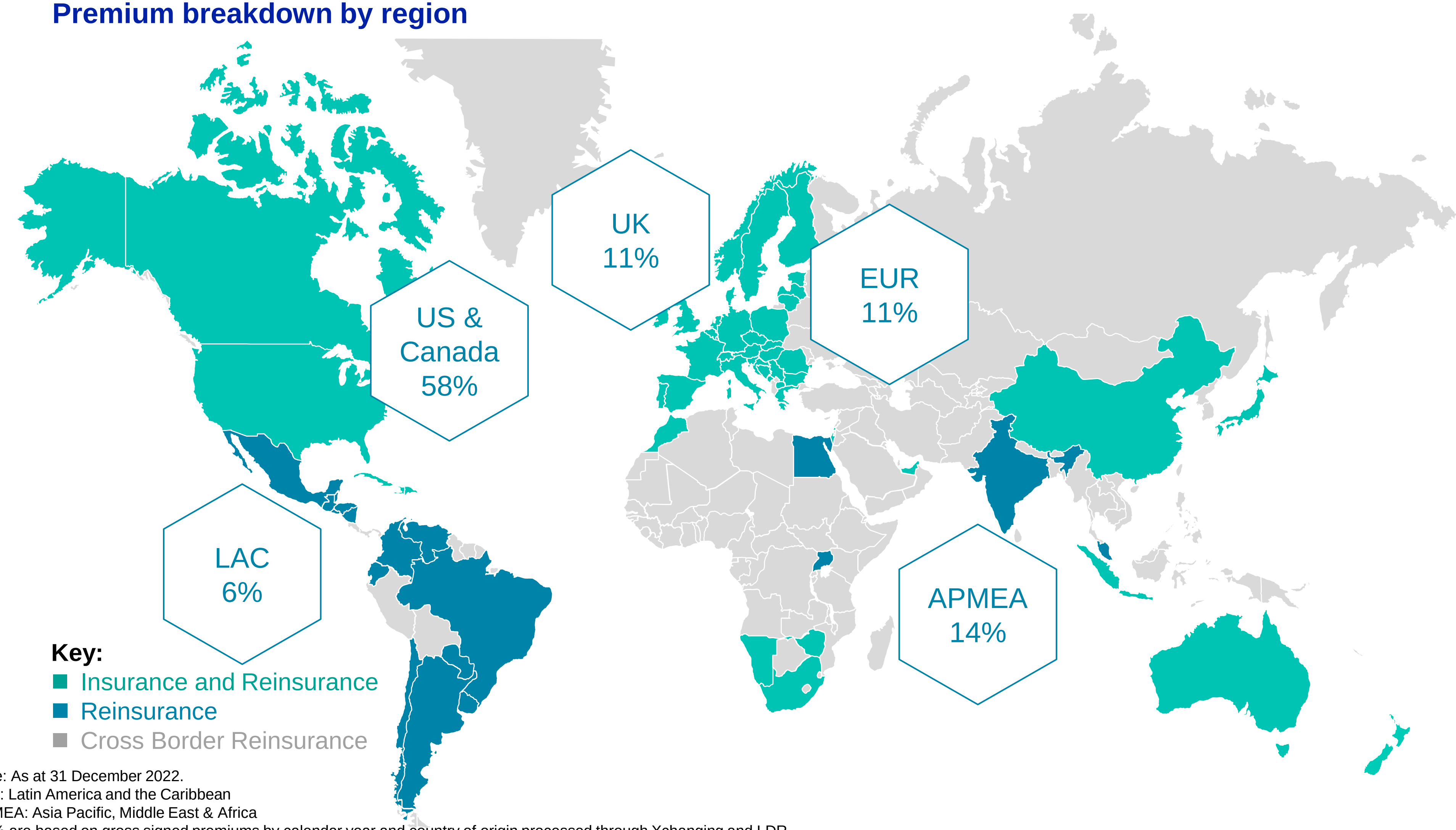
Lloyd's is the world's largest insurance marketplace and global distribution network

Premium breakdown by region



Key:
- Insurance and Reinsurance
- Reinsurance
- Cross Border Reinsurance

Insurance + Reinsurance

80 territories where Lloyd's is licensed or authorised to write insurance and reinsurance business.

Reinsurance only

18 territories where Lloyd's is specifically registered or licensed to write reinsurance business only.

Cross Border Reinsurance

Where Lloyd's can transact cross-border reinsurance business from outside of the territory in which the risk is situated.

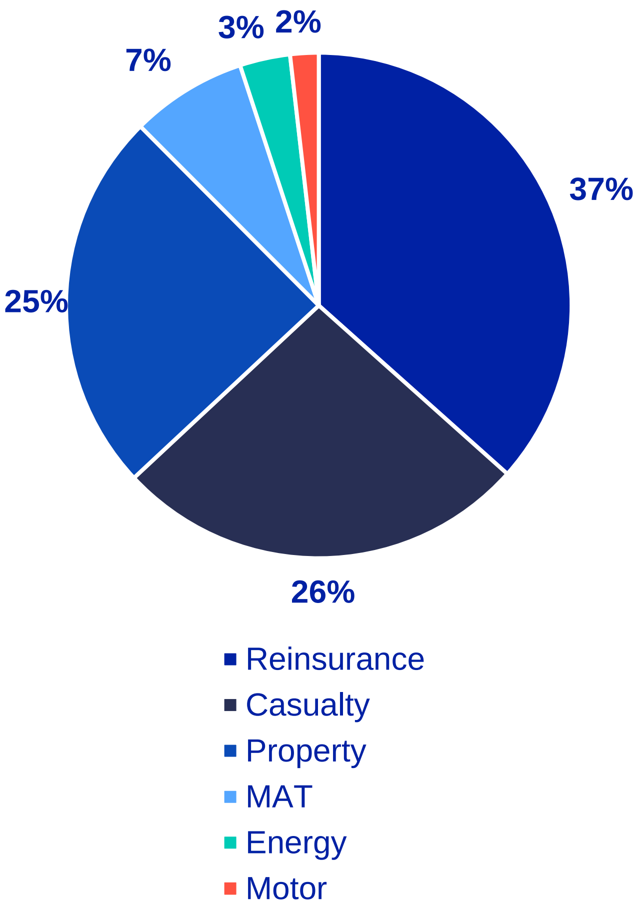
Broker and coverholder distribution

Over 300 brokers and over 4,000 coverholders.

Note: As at 31 December 2022.
LAC: Latin America and the Caribbean
APMEA: Asia Pacific, Middle East & Africa
All % are based on gross signed premiums by calendar year and country of origin processed through Xchanging and LDR

Diversification of risks

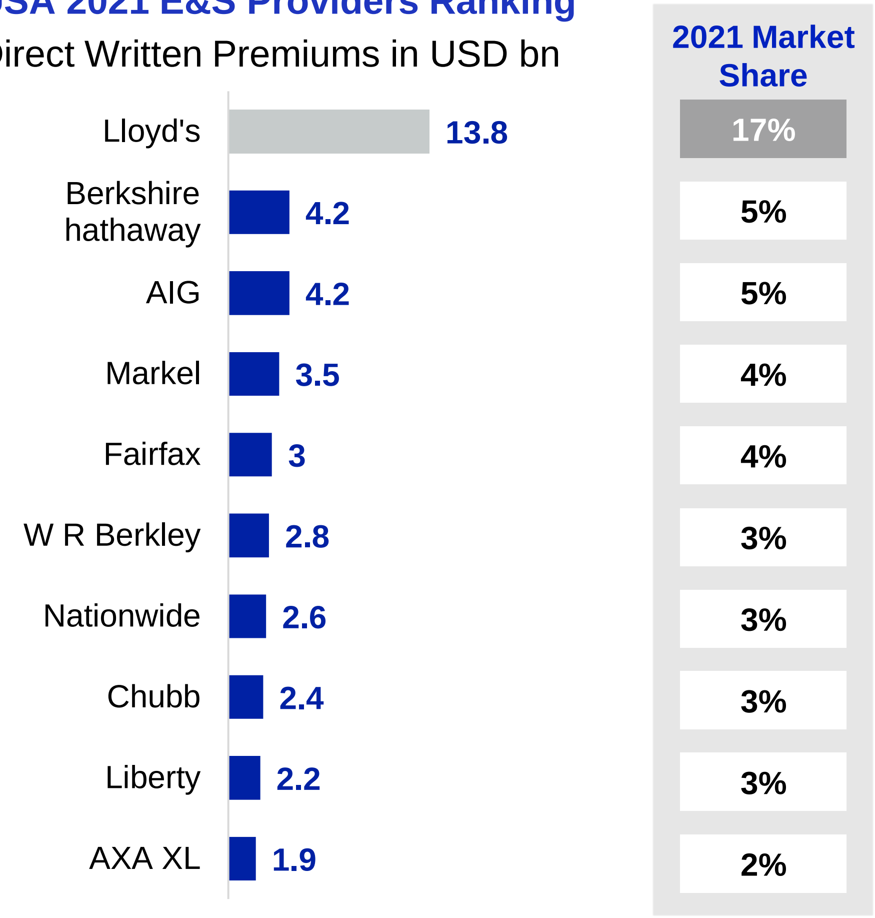
Premium by classes of business



Source: Lloyd's Annual Report 2021

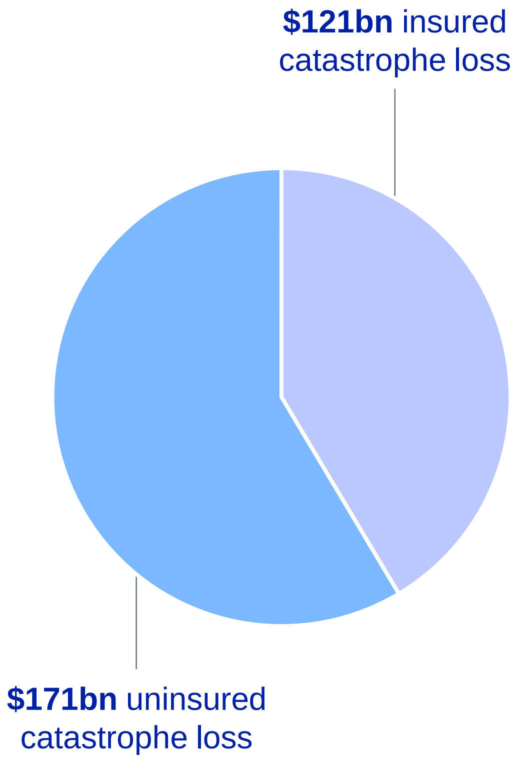
USA 2021 E&S Providers Ranking

Direct Written Premiums in USD bn



Source: AM Best

59% catastrophe losses were uninsured in 2021



Source: Swiss Re Institute, 2022

Infrastructure in place to develop new business opportunities

Centralised infrastructure

- Lloyd's offers flexible shared services including central settlement and regulatory reporting.
- Lloyd's subscription model means you can benefit from the expertise of other market leaders in business lines where you want exposure.
- Lloyd's mutual assets improves return on capital especially for those that do not maintain a separate financial strength rating.
- Lloyd's sets a broad range of acceptable assets to support underwriting efficiency, including Letters of Credit.

Corporation oversight

- Lloyd's sets performance standards across the market and takes strong management actions on underperformance.
- Significant remediation at syndicate and class of business level has resulted in the market returning to profitability and now positioned for further growth.
- Classes of business targeted for remediation are now outperforming the Lloyd's market average.
- Differentiated approach to performance oversight, enabling good performers and taking appropriate action on underperformers.

Leading marketplace for protecting against new and emerging risks

- Lloyd's reputation for innovation is supported by Lloyd's Lab, an InsurTech accelerator programme which aims to help innovative ideas gain traction and success in our market.
- Through Lloyd's subscription market or consortia arrangement, you are able to develop new business opportunities while sharing the risk with the collective strength of the market.
- By operating at Lloyd's you will have a unique global perspective with access to the market's insights and benchmarking data to allow you to compare your performance against that of your Lloyd's competitors, facilitating disciplined underwriting across geographies and classes.

Becoming a member

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Becoming a member

Member

The risk carrier.
Underpins any underwriting commitment in Lloyd's

- The members are the (re)insurers of the risks.
- Members can support one or more syndicates – and can change their participation on an annual (year of account) basis.
- Members carry the regulatory capital to support underwriting (referred to as Funds at Lloyd's) and can be supported by third party capital providers.
- Within the Standard Strategic Asset Allocation, Funds at Lloyd's assets can be invested within the discretion of the Member.
- Multiple syndicate participation can diversify the overall risk profile, reducing the level of capital (Funds at Lloyd's) required at member level.
- Funds at Lloyd's can be provided by a first or third party directly or through a cell established through the Lloyd's sponsored London Bridge Protected Cell Companies.

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Members put up their required level of Capital

Members' assets

Syndicates calculate Solvency Capital Requirements (SCRs) according to Solvency II regulation, on an "to ultimate" basis

Syndicates' assessments and modelling of underlying risks

Syndicate ultimate SCRs are reviewed and agreed by Lloyd's Actuarial Oversight team and Capital Planning Group

Lloyd's review/ discussion/ amendment

Business Plans

Other data

35% uplift applied to reach "Economic Capital" requirement

Capital requirement **Allocated to members**

Funds at Lloyd's *(members' assets)*

Central assets

Syndicate risk information input to Lloyd's Internal Model and other information regarding "risks" to Central Fund assessed

Lloyd's SCR and **Central Fund** target established (central assets)

How is a member's capital requirement calculated?

Syndicate level SCR modelling

- Application of Solvency II (SII) based stochastic modelling drives strong Solvency Requirement.
- Syndicates calculate their Solvency Capital Requirement (SCR) such that it considers their risks on an ultimate basis (not just how they may emerge over a one-year time horizon)
- 35% capital uplift increases security to drive the Economic Capital Requirement.

Member Modeller

- Lloyd's driven allocation to individual members.
- Model takes account of member diversification through syndicate participations.
- Funds at Lloyd's requirement derived for each member.

Central Fund

- Contribution to Central Fund driven by syndicate level premiums.
- This provides a key element of the additional layers of security.

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How can capital be provided into a Member?

Direct Deposit

- Traditional direct provision of capital from traditional names but is now provided in the large part by Insurance Companies operating through Lloyd's.

Third Party Capital Provision

- Institutional Investors have been backing Lloyd's for some time.
- Opportunity to diversify Economic and Market Risk by accessing pure Insurance Risk.
- Increasing interest in the Lloyd's market.

London Bridge Protected Cell Companies

- Available as an on-shore UK market vehicles to support ILS investment at Lloyd's.
- Sponsored by Lloyd's under its Future At Lloyd's programme and the optionality has been expanded by the introduction of the new London Bridge 2 PCC.
- Ability to rapidly deploy capital through a pre-approved structure .

Becoming a managing agent

The role and construct of a managing agent

The role of a managing agent

- A syndicate is not a legal entity – it is the collection of one or more members supporting a common underwriting venture.
- Every syndicate member appoints the managing agent and delegates all authority to the managing agent to manage the syndicate and to determine all matters related to underwriting.
- A managing agent can manage more than one syndicate.

Construct of a managing agent

- A managing agent's governance structure is similar to that of a UK insurance company.
- It is required to maintain a full board of directors representing key areas of activity , for example Underwriting, Finance, Operations, Risk/Audi and Investment.
- Lloyd's and the PRA/FCA require the appointment of experienced non-executive directors, one of which will usually be the Chair.

Managing agent resources

- The Board is supported by a number of sub-committees that may include key areas of activity such as Underwriting, Risk, Finance, Operations, Investment, Audit
- The managing agent may elect to formally outsource functions, for example bulk claims handling to other group companies or to third party suppliers.

Third party syndicate management

Third party syndicate management

- In most cases managing agents manage their own syndicate / underwriting entity.
- It is possible for an underwriting group to appoint a third party managing agent to manage their syndicate.
- Managing agents can manage more than one syndicate.
- Current third party managing agents include Asta, Apollo, Polo.

Why appoint a third party managing agent

- The process to establish a syndicate is complex. Establishing a manging agent at the same time increases the complexity.
- There can be a substantial difference in application duration – managing agents are approved by the PRA/FCA, a new syndicate is a Lloyd's-only application.
- Some groups may not have the appetite or need to establish own managing agent

Implications of third party management

- Secures the necessary regulatory framework to manage the syndicate without incurring 100% of the costs.
- Removes the direct regulatory interaction for the underwriting business.
- The third party managing agent board is required to agree all syndicate business plans annually prior to submission to Lloyd's.

Becoming a managing agent

Options – Build or Buy

- It's usual to establish a managing agent to take over the management of an existing syndicate from a third party managing agent.
- Possible to establish managing agent and syndicate at the same time however application durations are unlikely to align.
- All managing agents are required to comply with Lloyd's Principles for Business, and will be monitored by Lloyd's Market Oversight team.

Build new

- Application to the PRA/FCA and Lloyd's.
- Requires a fully operational Board and to be fully resourced from day 1.
- Expect key director roles to be dedicated to the managing agent.
- Certain functions may be outsourced intra-group or to third party providers.
- The application process can take more than 12 months, in line with the PRA/FCA service standards.
- No legacy business to administer/run-off.

Acquire existing

- May be a faster route into Lloyd's.
- Requires full Change of Control application to Lloyd's and the PRA/FCA.
- Requires demonstration of how the business of the managed syndicate(s) will be appropriately overseen / run off.
- PRA/FCA service standard is 60 days from confirmation of a complete application.

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What our oversight of managing agents will focus on in 2023

- Economic uncertainty
- Systemic, cyber & geo-political risk
- Reinsurance capacity pressures
- Legacy Reinsurance
- Climate change & resilience to catastrophe events
- Operational & cyber resilience
- Concentration risk
- ESG

Conduct

Product Lifecycle Reviews and Fair Value assessment of insurance products

Culture

Embedding good culture to achieve our goal for the Lloyd's Market to be the destination of choice for global talent

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