

Market Bulletin

Ref: Y5337

Title	2022 Business Plan and Capital approval process and timeline
Purpose	To inform the market of the 2021 process for agreeing 2022 Business Plans and Capital requirements
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As part of our continued commitment to support both the Corporation and the market through the challenges posed by COVID-19, the 2022 business planning process will continue to be reflective of the current market environment. The process for agreeing 2022 Business Plans and Capital has also been informed by feedback received from both the Corporation and the market in relation to last year's process.

A differentiated, risk-based approach to 2022 business plans

Lloyd's will take a risk-based approach for approving 2022 business plans, with a focus on continued performance improvement.

1. Recognised as Lloyd's strongest performers, Light Touch syndicates will continue to have a 'file and use' approach to planning.
2. Last year Lloyd's also offered a 'file and use' approach for standard syndicates where they met the applicable criteria. This opportunity will be available for the 2022 business planning process, however going forwards it will be referred to as business planning 'Fast Track' to distinguish it from the approach for Light Touch syndicates. This terminology also aligns to the terminology used by Syndicate Capital where reviews go through a lighter model review process.

Fast Track will be permitted based on a '2 Gate Approach' whereby in order to be considered, syndicates must meet both of the following criteria:

- **Gate 1:** *Have you done what you said you would do and delivered profitable results?*
Syndicates will only be considered if they have met or bettered their plan NCR, on a normalised basis, in two out of the last three years **and** achieved or bettered an NCR of 98%, on a normalised basis, in two out of the last three years.
- **Gate 2:** *Is your 2022 business plan Logical, Realistic and Achievable (LRA)?*
The final decision will be taken following the submission of the full Syndicate Business Forecast

3. There will be no change in our approach for High Touch syndicates. These plans will continue to be reviewed in full and have detailed oversight during business planning.

Logical, Realistic and Achievable Plans

The assessment of whether a business plan is Logical, Realistic and Achievable will continue to underpin all decisions related to plan approval:

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

Realistic: *Assumptions that underpin those actions are credible* in context of current market conditions.

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

All plans must be approved in writing by the CEO and the Chair of the Managing Agency Board as part of the submission and adhere to Franchise Guidelines such as line size dispensations and class of business permissions.

Fast track approach for capital

Following the successful pilot of the Fast Track approach last year, the Capital Fast Track approach is being fully implemented into Lloyd's review process for 2021. Syndicates that are fast tracked for the September/October SCR submission will have their review category of capital pre-agreed as "light". This is predicated on achieving a level of confidence in the model prior to submission and aims to achieve fewer time-pressured queries and more predictable capital requirement for syndicates.

Participation is not optional for Capital Fast Track 2021, which is a change from the pilot last year and syndicates have already been informed if they are entering fast track via Route 1. There are two routes for being eligible for Capital Fast Track in September:

1. **Route 1:** Review undertaken prior to September/October LCR submission. The syndicate has either undergone a major model change (MMC), a capital deep dive, or an Internal Model Approval Process (IMAP) review (from coming off the syndicate benchmark model) in 2021. Additionally, there is no material change in the September/October submission from the reviewed model (as per criteria b-d below).
2. **Route 2:** Metrics for 'no material change' met in September/October submission. The syndicate qualifies for a light review in September as it meets all the below criteria:
 - a. uSCR is below £250m (as per LCR form 309, Table 2, Cell I9); and
 - b. No significant concerns have been identified by Lloyd's in respect of the internal model; and
 - c. The model has been subject to limited change, i.e. no major model change application accompanies the SCR submission; and
 - d. Key SCR-to-exposure metrics have not changed materially since the previous SCR review (September submission or any re-submission if applicable).

Further information on the Capital Fast Track approach and eligibility criteria can be found in the guidance located [here](#).

Outside of the Fast Track approach, Syndicate Capital reviews will continue to use a risk-based classification. Each syndicate will be informed of the category of their review, which is finalised following submission.

All syndicates, regardless of fast track status, will still be considered for capital appropriateness based on their catastrophe risk appetite, appropriateness of prospective loss ratios and opening balance sheet reserves. Syndicate Reserving have been engaging with the Market from mid-May on reserving thematic tests for uncertainty. Prospective loss ratios will continue to be an area of key focus, in light of the performance of the 2020 year of account against plans.

Strong engagement and communication pre-Capital and Planning submissions

Account managers will provide more detail on our expectations for planning and capital in a letter to CEO's later in May. Our annual market message will be delivered on 10 June by Patrick Tiernan, Chief of Markets and Burkhard Keese, CFO and will reaffirm the focus areas for 2022 business and capital plans. In July we will also publish the 2022 guidance on the Syndicate Business Forecast (SBF), Lloyd's Capital Return (LCR) and Catastrophe Returns. Further support and guidance will also be provided through the capital and planning pages on www.lloyds.com.

Engagement with managing agents will commence from early June. Every managing agent will meet with Lloyd's representatives, led by our Account Managers, with support from technical teams.

Strategic Business Discussions (SBDs) will occur for all syndicates after the market message has been delivered, through June and July. These discussions will give Managing Agents the opportunity to present their prospective syndicate business plan, evolution of capital in light of risk profile and 3-year plan activities to Lloyd's. Meetings should be attended by your CEO, CFO and CUO / Active Underwriter, along with any other team members you wish to attend.

Syndicate categorisation will drive the level of SBD discussion, with High Touch syndicates requiring a longer 1hr 30min session, standard syndicates an hour and light touch a short 30 min plan check-in meeting. Please let your Account Manager know if you would like a longer SBD meeting to discuss key aspects of your business with Lloyd's, or if you are intending to make changes that materially impact your capital such that we can ensure representation from the relevant Lloyd's teams.

As per last year, ahead of these discussions syndicates will be asked to complete and submit a KPI template for 2022 plans. Further details will follow in due course.

For standard syndicates, the criteria for business planning Fast Track will be discussed with you at your SBD discussion and an indication of whether you have passed Gate 1, based on your Q1 QMB data, will be provided. However, the final decision on business planning Fast Track will be made once the Syndicate Business Forecasts have been submitted and Gate 1 criteria has been reapplied using Q2 QMB data. Syndicates on Route 1 of the Capital Fast Track will be informed of their fast track status separately when the review of their major model change application has been completed.

Written feedback will be provided to each syndicate following the SBD discussions, which will state Lloyd's' view of the plan, capital and other areas for consideration. Syndicates should consider the feedback prior to final business plan and capital submissions and respond to any action points provided as well as continuing to engage with the Lloyds Team in the lead up to plan submissions.

A phased timetable for 2022 plan and capital submissions

The phased approach for business plan and capital submissions will continue for the 2022 process. Each syndicate will be given a specified return submission date based on capital structure and our risk-based approach. The 'coming into line' deadline is 30 November 2021.

Syndicates will follow one of four submission phases, which will be confirmed by your Account Manager later in May. Note that the below dates are the final deadlines for submission, syndicates can submit before this deadline.

Syndicate group	SBF return submission deadline	LCR return submission deadline
Phase 1	2 September	6 September
Phase 2	13 September	16 September
Phase 3	20 September	23 September
Phase 4	27 September	4 October

Once the agreed phase for your syndicate has been communicated to you by the Account Manager, Lloyd's will not be supporting extensions to submissions after the confirmed deadlines in September.

Additionally, to reflect internal workloads and priorities post Coming Into Line (CIL), no SBF submissions between the 1st December 2021 and the 7th January 2022 will be reviewed by Lloyd's. In the exceptional circumstance that a syndicate has issues meeting the capital requirements as at the CIL deadline, which also impacts the agreed 2022 SBF, Lloyd's will work with the syndicate to come to a resolution.

If you have any questions, please contact your Account Manager in the first instance.