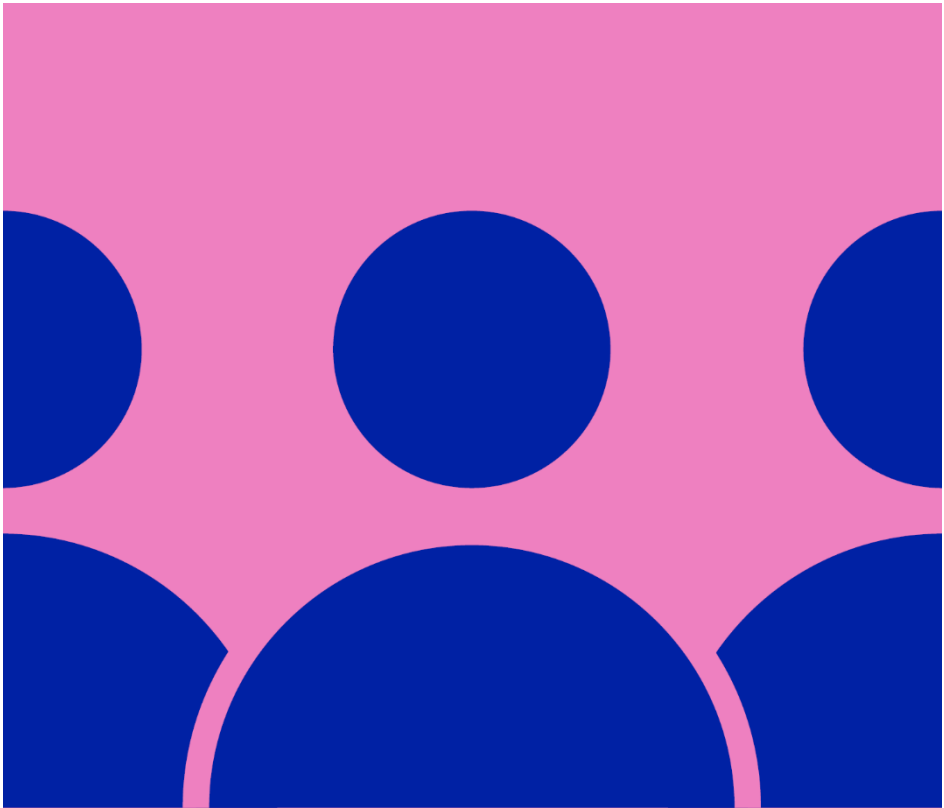


Establishing a syndicate at Lloyd's. A guide for applicants.

November 2024



**This guide is for businesses
who wish to establish a
Lloyd's underwriting business.**

**Lloyd's is the world's leading
insurance and reinsurance
marketplace.**

Contents

What is a syndicate?	3
Why establish a syndicate at Lloyd's	3
Lloyd's assessment criteria	3
The role of the managing agent	4
Fees and charges	4
Application process	5
Appendix 1	9
Disclaimer and Copyright	10

What is a syndicate?

Syndicates are the traditional market facing business units at Lloyd's. They can be supported by one or more members of Lloyd's; the members are the insurers for their share of any risk written by the syndicate (separate, not joint, liability).

Why establish a syndicate at Lloyd's

- Syndicates are usually, but not exclusively, established by existing market groups looking to access and benefit from Lloyd's brand, licence network, rating and distribution. Syndicates often start out as SIABs or SPAs before progressing to full syndicate status.
- Each syndicate can set its own appetite for risk and formulate its Business Plan to be agreed by Lloyd's.
- A syndicate, through its managing agent, arranges its own reinsurance protection and manages its exposures and claims.
- Syndicates can lead, and provide follow capacity, on subscription risks covering a wide range of classes of business although many will be specialists in particular classes.

Lloyd's assessment criteria

Lloyd's has established overarching criteria for the assessment of all new entrants; these criteria are detailed in the requirements made under the Underwriting Byelaw which can be found [here](#), under the Byelaws and Requirements heading.

More broadly, Lloyd's will consider the extent to which the applicant's proposed business adds value to the Lloyd's market, having regard to criteria including:

- the nature of the applicant's business;
- the fitness and propriety of the applicant's directors, officers and key personnel;
- the collective suitability of the applicant's board of directors and of each of its committees;
- the ability of the applicant to comply with Lloyd's cultural requirements and targets including those relating to diversity;
- the ability of the applicant to comply with Lloyd's requirements for sustainability;
- the applicant's capability and readiness to engage in and make changes required by Lloyd's market transformation initiatives.

You are strongly advised to read and consider the full requirements [available on Lloyd's.com](#).

In order to help you formulate your proposition and obtain a better understanding of the typical costs associated with operating a syndicate at Lloyd's we have created the following templates:

[A. Lloyd's Standard Model \(LSM\)](#)

[B. Triage Quantitative Submission](#)

For more detailed information on the Capital Setting framework please see Appendix 1 of this document and the relevant section of the [Lloyd's website](#).

The role of the managing agent

All members of Lloyd's must underwrite through an agent, known as a managing agent. It is the managing agent that usually employs the underwriters who will bind the contracts of insurance and reinsurance on behalf of all the Lloyd's members of the syndicate. Managing agents will also carry out all the other activities of insurance business at Lloyd's on behalf of the members. All Lloyd's managing agents are regulated in the UK by the PRA and FCA, as well as by Lloyd's.

In the early stages of your application, we do not require you to have reached a final decision on which managing agent you intend to partner with. By the time your application has reached the stage where you are presenting to the Business Opportunities Committee (BOC), however, you will need to have identified who you will be working with, and representatives of the managing agent will need to attend the BOC meeting.

The managing agent will charge fees for the services they deliver (which may include finance, actuarial, claims etc), however the level of fees is a matter of commercial negotiation between you and the managing agent.

Fees and charges

- Lloyd's syndicate application fee is £200,000 (VAT is not payable).
- The application fee invoice will be issued once the application has been recommended to the Council by the Business Opportunities Committee.
- Please note the application fee is non-refundable.
- Further information on charges payable by members to operate in the Lloyd's market can be found in the [Triage Quantitative Submission](#).
- New members are not required to pay an application fee however, a £1,000 prospect fee is payable for each entity onboarded within an application (waived for known entities). This is adjustable on the number of controller entities and directors requiring KYC checks. The full fees will be charged once the member application is completed.
- The Third Party FAL provider application fee is £2,000 with an additional £1,000 prospect fee for each entity. This is payable in full with the application.

We review our charges annually and every September we release a Market Bulletin confirming the charges for the following year.

Application process

An application has six steps.

A syndicate application typically takes 2-8 months from the Triage stage to permission to underwrite.

All syndicate applications are handled in full confidentiality.



Application process

Step 1

Enquiry

Contact the Lloyd's New Entrants team

Please [contact the New Entrants team](#) to arrange an initial discussion.

The purpose of this initial discussion is to understand the principal features of the syndicate proposal, and to discuss operating at Lloyd's and Lloyd's criteria for syndicate applications.

We ask that you provide a summary of the proposition (maximum five slides), two full working days in advance of the initial discussion, outlining;

- Who you are, including your management team and relevant experience.
- What you do, including the opportunity, approximate gross written premiums for the first three years, classes of business to be underwritten by the syndicate and the geographical split of the business.
- Why Lloyd's is right for you and how you believe you will contribute to the success of the Lloyd's market.

We will advise you of the outcome within two full working days of the initial discussion. In most cases this will either be;

- Progress to Triage (stage two); or
- Why Lloyd's might not be the right place for your proposition.

Application process

Step 2

Triage

Qualitative and Quantitative submission

The Triage Group comprises heads of business areas from the following Lloyd's teams: Syndicate Performance; Underwriting Performance; Exposure Management and Aggregation; Strategy and Market Development. The Triage Group members report to the members of the Business Opportunities Committee.

The role of the Triage Group is to review a more detailed summary of the proposal, alongside relevant financial information. We ask that you complete both the [Triage Qualitative and Quantitative Submission](#) templates. If you have any questions about the templates please contact the New Entrants team.

There is a weekly standing meeting of the Triage Group to ensure we can review your proposal in a timely manner. You will need to provide the completed templates at least two full working days prior to the agreed Triage Group meeting to which we assign your proposal. Please note you do not attend the Triage Group meetings.

The Triage Group will review the submitted Qualitative and Quantitative templates and any other information provided and will confirm, within six working days, either:

- Progress to the Business Opportunities Committee (BOC) [process stage three];
- A request for further information; or
- An explanation of why the Triage Group considers that your proposal does not meet the criteria for a new syndicate.

If the Triage Group agrees to progress your application to the BOC, ahead of that presentation we will undertake [initial](#) 'Know your Customer', Anti-Money laundering and other due diligence [collectively "DD"] checks on known key persons and controllers. If nothing adverse is identified, the application will proceed.

If the syndicate application is subsequently endorsed by the BOC to the Council, any new member application(s) must be submitted ahead of the Council meeting for Lloyd's to complete the 'Stage 1' DD.

Step 3

Business Opportunities Committee

Detailed plan presentation

The eight voting members of Business Opportunities Committee (BOC) comprise Directors and Heads of Underwriting, Oversight, Exposure Management, Finance, Actuarial and Market Development.

You will be invited to attend an hour's meeting in person with the Committee. Typically, this will allow 25 minutes for you to present your opportunity, 20 minutes for the Committee to raise questions and 15 minutes for a discussion on other aspects such as capital, ESG and culture. Please note that if you are unable to attend in person then a virtual meeting can be arranged.

Your submission will consist of four parts:

- A. A summary presentation consisting of no more than 20 pages.
- B. [Narrative Submission: Business Plan & Governance](#)
- C. [3 Year GAAP P&L](#)
- D. [A completed Lloyd's Standard Model template](#)

There are scheduled meetings for the Business Opportunities Committee to review your proposal. We will agree with you the meeting to be allocated to your application. This ensures we can review your proposal in a timely manner. You will need to provide the materials at least three full working days prior to the agreed meeting.

The outcome of the presentation will be either:

- Agreement to submit the application to Lloyd's Council with the support of the Committee;
- A request for further information; or
- An explanation as to why the BOC considers your proposal does not meet the criteria for a new syndicate.

If your application is to be supported by one or more new members, or third-party Funds at Lloyd's providers, you will need to submit the relevant applications when the Business Opportunities Committee has endorsed your application to be submitted to the Council.

Step 4

Lloyd's Council

Our highest governing body grants 'in-principle' approval

If the syndicate application is endorsed by the Business Opportunities Committee, Lloyd's will then undertake the review of the Syndicate Business Plan (aka Syndicate Business Forecast or SBF) and the modelled capital number.

The managing agent submits the SBF and Lloyd's Capital Modelling (LCM) output for that review and submission to the Capital & Planning Group (CPG).

CPG agreement to the SBF and syndicate Economic Capital Assessment (ECA) is necessary for escalation to the Council.

Following CPG agreement, the New Entrants team prepares the paper for Lloyd's Council's consideration.

The application will be notified to Lloyd's Executive Committee ahead of the Council meeting.

The Council paper, which may be supported by a short slide deck (prepared by the applicant) is presented, usually by Lloyd's Chief of Markets.

The timing of the presentation to the Lloyd's Council will be determined by the

next available scheduled Council meeting.

The outcome of the Council meeting will be either:

- The Council grants 'in-principle' approval;
- The Council requests further information; or
- An explanation of why the Council considers that your proposal does not meet the criteria for a new syndicate.

Please note that if you would like to start writing business from 1 January of the upcoming year of account, to allow for the time it may take to fully establish the syndicate, you are encouraged to submit your application with sufficient time so it can be considered by Council before the end of July.

An 'in-principle' decision may be deemed to have lapsed if Permission to Underwrite for the syndicate is not secured within 6 months.

Application process

Step 5

Making it Happen

Deliver the operational and administrative aspects

Once the syndicate application has 'in-principle' approval from Lloyd's Council, we will work with you through a number of 'Making it Happen' actions.

The New Entrants team will set out and explain the actions required to obtain final approval (Permission to underwrite).

These actions include:

- Securing capital and finalising the capital arrangements to support the syndicate.
- A full review against Lloyd's Principles to ensure the proposal meets maturity expectations.
- Establishing any necessary licensing arrangements (e.g. the NAIC for US E&S or reinsurance business) and arrangements to underwrite via any other Lloyd's platform such as Lloyd's Brussels, Singapore etc.
- Setting up the syndicate banking arrangements (Premium Trust Funds, situs trust funds).
- Obtaining approval of any new corporate member(s).
- Possible resubmission of the SBF to the CPG to reflect any material changes

- Establish the necessary legal arrangements. This will include entering into a standard Managing Agents Agreement and the syndicate Active Underwriter Secondment agreement.

We strongly prefer that the Active Underwriter (AU) of the syndicate is based in the UK. However, we recognise that in some cases the applicant may wish to appoint an AU who is resident overseas. Conducting AU functions overseas could create a 'permanent establishment' that could jeopardise Lloyd's tax agreements.

In these cases, the applicant and the managing agent will need to establish a set of protocols (to be confirmed as appropriate by Lloyd's) that ensure the activities of the AU are conducted in the UK.

We anticipate that a syndicate application will take approximately 6 to 10 weeks to complete the Making it Happen stage. However, this timeframe excludes any material period in which we are waiting for responses to questions we raise and responses to requests for additional information.

When all the Making it Happen actions are satisfactorily completed, your application will move to the final stage - Permission to underwrite.

Application process

Step 6

Permission to underwrite

Final approval and launch

The Business Opportunities Committee has delegated authority to grant the final Permission to underwrite. The New Entrants team will prepare a submission to the Committee summarising the application and confirming that the requirements of the Making it Happen process have been successfully completed. This stage can usually be completed by circulation of a paper to members of the Committee, without the requirement for a meeting. Unless a member of the Committee requests further information, the decision will be confirmed within two working days.

In some cases, where there are Making it Happen actions that are not fully completed, these may be addressed by the addition of conditions to the Permission to underwrite.

We will send the letter confirming Permission to underwrite. The syndicate cannot quote, commit to or bind any business until this letter is received.

Post Permission to underwrite

The 'Making it Happen' review work is likely to give rise to a number of post-approval deliverables. In most cases these arise through the Principles review work but could relate to other MiH actions. The schedule of any such deliverables will be attached to the approval letter.

In line with all syndicates, performance is subject to quarterly review and annual assessment by the relevant Lloyd's technical teams. The managing agent will provide quarterly metrics on behalf of the syndicate to validate it is performing in line with the agreed plan.

Appendix 1

Capital Setting and Lloyd's Standard Model

Calculating a syndicate's Solvency Capital Requirement (SCR)

New syndicates are subject to a review against the principles for doing business through the Making it Happen process.

A syndicate therefore needs to adhere to Principle 5 relating to Capital – which means that it needs a Solvency II compliant internal model, which requires longer timeframes and significant resource to build. Therefore, the practice for new syndicates is to set their capital using Lloyd's Standard Model (LSM) until they have had their internal model approved.

The Lloyd's Standard Model is a spreadsheet model which calculates the capital requirement for the syndicate, which is structurally based on the Solvency II Standard Formula.

All syndicates are required to have applied for and been granted internal model approval within 3 years. This can be extended in some circumstances, e.g. if the first year of account was a partial year. Syndicates cannot normally apply for internal model approval within less than one year of account.

[Click here for more information](#)

Lloyd's approach to setting the ultimate SCR for a new syndicate

Year 1 capital setting:

The LSM inputs include:

- The first year SBF set out by Lloyd's risk code. The net claims are used as exposures for the insurance risk calculation, but expected profit is also used as an offset in the capital calculation.
- A preliminary indication of the catastrophe risk within the proposed syndicate's plan during the first year, based on the Realistic Disaster Scenario exposures and any cat model simulations.
- Information about planned asset holdings.
- Information about planned outwards reinsurance with regards to credit risk exposures and risk mitigation.

Operational risk is considered by the Capital and Planning group and where relevant added as a charge which depends on the age of the syndicates – so it is higher in the first year than subsequent years, with further risk charges for managing agents where there are any existing governance and risk management concerns.

Mid-year start – part year business plan:

Where a syndicate starts underwriting at Lloyd's part-way through a year of account ('mid-year start') Lloyd's will determine whether the premium needs to be annualised.

Factors affecting a syndicate's first year SCR/Economic Capital Assessment

Fixed:

- Economic Capital Assessment (ECA) uplift: All syndicate SCRs are uplifted by a common factor to increase the SCR (at a BBB rating) to support Lloyd's current rating. At present the uplift is 35%:

Variable:

- Business mix: The SCR for a syndicate's business plan that is focussed on a limited number of lines (classes) of business is less diverse and may result in a higher SCR;
- Volatility of business: A business plan focussed on more volatile (e.g. catastrophe exposed) business in more volatile geographic locations may result in a higher SCR. Please note that this is also relevant for non-natural catastrophes like terrorism/war, cyber etc.;
- Loss ratio and profit expectations: The LSM uses the expected claims from the syndicate, hence higher loss ratio and lower profit expectations will lead to a higher capital requirement.
- Risk Mitigation: Reinsurance arrangements, like whole account stop losses, will lower the capital requirement.
- Mid-year start: Projected part year premium may be a disproportionately low proportion of the annualised year 1 premium figure.

Lodging Funds at Lloyd's (FAL) in currencies other than GBP

It is acceptable to lodge FAL in currencies other than GBP. You are allowed a 7-day window on the 'day rate' (spot rate) to convert to GBP, however you should check with Lloyd's FAL team that the non-GBP FAL when converted is sufficient to cover the member's funding requirement (member ECA) in GBP.

Years 2 and 3 capital setting:

You can model the second-and-third year SCR through the LSM, however, should the syndicate continue into a fourth year (or transition to a full syndicate) the managing agent will need to have developed an approved Solvency II model for capital setting purposes for the syndicate.

You may also wish to review other useful resources on [Lloyd's.com](https://www.lloyds.com).

Disclaimer and Copyright

We have written this document to provide you with some general information. You should refer to the relevant byelaws and Lloyd's formal requirements, where applicable. The information in this guidance is correct at the date of publishing, but it may change.

Regulatory Disclaimer

1. We do not intend the information and services in this Guide to be distributed to, or used by, any person or entity in any jurisdiction or country where this would be against laws or regulations. In particular, this Guide is not an offer of information, products or services to US persons or in the United States, or in any other jurisdictions where such an offer may be against the law.
2. This Guide is not a prospectus or invitation soliciting capital, Lloyd's membership or participation on any Lloyd's syndicate. It is not an offer to sell securities or insurance, a solicitation of an offer to buy securities or insurance, or a distribution of securities to US persons or in the United States, or in any other jurisdiction where this is against the law. Those persons should make sure they follow any applicable legal requirements.
3. This Guide provides information on Lloyd's and how to get authorisation to form a new underwriting business here. It does not describe every aspect of how Lloyd's makes decisions about applications. Lloyd's will consider all applications on their own merits.
4. Neither the Society of Lloyd's, the Council, any other Committee or Board constituted by the Society of Lloyd's or the Council, nor any of their respective members, officers and advisors, accepts any responsibility or liability for any loss to any person who acts or does not act as a result of any statement, fact, figure or expression of belief in this Guide.
5. Before you apply, you should make sure you understand Lloyd's, and the implications of participating in the Lloyd's market. You should understand that risk is the nature of insurance business and is inherent in the business underwritten at Lloyd's.

Copyright

Copyright notice © Lloyd's 2022 All rights reserved. Except as provided above, no part of this Guide may be copied or reproduced in any material form, including being stored in any medium by electronic means, photocopying, recording or otherwise, or transmitted in any form by any means, whether electronic, mechanical or otherwise, without the written permission of Lloyd's.