

Lloyd's Principles Based Oversight Framework

Materiality Measures for setting
Expected Maturity

November 2024

Materiality Measures for setting Expected Maturity

- The guidance supporting Lloyd's Principles for Doing Business is expressed across four levels of maturity. These levels are Foundational, Intermediate, Established and Advanced.
- The Expected Maturity level for each syndicate or managing agent is determined by materiality metrics, which are specific to each Principle (or Dimension).
- The following slides provide high-level detail of the materiality metrics and their thresholds.
- Materiality metrics drive expected maturity in most cases. However, Lloyd's may also, in exceptional circumstances, choose to override the data-led expected maturity, where the risk for a specific syndicate is not adequately captured by this.

Materiality measures and thresholds (1 of 5)

Principle	Materiality measure	Foundational	Intermediate	Established	Advanced
Principle 1: Underwriting Profitability	<i>Metric to determine overall Principle-level materiality:</i>	< £100m	>= £100m	>= £500m	> £1bn
	<ul style="list-style-type: none"> Gross Written Premium (current year SBF) 				
	<p><i>Sub-principle 6, Pricing: Criteria to determine differentiated materiality:*</i></p> <ul style="list-style-type: none"> The starting point for expected maturity is GWP as per the above thresholds. Judgement is applied by Lloyd's Pricing team, considering a range of factors to determine the final sub-principle materiality 	<p>Less sophisticated</p> <ul style="list-style-type: none"> Low frequency classes Limited exposure data Low policy volumes Heterogeneous risks Portfolio rating 			<p>More sophisticated</p> <ul style="list-style-type: none"> High frequency classes High volume of exposure data High policy volumes Homogeneous risks Individual risk rating
<p><i>Sub-principle 8, Sustainability: Criteria to determine differentiated materiality:*</i></p> <ul style="list-style-type: none"> Strategic intent 	<ul style="list-style-type: none"> No business written relating to transition and sustainability. No business written that may be at risk in the future due to transition difficulties TCX class not within the SBF. 	<ul style="list-style-type: none"> Some business written by the syndicate relating to transition and sustainability. Minor risk to the syndicate from business written that may be at risk in the future due to transition difficulties Unlikely to have dedicated staff. 	<ul style="list-style-type: none"> Transition and sustainability are a material / important part of the business the syndicate writes. Medium to significant risk to the syndicate from business written that may be at risk in the future due to transition difficulties Likely to have dedicated staff. 	<ul style="list-style-type: none"> Primary strategic intent relates to transition and sustainability. 	

* Differentiated Expected Maturity at sub-principle level is described within the commentary on the Syndicate on a Page (SOAP) for Underwriting Profitability. Where this is not described, the Expected Maturity for those sub-principles remains as per the overall Expected Maturity for Underwriting Profitability.

Materiality measures and thresholds (2 of 5)

Principle	Materiality measure	Foundational	Intermediate	Established	Advanced
Principle 1a: Legacy Reinsurance Underwriting Profitability <i>(Applies to RITC syndicates only)</i>	Gross Booked Reserves (Technical Provisions)	<= £1bn	N/A	> £1bn	> £2bn
Principle 2a: Catastrophe Exposure - Natural Catastrophe	<i>Either / Or:</i> • Level of the Gross Catastrophe risk (Gross WW All Perils TVaR 1:200)	Bottom quartile	3rd quartile	2nd quartile	Top quartile
	• Importance of Catastrophe risk to Syndicate SCR (LCR Ultimate All LCM Cat claims as a proportion of diversified ultimate SCR, multiplied by Net WW All perils TVaR 1:200)	Bottom quartile	3rd quartile	2nd quartile	Top quartile
Principle 2b: Catastrophe Exposure – Non-Natural Catastrophe	<i>Either / Or:</i> • Exposure to non-nat cat exposed classes of business in absolute terms (GWP)	< £50m	>= £50m	>= £250m	> £1bn
	• Proportion of non-nat cat exposed business written relative to total business written (GWP) / Materiality to syndicate	-	-	-	> 99.5% AND GWP > £100m
	• Exposure to potential major non-nat cat losses (RDS analysis)	-	-	-	> £500m
Principle 3: Outwards Reinsurance	• YOA Gross RI Premium (£m)	< £90m	>= £90m	>= £225m	>= £600m
	• YOA Gross RI Premium as % of GWP		>=40%		
	• LCM5 1:200 AEP RI Recovery (£m)	< £200m	>= £200m	>= £600m	>= £1,500m
	• Balance Sheet RI Recoverables (£m)	< £400m	>= £400m	>= £850m	>= £1,400m
	• Balance Sheet RI Recoverables as % of ECA		>=150%		

Materiality measures and thresholds (3 of 5)

Principle	Materiality measure	Foundational	Intermediate	Established	Advanced
Principle 3: Outwards Reinsurance	• YOA Gross RI Premium (£m)	< £90m	>= £90m	>= £225m	>= £600m
	• YOA Gross RI Premium as % of GWP		>=40%		
	• LCM5 1:200 AEP RI Recovery (£m)	< £200m	>= £200m	>= £600m	>= £1,500m
	• Balance Sheet RI Recoverables (£m)	< £400m	>= £400m	>= £850m	>= £1,400m
	• Balance Sheet RI Recoverables as % of ECA		>=150%		
Principle 4: Claims Management	<i>First three metrics aggregated to form an average to determine overall Principle-level materiality. 'Volume of open claims – lead' is double weighted:</i>	<4,000	>= 4,000	>= 9,000	> 24,000
	• Volume of open claims – lead (Absolute number)				
	• Proportion of delegated lead claims (%)	< 31%	>= 31%	>= 45%	> 60%
	• Proportion of lead vs follow claims (%)	< 20%	>= 20%	>= 30%	> 40%
	<i>Sub-principle 5, (relating to third-party management): Criteria to determine differentiated materiality: Expected Maturity follows Principle-level unless meeting threshold for Advanced:</i>	N/A	N/A	N/A	>100
Principle 5: Customer Outcomes	<i>Metric to determine overall materiality:</i>	0	<= 250,000	N/A	>250,000
	• Eligible complainants (Absolute number)				
	<i>Sub-principle 5, (relating to third-party management): Criteria to determine differentiated materiality: Expected Maturity follows Principle-level unless meeting threshold for Advanced:</i>	N/A	N/A	N/A	>100
	• Active Lead Binders (Absolute number)				

Materiality measures and thresholds (4 of 5)

Principle	Materiality measure	Foundational	Intermediate	Established	Advanced
Principle 6: Reserving	<i>Combination of:</i>				
	<ul style="list-style-type: none"> Syndicate Net Best Estimate Reserves 	< £200m	>= £200m	>= £1bn	> £2bn
	<ul style="list-style-type: none"> Casualty classes as % of Syndicate Net Best Estimate Reserve Total (subject to minimum £100m net casualty reserve threshold) 	< 40%	>= 40%	>= 70%	> 90%
Principle 7: Capital	<i>Either / Or:</i>				
	<ul style="list-style-type: none"> Ultimate SCR (latest approved current year, excluding RICB) 	< £100m	>= £100m	>= £250m	> £500m
	<ul style="list-style-type: none"> Syndicate Tail Risk - 99.8 % to 99.5% Claims Ratio Thresholds (subject to minimum £250m uSCR materiality threshold) 	-	-	>=6%	>10%
Principle 8: Investments	<i>Asset allocation:</i> <ul style="list-style-type: none"> Allocation to cash and government bonds; and/or Allocation to alternative assets 	<ul style="list-style-type: none"> > 90%; and 0% 	N/A	<ul style="list-style-type: none"> < 90%; or >0% 	<ul style="list-style-type: none"> < 90%; and >10%
Principle 9: Liquidity	Currently N/A – Expected Maturity for all syndicates set to Foundational				
Principle 10: Governance, Risk Management and Reporting	<i>Metrics to determine overall materiality for all managing agents except those with only RITC syndicates:</i>	< £250m	>= £250m	>= £750m	> £1.5bn
	<ul style="list-style-type: none"> Gross Written Premium (current year SBF) 				
	<i>Metrics to determine overall materiality for managing agents with only RITC syndicates:</i>	< £200m	>= £200m	>= £1bn	> £2bn
	<ul style="list-style-type: none"> Total Size of Net Reserves 				

Materiality measures and thresholds (5 of 5)

Principle	Materiality measure	Foundational	Intermediate	Established	Advanced
Principle 11: Regulatory and Financial Crime	<i>Metrics to determine overall materiality for all managing agents except those with only RITC syndicates: Either / Or:</i>	<40%	>=40%	>=60%	>70%
	<i>Metrics considered both for business written and forecasted business in next year of account</i>	<0.5%	>=0.5%	>=1%	>=2%
	<ul style="list-style-type: none"> Amount of premium from high-risk territories Amount of premium from sanctioned territories 				
	<ul style="list-style-type: none"> Method of placement - number of coverholders domiciled in high-risk territories Method of placement - number of coverholders domiciled in sanctioned territories 	<40%	>=40%	>=60%	>70%
	<ul style="list-style-type: none"> Method of placement - number of coverholders domiciled in sanctioned territories 	<0.5%	>=0.5%	>=1%	>=2%
	<ul style="list-style-type: none"> Amount of premium in high-risk classes of business 	<10%	>=10%	>=20%	>30%
	<i>Metrics to determine overall materiality for managing agents with only RITC syndicates: Either / Or</i>	<=£50m	N/A	>£50m	>£100m
	<ul style="list-style-type: none"> Overall syndicate claims reserves arising from higher risk codes (class of business) 				
	<ul style="list-style-type: none"> Overall syndicate claims reserves arising from high-risk territories (including sanctioned) 	<=£50m	N/A	>£50m	>£100m
Principle 12: Operational Resilience	<i>Either / Or:</i>	<100,000	>=100,000	>=250,000	>750,000
	<ul style="list-style-type: none"> Number of eligible complainants 				
	<ul style="list-style-type: none"> Total Size of Net Reserves 	<£750m	>= £750m	>= £1.5bn	>£2.5bn
Principle 13: Culture	<ul style="list-style-type: none"> Total Workforce 	<100	>=100	>=500	N/A