

# Market Message

## Q2 2024

**Patrick Tiernan, Chief of Markets**

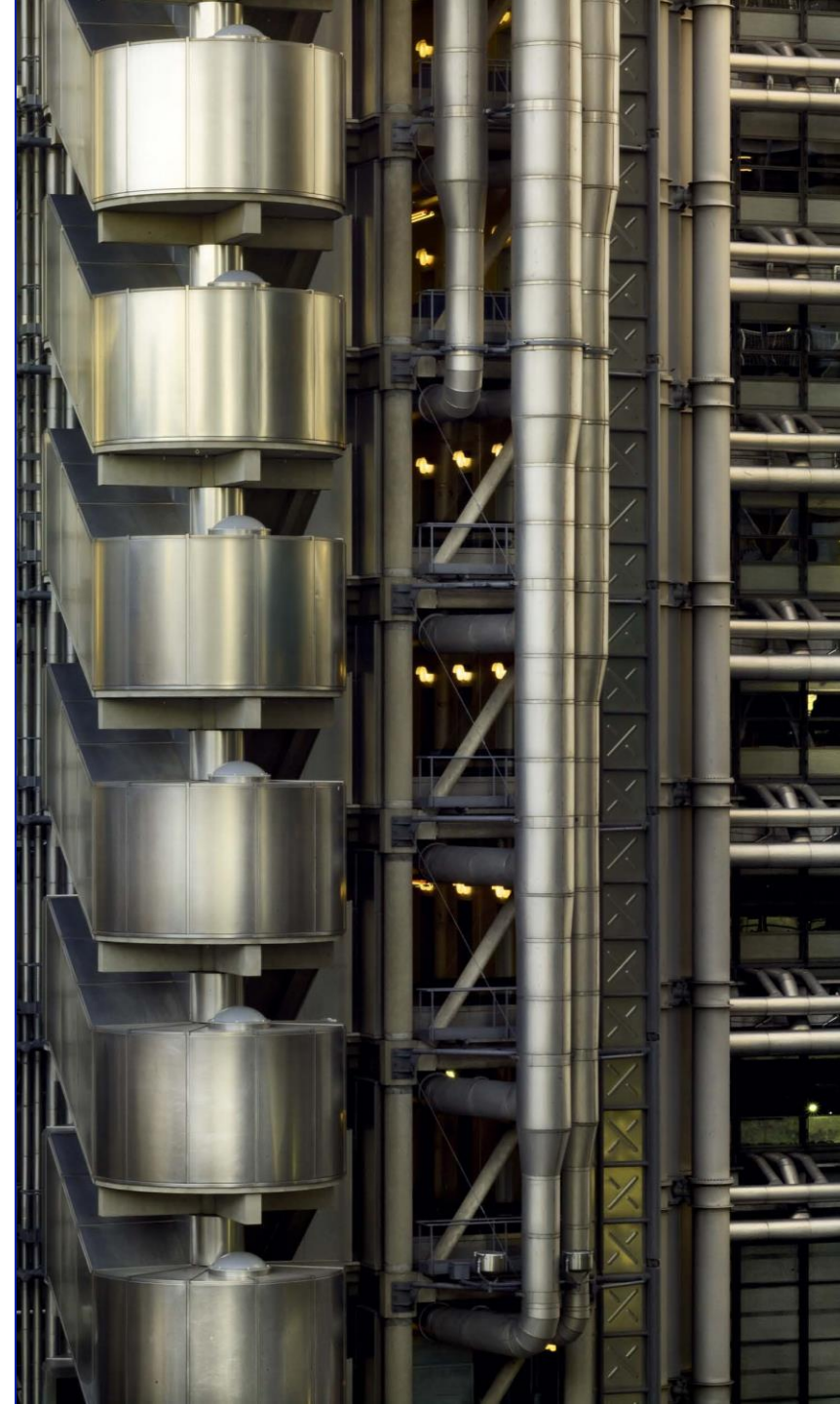
**Rachel Turk, Chief Underwriting Officer**

**Mirjam Spies, Interim Chief Actuary**



# Purpose of the session

- 1 State of the market
- 2 Underwriting and planning
- 3 Innovation and sustainability
- 4 Capital and reserving
- 5 Key takeaways



# State of the market



**Continued bullish underwriting outlook** supported by market fundamentals



**Property:** focusing on the major shifts not the noise



**Casualty:** General Liability is an area of genuine concern



**Specialty:** Heterogenous conditions; contrarian views must still be logical, realistic and achievable



**Underlying performance** must improve to increase resilience to volatility

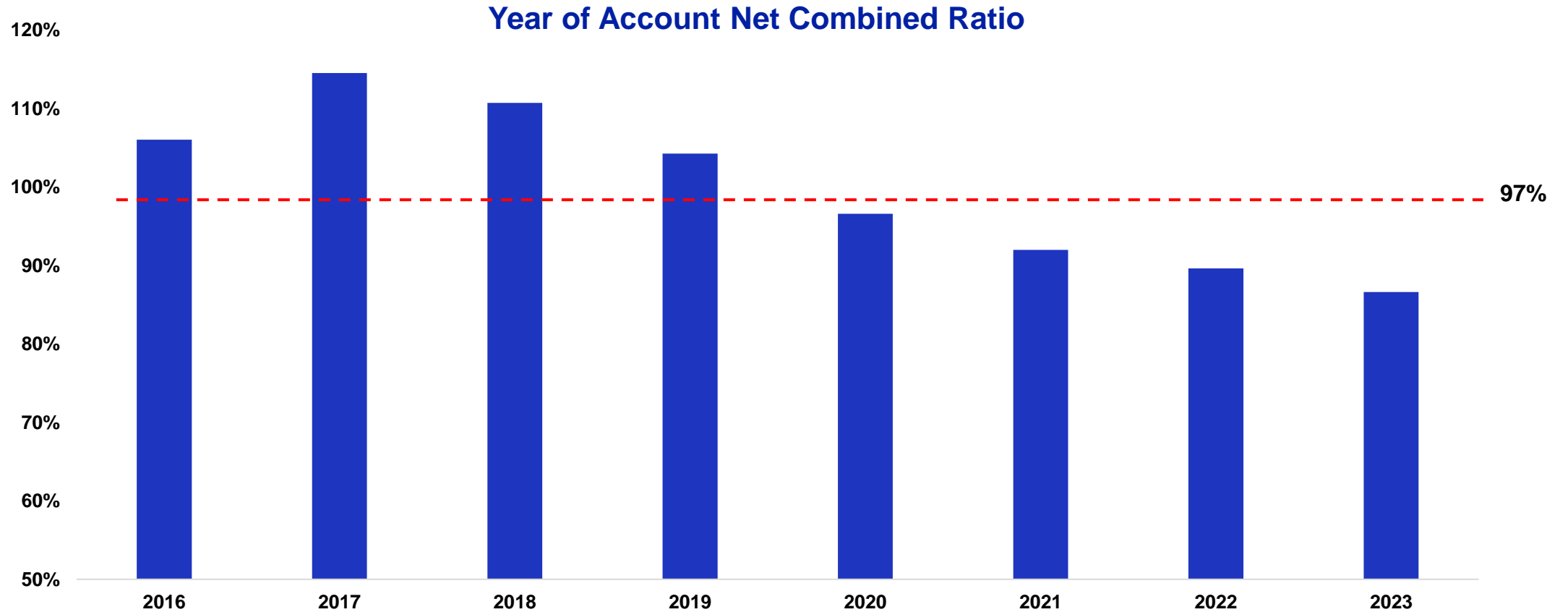


**Expense** focus on marginal gains throughout the value chain

# Underwriting

Rachel Turk, Chief Underwriting Officer

# Maintaining underwriting discipline



Based on 2024 QMB ROE

© Lloyd's

# Responding to market conditions

## Headwinds



Loss-cost inflation



Geopolitical challenges



Climate Risk

## Underwriting Response

Price Adequacy & Dynamic Portfolio Management

# Underwriting oversight approach

-  Continuous performance oversight focussed on strategic forward-looking discussions
-  Capability assessments
-  Insight and oversight
-  Enhancing our delegated authority oversight

**MATERIALITY**

# 2025 Planning focus areas

Focus remains on ensuring your plan is built with sustainable performance at the forefront



US Casualty



Rising loss-cost inflation



Political Violence, Terror, SRCC



Geopolitical environment



Directors & Officers



Persistently challenging market conditions



Cyber



Complex & rapidly evolving threats



# Facilitating opportunities in the market

## Innovation



Expanding ICX class to 5%



Bridging Opportunity Gaps



Increasing our relevancy

## Sustainability



Introducing a 5% TCX class



Mitigation and adaptation



Risk syndication

Differentiated Oversight

# Underwriting takeaways

1

Number one focus remains on ensuring underwriting discipline

2

Prioritising continuous performance oversight

3

Innovation and sustainability are key areas of growth

4

Open and reciprocated engagement

# Capital & Reserving

Mirjam Spies, Interim Chief Actuary

# Sustainable performance drives capital and reserving oversight



Ensure higher profit in capital models is appropriate



Remediation credit should only be taken once proven effective



Reserving oversight focus is on casualty; specifically US general liability



£1.1bn of proactive strengthening from 2019-2022; 8.5% of total net earned premium



2.5% explicit allowance on top of social and economic inflation



Capital must be able to withstand a 45% deterioration to casualty reserves

# Capital to reflect uncertainty and volatility



Capital is key to withstanding volatility and uncertainty



Scenarios must consider complex and interconnected escalation



Dependencies are the major driver of capital

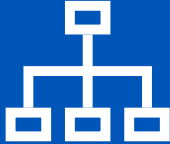


Critical role for boards to play

# Improving the experience at Lloyd's



Reduced reporting requirements



Continuous oversight for aligned syndicates



Give investors early view of indicative capital requirements

# Key Takeaways

Patrick Tiernan, Chief of Markets

# Key Takeaways

- 1 **Discipline** needed in the core business
- 2 Principles-based oversight balancing **oversight and competitiveness**
- 3 **Innovation** at speed and scale is critical to closing opportunity gaps
- 4 Managing **volatility** extends from underwriting to capital and reserving
- 5 Constantly challenging ourselves to **improve the experience** at Lloyd's