

Agenda

- Lloyd's Minimum Underwriting Standards
 Why standards?

 - Background & approach
 - The 7 standards
- The Pricing and Rate Monitoring Standard
 - The Key Components
 - The Importance of benchmark pricing
- Linking price monitoring to other areas
 - Business Plans, Underwriting Controls & Capital
- Conclusion
 - Key messages

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LLOYD'S MINIMUM **UNDERWRITING STANDARDS**

Why Standards?

- Protects the reputation & performance of Lloyd's
- Supports mutuality
- Clarifies expectations on all sides
- Still allows Managing agents to operate above the minimum
- Standards subject to periodic review

Background & Approach

Background

- Support the Franchise's objectives
 Developed as tools to assist managing agents & Lloyd's
 Guidance notes provide more detailed explanation

- Produced in conjunction with Market (published July 2006)
 Effective 1 January 2007 (self assessments provided by 31.12.06)
 Expectation that gaps will be closed during 2007
- Assistance provided by Lloyd's where requested
- Under / over performance will be recognized in 2008 business plans / ICAs.
- . Underwriting reviews carried out by FPD

The 7 standards

- 1. Underwriting strategy and planning
- 2. Underwriting policy and controls
- 3. Delegated authority
- 4. Pricing and rate monitoring
- 5. Exposure management and modeling
- 6. Reinsurance
- 7. Data Quality



The Key Components

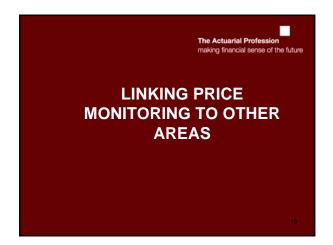
- Clear accountabilities
- The processes must be demonstrable and transparent
- The use of benchmark pricing
- Must be able to measure:
 - Actual pricing against benchmarks (rate adequacy)
 - Pricing movements on renewals
 - The impact of non-renewed business on the business plan & capital

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Importance of Benchmark Pricing

- Introduces consistency in approach
- Helps to assess the quality of new business
- Leads to improved pricing decisions / profitability
- Key input into business planning / capital setting
- Supports an entrepreneurial culture
- Can be tailored to suit the modelability of each class

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Linking Price Monitoring to other areas

- Business planning
- Underwriting controls
- Capital (Underwriting & Reserving risk)

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CONCLUSION

12

Key Messages Standards key to the Lloyd's Franchise's objectives Devised in conjunction with the Market Lloyd's approach is risk based Meeting / exceeding Lloyd's pricing & rate monitoring standard should lead to better pricing decisions and easier business plan / ICA approvals The standards increase shareholder value: Well run businesses are worth more Future profitability enhanced Improved returns on capital employed Supports (not suffocate) entrepreneurial underwriting