Lloyd’s Update: The Year at Lloyd’s

GIRO – October 2015
What happened at year end 2014

What else we did in the first half of the year

Mid year results

Activities in the third quarter

The fourth quarter and beyond…
TIMELINE

What happened at year end 2014

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The fourth quarter and beyond...
UNDERWRITING PROFIT DRIVEN BY LOW LEVEL OF MAJOR CLAIMS AND RESERVE RELEASES

**Combined Ratios**

<table>
<thead>
<tr>
<th>2014</th>
<th>100</th>
<th>90</th>
<th>80</th>
<th>92.7%</th>
<th>3.4%</th>
<th>(8.0%)</th>
<th>88.1%</th>
</tr>
</thead>
</table>

| 2013 | 100 | 90 | 80 | 90.4% | 4.4% | (8.0%) | 86.8% |

**Analysis of accident year ratio excl major claims (%)**

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loss ratio</td>
<td>52.9</td>
<td>54.0</td>
</tr>
<tr>
<td>Expense ratio</td>
<td>37.1</td>
<td>39.1</td>
</tr>
<tr>
<td>FX</td>
<td>0.4</td>
<td>(0.4)</td>
</tr>
<tr>
<td>Total</td>
<td>90.4</td>
<td>92.7</td>
</tr>
</tbody>
</table>

**Major claims (£'m)**

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hurricane Odile (California)</td>
<td>-</td>
<td>153</td>
</tr>
<tr>
<td>Tripoli airport attacks</td>
<td>-</td>
<td>153</td>
</tr>
<tr>
<td>Other (largest £79m; 2013 largest £120m)</td>
<td>873</td>
<td>364</td>
</tr>
<tr>
<td>Total</td>
<td>873</td>
<td>670</td>
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</tbody>
</table>

**Reserve release (£'bn)**

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
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</thead>
<tbody>
<tr>
<td>Net earned reserves b/fwd</td>
<td>29.5</td>
<td>28.4</td>
</tr>
<tr>
<td>Release</td>
<td>1.6</td>
<td>1.6</td>
</tr>
<tr>
<td>Release % of reserves</td>
<td>5.3</td>
<td>5.5</td>
</tr>
</tbody>
</table>

*Source: Lloyd's pro forma financial statements*
OVERALL EXPERIENCE WAS GOOD

Ex Cat IBNR burn over 2014 calendar year to Q4

- IBNR £m
- IBNR Burn

Pure YOA
- 2007 & Prior
- 2008
- 2009
- 2010
- 2011
- 2012
- 2013
- Total
- 2012 & Prior

- Gross IBNR Ex Cat
- Expected IBNR Burn (R/H Scale)
- Actual IBNR Burn (R/H Scale)
HISTORIC CATS REDUCING OVER TIME...

Gross Ultimate Cat Development 2012Q4 to 2014Q4

Net Ultimate Cat Development 2012Q4 to 2014Q4

Source: Lloyd’s
EVEN THE BAD CASUALTY YEARS WERE GETTING BETTER… BUT...

Historical Loss Ratio Development

Source: Lloyd’s TPD database – Excludes two syndicate. Net of reinsurance
**LOSS RATIOS FOR RECENT YEARS PUSHED OUT**

**ULR RELATIVE TO 2014 YOA**

<table>
<thead>
<tr>
<th>Net Earned ULRs</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 12 months</td>
<td>12%</td>
<td>4%</td>
<td>9%</td>
<td>2%</td>
<td>1%</td>
<td>-3%</td>
<td>0%</td>
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<tr>
<td>At 24 months</td>
<td>14%</td>
<td>11%</td>
<td>8%</td>
<td>7%</td>
<td>5%</td>
<td>3%</td>
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<tr>
<td>At 36 months</td>
<td>26%</td>
<td>8%</td>
<td>7%</td>
<td>6%</td>
<td>7%</td>
<td></td>
<td></td>
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<tr>
<td>At 48 months</td>
<td>34%</td>
<td>12%</td>
<td>7%</td>
<td>7%</td>
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<tr>
<td>At 60 months</td>
<td>35%</td>
<td>5%</td>
<td>5%</td>
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<tr>
<td>At 72 months</td>
<td>35%</td>
<td>4%</td>
<td></td>
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<tr>
<td>At 84 months</td>
<td>33%</td>
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*Source: Lloyd’s TPD database*
THIS WAS SPREAD ACROSS MANAGING AGENTS..

(PREMIUM IN EXCESS OF £10M FOR CASUALTY)
AND CLASS OF BUSINESS...

2013 ULR vs 2014 ULR by LLCOB (Casualty + Casualty treaty)

2014 YOA ULR higher than 2013 YOA ULR
Only for smaller classes of business

2014 YOA ULR lower than 2013 YOA ULR
for most larger classes
TRENDS ALSO SEEN...
OS: INC RATIO WEAKENING (CASUALTY)
TRENDS ALSO SEEN...
NO SPEED UP IN SETTLEMENT PATTERNS

Source: Xchanging data
TRENDS ALSO SEEN...
CLAIM NUMBERS STABLE

Source: Xchanging data
TRENDS ALSO SEEN...
A SHIFT TO BINDERS (CASUALTY)

<table>
<thead>
<tr>
<th>PYOA</th>
<th>BINDERS %</th>
<th>BINDERS (ILR)</th>
<th>NON BINDERS (ILR)</th>
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<tbody>
<tr>
<td>2009</td>
<td>30%</td>
<td>42%</td>
<td>33%</td>
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<tr>
<td>2010</td>
<td>34%</td>
<td>45%</td>
<td>26%</td>
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<tr>
<td>2011</td>
<td>34%</td>
<td>36%</td>
<td>26%</td>
</tr>
<tr>
<td>2012</td>
<td>37%</td>
<td>29%</td>
<td>14%</td>
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<tr>
<td>2013</td>
<td>42%</td>
<td>20%</td>
<td>11%</td>
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<tr>
<td>2014</td>
<td>43%</td>
<td>7%</td>
<td>2%</td>
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</tbody>
</table>

Source: Xchanging data
TRENDS ALSO SEEN...
A SHIFT TO BINDERS CAN IMPACT RESERVES

Source: Xchanging data
MARKET WAS ASKED TO BE AWARE..

► Letter sent to the market on 24th June 2015 reminding boards to consider:
  – Sensitivities in own technical provisions
  – How the reserving cycle is being addressed
  – Reserve Benchmarking comparisons
  – Appropriate level of challenge

► Lloyd’s actions (in conjunction with Claims and Class of Business):
  – Analysis of casualty bridging information requested from the market
  – Thematic reviews
  – Strength of case reserves
  – Changes in settlement patterns
BRIDGING ANALYSIS REQUEST

► Requested from market
  – Aim to demonstrate movement in ULRs for reserving and comparative ULRs for business planning
  – Reviewed and emails requesting clarification have been sent
  – Follow up data is in the process of being collected
  – Aim to feedback to market end of November
BRIDGING ANALYSIS FOR MARKET – SHOWS LOWER 2014 ULR...

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<td>2014 YOA</td>
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...explained by rate improvements and underwriter actions
THEMATIC REVIEW

► 5 Casualty classes reviewed:
  – NM General Liability (non-US)
  – Professional Indemnity (non-US and US)
  – Financial Institutions (non-US and US)
► Selection based on Lloyd’s market level projections
► Metrics included:
  – OS:Inc
  – IBNR:OS
  – Reserve:Ult
  – ULR development
  – Speed of development
► Any potential concerns highlighted will be fed back to market/syndicate
MID-YEAR RESULTS - TPL

2013 vs 2014 held ULR

- Syndicate strengthened > £1m
- Syndicate released < £1m

2013 ULR vs 2014 ULR
HALF YEAR CASUALTY RELEASE AS PERCENTAGE OF YEAR END MARGIN

Release by syndicate as percentage of reserves

Fourth quartile Net RBI
Second or third quartile Net RBI
First quartile Net RBI
TIMELINE

What happened at year end 2014

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The fourth quarter and beyond...
Submitted in June

Around 20 IMAP firms understood to still be in the process

Following up on any queries as they arise

PRA will advise all IMAP firms of outcome in December
TECHNICAL PROVISIONS GUIDANCE

► EIOPA requirements now finalised
► Guidance update published on Lloyds.com
► Compliance expected from 2015Q2 onwards
► A number of areas have seen changes/clarifications:
  – Contract boundaries
  – Risk margin calculation
  – Look through on binders business
  – Matching and volatility adjustments
  – Relabelling of Binary Events as ENIDs
Focus on:
- Whether the contract is legally obliged
- Contractual terms

We expect this change to increase net technical provisions
- Quantum of change will depend on annual pattern of RI purchase and contract terms

The increase to liabilities will have an impact on SII member’s balances
If the change is not made to the SCR the Q2 TP impact is removed from the ECA
RESERVE BENCHMARKING

► Packs sent to the market in June and discussed with agents in Q3
► Continue to calculate an index on two bases:
  – held reserves
  – best estimate reserves
► Minimal changes since the 2013 YE exercise
  – Risk code mappings/classes
  – IBNR burn and Premium realisation
  – Analysis of acquisition costs
► Produces a ‘reserving risk league table’
► Continues to be a good predictor of reserve movements, with correlation between the two bases
TIMELINE

What happened at year end 2014
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Mid year results
Activities in the third quarter
The fourth quarter and beyond…
# RESULTS AT A GLANCE

<table>
<thead>
<tr>
<th></th>
<th>Jun 2014</th>
<th>Jun 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gross written premiums £m</strong></td>
<td>14,481</td>
<td>15,513</td>
</tr>
<tr>
<td><strong>Combined ratio (%)</strong></td>
<td>87.4</td>
<td>89.5</td>
</tr>
<tr>
<td><strong>Investment return (%)</strong></td>
<td>1.3</td>
<td>0.6</td>
</tr>
<tr>
<td><strong>Profit before tax £m</strong></td>
<td>1,652</td>
<td>1,194</td>
</tr>
<tr>
<td><strong>Return on Capital(^1) (pre-tax) (%)</strong></td>
<td>16.3</td>
<td>10.7</td>
</tr>
</tbody>
</table>

*Source: Lloyd's pro forma financial statements, 30 June 2015*

\(^1\)Annualised basis
LLLOYD’S OUTPERFORMS COMPETITOR GROUP

Source: Lloyd’s pro forma financial statements, 30 June 2015; competitor group formed of 11 companies operating in US, European and Bermudan markets. These companies are Ace, AIG, Arch, Everest Re, Hannover Re, Mapfre, Munich Re, Partner Re, SCOR, Swiss Re, XL.
PROFIT REDUCED THROUGH LOWER INVESTMENT RETURNS ...

<table>
<thead>
<tr>
<th>£'m</th>
<th>Jun 2013</th>
<th>Jun 2014</th>
<th>Jun 2015</th>
<th>YTD % change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross written premium¹</td>
<td>15,496</td>
<td>14,481</td>
<td>15,513</td>
<td>+7</td>
</tr>
<tr>
<td>Net earned premium</td>
<td>9,592</td>
<td>9,511</td>
<td>10,037</td>
<td>+6</td>
</tr>
<tr>
<td>Net earned claims</td>
<td>(4,853)</td>
<td>(4,693)</td>
<td>(5,018)</td>
<td>+7</td>
</tr>
<tr>
<td>Net operating expenses²</td>
<td>(3,478)</td>
<td>(3,619)</td>
<td>(3,966)</td>
<td>+10</td>
</tr>
<tr>
<td><strong>Underwriting result</strong></td>
<td><strong>1,261</strong></td>
<td><strong>1,199</strong></td>
<td><strong>1,053</strong></td>
<td><strong>-12</strong></td>
</tr>
<tr>
<td>Investment return³</td>
<td>247</td>
<td>647</td>
<td>339</td>
<td>-48</td>
</tr>
<tr>
<td>FX gain / (loss)</td>
<td>-</td>
<td>(99)</td>
<td>(85)</td>
<td>-14</td>
</tr>
<tr>
<td>Other income/(expenses)⁴</td>
<td>(129)</td>
<td>(95)</td>
<td>(113)</td>
<td>+19</td>
</tr>
<tr>
<td><strong>Profit before tax</strong></td>
<td><strong>1,379</strong></td>
<td><strong>1,652</strong></td>
<td><strong>1,194</strong></td>
<td><strong>-28</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>GWP</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prices⁵</td>
<td>-5</td>
</tr>
<tr>
<td>Currency movements</td>
<td>+6</td>
</tr>
<tr>
<td>New syndicates⁶</td>
<td>+1</td>
</tr>
<tr>
<td>Existing syndicates</td>
<td>+5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>+7</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Investment return %</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0.5</td>
<td>1.3</td>
<td>0.6</td>
</tr>
</tbody>
</table>

Source: Lloyd’s pro forma basis, ¹ GWP restated for Special Purpose Syndicates (see glossary in Annual Report), ²Technical account, ³Return on syndicates’ assets, members’ funds at Lloyd’s and central assets, ⁴ Non-technical account, ⁵ Prices = Risk adjusted rate ⁶ Syndicates that started trading in 2013-15
...AND PRESSURE ON CURRENT PRICES AND EXPENSES

Source: Lloyd's pro forma financial statements, 30 Jun 2015
H1 MAJOR CLAIMS BELOW THE LONG TERM AVERAGE, THOUGH MODESTLY HIGHER THAN 2014

Indexed to June 2015. Claims in other currencies translated at the exchange rate prevailing at the date of loss. Excl 2015 year H1 average £530m.; 5 year H1 average £1,222m.
ACCIDENT YEAR RATIOS ACROSS ALL CLASSES IMPACTED BY PRESSURE ON RATES

Accident year including major claims

<table>
<thead>
<tr>
<th>Class</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reinsurance</td>
<td>97.7</td>
<td>93.8</td>
</tr>
<tr>
<td>Property</td>
<td>100.2</td>
<td>101.3</td>
</tr>
<tr>
<td>Casualty</td>
<td>111.9</td>
<td>111.9</td>
</tr>
<tr>
<td>Marine</td>
<td>105.6</td>
<td>105.6</td>
</tr>
<tr>
<td>Energy</td>
<td>120.5</td>
<td>120.5</td>
</tr>
<tr>
<td>Motor</td>
<td>120.5</td>
<td>120.5</td>
</tr>
<tr>
<td>Aviation</td>
<td>120.5</td>
<td>120.5</td>
</tr>
</tbody>
</table>

NEP: £3.3bn £2.5b £2.1bn £0.9bn £0.5bn £0.5bn £0.2bn

Source: Lloyd’s pro forma financial statements, June 2015; NEP: Net Earned Premium
ALL CLASSES EXPERIENCING CONTINUED PRIOR YEAR RELEASES

Source: Lloyd’s pro forma financial statements, June 2015; NEP: Net Earned Premium; † Includes Motor
TIMELINE

What happened at year end 2014
What else we did in the first half of the year
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Activities in the third quarter
The fourth quarter and beyond...
SAO REPORT FEEDBACK PROVIDED

OVERALL PERFORMANCE FOR ALL PRODUCERS BY YEAR-END

Scores based on full review  
Scores based on 'Lite' review  
Scores based on 'Lite' review and one-third of all reports

Note:
For comparison purposes, the 2011 score is also shown rebased to represent 'Lite' review. The 2013 score is also shown rebased to show the average of the 2013 scores for the reports which have been reviewed at 2014 year-end.
AFRS – IMPROVEMENT IN ‘SCORE’

- Improvement in range and consistency
QUARTERLY INFO TO CALM

- Compares AvE analysis based on market level projections to level of IBNR held
- **Green** shows AvE is less than 10% of market held IBNR
- **Red** shows AvE is greater than 10% of market held IBNR
- **Amber** is in the middle with the arrows suggesting direction (up pointing towards red and down towards green)

<table>
<thead>
<tr>
<th>Year</th>
<th>Accident &amp; Health</th>
<th>Aviation</th>
<th>Casualty</th>
<th>Casualty Treaty</th>
<th>Energy</th>
<th>Marine</th>
<th>Overseas Motor</th>
<th>Property D&amp;F</th>
<th>Property Treaty</th>
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<tbody>
<tr>
<td>2006 &amp; Prior</td>
<td>▶️</td>
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SCR REVIEWS IN 2015

► Lloyd’s action:
  – Light reviews in July
  – Share “Analysis of Change” with Agents
  – More transparency with market
  – Avoids iterations of review process

► Agents to complete as part of submission
  – “Analysis of Change” template in September
  – “Supplementary Questionnaire” in September

► No issues identified ⇒ Fast track review

► Examples of “issues”:
  – Changes vs. exposure without reasons (e.g. RI change)
  – Failed test(s) or reconciliations
  – Late submission / incorrectly completed forms

Note: for active syndicates only
<table>
<thead>
<tr>
<th>Submission / approval dates</th>
<th>SBF and LCR</th>
<th>Required submissions</th>
</tr>
</thead>
</table>
| 3 JULY                      | • Provisional 2016 SBF  
• Draft 2016 LCR  
• Supplementary Questionnaire | • Aligned and non-aligned syndicates                     |
| 3 JULY                      | • Provisional Validation Report (optional but strongly encouraged) |                                                          |
| 18 JULY                     | • Lloyd’s SBF Feedback  deadline for non-aligned syndicates |                                                          |
| MID-AUGUST (15TH)           | • Lloyd’s Capital feedback deadline for all syndicates  
(as last year will aim to be sooner in most cases) |                                                          |
| 16 SEPTEMBER                | • Final 2016 SBF                | • All syndicates                                          |
|                             | • Final 2016 LCR  
• Supplementary Questionnaire | • All syndicates                                          |
| 16 SEPTEMBER                | • Final Validation Report        | • All syndicates                                          |
| 24 OCTOBER                  | • Lloyd’s non-aligned approval deadline |                                                          |
| 21 NOVEMBER                 | • Lloyd’s aligned approval deadline |                                                          |
| 26 NOVEMBER                 | • Coming into Line               |                                                          |
SUBMISSION OF LCR

► Additional analysis on additional supplementary questionnaire carried out
  – Correlations
  – Simulation error
TIMELINE

What happened at year end 2014

What else we did in the first half of the year

Mid year results

Activities in the third quarter

The fourth quarter and beyond…
LOOKING AHEAD: Q4

► AF opinions
► QSR as at 30th September – due 5th November
► November CIL
► Lloyd’s forum – 6th November
  – Emerging risks
  – Cat model stability/model updates
  – Reserving Minimum Standards
  – ORSA
► Signing actuaries forum – 4th December
SYNDICATE SOLVENCY II READINESS

- An intensive round of reviews of syndicate readiness took place in Q1
- Remaining red agents reviewed again during Q2
  - remediation plans agreed with agents
- At mid-year a very small number of red agents remain
- Red rating = 20% capital loading for mid-year Coming into Line
- Discussions with the PRA over syndicate readiness
  - Challenge of Lloyd’s views on agent status
  - A large amount of detailed evidence expected to justify our views
RESERVING MINIMUM STANDARDS

► Covers the following:
  – Board Responsibility
  – Statement of Actuarial Opinion
  – Actuarial Function
  – Board Information
  – Reserving Procedure
  – Documentation
  – Reserving Data

► Lloyd’s will be reviewing self assessment of compliance in Q1 2016

► This will be tested in conjunction with risk management
INTERNATIONAL REGULATORY ACTIVITY

Flags of various countries:
- Canada
- Switzerland
- Australia
- China
- Hong Kong
- United States Virgin Islands
- South Africa
- Malaysia
- India
### ALL ALONG WITH BAU

<table>
<thead>
<tr>
<th><strong>RESERVING STANDARDS</strong></th>
<th><strong>JANUARY</strong></th>
<th><strong>FEBRUARY</strong></th>
<th><strong>MARCH</strong></th>
<th><strong>APRIL</strong></th>
<th><strong>MAY</strong></th>
<th><strong>JUNE</strong></th>
<th><strong>JULY</strong></th>
<th><strong>AUGUST</strong></th>
<th><strong>SEPTEMBER</strong></th>
<th><strong>OCTOBER</strong></th>
<th><strong>NOVEMBER</strong></th>
<th><strong>DECEMBER</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Quarterly Data return</td>
<td>Quarterly Monitoring Return (A&amp;M)</td>
<td>Technical Provisions Data return TBC</td>
<td>Gross Quarterly Data return</td>
<td>Actuarial Function Reports (Covering TPs and Risk Management as a minimum)</td>
<td>Reserve Benchmarking Packs</td>
<td>Gross Quarterly Data return</td>
<td>Actuarial Function report feedback</td>
<td>Gross Quarterly Data return</td>
<td>Final Actuarial Function Reports (including underwriting and reinsurance opinions)</td>
<td>Signing Actuaries Forum</td>
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<tr>
<td>Statement of Actuarial Opinion Return</td>
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<td>Actuarial Function Report reviews</td>
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</tbody>
</table>

| **MODELLING DESIGN & IMPLEMENTATION STANDARDS** | **Capital Briefing Workshop** | **Lloyd's Capital Return re-submissions (if Ultimate SCR movement >10%)** | **Standard Formula SCR** | **Lloyd's Capital Return feedback (based on re-submissions & changes to FX rate / risk margin)** | **Lloyd's Capital Return (Includes Draft SCRs)** | **Lloyd's Capital Return (Includes Final SCRs)** | **Lloyd's Capital Return feedback** | **Mid-Year Coming Into Line Re-submission of SBF/ LCR Reviews & Capital Re-Assessment** | **Draft SBF/LCR Reviews** | **November Coming Into Line Final SBF/LCR Reviews** |

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**DRAFT**
AND OF COURSE…

► Farewell to Henry!
INTERESTING TIMES
GIRO Oct 2015
Henry Johnson, Lloyd’s
I started six months before 9/11 – a “market changing event” and no mistake!

Lloyd’s has built up capital including the Central Fund subordinated debt…

…and following the Chairman’s Strategy Group, set up Franchise Performance

I’ve seen the FSA take over regulation of Lloyd’s, then be replaced by the PRA – I’m sympathetic with their job; is ours easier?

I’ve had tremendous support from the market and from CALM – Gary Budinger and the Chairs…

- David Lang 2001/2
- Mark Graham 2003/4/5
- Julian Ross 2006/7
- Anthony Williams 2008/9/10
- Nick Line 2011/12/13
- Gary McInally 2014
- Ben Canagaretta 2015 -------

I’ve had three excellent bosses in Moss, Savage and Parry

I’ve had great people in my team, many of whom have gone on to top jobs – I’ll come back to that

Now [I hope] we have introduced Solvency II successfully, it’s time for a fresh pair of eyes – …looking at the same issues

“Insights” at Awayday: “should take life more seriously”
"An eminent philosopher … has shown me this pregnant little fact. Your pier-glass or extensive surface of polished steel made to be rubbed by a housemaid, will be minutely and multitudinously scratched in all directions; but place now against it a lighted candle as a centre of illumination, and lo! the scratches will seem to arrange themselves in a fine series of concentric circles round that little sun. It is demonstrable that the scratches are going everywhere impartially and it is only your candle which produces the flattering illusion of a concentric arrangement, its light falling with an exclusive optical selection."

[George Eliot, Middlemarch]
BEFORE I STARTED
James Orr’s May 2001 Monthly activity report:

- RBC model signed off by PSC and ready for release
- Preparing for the Glass Test in June
- Carrying out a change analysis
- Peter Tavner is to start as RBC actuary in August
August 2001 activity report:
- “JBO met with David Simmons of the FSA to draft a response to the EU’s consultation paper on the supervision of reinsurers”

October 2001 GIRO presentation, JBO and Andreas Tsanakas:
- “Risk of Ruin”

October 2002: “Stochastic Model” (JBO and SDC)

October 2003: Peter Tavner and Ian Shires attended in Cardiff (I came for a day, to hear the Watsons talk on ECR)
BEFORE HE GOT THE TWEED JACKET...
I was fortunate that Andrew Moss asked me to represent him at the CSG workstream looking at market oversight

Led by Edward Creasy

Recommended that there should be a “Franchise Board”, later “Franchise Performance Directorate”
BE AFRAID!
BE VERY AFRAID!
ROLLING FORWARD TO 2008...
Agenda [GIRO 2008, Sorrento]

- Introduction & PMDP – Henry
- Capital & ICAs - Veekash
- Claims, Reserving & Solvency II – Jerome
- Lloyd’s Interim Results (25th September)
Claims
- sub-prime/credit crunch/liability (2)

Source: Lloyd’s FPD Claims. Note this will be effected by ECF and is therefore for illustration only.
Reserving Cycles – they exist

We can track the movement in ULRs set after 2 years to the current position:

Source: Lloyd’s SRD Database
Solvency II dry run timetable - reminder

Qualitative dry run review
Phase 1 - Preparation
Phase 2 - Delivery (Stage 1)
Phase 2 - Delivery (Stage 2)
Phase 2 - Delivery (Stage 3)
Phase 3 - Refinement

Quantitative dry run review
Preparatory work with LMA
SCR calculation kernel
Technical provisions

Regulatory review
QIS 5

Lloyd's
Agents
Both

Now

<table>
<thead>
<tr>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
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<tbody>
<tr>
<td>Q1</td>
<td>Q2</td>
<td>Q3</td>
</tr>
<tr>
<td>Q1</td>
<td>Q2</td>
<td>Q3</td>
</tr>
</tbody>
</table>
You’ve heard what we are up to these days

The team is always busy

We have submitted our SII model and await, confident and nervous, the verdict

The reserve cycle is real, is in full swing and is a concern – but we have effective oversight now

Capital strategy looks at how to help investors and participants in the market work efficiently
  – Constant theme of my time at Lloyd’s
CAN'T FINISH WITHOUT A SPECIAL THANK YOU TO JEROME, WHO LEFT EARLIER THIS YEAR

PWC'S GAIN!