

LLOYD'S STRATEGY 2014-2016



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CHAIRMAN'S MESSAGE



“We all know that Lloyd’s has an extraordinary opportunity to grow in developing economies around the world. We developed Lloyd’s Vision 2025 in part to address this opportunity. This plan sets out how we will work towards achieving our 2025 goals over the next three years. It details how we will work with managing agents, brokers and capital providers to manage the changing distribution and capital environment. It sets out how we will seek innovative solutions to make the Lloyd’s platform flexible and efficient, but above all attractive to insurers, brokers and policyholders. This strategy requires active participation from all parts of the Lloyd’s market.”

John Nelson, Chairman

BENEFITS OF LLOYD’S TO MARKET PARTICIPANTS

MARKET ACCESS	SECURITY AND RATINGS	CAPITAL ADVANTAGES	CENTRAL PROCESSES AND SERVICES
Access to major insurance markets and an expanding licencing network.	Excellent financial security underpinned by Lloyd’s Chain of Security and strong ratings capable of attracting specialist insurance business.	Capital efficient framework driven by the benefits of mutuality.	Infrastructure supporting the subscription market and the provision of tax and regulatory reporting. Other central services (eg lobbying) and the ability to benefit from a Solvency II ready environment.
PRODUCT OFFERING	CLAIMS PAYMENT	UNDERWRITING EXPERTISE	MARKET OVERSIGHT
Access to a wide range of specialist and bespoke (re)insurance solutions.	A reputation for paying all valid claims in a timely and efficient manner.	Access to specialist underwriting expertise and innovation.	A proportionate but robust market oversight regime consistent with an innovative and entrepreneurial culture.
<p align="center">BRAND STRENGTH AND REPUTATION</p> <p align="center">The benefits of Lloyd’s are underpinned by Lloyd’s leading global brand and reputation.</p>			

CEO'S STATEMENT

Vision 2025 builds on Lloyd's position of strength and remains the best and most appropriate response to the strategic challenges facing the Lloyd's market. The Franchise Board has challenged the Corporation to be more ambitious and to lead the market in the change that is required to achieve Vision 2025's aspirations. As Lloyd's new CEO, my focus is on delivering the plans for this stretching, but necessary, change.



It is clear to me that Vision 2025 can only be delivered in collaboration with the market; both managing agents and brokers. Much of the work lies with managing agents and while strategies will vary between individual agents, collectively there is a need for adaptation and the promotion of a mindset based around more actively seeking business. Brokers play a critical role here as the market's distribution partners.

Some areas of this plan are clearly the direct responsibility of the Corporation. In others, the Corporation has an influencing and facilitating role; making the case for change and supporting market initiatives.

So, while the principal content areas of this strategic plan are largely unchanged from the previous edition, some areas have a change in emphasis (international growth) and some have a broader focus (capital).

- **Market oversight** remains our most significant responsibility, especially as conditions continue to be challenging. The industry is facing an oversupply of capital, softening of rates and margins and an uncertain regulatory environment. Given this backdrop, growth must be measured and profitable. The market goals and aspirations in this plan are set in the knowledge that they must be subject to market conditions.
- **International growth and expansion** into developing markets remains at the heart of Vision 2025. The shifting balance of global economic activity over the coming decades is one of the most significant changes – and opportunities – to which the market must respond. Relying on cross-border reinsurance business flowing into London will not by itself meet the aspirations of Vision 2025. Increasing Lloyd's share of insurance business in developing markets is also required. The role of brokers in London and in local markets is key to accessing new business as insurance markets develop in these economies.
- **Diversity of capital** underpins Lloyd's current and future strength – strategically and financially. Encouraging diversity by both geography and type of capital is important, ensuring that Lloyd's responds positively to trends in capital provision and the growth of the (re)insurance sector in developing economies.

- **Market modernisation** is a priority – in its broadest sense. This plan covers 'market operations' (technology and processes), but consideration must also be given to the way the market does business, now and in the future. This should encompass culture, behaviour, distribution relationships and more.
- **Attracting and retaining the best people** is core to Lloyd's future success. The market needs to work together to attract, retain and develop the best talent from the widest possible talent pool and to provide accelerated career paths for high achievers.

These are important priorities in taking Vision 2025 forward; however, there are also other areas that I want to consider over the coming months. These include:

- What Lloyd's needs to look like in the future to remain attractive to managing agents, capital providers, brokers and clients, taking into account expected changes in market access, in distribution and in how (re)insurance business is conducted.
- The need to understand the role and attractiveness of Lloyd's in an increasingly multiplatform insurance industry (driven not least by M&A activity over the past decade). These changes in industry composition and business strategy are equally true of brokers, who are making significant investments in their networks and are reviewing their own business models.

The delivery of Vision 2025 will uphold the strong values for which Lloyd's is known. By paying careful regard to our social, ethical and environmental responsibilities, the Lloyd's market will continue to be recognised around the world for its integrity and welcomed in the countries where it seeks to do business. Lloyd's Corporate Social Responsibility strategy has been revised and I will be championing its delivery.

It has been a great honour for me to accept this role and I am very much looking forward to working with the market to realise this plan and more.

Inga Beale, CEO

VISION 2025: TWO YEARS ON...

Vision 2025 is dynamic. Lloyd's vision, and the plans for its delivery, will evolve as the global (re)insurance industry changes and the market learns from its experiences. The table below summarises the major aspects of Vision 2025 and highlights some changes in emphasis.

Unchanged

- Lloyd's intends to be the global centre for specialist insurance and reinsurance – focused on specialist property and casualty business.
- Lloyd's will be a broker market.
- It will be easier to do business with Lloyd's.
- There will be more diversity of business, capital and people.

Changed

- Increasing focus on insurance, **in addition** to reinsurance.
- Lloyd's will have a local presence, and in some cases local establishment, in international markets, where this is a commercial or regulatory requirement for business access.
- Brokers and coverholders will find it as easy to access Lloyd's as they would local market carriers.



LLOYD'S VISION 2025

To be the global centre for specialist insurance and reinsurance.

What will Lloyd's be?

- Lloyd's will be an international, London-based market, built on trusted relationships and focused on specialist property and casualty business requiring bespoke underwriting and broking.
- Lloyd's will be a mutual supported by a Central Fund, so it will always be more capital efficient to trade inside Lloyd's than outside.
- Lloyd's will be able to access all major overseas territories, including emerging markets, through its global licence network.
- Lloyd's will be a subscription market, with efficient central services providing seamless processing to support face-to-face trading and world-class claims management.
- Lloyd's will be a market where entrepreneurialism and innovation will thrive, underpinned by robust risk and performance management.
- Lloyd's ratings will be at a level capable of attracting the specialist business it will write.
- Lloyd's will be larger than today, predicated on sustainable, profitable growth after allowing for movements in the underwriting cycle. Its performance will outstrip that of its peers. The increase in premium income in the largest ten developed economies will track or slightly exceed increases in non-life premium. In the largest ten developing economies, at times we would expect growth to exceed non-life premium as the specialist risk sector develops and insurance penetration increases.
- Lloyd's will be a 'risk selector' rather than a capital provider to a commoditised market. Lloyd's will provide innovative indemnity insurance-linked products.





Managing agents

- Managing agents will actively attract business to Lloyd's through brokers. The number of large managing agents will increase but smaller managing agents should continue to flourish. Lloyd's will be the market of choice for international insurers and reinsurers. Any broker-owned managing agents will be subject to the existing 20% related party business restriction.
- New entrants (particularly overseas trade capital providers with a franchise) will be encouraged.
- There will be no minimum size threshold for managing agents but the maximum size will remain at 15% of premium.



Distribution

- Lloyd's will be a broker market and will build on its relationships with the larger brokers, as well as encouraging other specialist brokers. Coverholders and service companies will provide efficient access to local markets and brokers will find it as easy to access Lloyd's as they would local carriers.
- Lloyd's distribution chain will be optimised through the efficient use of technology.
- Lloyd's will have a local presence, in some cases local establishment, in international markets, where this is a commercial or regulatory requirement for business access.



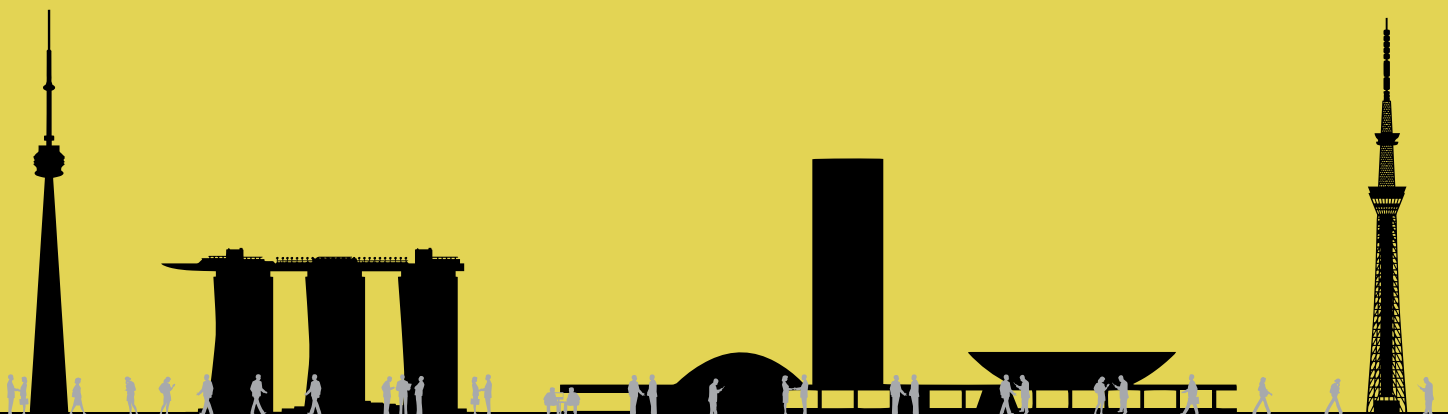
Capital

- Lloyd's capital base will be globally diverse. There will be overseas trade capital bringing in new specialist business and people to Lloyd's from territories where Lloyd's needs to increase its market share.
- Private 'Names' capital will continue but new 'Names' capital will be provided on a more flexible basis and more efficiently, mainly via Special Purpose Syndicates.



People

- Lloyd's will attract the best talent and will provide an accelerated career path for the progression of high achievers. Lloyd's will be a diverse market by gender, age and ethnicity. Its people will increasingly mirror the geographic origin of the market's business and capital.



EXTERNAL ANALYSIS

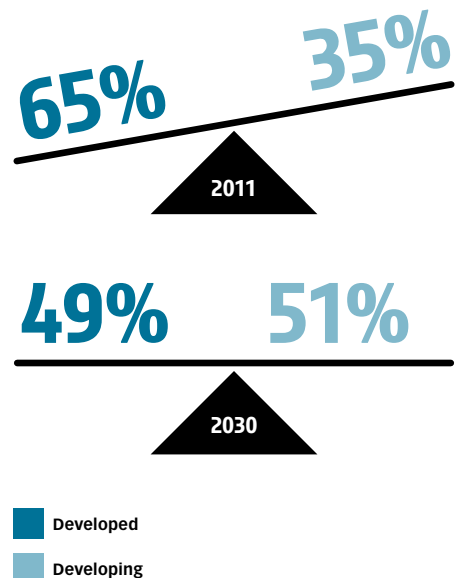
Economic recovery starting to take hold

Global economic activity is picking up, although the picture is mixed and downside risks remain in many economies. Positive economic growth has been reported in several large developed economies and there are signs that a more broadly based sustainable global economic recovery could be taking hold. Many developing economies, while still forecast to grow faster than developed economies, have seen a lowering of future projections.

Until recovery becomes sustained, non-life premium growth may remain modest due to suppressed demand. Insurers seeking profitable growth need to consider opportunities in the faster growing developing economies.

The bulk of insurer assets are invested in developed economies, where inflation forecasts remain low or declining. However, the risk of monetary policy-driven inflation remains. Even with relatively low inflation forecasts, the developed regions of the world are forecast to provide negative real investment returns. That said, evidence of stronger economic growth may cause markets to anticipate higher interest rates, improving investment returns over the medium term.

Shifts in share of world GDP



Source: Johansson, A., et al. (2012), "Looking to 2060: Long-Term Global Growth Prospects: A Going for Growth Report", OECD Economic Policy Papers, No. 3, OECD Publishing, <http://dx.doi.org/10.1787/5k8zxpjsggfo-en>

Political and regulatory frameworks continue to evolve

While London's position as a leading financial centre remains strong, competition from Asian centres and elsewhere is increasing. Ensuring Lloyd's and the wider London financial services market remain attractive given continuing UK, EU and global regulatory change is key to the future success of the Lloyd's market.

A number of factors are exerting pressure on insurers in the UK, EU and globally:

- The UK's new regulatory architecture came into force in April 2013 with the PRA and FCA commencing operation. The precise impact of this new regime continues to evolve with particular attention being paid to the potential impact of the FCA on the London market.
- The debate on the UK's future in the EU continues, creating uncertainty over the UK's commitment to the EU. The UK's withdrawal from the EU would likely remove the ability of insurers to transact business via a passport, both on an establishment and on a cross-border basis throughout the EU from London. This would be damaging for Lloyd's.
- Lloyd's is on track to meet the revised implementation date (1 January 2016) for Solvency II. Existing preparations will be used for the purposes of compliance with the UK's current ICAS+ requirements.
- The International Association of Insurance Supervisors (IAIS) published in 2013 a list of global systemically important insurers (G-SIIs). An equivalent list of reinsurers is expected to be published in 2014. Work also continues within the IAIS on the development of its proposed Common Framework (ComFrame) for regulating internationally active insurance groups (IAIGs). The IAIS is also engaged in developing global capital standards. Lloyd's is monitoring these developments closely.

Insurance industry conditions are challenging

Stagnant premium growth in many large developed economies, record levels of (re)insurance capital and a lack of major insured catastrophes in 2013 continue to exert downward pressure on rates and increase competition in key markets. These factors, combined with some forecasts of thinning reserve margins, require insurers to focus more than ever on underwriting discipline.

The reinsurance industry continues to innovate in response to the influx of non-traditional capital into the market, especially in 'peak' catastrophe risks. New capital (often pension funds) is attracted by returns and diversification, while many buyers are demanding alternatives to traditional reinsurance products. In response to competition and pressure on rates, reinsurers are being forced to adapt, by developing new products and accessing new types of capital.

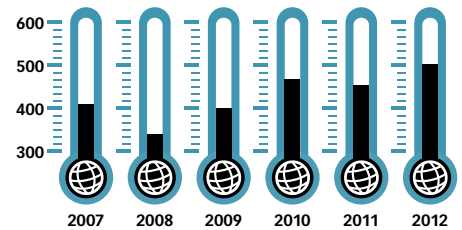
The growth of large cities in developing economies and climate change present both risks and opportunities to insurers. With a

large gap between economic and insured losses, particularly in developing economies, insurers should be able to grow by demonstrating their value to individuals, governments and businesses in underinsured areas.

Future industry losses may arise from a range of emerging risks including: cyber risk; climate-related catastrophes and potential litigation against 'polluters'; space weather; supply chain disruption and new technologies. Understanding the potential nature and impact of these risks, as well as developing insurance solutions, is a key future activity for the industry.

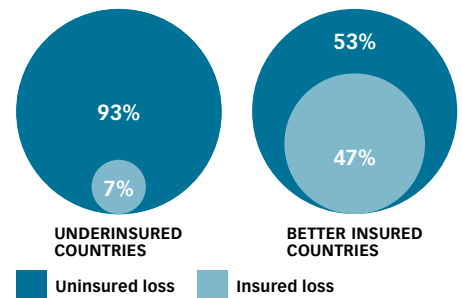
(Re)insurer M&A activity is expected to be driven by insurers pursuing growth, portfolio diversification and Solvency II capital efficiencies, and by private equity investors seeking an exit. Lloyd's businesses continue to be attractive acquisition targets and a popular route for gaining a presence in the market. Given this activity, the number of 'available' businesses is now limited.

Global reinsurance capital (\$USD bn)



Source: Aon Benfield (2013)

Proportion of insured catastrophe losses (2004-2011)



Source: Lloyd's (2013)

Lloyd's must evolve to remain the global centre for specialist risks

Lloyd's continues to outperform its peers with its strong combined ratio largely driven by superior underwriting results. Lloyd's financial strength has been preserved in an environment of soft rates and reduced investment income.

That said, Lloyd's needs to increase its business in developing economies as their share of global non-life premium grows. At the same time, with developed markets continuing to account for the vast majority of global non-life premium, Lloyd's must work to maintain its position in those markets where Lloyd's has leadership positions and to seek profitable opportunities wherever they may exist.

Lloyd's is a broker market. Like most commercial (re)insurers, Lloyd's has a significant reliance on the large global brokers. The impact of recently introduced broker facilities remains uncertain and the

Lloyd's market must pay close attention to changes in the wholesale broker model.

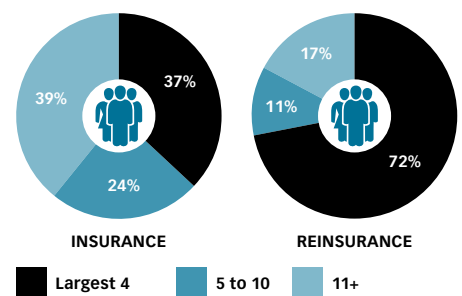
The composition of the Lloyd's market continues to evolve, with increases in the international diversity of capital providers, the number of managing agents writing in excess of £1bn premium and new entrants. The vast majority of managing agents are part of larger insurance groups, making them less dependent on Lloyd's. This change evidences the attractiveness of the Lloyd's model as well as reinforcing the need for Lloyd's to continue to strengthen its attractiveness compared to other specialist (re)insurance platforms.

Demographic changes, the international reach of the global insurance industry and increased competition are driving demand for talent globally and in the Lloyd's market. Insurers that are able to attract and retain talent with technical skills and international

capabilities will be most successful. Lloyd's needs to continue to retain, attract, and develop the best talent from the widest possible talent pool.

Given economic, political, regulatory and insurance market conditions, profitable growth, in the near-term, may be challenging for Lloyd's.

Lloyd's premium by broker size



Source: Lloyd's (2013)

Note: coverholder business is allocated to producing broker; service company premium is not included. Premium is on a calendar year basis.

SECTION TWO

STRATEGIC PRIORITIES: FOCUS FOR 2014-2016

The following section outlines Lloyd's focus over the next three years. There are six strategic priorities which are either key to the delivery of Vision 2025, or are critical to the ongoing successful performance of the market.

Within each of these six areas, reference is made to some of the Corporation's major activities planned for 2014. These lists of actions are not exhaustive, nor are they inflexible. The Corporation will respond to market demand, changing circumstances and other opportunities as they arise.

Market oversight

The unique nature of Lloyd's, as a market of independent businesses backed by a mutual central fund, requires the Corporation to perform a supervisory role. The market oversight aspect of the Corporation's role is, and remains, a key priority.

The three main elements of the Corporation's oversight role are performance management, capital setting and risk management. Activities are principally carried out through market-facing technical teams which feed into the Capital and Planning Group and the Standards Assurance Group.

The Corporation's oversight regime is robust and effective. As part of a process of continuous improvement, work will be undertaken to develop an overarching risk-based framework within which the three elements will operate. This framework will provide assurance that current standards of oversight will be maintained. The framework will increase transparency around the Corporation's supervisory approach with both managing agents and regulators.

An overarching framework will also allow the Corporation's oversight efforts to be flexed more readily in order to increase focus in specific areas in response to emerging issues.

The market oversight regime must operate in such a way that it supports both Lloyd's reputation for innovation and the desire to increase the market's geographic footprint. The future success of Lloyd's requires the enhancement and development of new products and new markets – intelligent innovation – building on existing strengths and expertise.

Corporation and market roles

Corporation

- To manage the tension between the Corporation's role in helping to attract new business/capital to Lloyd's and its market oversight role.
- To maintain the performance management framework, built upon a set of standards across underwriting, claims and risk management, and to ensure it remains aligned with the market's strategy and with regulatory changes. These standards represent the minimum level of competence and performance above which all managing agents are required to operate.
- To identify and share suggested practice guidance in priority areas.
- To conduct the business plan approval and monitoring processes and to monitor and enforce the performance management regime in a manner which is tailored to the relative risk posed by each business and which takes economic conditions into account where appropriate.
- To review syndicate capital requirements and set member capital.

Managing agents

- As independent businesses, to operate in a professional and profitable manner. Provided they operate in accordance with an agreed business plan, the freedom to participate in whichever type of business they choose.
- The board of the managing agent is responsible for the overall governance of its business, including underwriting strategy, reserving philosophy, claims management, risk appetite and maintaining the highest ethical standards.
- The board of the managing agent is responsible for embedding its own internal capital model.

Brokers

- On behalf of their clients, to work with managing agents and the Corporation to help deliver innovative risk management solutions, within Lloyd's risk and performance management framework.

What success looks like:

VISION 2025

Lloyd's will be a market where entrepreneurialism and innovation will thrive, underpinned by robust risk and performance management.

Lloyd's will be larger than today, predicated on sustainable, profitable growth after allowing for movements in the underwriting cycle. Its performance will outstrip that of its peers.

FIVE-YEAR MARKET GOALS

Lloyd's average combined ratio should be favourable to Lloyd's peer group over a five-year period and losses to the Central Fund should be within the market's risk appetite.

Lloyd's reputation for innovation will be demonstrably enhanced.

CORPORATION ACTIONS 2014

- Develop a market oversight framework that provides transparency around Lloyd's supervisory approach and priorities to regulators and managing agents.
- Review the approach of the Capital and Planning Group and update procedures for reviewing 2015 syndicate plans and capital, as required.
- Manage the implementation plan to comply with the Solvency II regime that will enable Lloyd's to obtain approval of its Internal Model in 2015.
- With the support of the LMA, complete the review of Lloyd's minimum standards and publish the new set of standards.
- Business as usual: Carry out the Corporation's underwriting performance, capital and risk management oversight of the market.

International growth

Expansion into developing markets remains at the heart of Vision 2025. Accessing cross-border reinsurance from London will not, alone, be sufficient to meet the aims of Vision 2025. Increasing Lloyd's share of insurance business in developing markets is also required.

This necessitates a shift away from Lloyd's historic preferred models in some markets. Trading rights must be obtained and consideration of offices, local establishment and other access options in selected territories will be required.

Business development activity will be considered on a territory by territory basis, taking into account forecast insurance market development and managing agent appetite. In many territories, this work will be about creating access, primarily through licences, and building business over the shorter term, so that Lloyd's is well positioned for medium-to longer-term opportunities.

Market development activity will aim to increase the amount of local market business that flows through existing and new access channels. A key element will be to assist existing Lloyd's brokers to build and develop their own relationships, particularly in developing economies. In addition work will include: execution of an international communications strategy; promotional activity; making it easier for local brokers to access Lloyd's; and work on Lloyd's value proposition.

The focus on building Lloyd's presence in developing economies will not be at the expense of Lloyd's position in established markets, and will build on existing distribution relationships. In the short term, it is likely that these markets will continue to present the most profitable opportunities.

Corporation and market roles

Corporation

- To manage the tension between the Corporation's role in helping to attract new business/capital to Lloyd's and its market oversight role.
- To undertake market development, communications and licence enhancement activities, where there is market demand, in developing and developed economies.
- To make available data and insight to managing agents where opportunities are believed to exist in developing and developed economies.
- To continue to defend existing licence arrangements and access to markets to ensure these channels remain competitive.
- To undertake a programme of ongoing, structured interactions at a senior level with relevant stakeholders with the potential to bring incremental attractive business to the market.
- To engage with managing agents to understand their international development strategies and priorities.

Managing agents

- To make decisions on underwriting new business.
- To pursue opportunities in developed and developing economies where aligned with their own strategies.
- To engage with the Corporation, individually and through the LMA, to share their international development strategies and priorities.

Brokers

- Consistent with their clients' needs, to place business into Lloyd's from developed and developing economies which is in line with market demand and market underwriting capabilities and expertise.

What success looks like:

VISION 2025

Lloyd's will be able to access all major overseas territories, including emerging markets, through its global licence network.

The increase in premium income in the largest ten developed economies will track or slightly exceed increases in non-life premium¹. In the largest ten developing economies, at times, we would expect growth to exceed non-life premium¹ as the specialist risk sector develops and insurance penetration increases.

FIVE-YEAR MARKET GOALS

Lloyd's premium from developing economies will increase, with greater growth in those territories where Lloyd's is investing in enhanced market access.

CORPORATION ACTIONS 2014

Licence development:

- Work with the Turkish and Indonesian Governments to secure necessary legislative changes to enable trading licences to be granted.
- Conduct a feasibility study for insurance licence opportunities in Brazil.

Market development:

- Asia – Conduct feasibility studies for a Lloyd's presence in Indonesia, Malaysia and South Korea. Open a branch office in Beijing.
- Latin America – Investigate options for a regional reinsurance office. Subject to regulatory position, investigate options in Colombia and Mexico.
- Middle East – Conduct market development and deliver plans for a new co-location office in Dubai.

Working with brokers:

- Assist brokers to build and develop relationships in developing markets. This will include providing information and assistance on the regulatory and related requirements for brokers in overseas territories.

Market intelligence:

- Develop a market intelligence portal in key territories for market stakeholders including country profiles, dashboards and market presentations.

¹ – Excluding Motor, PA, and Health insurance business.

Distribution

Lloyd's is a broker market, with brokers involved in all of Lloyd's distribution channels. To access the widest range of potential business, the breadth of distribution options available to the market needs to increase through growth in all existing channels (brokers, coverholders, service companies and Lloyd's local underwriting offices). Managing agents should also consider new distribution options (such as joint ventures with local (re)insurers) and the Corporation will facilitate such arrangements where appropriate.

Broker relationships will remain core to the future success of Lloyd's.

- **Global and specialist brokers:** the Corporation and market will continue to build constructive working relationships.
- **Local market brokers (particularly in developing economies):** focus on raising awareness of Lloyd's and making it easier for them to access and do business with Lloyd's, be that directly or in partnership with Lloyd's brokers.

Many of the initiatives being pursued by the larger brokers reflect their desire to increase their efficiency and deal with a smaller number of carriers. Lloyd's can support this through the creation of efficient access to Lloyd's capacity, eg through the creation of consortia and the removal of 'London-isms'.

Broker facilities present both an opportunity and a threat. Facility arrangements can add value where they have appropriate checks and balances on any delegation of underwriting and claims authority.

Delegated arrangements with local market participants with local expertise and relationships – the coverholder model – are an important distribution mechanism for managing agents. Subject to regulatory consents, and robust oversight, this model will likely play a key role in growing Lloyd's position in new markets.

Corporation and market roles



Corporation

- To work closely with the market to make placing business into Lloyd's as efficient as possible.
- To ensure any operational barriers to new ways of working are removed.
- To undertake promotional and educational activities aimed at existing and potential brokers, coverholders and risk managers.



Managing agents

- To negotiate their own business and trading arrangements with brokers.
- To work with the Corporation and brokers to improve operational and processing arrangements in support of placement activities.
- To conduct business in line with agreed market process standards (eg ACORD), wherever appropriate.



Brokers

- To identify attractive new market segments and risks and to develop new products.
- To work with the Corporation and managing agents to improve operational and processing arrangements in support of placement activities.
- To conduct business in line with agreed market process standards (eg ACORD), wherever appropriate.

What success looks like:

VISION 2025

Lloyd's will be a broker market and will build on its relationships with existing brokers, as well as encouraging other specialist brokers. Coverholders and service companies will provide efficient access to local markets and brokers will find it as easy to access Lloyd's as they would local carriers.

Lloyd's distribution chain will be optimised through the efficient use of technology.

FIVE-YEAR MARKET GOALS

The breadth of Lloyd's distribution and market access will improve, with an increased number of distribution relationships in each distribution channel (coverholders, brokers, service companies, and Lloyd's local underwriting offices).

CORPORATION ACTIONS 2014

- Develop and execute mutually agreed action plans with at least ten of Lloyd's largest producing brokers to drive market development activity, enhanced broker training and improved management information.
- Work with interested managing agents to develop consortia arrangements where market and client demand exists.
- Launch Lloyd's Global Development Centre offering co-ordinated promotion of Lloyd's to international brokers and clients. This will provide physical and virtual learning opportunities, as well as networking and development opportunities.

Capital and convergence

One of Lloyd's strengths is the diversity of its capital base, encompassing private, trade and institutional capital providers. The Lloyd's model was built around the management of third party capital and this remains a core competency of the market. Maintaining the attractiveness of Lloyd's to a range of capital providers will underpin the market's future success.

The growth of non-traditional products and capital is now an established feature of the reinsurance industry. While 'new' capital supports both 'new' and 'traditional' products, the vast majority of current activity is in property-catastrophe business. This has short-term implications in terms of the level of competition and hence pricing and margin adequacy. This will influence Lloyd's house view on conditions in these lines of business. Longer term, this could have the potential to erode the size of one of Lloyd's traditional market segments.

Lloyd's response is to be proactive and to embrace this trend. Over the longer term there is an opportunity to harness capital from both traditional and new sources. New capital participates at Lloyd's as members (as Funds at Lloyd's providers and through Special Purpose Syndicates) and as counterparties on outwards reinsurance programmes.

Many managing agents use new products in their own reinsurance arrangements. Sponsorship of new products generally happens outside of Lloyd's (at group level or within dedicated business units). Lloyd's is a market for indemnity-based products. Lloyd's believes that indemnity reinsurance products best meet the needs of clients as they remove basis risk, but new products will have a growing role.

The geographic origins of Lloyd's current capital base reflect the market's current business mix. Greater geographic diversity in Lloyd's capital base will support the Vision 2025 objective of increasing the market's access to specialist business in developing economies. The Corporation will continue to work with the market to facilitate the entry of new capital (with new business) from trade players in developing markets. This could take the form of new capital backing new syndicates (subject to the usual new entrant criteria), or in support of existing businesses.

What success looks like:

VISION 2025

Lloyd's capital base will be globally diverse. There will be overseas trade capital bringing in new specialist business and people to Lloyd's from territories where Lloyd's needs to increase its market share.

FIVE-YEAR MARKET GOALS

The geographic diversity of Lloyd's capital base will significantly increase, subject to this capital bringing new business and people.

Subject to market conditions, Lloyd's will retain its unrivalled diversity of capital, through growth in all types of capital participating at Lloyd's (private, trade, institutional and other).

CORPORATION ACTIONS 2014

Structured Relationship Management Programme:

- Continue to build relationships that focus on increasing the understanding of potential new capital providers as to how they can participate at, and bring new opportunities to, Lloyd's.

Communications:

- Core messages to include promoting the benefits of indemnity (versus parametric) solutions as best meeting clients' needs.

Review and update new entrants guidance to make it more user-friendly, including the production of foreign language versions.

Continue work to further understand managing agents' use of alternative capital.

Corporation and market roles

Corporation

- To support market-led initiatives that encourage a diverse range of capital at Lloyd's by removing obstacles and adopting facilitative measures, where appropriate.
- To lead market development activity to raise the profile of Lloyd's with insurance market participants and capital providers in developing economies.

Managing agents

- To develop and operate their own capital management strategies, including contingent capital arrangements.

Brokers

- To facilitate the introduction of new capital, often through their advisory arms.

Market operations

Placing and processing business in the Lloyd's market needs to be easier and more efficient. This will make the market more attractive to existing and new business in London and in local markets. Work in this area requires significant effort given the diversity of market participants and the often complex nature of business at Lloyd's. Key stakeholders will therefore need to continue to work together to deliver the required improvements.

The Central Services Refresh Programme is one of the principal means through which this will be achieved. This work is focused on post-bind processes and its aims are to:

- Eliminate or move (from brokers to a central services provider) the London-specific back office processes that have been identified as factors hindering the processing of business at Lloyd's, as part of ongoing improvements to outsourced back office provision.
- Develop more structured, enriched market data in line with ACORD standards; this will remain a key focus of the programme.

Work is also underway, led by the LMA, on Project Genesis. This aims to develop a shared service which will take placement information and turn it into rich structured ACORD standard data and make this data available to the back office systems of all subscribing insurers.

Other significant activity in this area includes work to continue to strengthen the market's claims handling capabilities. Lloyd's claims vision, which is being delivered through the Claims Transformation Programme, includes the desire for both complex and non-complex claims to have:

- Fast and fair claims handling with an enhanced customer experience
- Effective and robust processes and infrastructure, and for
- Claims to be seen on a par with underwriting as a front office function and as a profession.

Corporation and market roles

Corporation

- To act as a catalyst for change and provide market leadership (including programme governance), mandating change if and when required.
- To engage with market participants in the case for change and in the governance, design and implementation of modernised systems and processes.

Managing agents and brokers

- Active engagement in the case for change and in the governance, design and implementation of modernised systems and processes.

What success looks like:

VISION 2025

Lloyd's will be a subscription market, with efficient central services providing seamless processing to support face-to-face trading and world-class claims management.

FIVE-YEAR MARKET GOALS

Placing business in the Lloyd's market will be more efficient and more attractive.

Making it easier to do business: Removal of two-thirds of the London specific back office processes that as of 2013 have been identified as one of the factors hindering processing of business at Lloyd's. There will be significantly more arrangements where coverholders have straight-through processing to syndicates.

The Exchange: In alignment with the London Market Group's future process vision, The Exchange will be further embedded as the way of moving ACORD standard data messages and documents across the market, resulting in increased use of structured data by brokers and managing agents.

Claims: Lloyd's reputation for fast, fair claims handling will be maintained as Lloyd's grows.

CORPORATION ACTIONS 2014

Central Services Refresh Programme:

- Complete the design of the processes supporting the submission of data post-placement and begin delivering components of the design in accordance with an agreed roadmap.

Claims Transformation Programme (CTP):

- Continue to transition legacy claims for all classes of business onto the CTP claims agreement framework.
- Subject to appetite, deliver the next phase of the claims reporting suite.
- Further development of the Volume Claims Service.

The Exchange: Support market initiatives to drive up usage.

Insurance Services for Lloyd's Asia: Expand claims processing and subscription support.

Market talent

Attracting and retaining high calibre talent from diverse backgrounds is a challenge facing the Lloyd's market and the whole of the insurance industry. The Lloyd's market is currently behind other industry sectors in these respects.

For Lloyd's to continue to be the global centre for specialist (re)insurance and attract business from fast-growing developing markets, talent attraction and retention initiatives must be further enhanced. Market participants will need to work together to attract, retain and develop the best talent from the widest possible talent pool. In particular, accelerated career paths must be available for high achievers.

A more diverse and inclusive underwriting and broking community, reflecting changing business flows and markets, will be a critical component in successfully building Lloyd's business globally, while resulting in better decision-making and business results. Skill sets, attitudes, behaviours, and management practices across the market will need to adapt, reflecting the need to manage across different national boundaries and cultures. This will also help improve the perception of insurance, and of the Lloyd's market in particular, as an attractive career choice and employer.

Ongoing market-wide talent initiatives to ensure that Lloyd's achieves its Vision 2025 ambitions fall into two main categories:

- Recruitment initiatives to attract diverse, high calibre individuals at the start of their careers.
- Development initiatives to retain and develop individuals with leadership and specialist skill sets.

The recently formed Inclusion@Lloyd's Group, a joint initiative of the Corporation and LMA, aims to ensure Lloyd's is a diverse and inclusive market, strengthening Lloyd's role in the global marketplace, in support of Vision 2025. To make progress early on, the group will connect with the Corporation, managing agents, brokers, clients, and other market stakeholders to develop, support, and where appropriate, implement strategies focused on diversity and inclusion. These strategies will encompass stakeholder engagement, talent and skills development, governance and measurement, and communications.

Corporation and market roles

Corporation

- To lead the Lloyd's market and be a 'thought leader' by adopting best practices around diversity, inclusion, and talent management.
- In consultation with the Market Talent Steering Group, the LMA, LIIBA, and Inclusion@Lloyd's, lead on the design and operation of market talent and inclusion initiatives.
- To attract, develop and retain a diverse range of talent with the appropriate skills and expertise to allow the Corporation to deliver its role effectively.

Managing agents and brokers

- To support and promote market talent and inclusion initiatives.
- To attract, develop and retain the best talent from a diverse range of backgrounds required for their current and future success.

What success looks like:

VISION 2025

Lloyd's will attract the best talent and will provide an accelerated career path for the progression of high achievers.

Lloyd's will be a diverse market by gender, age and ethnicity. Its people will increasingly mirror the geographic origin of the market's business and capital.

FIVE-YEAR MARKET GOALS

The market's workforce will be significantly more diverse, including by nationality, and have a higher proportion of professionally qualified staff, when measured against the baseline data to be collected in 2014.

CORPORATION ACTIONS 2014

- Undertake a strategic review of market talent programmes (including apprenticeship, graduate and leadership initiatives) to assess the future needs of the market and conduct a feasibility study into internationalising the Lloyd's Graduate Programme.
- Work to collect data on staff demographics within the market (including the composition of managing agent boards) and professional qualifications through an annual market survey, with a view to setting aspirations for the market to work towards in the future.
- Implement recommendations from Race for Opportunity, Stonewall, and Opportunity Now diversity and inclusion benchmarks, and join the 'Think, Act, Report' initiative.
- Work with the Inclusion@Lloyd's Group to have all managing agents sign-up in support of the group's objectives and action plan.
- Continue to focus on improving diverse representation at senior management levels within the Corporation.

FURTHER INFORMATION

CONTACTS

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