
LLOYD'S

Welcome to Lloyd’s - How Lloyd’s Works

View How the Market works on Lloyd’s YouTube at the following link

https://www.youtube.com/watch?v=fZ-R1TQDf-E

and view Inside Lloyd's: Demystifying the inner workings of the world's most famous insurance market

https://www.youtube.com/watch?v=ugRFJv_93ZU

Lloyd’s of London

It began in Edward Lloyd’s coffee house by the river Thames in 1688. Its clients specialized in shipping information where ship owners/captains would return from voyages. He would rent out tables(aka boxes) to businessmen including insurance brokers.

Edward Lloyd, the man whose coffee shop would eventually become the world’s oldest and largest insurance market, was never an insurer; he was a facilitator, providing the platform upon which underwriters and brokers built the modern insurance industry. More than three centuries later, the Lloyd’s Corporation continues to act as the market’s independent guardian, responsible for protecting, promoting and providing valued support services to every market participant. Working closely with the market under one globally trusted name, the Corporation provides the premises in which the market operates, and oversees and supports the trading that goes on within it. It regulates and reports on the performance of market participants, holds licenses to write insurance in more than 70 countries, promotes the market’s growth in new territories and protects the Central Fund that guarantees financial resilience, even in times of crisis. Working with leading business, academic and insurance experts, the Lloyd’s Corporation also provides services to the market and contributes original research, reports and analysis to strengthen the market’s collective understanding of new and emerging risks.

Read the Welcome to Lloyd’s webpages at the following link. You are encouraged to click on each “Find out more” for more information on each subject. https://www.lloyds.com/about-lloyds

Lloyds has two meanings – the marketplace and the company that oversees the marketplace. The corporation ensures that the syndicates are financially sound and that the marketplace operates efficiently. All Lloyds syndicates benefit from Lloyds central resources, including the Lloyds brand, its network of global license and the central fund. All Lloyds policies are ultimately backed by this common security.

Through the collective intelligence and risk-sharing expertise of the market’s underwriters and brokers, Lloyd’s helps to create a braver world. The Lloyd’s market provides the leadership and insight to anticipate and understand risk, and the knowledge to develop relevant, new and innovative forms of insurance for customers globally. And it promises a trusted, enduring partnership built on the confidence that Lloyd's protects what matters most: helping people, businesses and communities to recover in times of need.

Every day, people, businesses and communities in over 200 countries and territories rely on the Lloyd's market to protect what matters most. And every day, more than 50 leading insurance companies, over 350 registered brokers and a global network of over 4,000 Coverholder office locations work together in the Lloyd's market to do just that. Until 2020 most business written at Lloyd's was conducted face-to-face in the world famous Underwriting Room at our London Lime Street headquarters. Since the global pandemic Lloyd's has rapidly adapted to the challenge of remote and hybrid working, accelerating the adoption of digital collaboration. Brokers place clients' risk with Lloyd's specialist underwriters who evaluate, price and accept the risks. On any day, 'The Room' welcomes more than 5,000 people, sees more than £100m in premiums come into the market and more than £82.1m is paid out in claims – more than £57,031 in claims per minute. Much of the capital available at Lloyd's is provided on a 'subscription' basis; Lloyd's underwriters join together as syndicates and those syndicates then join together to underwrite risks and programs. Collectively, Lloyd's syndicates insure risks totaling +£35bn in insurance premiums each year. Collaboration, combined with the choice, flexibility and financial certainty of the market means Lloyd's underwriters can anticipate and respond to new and emerging risks, creating the specialist products and policies our interconnected world demands.

About Lloyd's

Lloyd's is the world's leading insurance and reinsurance marketplace.

Through the collective intelligence and risk sharing expertise of the market's underwriters and brokers, we help create a braver world.

What is the Lloyd's Corporation?

Read more at www.lloyds.com

The Lloyd's market provides the insight to anticipate and understand risk, and the knowledge to develop relevant and innovative forms of insurance for customers globally.

At Lloyd's, we offer the efficiencies of shared resources in a marketplace that covers risks from more than 200 territories, in any industry, at any scale.

Ours is a commitment to trusted partnership, protecting what matters most: helping people recover in times of need and build resilience for the future.

Our purpose: sharing risk to create a braver world.

Together with our customers, businesses and communities all over the world we are building a braver future – one that is more sustainable, resilient and inclusive.

Sustainable, because we want to build things that last. From three year old startups to a three hundred year old market, everything we do should consider how we can protect and preserve our resources – natural, financial, technological – for future generations.

Resilient, because we've seen the impact global risks have on our world, from COVID-19 to climate change. Insurance helps people protect what matters most to them: so by innovating to find new solutions, we help people and businesses prepare for whatever lies ahead.

Inclusive, because we want everyone to share in the resources we're protecting and preserving. That means working to close the gaps we see in representation, economic opportunity and insurance protection in our communities around the world.

Supporting our stakeholders

As the world's largest specialist insurance market and global distribution network, Lloyd's has a unique set of stakeholders:

Customers

We provide the products and services to navigate complex risks and build resilience for the future.

Underwriters

We offer the ability to share and syndicate risk in one place, while developing innovative solutions to new and evolving risks.

Brokers

We give direct access to diversified, independent capital, global markets and the highest concentration of underwriters in the world to place risks on behalf of clients.

Capital providers

We provide access to innovative and flexible capital solutions that offer low cost of capital and attractive investment returns backed by robust oversight.

Policymakers and regulators

We bring expertise, capital and innovation together to help society build resilience and respond in times of crisis.

Talent

We create the chance to be at the heart of global risk solutions, in a purpose-driven culture where every employee can progress and develop.

We also work closely with industry and market associations, rating agencies, charities, suppliers, academics and many others to share risk and expertise across all parts of society.

Read more about our stakeholder engagement on pages 70-74.

Our strategic priorities

Performance

We're delivering sustainable, profitable performance and growth in our marketplace.

Read more on pages 12-13

Digitalisation

Through Blueprint Two we're creating a data-focused, automated and cost-efficient insurance marketplace: better, faster, cheaper.

Read more on pages 14-15

Purpose

Everything we do at Lloyd's is underpinned by our purpose of sharing risk to create a braver world – creating a world that's more sustainable, resilient and inclusive.

Read more on pages 16-17

Culture

We're committed to creating a diverse, inclusive and high-performing culture across our market to attract and retain the best talent.

Read more on pages 18-19

Our unique benefits

Lloyd's marketplace model offers unparalleled value:

Choice

Through our licences and trading rights, we're able to provide solutions for customers in over 200 territories – meeting your needs, wherever you may be.

Confidence

Our core business is to help people and businesses protect what matters most, including in the wake of disasters – something we've done for over three centuries.

Partnership

Lloyd's is a community where individuals and businesses develop lasting and constructive relationships. We find solutions where others can't or won't.

Expertise

Insurance is a collaborative process: we use our unrivalled pool of knowledge to create innovative risk solutions that respond to your needs.

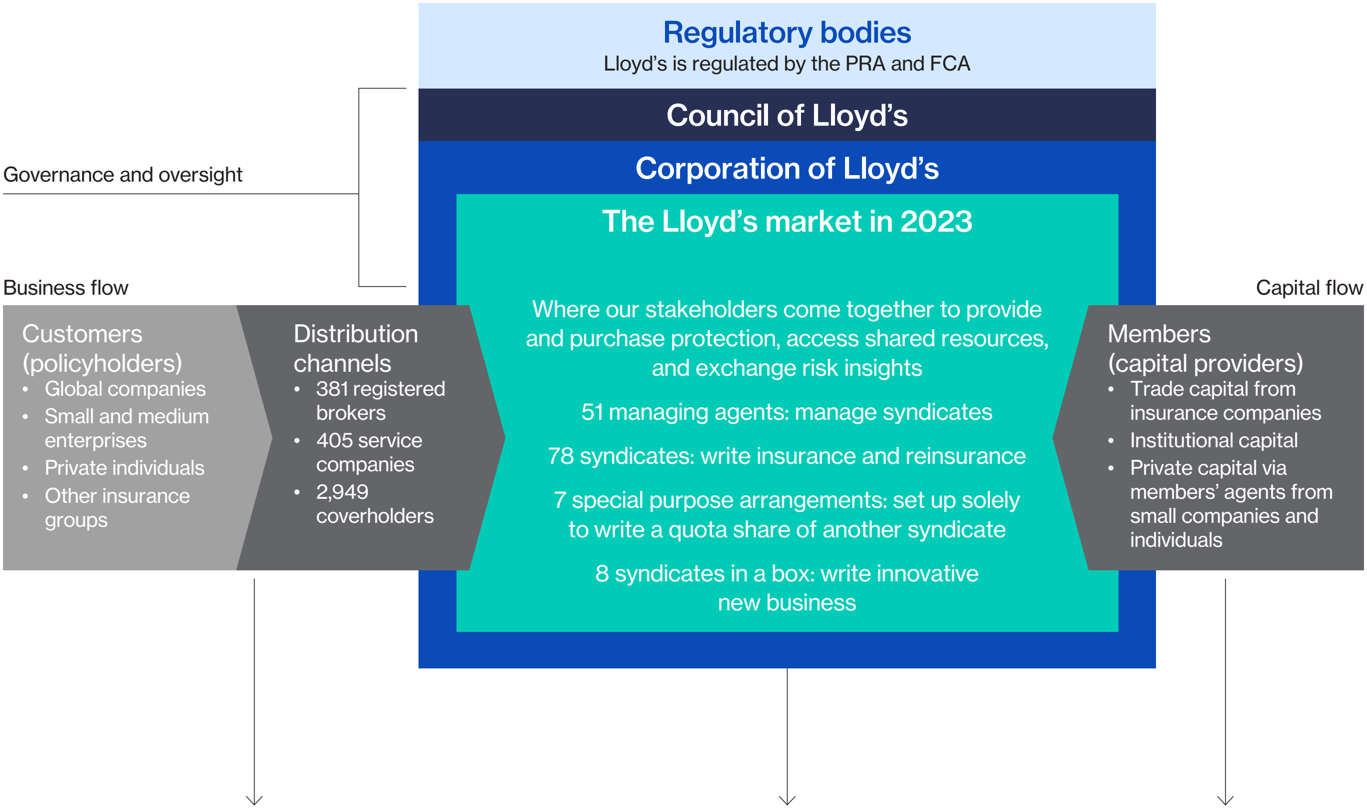
Insight

Our market makes informed judgements based on data, experience and understanding of risk – and we share that insight to help others understand the risks they face.

Ecosystem

Our scale and competitive marketplace model helps attain the best coverage, price and service for whatever risk you're placing.

The Lloyd’s business model



Associations and committees

The interests of our market participants are represented and promoted through committees and associations. We work closely with them to ensure that the market operates efficiently and with appropriate oversight, and place our customers and stakeholders’ interests at the centre of what we do.

Lloyd’s Market Association (LMA)	International Underwriting Association (IUA)	London & International Insurance Brokers Association (LIIBA)	London Market Group (LMG)	Association of Lloyd’s Members (ALM)	High Premium Group (HPG)	Xchanging Insurance Services & Xchanging Claims Services

Our business model

The insurance written at Lloyd’s is brought to the market by brokers and coverholders, to specialist underwriters who price and underwrite the risk.

Syndicates are managed by ‘managing agents’ who employ the underwriters to ‘bind’ the contracts of insurance and reinsurance on behalf of the members of Lloyd’s. Managing agents will also carry out all the other activities of insurance business at Lloyd’s on behalf of the members. Syndicates are formed by members joining together to underwrite insurance, each for their own share. Members provide the capital to back the underwriting.

Much of the insurance and reinsurance capacity available at Lloyd’s is provided on a subscription basis, where syndicates each take a share of large and complex risks. Combined with the choice, flexibility and financial security of the market, this makes Lloyd’s the world’s leading platform to underwrite and purchase insurance and reinsurance cover.

The interests of our market participants are represented and promoted by market associations and committees, which are set up by Lloyd’s underwriters, brokers and members.

Behind the Lloyd’s market is the Society of Lloyd’s (also referred to as ‘the Corporation’). While the Corporation does not underwrite insurance risks, it acts as the market operator: providing the infrastructure and regulatory oversight needed for the market to succeed.

The Lloyd’s Council is responsible for the governance, management and supervision of the Society and the market. The governance and oversight frameworks are designed to ensure the Society and Lloyd’s market actively manage risks to the Central Fund, Lloyd’s licences, ratings and brand in order to create good outcomes for customers. We work closely with market associations to continue evolving our oversight to make sure our stakeholders’ interests are reflected appropriately.

Our capital structure

Lloyd's unique capital structure provides excellent financial security to policyholders and capital efficiency for members.

Often referred to as the Chain of Security, the capital structure provides the financial strength that ultimately backs all insurance policies written at Lloyd's and the common security that underpins the market's strong ratings and global licence network.

Syndicate assets

All premiums received by syndicates are held in trust by the managing agents as the first resource for paying customers' claims.

Funds at Lloyd's

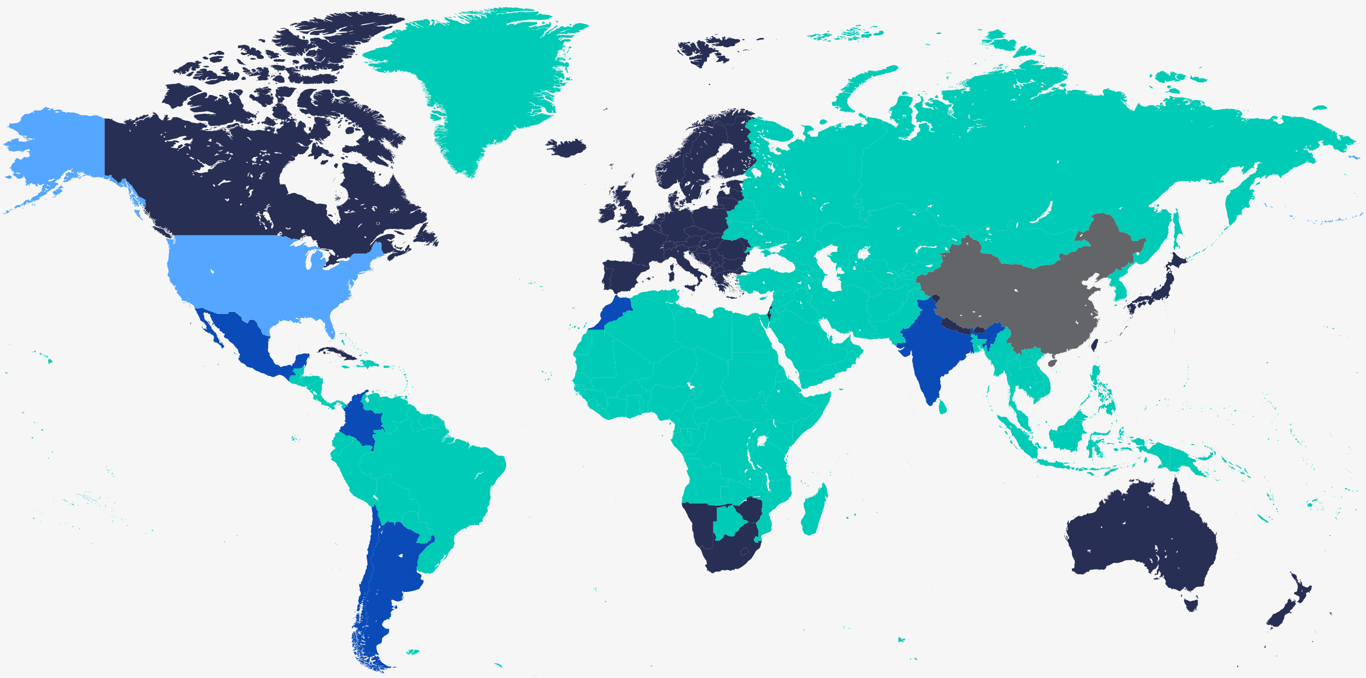
Each member must provide sufficient capital to support their underwriting at Lloyd's. Managing agents assess the Solvency Capital Requirement (SCR) for each syndicate that they manage, which sets out how much capital the syndicate requires to cover its underlying business risks at a 99.5% confidence level.

Lloyd's central assets

Our central assets, at the discretion of the Council of Lloyd's, are available to meet any valid claims that cannot be met from the resources of any member. This includes Lloyd's Central Fund, which is a fund held by Lloyd's to protect policyholders in the rare event that a member needs additional assets to meet its liabilities.

Lloyd's global network

Lloyd's is licensed to write onshore insurance in 80 countries, reinsurance in 100 countries and offshore reinsurance in over 200 countries. Lloyd's licences in the EU and in China are held by its wholly owned, locally authorised insurance company subsidiaries – in Belgium (Lloyd's Insurance Company S.A.) and China (Lloyd's Insurance Company (China) Limited).



- Onshore & cross-border insurance* (inc. Caribbean and Israel) * including reinsurance
- Onshore & cross-border reinsurance
- Cross-border reinsurance (inc. Turkey, Ukraine and Belarus)
- US Surplus Lines insurance, onshore and cross-border reinsurance
- Onshore insurance/reinsurance and cross-border reinsurance (China)

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Performance

Our focus on **sustainable, profitable performance** is supported by our continued focus on portfolio management, principles-based oversight and a differentiated approach to business planning for Lloyd's syndicates.

£52.1bn

Gross written premium (FY22: £46.7bn)

84.0%

Combined ratio (FY22: 91.9%)

£10.7bn

Profit before tax (FY22: loss of £0.8bn)

Lloyd's posted a strong set of results for 2023 that demonstrate our continued commitment to delivering sustainable, profitable performance and growth through a range of market conditions.

Sustainable, profitable performance

Building on the trend of recent years, Lloyd's saw an 11.6% increase in the volume of premium written in our market in 2022. Gross written premium (GWP) now stands at £52.1bn, driven by 4.3% volume growth, 7.2% price movement (combining rate and inflation) and 0.1% foreign exchange movements.

The market's combined ratio improved further to 84.0%, which coupled with an underwriting profit of £5.9bn, marked our best underwriting performance in recent history. This was supported by a stable attritional loss ratio (48.3%) and expense ratio (34.4%) and a relatively low number of major claims (3.5%).

Investment returns of £5.3bn supported an overall profit of £10.7bn, reflecting higher interest rates and the unwind of paper losses from the mark-to-market accounting system booked in previous years.

Meanwhile, Lloyd's balance sheet continues to demonstrate resilience and offer confidence to customers and capital providers. Our market-wide solvency ratio improved to 207% while the central solvency ratio also improved to 503%. This stability saw our financial strength ratings improve with S&P Global upgrading the Lloyd's market from A+ to AA-, and A.M. Best boosting the market's outlook to 'positive'.

Providing robust oversight

Lloyd's principles-based oversight framework enabled a truly risk based approach to managing market performance in 2023. Exposure growth was driven by syndicates with a demonstrable track record of performance.

Interventions were aimed proportionally at pockets of heightened risk and underperforming syndicates were required to develop and execute plans to remediate performance.

In 2023 the shape and geographic composition of the Lloyd's portfolio provided insulation from some of the extreme regional natural catastrophe activity with the major claims ratio sitting at 3.5% down 9.2pp compared to prior year. Property classes led the way in terms of rate improvement, as pricing catches up with changes in demographics, vulnerability and exposure values.

Looking to 2024

Sustainable, profitable performance will continue to be our first priority throughout 2024.

We are pleased to see syndicates responding appropriately and proportionally to the continued volatility facing the market. Principles-based oversight remains at the centre of how we regulate the market, enabling the best performers to thrive at Lloyd's.

From an underwriting perspective our key focus areas will include:

- Managing volatility in classes exposed to both natural and non-natural catastrophes;
- Remaining vigilant to the impact of economic and social inflation on prior year development in Casualty classes;
- Placing additional oversight on Cyber and managing systemic risk in the class to ensure growth is achieved sustainably; and
- Focusing on classes displaying adverse conditions, such as FinPro, to ensure that managing agents remain disciplined in their underwriting approach.

In addition, we will look to make enhancements to a number of areas of our oversight framework including Claims, Operational Resilience, Governance, Customer Outcomes (including Consumer Duty & Complaints) and Culture.

Financial strength ratings

A
A.M. Best
positive outlook

AA-
S&P Global
stable outlook

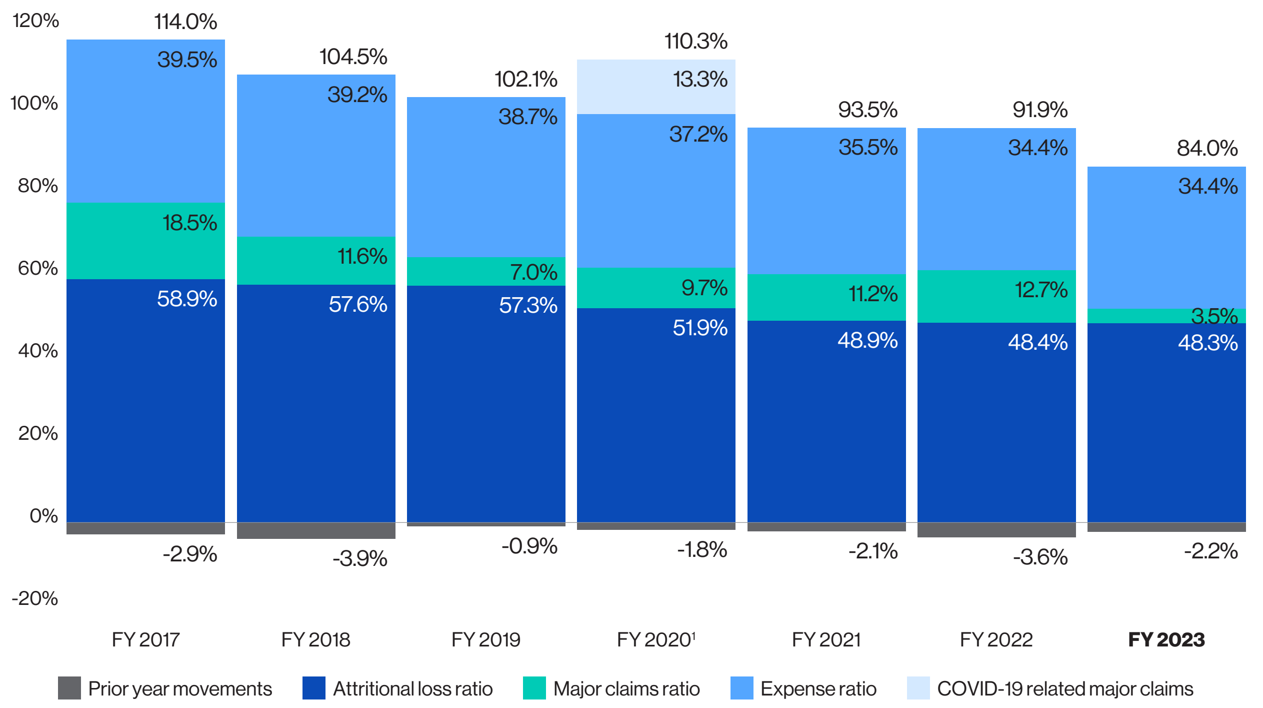
AA-
Fitch Ratings
stable outlook

AA-
KBRA
stable outlook

Our ambition continues to be to attract and retain the best underwriting businesses to the Lloyd's market. Opportunities to employ the unique strategic advantages of the Lloyd's model in traditional and innovative new market opportunities are abundant. We will work with the market to enable faster, more agile deployment of solutions that meet customer demands.

Read more about our performance in the Market Results section on pages 24-31.

Performance in action: Improved combined ratio in last seven years



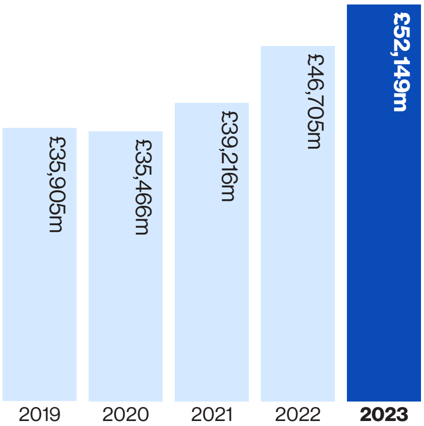
1. 2020 combined ratio and major claims ratio include COVID-19. 2020 combined ratio excluding COVID-19 is 97.0%.

2023 Highlights

Financial highlights

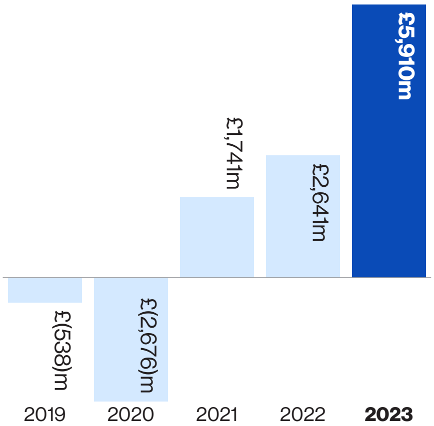
Gross written premium

£52,149m



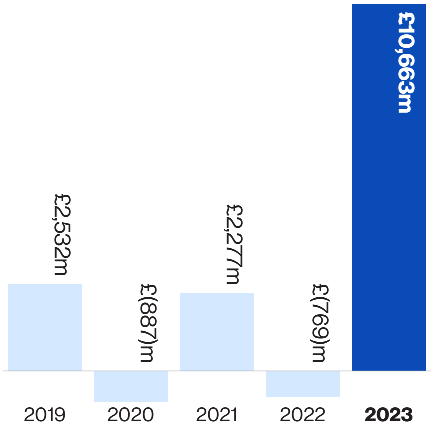
Underwriting result

£5,910m



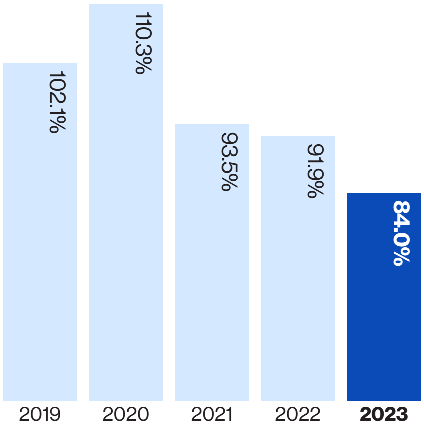
Result before tax

£10,663m



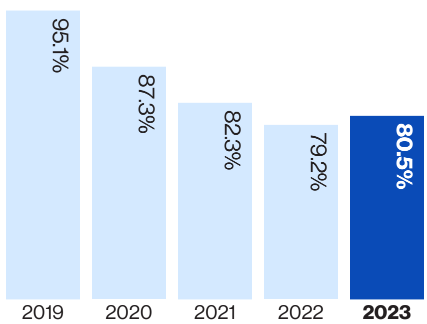
Combined ratio[1]

84.0%



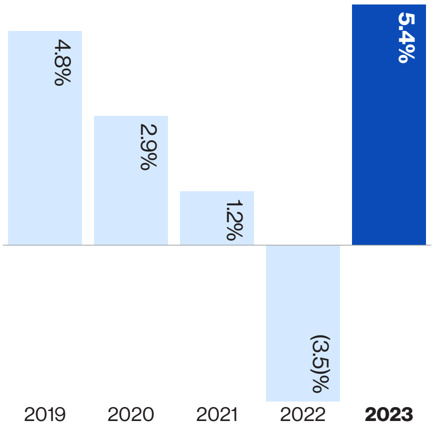
Underlying combined ratio[1]

80.5%



Return on investment[1]

5.4%

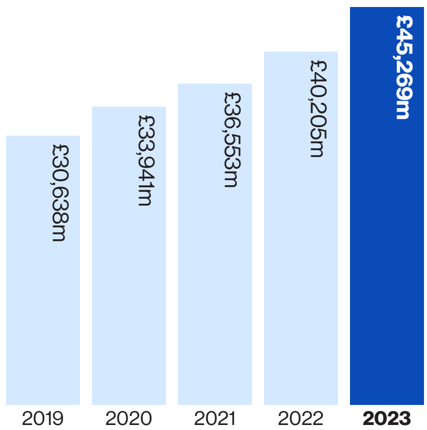


The pro forma financial statements (PFFS) are prepared so that the financial results of Lloyd's and its members taken together, and their net assets, can be compared as closely as possible with general insurance companies. The PFFS include the aggregate of syndicate annual accounts (Aggregate Accounts), members' funds at Lloyd's (FAL), the Society of Lloyd's financial statements and any central adjustments. Further information concerning the basis of preparation of the PFFS is set out on pages 38 to 40.

1. The combined ratio, underlying combined ratio, return on investment and the return on capital are metrics that are consistently used to analyse financial performance in the Lloyd's market results and/or in the Society report. These metrics (wherever used in this Annual Report) are alternative performance measures (APMs), with further information available on pages 162 and 163.

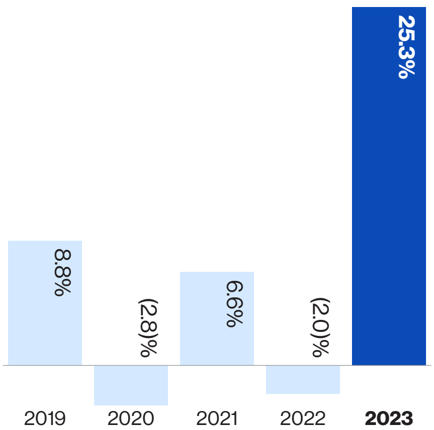
Capital, reserves and subordinated loan notes

£45,269m



Return on capital[1]

25.3%



Market results

The Lloyd's market reported an underwriting result of £5,910m with a combined ratio of 84.0% for the 2023 financial year (2022: underwriting result of £2,641m with a combined ratio of 91.9%), reflecting continued underwriting discipline and a period of lower than expected major claims. The favourable underwriting result was enhanced by a return on investment of £5,310m (2022: investment loss of £3,128m), driven by the strengthening experienced in the financial markets in the year. The strengthening of sterling against US dollars during the year resulted in a £134m loss on foreign exchange (2022: £158m gain). Net non-technical expenses remained relatively flat at £423m (2022: £440m). Overall, the result is a profit before tax of £10,663m (2022: loss before tax of £769m).

Underwriting result

The market continued to see risk adjusted price increases on renewal business across most classes, with the 24th consecutive quarter of positive price movement being reported in the fourth quarter of 2023. Price change accounted for 7.2% of premium growth. The remaining growth in gross written premium is attributable to 4.3% volume growth, with foreign exchange movements having a minimal impact.

The underwriting result rose 124% year-on-year to £5,910m driven by the continued realisation of benefits from the market's strong underwriting action and positive pricing environment led by the Property segment in particular, partially offset by less attractive conditions in some areas of Casualty.

The combined ratio of 84.0% represents a 7.9 percentage point improvement when compared with prior year. Prior year releases benefited the combined ratio by 2.2% (2022: 3.6%), with releases reported across all lines of business other than Specialty and Casualty reinsurance (impacted by reinsurance to close and loss portfolio transfer transactions) and Aviation, where carriers have reported reserve strengthening in respect of the losses arising from the Russia/Ukraine conflict.

The major claims ratio reduced to 3.5% (2022: 12.7%), below the expected level for any one year. Whilst there were a number of significant events in 2023, including the wildfires in Hawaii and the earthquake in Turkey, the shape and composition of the Lloyd's property book resulted in a relatively low exposure to these events. Our underlying combined ratio, excluding major claims and catastrophe events, remained stable at 80.5% (2022: 79.2%).

The expense ratio has remained flat at 34.4% (2022: 34.4%), with a lower acquisition expense ratio of 22.6% (2022: 23.4%) offset by a higher operating expense ratio of 11.8% (2022: 11.0%) reflecting higher wages as well as investment in strategic change by managing agents.

Investment review

The market reported net investment gains of £5,310m in 2023, representing a positive return on investment of 5.4% (2022: loss of £3,128m, (3.5)%).

2023 was a year of heightened volatility, driven by geopolitical events and increased interest rates. The year started with pressure on a number of US regional banks, and whilst there was little direct impact on the Lloyd's market due to the structure of the investment portfolio that has limited exposure to these institutions, it caused volatility across the fixed income portfolios. The last quarter of the year saw a dramatic rally across several asset classes, as declining inflation moved market positioning in favour of a soft economic landing, coupled with the expectation of central banks' rate cuts in 2024, which appeared to result in a risk-on sentiment. Overall, a wide number of asset classes saw significant gains in 2023, particularly equity market capitalisation, reversing losses seen in 2022. The US equity markets performed well due to a limited number of mega-cap US technology companies, driven by the excitement surrounding artificial intelligence and its potential for growth across a range of industries. Credit and sovereign bonds also generated positive returns, again reversing losses seen last year.

Balance sheet strength

The Lloyd's market continues to be strongly capitalised with total capital, reserves and subordinated loan notes of £45,269m at 31 December 2023, a 13% increase from the £40,205m reported at 31 December 2022. The Lloyd's market solvency ratios, both central and market-wide solvency ratios, have strengthened since 31 December 2022.

The central solvency ratio has increased from 412% at 31 December 2022 to 503% at 31 December 2023. This is due to positive fair value movements on investments and a reduction in central SCR.

The market-wide solvency ratio has increased from 181% at 31 December 2022 to 207% at 31 December 2023. This is due to the increases in members' balances, driven by strong profitability, investment returns, discounting benefits and a reduction in the market-wide SCR.

The central SCR and market-wide SCR have reduced by £150m and £350m respectively, driven by changes in inflation risk, strengthening of sterling against US dollars during the year and changes to the risk margin calculation following the HM Treasury change to reduce the cost of capital from 6% to 4%. These reductions have been partially offset by market growth.

2023 Highlights continued

Premium

As in previous years, syndicates which have a proven track record of producing sustainable profit are given greater business plan flexibility, including to grow their business.

Gross written premium grew £5,444m to £52,149m in 2023. Reinsurance and Property were the largest drivers of premium growth in the market, growing £1,973m and £2,722m respectively. All lines of business experienced growth during 2023, with the exception of Motor which reported a minor contraction and Casualty which remained relatively flat.

US dollar denominated business continues to account for the majority of business written in the Lloyd's market. However, fluctuations in the rate across the period resulted in foreign exchange having a minimal impact on premiums year-on-year.

Attritional loss ratio

The attritional loss ratio remained relatively flat at 48.3% (2022: 48.4%), reflecting continued underwriting discipline across the market.

Prior year development

2023 was the 18th consecutive year of prior year releases. The current year has benefited from prior year releases[1] of 2.2% (2022: 3.6%). There have been releases against all lines of business other than Aviation and Reinsurance (Casualty and Specialty).

Lloyd's will continue to monitor reserves closely and act to ensure that adequate market discipline is being maintained – particularly on Casualty classes, continuing our focus on the allowance for remediation actions taken by syndicates in recent years.

Major claims

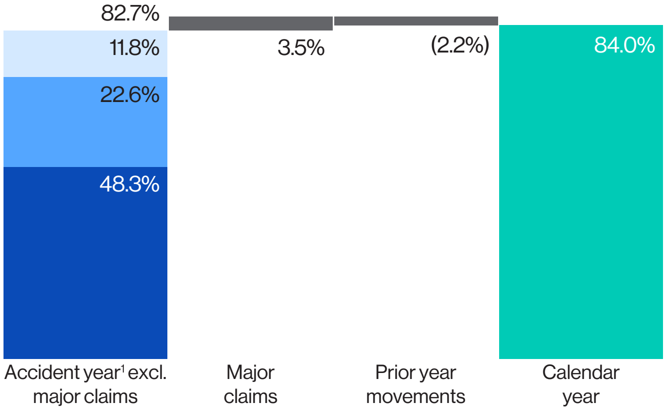
Major claims for the market were £1,283m in 2023 (2022: £4,114m), net of reinsurance and including reinstatements payable and receivable.

Major claims for 2023 include natural catastrophe losses such as the wildfires in Hawaii, earthquakes in the Middle East, floods in New Zealand, Tropical Cyclone Gabrielle and Hurricane Idalia, as well as non-natural catastrophe losses such as those arising from the conflict in Sudan.

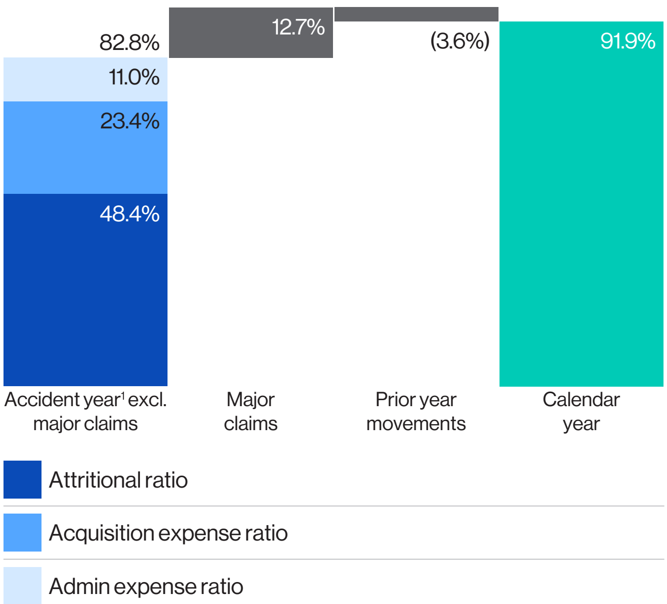
The conflict in Ukraine remains a manageable event for the market. Losses from Ukraine continue to develop, specifically aviation losses. The claims incurred but not reported (IBNR) component represent 78% of the loss (2023: greater than 90%).

Contributors to combined ratio

2023 Combined ratio (%)



2022 Combined ratio (%)



Major claims and underlying combined ratio

Major claims	% of net earned premium
2019	7.0
2020	23.0
2021	11.2
2022	12.7
2023	**3.5**
Five year average	10.9
Ten year average	10.5

Underlying combined ratio	%
2019	95.1
2020	87.3
2021	82.3
2022	79.2
2023	**80.5**
Five year average	84.3
Ten year average	86.7

1. The accident year ratio, underlying combined ratio, attritional loss ratio, prior year release ratio and expense ratio are metrics that are consistently used to analyse financial performance in the Lloyd's market results and/or in the Society report. These metrics (wherever used in this Annual Report) are alternative performance measures (APMs), with further information available on pages 162 and 163.

Reinsurance protection

The credit quality of the Lloyd's market's reinsurance protection remains extremely high, with 99% (2022: 98%) of all balance sheet reinsurance recoverables and reinsurance premium ceded being with reinsurers rated A- and above or supported by high-quality collateral assets.

Reinsurers' share of claims outstanding remains a material consideration for Lloyd's, equivalent to 51.3% of gross written premium or 63.5% of members' assets (2022: 63.0% of gross written premium or 79.3% of members' assets). The reduction in overall reinsurance recoverables reflects lower levels of catastrophe losses to reinsurance programmes in 2023 compared to 2022, as well as both reserve reduction and settlement of outstanding claims on some prior year losses, notably Hurricane Ian. No negative settlement trends have been witnessed to date.

Lloyd's outward reinsurance premium spend for the 2023 calendar year was 24.5% (2022: 26.0%) of gross written premium. This reflects a broadly stable overall position in regard to the scale of reinsurance purchased, although some reinsurance was refocused on core needs, tail risk and capital protection in order to offset the cost of reinsurance rate increases, particularly for property classes. Structural changes were most pronounced for property and war/political violence exposed classes, with casualty and liability classes least affected. Notwithstanding these adjustments, the level of reinsurance transfer remains within risk appetite.

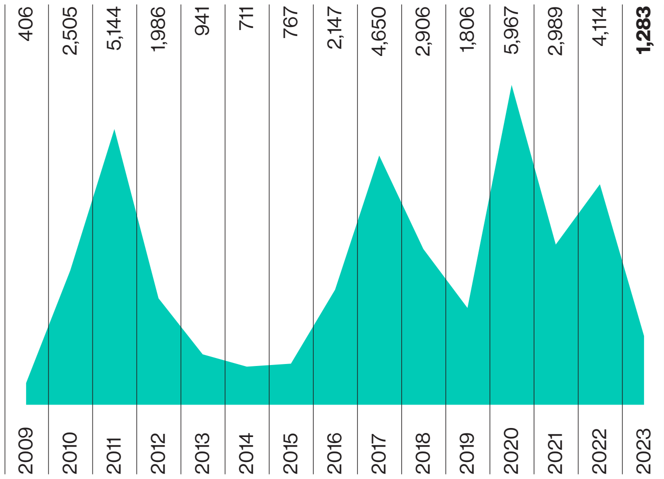
Result for the closed year and run-off years of account

Under Lloyd's three-year accounting policy for final distribution of each underwriting year of account, the 2021 underwriting year of account reached closure at 31 December 2023. The 2021 pure underwriting year suffered losses from COVID-19 as well as a number of catastrophic events, including Hurricane Ida, European floods and US Winter Storm Uri.

Despite these major claim events, the 2021 pure underwriting year of account reported an underwriting result of £4,220m that was boosted by the addition of releases from 2020 and prior years, which were reinsured to close at the end of 2022. These releases amounted to £141m. Net expenses of £2,777m were partially offset by strong investment gains of £1,199m on the 2021 underwriting year, which meant the total result was an overall profit of £2,783m (2020 underwriting year profit: £290m).

At the beginning of 2023, there were seven syndicates whose 2017, 2018 and 2019 underwriting years remained open. These run-off years reported an aggregate loss, including investment return, of £7m (2022: loss of £15m). There were five syndicates whose 2018/2020/2021 underwriting years remained open post 31 December 2023. The total number of open underwriting years at 1 January 2024 is five.

Lloyd's major losses: net ultimate claims (£m)



Five year average: £3,621m; 15 year average: £3,130m. Indexed for inflation to 2023. Claims in foreign currency translated at the exchange rates prevailing at the date of loss.

Prior year reserve movement	% of net earned premium
2019	(0.9)
2020	(1.8)
2021	(2.1)
2022	(3.6)
2023	**(2.2)**

Years of account in run-off	Number of years
2019	3
2020	9
2021	9
2022	9
2023	**5**

Structure of Lloyd's of London - The Lloyd's Corporation

Lloyd's Corporation acts as the market's independent guardian, responsible for protecting, promoting and providing valued support services to every market participant. Working closely with the market under one globally trusted name, the Corporation provides the premises in which the market operates, and oversees and supports the trading that goes on within it. It regulates and reports on the performance of market participants, holds licenses to write insurance in more than 70 countries, promotes the market's growth in new territories and protects the Central Fund that guarantees financial resilience, even in times of crisis. Working with leading business, academic and insurance experts, the Lloyd's Corporation also provides services to the market and contributes original research, reports and analysis to strengthen the market's collective understanding of new and emerging risks.

The Corporations role is to ensure that policyholders and members are protected through Lloyd's oversight of the market. This includes agreeing syndicate business plans and capital requirements and evaluating performance against business plans. Lloyd's reviews each syndicate's business plan and, if the managing agent is able to demonstrate that the plan is appropriate and justifiable having regard to its performance and capabilities, then Lloyd's will agree the plan. The managing agent must then underwrite in accordance with that plan, compliance with which is monitored by Lloyd's. This is set out in the Underwriting Byelaw.

Lloyd's has set out Principles for doing business at Lloyd's ("The Principles"). The 13 Principles articulate the fundamental responsibilities and outcomes expected of all managing agents in order to support the market's overall performance, capital strength, financial and reputational credibility. Lloyd's byelaws also set out a number of rules with which market participants are required to comply.

The Corporation of Lloyd's is under statutory and regulatory obligations to act prudently in its oversight of the market, in particular to maintain market stability, protect its credit rating and prevent underwriting behavior which threatens the Central Fund. Without such arrangements, imprudent or negligent underwriting could imperil Lloyd's ongoing financial viability, ratings and reputation, which would not be in the interests of policyholders.

The role also included providing services that the participants in the Lloyd's market require to trade at Lloyd's. This includes the infrastructure for processing risks that have been placed with Lloyd's underwriters, operating and maintaining the Lloyd's building and maintaining Lloyd's international network of trading licenses and offices.

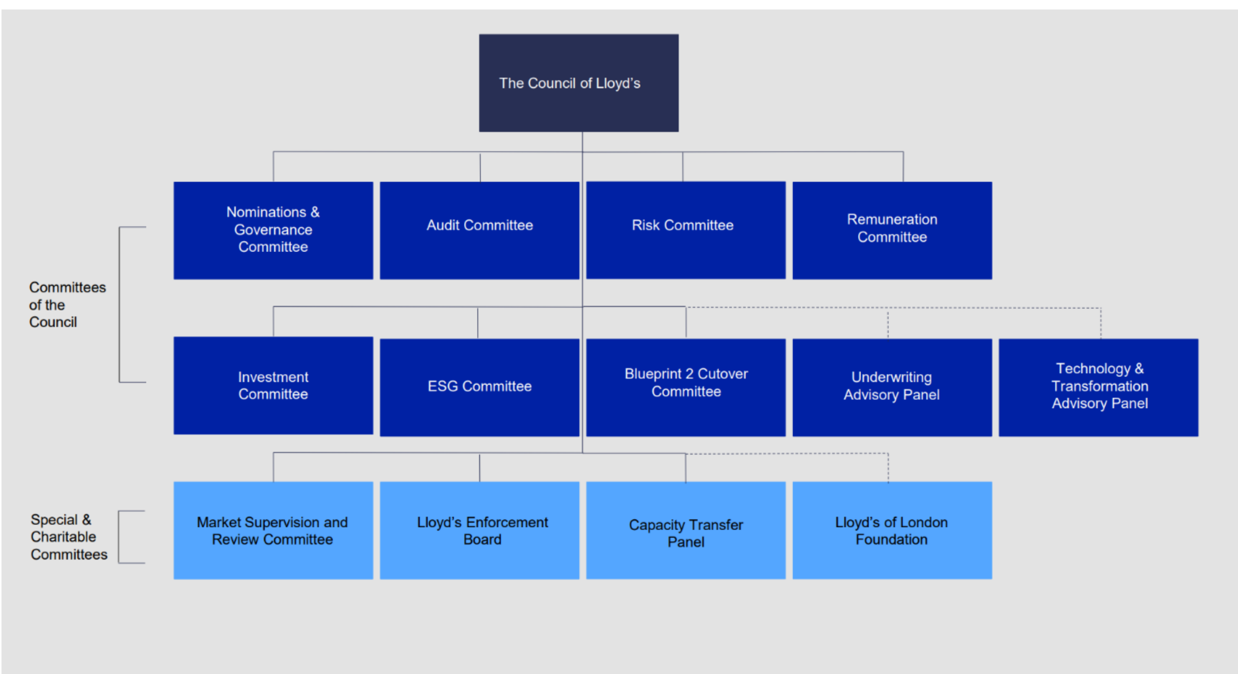
Lloyd's Governance Structure

The governance and oversight framework for the Lloyd's market is designed to ensure that both the Corporation and managing agents in the Lloyd's market have robust and comprehensive systems of governance, risk management and internal controls. The underlying objective of this overall framework is that the Corporation and the market actively manage risks to the Central Fund, Lloyd's licenses, ratings and brand and to ensure good outcomes for policyholders.

The Lloyd's Act of Parliament 1982 defines the governance structure and rules under which Lloyd's operates. The governance and oversight framework for the Lloyd's market is designed to ensure that both the Corporation and managing agents in the Lloyd's market have robust and comprehensive systems of governance, risk management and internal controls. The underlying objective of this overall framework is that the Corporation and the market actively manage risks to the Central Fund, Lloyd's licenses, ratings and brand and to ensure good outcomes for policyholders.

Under the Act, the Council of Lloyd's is responsible for the management and supervision of the market. The Council normally has three working, three external and nine nominated members. The working and external members are elected by Lloyd's members. The Chairman and Deputy Chairmen are elected annually by the Council from among its members.

The Council discharges some of its functions directly by making decisions and issuing resolutions, requirements, rules and byelaws. Other decisions are delegated to committees of the Council and the members of the Executive Committee, in accordance with their respective terms of reference.



Lloyd’s is regulated by the UK Prudential Regulatory Authority and Financial Conduct Authority (FCA). The Prudential Regulation Authority regulates around 1,500 banks, building societies, credit unions, insurers and major investment firms.

The FCA regulates the conduct of nearly 45,000 businesses in the UK to ensure that financial markets work well.

Their 3 goals are;

- protect consumers from bad conduct
- protect the integrity of the UK financial system
- promote effective competition in the interests of consumers.

Committees and Associations

Association of Lloyd's Members (ALM)

- The ALM is run by an elected board of underwriting Names (members). Its mission is to advance the interests of Names.

LMA Operations Committee (LMAOC) The LMAOC works with the Corporation of Lloyd’s to align Lloyd’s market processes with the needs of Managing Agents and ensures that the collective interests of LMA members are represented in all areas of process modernization.

High Premium Group (HPG)

- The High Premium Group was established in 1994 to protect and advance the interests of high-value providers of private capital continuing to underwrite at Lloyd’s.

Lloyd's Market Association (LMA)

- The purpose of the LMA is to identify and resolve issues which are of particular interest to the underwriting community and, working in partnership with the Corporation of Lloyd’s and other partner associations, to influence the course of future market initiatives.
- The LMA Board is made up from the Lloyd’s underwriting community and their long term strategic objectives are to: increase the flow of profitable business into the market, maintain capital flexibility and reduce costs.

London & International Insurance Brokers Association (LIIBA)

- LIIBA is a trade body representing the interests of Lloyd's brokers operating in the London and worldwide insurance and reinsurance markets.

Xchanging Ins-sure Services (XIS) and Xchanging Claims Services (XCS)

- XIS/XCS are responsible for Lloyd's market premium and claims processing.

Transacting Insurance Business at Lloyd's

The majority of business written at Lloyd's is placed through brokers who facilitate the risk-transfer process between clients (policyholders) , Coverholders and underwriters. The Lloyd's market houses syndicates (underwriter groups) which offer an unrivalled concentration of specialist underwriting expertise and talent Specialist underwriters for each syndicate price, underwrite and handle any subsequent claims in relation to the risk.

Lloyd's is a broker market in which strong relationships, backed by deep expertise, play a crucial part. Brokers facilitate the risk transfer process between policyholders and underwriters. Much of this business involves face to face negotiations between brokers and underwriters. At 31 December 2022, there were 384 registered brokers at Lloyd's.

A managing agent may also authorize third parties to accept insurance risks directly on behalf of its syndicates. These businesses, known as coverholders, form a vital distribution channel, offering a local route to Lloyd's in many territories around the world. At 31 December 2022, there were 3,464 approved coverholders around the world

A service company is wholly owned by a managing agent or related group company and is authorized to enter into contracts of insurance for the associated syndicate. It is also able to sub-delegate underwriting authority to coverholders. At 31 December 2022, there were 402 service companies.

Membership of Lloyd's

The membership of Lloyd's is currently made up of corporations, individuals, Scottish Limited Partnerships and Limited Liability Partnerships. Individual members tend to support a number of syndicates, whereas some corporate members only underwrite through a single syndicate. The term 'corporate member' is used to describe all types of member other than individual members.

Members of Lloyd's, or capital providers as they are often known, accept insurance business through syndicates on a several basis for their own profit or loss (in other words, members of Lloyd's are not jointly responsible for each other's losses).

While the basic principle of insurance is that the total premium income exceeds the cost of claims, sometimes claims exceed premiums, and so capital is required to underwrite insurance and, if necessary be available to pay outstanding claims.

The membership of Lloyd's includes a number of different types of members:

- Individual members or 'Names' are high net worth individuals whose exposure to the insurance risks they underwrite is unlimited. Individuals can no longer be elected to unlimited liability membership.
- Corporate members comprise corporations (including limited companies and limited liability partnerships) and Scottish limited partnerships formed exclusively to underwrite insurance business at Lloyd's. Corporate members which are limited companies can be owned by other corporate entities or individuals. Those owned by an individual or a group of connected individuals are often known as 'Namecos'. They are frequently formed as a mechanism for individual members to convert their underwriting from unlimited liability to limited liability status.
- Scottish limited partnerships ('SLPs') which are limited partnerships established in Scotland are another type of corporate member. Unlike in other jurisdictions, a limited partnership established in Scotland has separate legal personality and is therefore capable of being a member of Lloyd's. As with Namecos, they are often set up by individual members wishing to convert to underwriting on a limited liability basis.
- Group Conversion Vehicles take the form of limited companies or SLPs and are formed to enable groups of individual members to convert to underwriting on a limited liability basis through the same vehicle.

- Limited liability partnerships ('LLPs') is the newest category of corporate member at Lloyd's and became effective from 1 January 2007. An LLP is a type of corporate entity formed by being incorporated under the Limited Liability Partnerships Act 2000. As with Namecos and SLPs, individual members can convert to underwriting on a limited liability basis through an LLP, or they can be set up by new individual and corporate capital providers wishing to participate at Lloyd's for the first time.

The number of members of Lloyd's has been contracting since the mid-1990s. Changes in corporate membership reflect the balancing effects of rationalization and conversion of individual members to limited liability underwriting.

Capacity Auctions

Through a process known as a Capacity Auction, existing syndicate members are able to realize any value attaching to the surrender of all or part of their right to participate on a syndicate for a subsequent year of account.

Tenderers

Those members wishing to surrender capacity are known as tenderers. The mechanism for members wishing to surrender capacity is to enter a tender bid into the auction, stipulating the minimum amount.

Subscribers

The auction process also enables members to gain access to syndicates where capacity is available. Subscribers (those wishing to acquire capacity) submit bids into the auction system, stipulating the price they are willing to pay to acquire capacity.

Matching

When all tender and subscription bids have been entered into the system, the auction matching process determines the amount of capacity to be transferred between members and the price at which capacity is transferred. Each successful subscriber pays the amount stipulated in their order, although different subscribers may stipulate different prices on the same syndicate. The proceeds from all the successful subscriptions are divided equally amongst the successful tenderers, provided the minimum floor limit of each tenderer is met from the division of the subscription proceeds.

Coverholders and Delegated Authorities

The most common method used to delegate authority is to a “Coverholder” under the terms of a Binding Authority contract. “Coverholder” means a company or partnership authorized by a Managing Agent to enter into a contract or contracts of insurance to be underwritten by the members of a syndicate managed by it in accordance with the terms of a Binding Authority. For more information please see Definitions Byelaw.

A “Binding Authority” is an agreement between a Managing Agent and a Coverholder under which the Managing Agent delegates its authority to enter into a contract or contracts of insurance to be underwritten by the members of a syndicate managed by it to the Coverholder in accordance with the terms of the agreement. For more information please see Definitions Byelaw.

A Binding Authority agreement can also be used to give a Coverholder the authority to issue insurance documents on behalf of Lloyd’s syndicates. The Binding Authority agreement will also set out the Coverholder’s other responsibilities, such as handling insurance monies or agreeing claims. The relationship between the Coverholder and the members of a syndicate is one of agency delegating authority. The contract setting out the extent and terms of the Coverholder's delegated authority is known as a Binding Authority.

To become a Coverholder at Lloyd's the entity must be sponsored by a Managing Agent, and approved by Lloyd's. Therefore the entity must meet certain standards to become an Approved Coverholder.

The role of the Coverholder

When a Lloyd’s Managing Agent delegates its authority to an approved Coverholder under a Binding Authority, the approved Coverholder may enter into contracts of insurance and issue insurance documents as evidence that contracts of insurance have been accepted. An approved Coverholder will normally also be allowed to collect premiums, and may be allowed to handle claims or perform other functions. The scope of its authority will be set out in the contract called the Binding Authority agreement.

Benefits of Coverholder arrangements

The Coverholder model is a proven and successful way of placing business with Lloyd’s, providing benefits to each of the parties involved. Coverholders benefit from partnership with Lloyd’s syndicates by gaining access to Lloyd’s excellent brand, security and ratings, as well as access to experienced Underwriters and Brokers. Coverholders may therefore offer a wide range of specialist classes of business underwritten at Lloyd’s, for example personal accident cover for sports people and specialty liability insurance.

In addition to the above benefits, placing business with Coverholders provides a more cost effective means to access Lloyd's than on an open market basis.

Coverholders enable syndicates to underwrite locally without the need for expensive local infrastructure. The key to this is finding Coverholder partners with the right experience and quality. These businesses will usually have considerable expertise in particular niche products and regions and have excellent local relationships. They can also help develop new products in partnership with Lloyd's Syndicates and Lloyd's Brokers.

Lloyd's Market Association Annual Binding Authority Model Agreements

A binding authority is an agreement between a managing agent and a coverholder. In July 2013 three new model binder wordings were released. The new wordings were created to reduce the number of model wordings and endorsements in use as well as to reflect regulatory changes and the use of new technology.

The LMA Model binding authority wordings: LMA 3113 (Worldwide excluding USA/Canada); LMA 3114 (USA); LMA 3115 (Canada). These wordings replace a number of the existing 2006 model binding authority wordings. You can view the US binding authority wording here:

https://www.lloyds.com/conducting-business/delegated-authorities/compliance-and-operations/binding-authority-wordings/lma-annual-binding-authority-model-agreements/

Lloyd's also manages a Wordings Repository which enables underwriters to achieve contract certainty by viewing vetted policy wordings and clauses regularly used within the London market.

Claim Handling

When delegating underwriting under a binding authority, a Managing Agent will decide whether to give any claims handling authority to the Coverholder or to another third party (often referred to as a Third Party Administrator or 'TPA'). Depending on this decision, claims notified to contracts written on behalf of Lloyd's by a Coverholder, are handled either by:

i) The Coverholder whose binding authority wording contains the limit of the Coverholder's claims handling authority, as well as reporting and other claims handling obligations;

ii) A TPA with a service agreement

or

iii) The Lloyd's Managing Agent.

Sometimes the Managing Agent will handle all of the claims notified because it has decided not to grant any claims handling authority to the Coverholder or to a TPA, and sometimes the

Managing Agent will only handle claims that fall outside the authority of the Coverholder TPA. Typically claims of a high value, or contentious claims will fall outside a Coverholder or TPA's authority.

Any Coverholder or TPA needs to have the skills, resources and processes to service a claims function to the Lloyd's required standards.

These standards will be a combination of:

i) Lloyd's Claims Management Principles and Minimum Standards, which relate, amongst other things, to timely customer service, timely and accurate reserving, the effective management of third party service providers and the capture and use of claims information;

ii) Lloyd's claims reporting standards, which set out the claims data which Lloyd's expects Coverholders or TPAs to include in its regular claims reports to the Managing Agent;

iii) Any additional contractual standards contained in the binding authority or TPA agreement.

There is also an expectation that Coverholders or TPAs will know what is required under local regulations and imposed on insurers when handling claims and it is important these requirements are met and appropriate service levels are in place with any third parties that will impact on the ability to meet the requirements.

Glossary of Insurance Terms at Lloyd’s

Ab initio
Latin for from the beginning.
Accident year
The calendar or accounting year in which a loss occurs.
Accreditation
The process by which a firm may obtain registration as a Lloyd’s broker.
Accredited Lloyd's broker
A Lloyd’s broker.
Active Underwriter
The individual at the underwriting box with principal authority to accept insurance and reinsurance risk on behalf of the members of a syndicate.
Actual Total Loss
This term derives from section 57 of the Marine Insurance Act 1906 (MIA) and refers to situations in marine insurance where:

(a) the subject matter of the insurance is destroyed

(b) the subject matter of the insurance is so damaged as to be no longer be capable of still being described as the thing insured; or

(c) the insured is deprived of the subject matter of the insurance forever. Section 58 of the MIA adds that where there is no news of a missing ship then after a reasonable period an actual loss may be presumed.

Adjuster
See loss adjuster.
Adjustment premium
An additional or return premium that is payable in relation to a deposit premium depending on the performance of an insurance or reinsurance contract.
Agent
Someone who acts for another person (the principal) usually for reward. There are four main classes of agent that may be involved in the underwriting of insurance and reinsurance risks by Lloyd’s underwriters: members’ agents, managing agents, brokers and coverholders. In addition, there are Lloyd’s agents which are independent businesses that provide surveys and loss adjusting services to managing agents, insurance companies and others on a worldwide basis. Further in some situations one underwriter may act as the agent of other underwriters (see general underwriters’ agreement).
Aggregate
Total (limit of indemnity, premium, retention etc).
Aggregate excess of loss reinsurance
A form of excess of loss reinsurance in which the excess and the limit of liability are expressed as annual aggregate amounts.
Agreed business plan
A syndicate business plan that has been approved by or on behalf of Lloyd’s Franchise Board. No managing agent may underwrite for a syndicate without an agreed syndicate business plan. Agreed syndicate business plans may be amended with the agreement of the Franchise Board or someone acting on its behalf.

Agreed value policy
An insurance contract under which the insurer agrees to pay the insured a stated amount in the event of the total loss of the property insured without any adjustment for depreciation or appreciation.
Aligned Member
A corporate member of a syndicate that is directly or indirectly owned by the same firm that owns the managing agent of the syndicate.
All risks
A property insurance which covers any accidental loss or damage that is not specifically excluded under the policy.
Allocated Capacity
This may refer to a member's allocated capacity or syndicate allocated capacity.
Annual accounting
The reporting of syndicate results on a calendar year basis, with profit taking being restricted to earned premiums.
Annual venture
This term refers to the reconstitution of a syndicate as an annual business venture where insurance and reinsurance business is written on a year of account basis.
Appreciation
In the context of property insurance an increase in value of the property insured.
Approved person
An individual who has been approved by the Financial Conduct Authority (FCA) to perform a FCA controlled function for an authorized person.
Attritional loss ratio
The measure of residual insurance claims as a percentage of earned premiums (net of reinsurance). Attritional insurance claims are calculated as total claims with major losses and movements in prior year claims reserves subtracted.
Back years
See prior years.
Bailee
A person who holds the property of another person (the bailor) under a contract or agreement according to which the property held is to be returned to the bailor or delivered somewhere to their order. A bailee for reward is paid for their services.
Basis (of insurance) clause
A clause that makes the declarations contained in an insurance proposal form the "basis" of any contract of insurance that is made in consequence of the completion of that form. Such declarations are thereby converted into warranties with the result that if one of them is found to be untrue then the insurer may disclaim all liability under the relevant contract from the date of the breach, regardless as to whether the false declaration was material to the underwriting of the contract or causative of any loss. Basis of insurance clauses are not normally found in personal lines insurance contracts sold in the United Kingdom and, where they appear in other contracts, they may be qualified by the inclusion of a term in the proposal form that the declarations made in that document are true to the best of the knowledge and belief of the person making the declarations.
Beyond economic repair
Where the cost of repairing the insured property, like a car, exceeds the market value of that property. In such circumstances the insurer will pay the insured the market value of the insured property at the date of loss, subject to the terms of the policy (assuming the insurer is not under any obligation to provide a replacement).

Binding authority
An agreement between a Lloyd's managing agent and a coverholder under which the Lloyd's managing agent delegates its authority to enter into a contract or contracts of insurance to be underwritten by the members of a syndicate.
Bordereaux
A list of premiums payable and claims paid or due which is prepared by a coverholder for a managing agent or by a reassured for its reinsurer. Bordereaux are commonly produced on a monthly or quarterly basis. They breakdown block premium payments that are made to underwriters and detail claim payments made on behalf of or due from underwriters.
Box
Each syndicate has a box in the underwriting room at Lloyd's from which business may be transacted with Lloyd's brokers. Each box comprises a couple of opposite facing benches and desks at which the underwriters employed by the managing agent of the syndicate sit, plus some stools for the visiting Lloyd's brokers to sit on. Most boxes have computer terminals as well as access to other information technology.
Broker
At Lloyd's, brokers act as the agent of the insured or reinsured to arrange insurance or reinsurance with Lloyd's syndicates. Brokers may be registered Lloyd's Brokers who are able to enter into terms of business agreements with any Lloyd's managing agent. Non-Lloyd's brokers may also enter into terms of business agreements subject to the managing agent assessing that the broker meets certain minimum standards. Only brokers registered as Lloyd's Brokers may refer to themselves as a Lloyd's Broker. Many broking firms are also approved by Lloyd's to act as a coverholder (See Coverholder).
Brokerage
The commission that is payable to a broker for placing an insurance or reinsurance contract with an insurer or a reinsurer. Compare fee for service. Although brokerage is payable by the insured as part of the gross premium the amount of brokerage is agreed by the insurer. The insured may request their broker to state the amount of their brokerage on a given placement. Similar considerations apply to reassureds under reinsurances. Sometimes the term brokerage may be used to refer the business of a broker.
Business process reform
An initiative to increase the speed and efficiency with which business is transacted at Lloyd's and also to reduce of the cost of doing business at Lloyd's. It includes the promotion of contract certainty.
Buy back
In the context of general insurance this refers to the purchase of cover in respect of an otherwise excluded peril by means of the payment of additional premium.
Byelaws
The primary rules made by the Council of Lloyd's regarding the conduct of insurance business at Lloyd's.
Cancellation clause
A clause in an insurance contract which permits an insurer and/or an insured to cancel the contract before it is due to expire. The clause may provide for a return of premium in respect of the unused portion of the policy.
Capacity
This term may refer to: (a) a member's allocated capacity (b) syndicate allocated capacity (c) the total underwriting capacity of all syndicates combined; or (d) the underwriting capacity of an insurance company or reinsurance company.
Capacity auction
A procedure which allows a member to sell their participation rights in one or more syndicates for the following year of account to one or more other members, a managing agent or a members' agent operating a MAPA by means of electronic bidding at specific times. Individual members and some corporate members buy and sell capacity through their members' agents.

Capital provider
As regards a Lloyd's syndicate, its member(s). As regards a company, its shareholders.
Carrier (of risk)
An insurer or reinsurer.
Cash call
A request for funds made by a managing agent to members of a syndicate.
Casualty
Refers to a loss, particularly the loss of a ship.
Casualty book
A book which stands in the center of the underwriting room and which records details of vessels which are or are likely to become total losses. The entries are made a by Lloyd's waiter using a quill pen.
Casualty business
Another term for liability insurance.
Catastrophe Risk (CAT)
Cat risk can be caused by natural catastrophes, such as hurricanes in the US, storms or floods in the UK/Europe, and earthquakes in Japan, or manmade catastrophes, such as a big potential volatile risk like cyber or the pandemic.
Cedant
A syndicate or company that transfers a risk exposure under a reinsurance contract.
Cedant's line
The retention under a surplus lines treaty.
Cede
To transfer a risk exposure under a reinsurance contract.
Central Fund
Established for the protection of policyholders in the event of a member being unable to meet their underwriting liabilities. It is financed by contributors from all active members based on their premium limits and administered by Lloyd's.

See New Central Fund.
Central accounting
A facility is that is operated by the Corporation of Lloyd's whereby sums due to and from individual Lloyd's brokers and syndicates are processed centrally and their accounts debited and credited on a net basis regularly. Urgent one off payments may be made more quickly.
Central solvency ratio (CSR)
Under the Solvency II regime Lloyd's monitors the amount of eligible capital available to cover its market-wide SCR (MWSCR) and central SCR (CSCR). This is calculated as total eligible capital as a percentage of the respective solvency capital requirements.
Centrewrite Limited
A subsidiary of the Society that is permitted to underwrite run-off reinsurance contracts for syndicates in run-off and estate protection reinsurance for Names.
Certificate of insurance
Depending on the context this term may refer to: (a) A document which evidences the existence of insurance cover but which does not detail all its terms which are contained in a separate policy of insurance. Certain certificates are required as a matter of law in the United Kingdom, for example for motor insurance. (b) A document that is issued by a coverholder which evidences the existence of insurance cover and details the terms of such cover. No policy of insurance is issued where such a certificate is issued.
Cession
A particular risk exposure that is transferred under a reinsurance treaty.

Claim
Depending on the context this term may refer to: (a) a demand made by a policyholder on his insurer(s) for payment or some other contractual benefit under an insurance policy; (b) a demand made by an insurer on its reinsurer(s) to be paid under a reinsurance contract; or (c) a demand made by a third party on a policyholder to be compensated for some injury, damage or loss for which the third party blames the policyholder. A claim is payable under an insurance or reinsurance contract if it is caused by an insured peril and it is not excluded under the terms of that contract.
Claimant
The person making a claim.
Claims made policy
A policy which only pays claims that are notified to the insurer during a specified period.
Combined ratio (COR)
A measure of the profitability of an insurer's day-to-day underwriting activity. It is the ratio of claim-related losses (net of reinsurance) and expenses to earned premiums (net of reinsurance).
Cover Note
A cover note is a temporary document that provides proof of insurance coverage until a final insurance policy can be issued.
Council of Lloyd's
The Council of Lloyd's discharges some of its functions directly by making decisions and issuing resolutions, requirements, rules and byelaws. Other decisions are delegated to committees of the Council and the members of the Executive Committee, in accordance with their respective terms of reference.
De-emption
Where a managing agent reduces the underwriting capacity of a syndicate, for example when it expects to write less business in future. The participations of the members of the syndicate are reduced proportionately.
Declinature
The refusal of an insurer or reinsurer to offer terms of cover.
Dedicated vehicle
A corporate member that only participates on one or more syndicates that are managed by the same managing agent or group of managing agents. The term is often used interchangeably with the expression aligned member.
Deductible
The amount that is deducted from some or all claims arising under an insurance or reinsurance contract. The practical effect is the same as an excess: the insured or reassured must bear a proportion of the relevant loss. If that loss is less than the amount of deductible/excess then the insured or reassured must bear all of the loss (unless there is other insurance in place to cover the deductible). An increase in deductible should result in a reduction in premium.
Deposit premium
A premium that is payable at the inception (start) of an insurance or reinsurance contract and in respect of which an adjustment premium (usually an additional premium) is due depending on the performance of the contract including, possibly, the amount of the business that is ceded thereunder. Compare minimum premium.
Depreciation
The decrease in the value of an item due to age, use or wear and tear. Such devaluation is not covered under a contract of indemnity. However an insurer may agree to provide cover on "a new for old" basis which represents a modification of the principle of indemnity and avoids the need to determine rates and amounts of deprecation when settling claims.

Deterioration in reserves
Where the reserves of an insurer or reinsurer for prior years are insufficient to meet the estimated liabilities of one or more loss exposures and therefore require to be increased.
Direct business
Insurance placed with an insurer direct and not through an intermediary.
Duty of disclosure
The duty of every person seeking insurance or reinsurance to inform the insurer/reinsurer from whom a quotation for insurance/reinsurance is sought of every material fact. The duty arises when seeking new insurance/reinsurance, when seeking a variation of cover (but only as regards a change in risk where the carrier is the same as before) and at renewal (but only as regards a change in risk where the carrier is the same as before). The scope of the duty may be modified by the terms of a proposal form. Should a person seeking insurance/reinsurance fail to disclose a material fact then this may lead to the avoidance of the relevant insurance or reinsurance by the underwriter. The consequences of non-disclosure may be modified by the terms of the relevant insurance/reinsurance.
Earned premium
The proportion of premium that relates to a used period of cover.
Endorsement
A document that is attached to a slip, cover note or policy which evidences one or more changes in the terms of the insurance or reinsurance contract to which it refers.
Equitas Reinsurance Ltd
A reinsurance company that was formed by the Society of Lloyd’s for the purpose of accepting reinsurances to close of non-life syndicates for the 1992 and prior years of account in 1996. The company is not a subsidiary of the Society of Lloyd’s and operates independently of it.
Establishment business
See freedom of establishment.
European Economic Area
The member states of the European Union plus Norway, Iceland and Liechtenstein.
European Union
The European Union is made up of 27 Member States: Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain and Sweden.
European Union/European Economic Area - definition of a risk
A risk is deemed to be located in an European Union or European Economic Area member state if it is: (a) a building (and its contents issued under the same policy) situated in that state; (b) a motor vehicle, ship, yacht or aircraft registered in that state; (c) a travel policy for four months or less taken out in that state. For any other type of insurance (including a life insurance) it is an individual if the policyholder is habitually resident in the member state or a business or an organization if the establishment to which the contract relates is situated in that state.
Ex gratia payment
A payment made by underwriters “as a favor” or “out of kindness” without an admission of liability so as to maintain goodwill.
Excess
The amount or proportion of some or all losses arising under an insurance or reinsurance contract that is the insured or reassured must bear. If the loss is less than the amount of the excess then the insured/reassured must meet the cost of it (unless there is other insurance in place to cover the excess). Compare deductible and retention. Excesses may either be compulsory or voluntary. An insured which accepts an increased excess in the form of a voluntary excess will receive a reduction in premium.

Excess of loss
A type of reinsurance that covers specified losses incurred by the reassured in excess of a stated amount (the excess) up to a higher amount, for example £5 million excess of £1 million. An excess of loss reinsurance is a form of non-proportional reinsurance.
Exclusion
A term in an insurance or reinsurance contract that excludes the insurer or reinsurer from liability for specified types of loss. An exclusion may apply throughout a policy or it may be limited to specific sections of it. In certain circumstances an exclusion may be limited or removed altogether following the payment of an additional premium.
Expense ratio
Expense ratio is a measure of the level of expenses associated with underwriting activity. It is the ratio of net operating expenses to earned premiums (net of reinsurance).
Extended reporting period
The period after the expiry of a claims made policy in which claims under that policy must be made if they are to be covered. It may be possible for an insured to extend this period on payment of an additional premium.
External member
A member who is not a working member or a nominated member.
Facultative risk
A reinsurance risk that is placed by means of separately negotiated contract as opposed to one that is ceded under a reinsurance treaty.
Facultative/obligatory treaty
A reinsurance contract which allows the reassured to select which risks of a given type are to be ceded to the reinsurer. The reinsurer is obliged to accept all the cessions made by the reassured provided they fall within the scope of the treaty.
Fee for service
Where a broker is remunerated on the basis of a fee agreed with its client instead of brokerage. The benefit to the broker is that, subject to the terms of agreement, the fee will be payable whether or not cover is placed whereas brokerage is only payable in respect of the placement of cover.
Fidelity insurance
A type of insurance which is designed to protect a firm from losses caused by the dishonest acts of its employees.
Following underwriter
An underwriter of a syndicate or an insurance company that agrees to accept a proportion of a given risk on terms set by another underwriter called the leading underwriter.
Freedom of establishment
The right of an insurer located in one European Economic Area (EEA) member state to underwrite a risk located in another EEA member state by establishing a permanent presence in that EEA member state. (Please see the 'Definition of risk location' section on Crystal for clarification of the correct location for a risk.) This permanent presence can be in the form of a local branch, agency or subsidiary. At Lloyd's, a permanent presence in another EEA member state is created by having local coverholders with full binding authority agreements and a local Lloyd's General Representative. (A full binding authority agreement is one where the coverholder may enter into contracts of insurance without first consulting the syndicate.) Freedom of establishment business is that underwritten under a full binding authority where the coverholder and the risk are located in the same EEA member state outside the UK.
Freedom of services
The right to provide business services on a cross-border basis within the European Economic Area (EEA). For insurance contracts, this means that the contract can be underwritten in an EEA member state that is different from the member state where the risk is located. (Please see the 'Definition of risk location'

section on Crystal for clarification of the correct location of a risk.) Freedom of services business consists of open market business written from the UK (with or without the involvement of a local intermediary), business written under a full binding authority where the coverholder is located in a different member state from where the risk is located and business that is written under a prior submit binding authority agreement. (A prior submit binding authority agreement is one where the coverholder does not have authority to enter into contracts of insurance without first consulting the syndicate that granted the binding authority).

Funds at Lloyd's

Funds of an approved form that are lodged and held in trust at Lloyd's as security for a member's underwriting activities. They comprise the members deposit, personal reserve fund and special reserve fund and may be drawn down in the event that the member's syndicate level premium trust funds are insufficient to cover their liabilities. The amount of the deposit is related to the member's premium income limit and also the nature of the underwriting account. (See risk based capital).

General Representative

A person appointed by Lloyd's to represent Lloyd's and Lloyd's underwriters in a particular country or territory. A General Representative may be a natural person or a company. An agreement between Lloyd's and the General Representative sets out the General Representative's duties and responsibilities.

General average

A loss that arises from the reasonable sacrifice at a time of peril of any part of a ship or its cargo for the purpose of preserving the ship and the remainder of its cargo together with any expenditure made for the same purpose. An example of a general average loss would include jettisoning cargo to keep a ship afloat and an example of general average expenditure would include towing a stricken vessel into port. An average adjuster calculates the value of each saved interest to each interested party which is then obliged to contribute towards the general average loss or expenditure proportionately. Subject to the terms of the policy, insurance will generally only apply if the loss was incurred to avoid or in connection with the avoidance of an insured peril.

General underwriters' agreement

An agreement between insurers and reinsurers on a subscription risk specifying the terms on which the leading underwriter shall act as the agent of the following underwriters as regards the agreement of amendments to coverage terms.

Grace period

A short period during which cover under an annual policy may be extended beyond its expiry date to allow for the payment of a renewal premium. The privilege will be lost if the insured rejects the proposed renewal terms, by their actions or words. There are no grace periods in motor or marine insurance.

Gross claims

Claims under contracts of insurance underwritten by the members of a syndicate plus internal and external claims settlement expenses less salvage or other recoveries, but before the deduction of reinsurance recoveries.

Gross line

The amount of risk that an insurer or reinsurer is carrying before taking account of any applicable reinsurance that reduces that risk.

Gross premium

Original and additional inward premiums, plus any amount in respect of administration fees or policy expenses remitted with a premium but before the deduction of outward reinsurance premiums.

Gross written premium (GWP)

This is the total premium written by an insurer in the reporting period, before any deductions are made for reinsurance.

Hard market
When the availability of some or all classes of insurance or reinsurances is limited relative to demand for such insurance or reinsurance resulting in increased premiums and coverage restrictions.
Hazard
Something that causes an exposure to injury, loss or damage.
Hazardous pursuits
Certain sports and activities are termed hazardous pursuits and are excluded from travel insurances although it may be possible to have them included on payment of an additional premium.
Inception
Commencement or beginning (of cover).
Inception date
The date on which an insurance or reinsurance contract comes into force.
Incurred but not reported (IBNR) losses
Estimated losses which an insurer or reinsurer, based on its knowledge or experience of underwriting similar contracts, believes have arisen or will arise under one or more contracts of insurance or reinsurance, but which have not been notified to an insurer or reinsurer at the time of their estimation.
Incurred losses
The aggregate of the paid and outstanding claims of an insurer or reinsurer for a year of account or some other given period of time. These losses represent known losses to an insurer or reinsurer and, subject to issues of proof of liability and the determination of the final amount payable in the case of outstanding claims, are relatively certain.
Indemnity
The principle according to which a person who has suffered a loss is restored (so far as possible) to the same financial position that he was in immediately prior to the loss, subject in the case of insurance to any contractual limitation as to the amount payable (the loss may be greater than the policy limit). The application of this principle is called indemnification. Most contracts of insurance are contracts of indemnity. Life insurances and personal accident insurances are not contracts of indemnity as the payments due under those contracts for loss of life or bodily injury are not based on the principle of indemnity.
Indication
A non-binding statement by an underwriter of the likely level of premium that he would charge to underwrite a risk, subject to the provision of additional information. Compare quotation.
Individual member
A member of the Society who is an individual (as opposed to a corporate member).
Insurable interest
If an insured wishes to enforce a contract of insurance before the Courts he must have an insurable interest in the subject matter of the insurance, which is to say that he stands to benefit from its preservation and will suffer from its loss. In non-marine insurances, the insured must have insurable interest when the policy is taken out and also at the date of loss giving rise to a claim under the policy. In life insurance the insured must have insurable interest when the policy is taken out and in marine insurance the insured must generally have insurable interest at the date of loss giving rise to a claim under the policy.
Insurance
A contract whereby an insurer promises to pay the insured a sum of money or some other benefit upon the happening of one or more uncertain events in exchange for the payment of a premium. There must be uncertainty as to whether the relevant event(s) may happen at all or, if they will occur (death) as to their timing.

Insurance broker
An individual or firm that acts as agent for an individual, body or firm in arranging insurance cover and in presenting claims under such cover. At present only Lloyd’s brokers may arrange cover directly with or on behalf of underwriters in the underwriting room.
Insurance contract
Determines what insurance coverage is in place and determines the legal framework under which the content of an insurance policy is enforced.
Insurance intermediary
A person through whom an insurance contract is effected. It normally refers to an insurance broker and/or an agent of an insurer such as a coverholder.
Insurance policy
See policy.
Insured
A person who is insured under a contract of insurance. Where there is one insured this person may also be referred to as the policyholder.
Insured peril
A harmful event which is covered under a contract of insurance.
Insurer
A provider of insurance. If the insurance is underwritten at Lloyd’s the insurer(s) will be the members of one or more syndicates. If the insurance is not underwritten at Lloyd’s the insurer(s) will be one or more insurance companies. Some insurances may be underwritten by syndicates and insurance companies.
Integrated Lloyd's vehicle (ILV)
A company which owns a corporate member of a syndicate and the managing agent of that syndicate.
Intervening cause
An event that prevents a loss being attributable to another event by breaking the chain of causation. Compare proximate cause.
Investment income
That part of the income of an insurer or reinsurer that comes from the investment of premiums and reserves.
Inward reinsurance
Reinsurance that is assumed by a Lloyd’s syndicate or other carrier as distinct from outward reinsurance.
Jewelers block policy
A form of property insurance that is provided to jewelers.
Jurisdiction clause
A clause in an insurance or reinsurance contract which states to which territory’s courts any contractual dispute shall be referred for resolution.
Key person insurance
A policy that protects a firm from loss caused by the death or disability of a 'key person' within the company.
Large Risks
An official term used in EEA insurance regulation. The formal definition of “Large Risks” is found in the EU’s 2nd Non-Life Insurance Directive (88/357). It can be summarized as meaning: (i) Risks classified as: Railway rolling stock Aircraft (including aircraft liability) Ships (sea, lake and river and canal vessels) (including liability) Goods in transit (including merchandise, baggage, and all other goods). (ii) Risks classified as Credit or Surety where the policyholder is engaged professionally in an industrial or commercial activity or in one of the liberal professions, and the risks relate to such activity. (iii) Risks classified as: Fire and natural forces Other damage to property General liability Miscellaneous financial loss in so far as the policyholder exceeds the limits of at least two of the following three criteria: - balance-sheet total: 6.2 million euros, - net turnover: 12.8 million Euros, - average number of employees during

the financial year: 250. If the policyholder belongs to a group of undertakings for which consolidated accounts are drawn up, the criteria mentioned above is applied to the consolidated accounts.

Leading underwriter

The underwriter of a syndicate or insurance company who is responsible for setting the terms of an insurance or reinsurance contract that is subscribed by more than one syndicate or insurance company and who generally has primary responsibility for handling any claims arising under such a contract. Where an insurance or reinsurance contract that is underwritten by more than one syndicate Xchanging Claims Services normally acts as the representative of the following underwriters as regards the agreement of claims under the contract. In certain situations a managing agent of a following syndicate will be appointed together with Xchanging Claims Services to represent the following underwriters. However some matters require to be referred to all the following underwriters on risk and an insured may always insist that its claim is shown to each following underwriter.

Leading underwriter's agreement

An agreement that allows for certain changes to the terms of an insurance or reinsurance contract to be agreed by the leading underwriter(s) without reference to the following underwriters.

Liability insurance

An insurance which covers the insured against third party claims or, in the case of employer's liability insurance, claims by employees, subject to specified terms and conditions.

Life assurance

Another term for life insurance.

Life assured

The person whose life is insured under a life insurance.

Life insurance

A policy that pays a specified sum to beneficiaries upon the death of the life assured, or upon the assured surviving a given number of years, depending on the terms of the policy. Life insurance policies may be for fixed or indefinite term. See term life as regards fixed term policies.

Limit of indemnity

Another term for policy limit. It refers to the maximum amount payable under a policy of insurance or reinsurance, either overall or with reference to a particular section of a policy.

Line

The proportion of an insurance or reinsurance risk that is accepted by an underwriter or which an underwriter is willing to accept. When it refers to a line that is entered on a slip it is commonly expressed as a percentage of the limit of indemnity.

Lloyd's Act 1982

The most recent of seven private Acts of Parliament that define the powers of the Society of Lloyd's. The Council of Lloyd's was made the governing body of Lloyd's under this Act.

Lloyd's Market Board

The committee of the Council of Lloyd's that was formerly responsible for the development and growth of Lloyd's worldwide business. It was abolished in 2002 in anticipation of the transfer of its responsibilities to Lloyd's Franchise Board.

Lloyd's broker

A firm that is listed in the register of Lloyd's brokers maintained under the Intermediaries Byelaw which is permitted to broke insurance business at Lloyd's. A syndicate can generally only accept insurance business that has been broked or placed from or through a Lloyd's broker.

Lloyd's

Depending on the context this term may refer to - (a) the society of individual and corporate underwriting members that insure and reinsure risks as members of one or more syndicates. Lloyd's is not an insurance company; (b) the underwriting room in the Lloyd's Building in which managing agents underwrite insurance and reinsurance on behalf of their syndicate members. In this sense Lloyd's should be understood as a market place; or (c) the Corporation of Lloyd’s which regulates and provides support services to the Lloyd’s market.

Lloyd’s Agent

A firm that is appointed to conduct or arrange surveys of ships and cargoes for Lloyd’s underwriters, other insurers and commercial interests throughout the world. Many Lloyd’s agents also undertake non-marine surveys, act as loss adjusters and provide information about shipping movements and losses. There are over 300 Lloyd’s agents, 160 of whom have authority to settle claims on behalf of Lloyd’s underwriters and insurance companies.

Lloyd’s American Trust Fund

A trust fund that is maintained in the USA for the protection of holders of US dollar denominated policies which incepted between August 1939 (when the fund was established) and 31 July 1995. It is a premiums trust fund. Compare Lloyd’s Dollar Trust Funds.

Lloyd’s Canadian Trust Fund

A trust fund that is maintained in Canada for the protection of holders of insurance policies covering Canadian risks. It is a premiums trust fund.

Lloyd’s Dollar Trust Funds

These funds are maintained in the USA for the protection of holders of US dollar denominated policies which incepted on or after 1 August 1995 (when the fund was established). They are premiums trust funds. Compare Lloyd’s American Trust Fund.

Lloyd’s Policy Signing Office Ltd

Lloyd’s Policy Signing Office used to be part of the Corporation of Lloyd’s. Following its incorporation it is now part of the Xchanging group of companies.

Lloyd’s market

This term may refer to the place where business is transacted between managing agents and Lloyd’s brokers, or to the syndicates that provide cover at Lloyd’s.

Major claims

Classified by Lloyd’s as loss events in excess of £20m in a reporting period and include catastrophe losses. Insurance companies may have different classifications of major losses depending upon their nature and size of business.

Managing agent

An underwriting agent which has permission from Lloyd’s to manage a syndicate and carry on underwriting and other functions for a member.

Managing agents agreement

A standard form agreement between a member and the managing agent of a syndicate on which the member participates which sets out the powers of the managing agent and the obligations of the managing agent and the member towards one another. There are two forms of managing agent’s agreement: the managing agent’s agreement (general), which applies to every member that has a members’ agent and the managing agent’s agreement (corporate) which applies to every member that does not have a members’ agent. Copies of current versions of these agreements are annexed to the Agency Agreements Byelaw.

Mandataire General

The title used by a Lloyd’s General Representative in certain countries, predominantly those that are French speaking.

Mark-to-market

An accounting principle that makes it easier to compare the value of assets between companies. When interest rates change, companies are required to ‘mark’ their assets (investments) up or down to reflect the different market conditions.

Market agreement

An agreement between all the underwriters in a certain section of the Lloyd's market.

Mass risks
An official term used in EEA insurance regulation. It means any risk that is not a 'large risk'. See large risks.
Material fact
This refers to any fact which would influence the judgment of a prudent underwriter in deciding whether to accept an insurance/reinsurance risk and the terms on which he would be willing to grant cover. See duty of disclosure.
Material representation
A statement that is made to an underwriter during the negotiation of cover or the amendment or renewal of cover which would have influenced the judgment of a prudent underwriter in deciding whether to accept an insurance/reinsurance risk and the terms on which he would be willing to grant cover.
Means
The minimum level of wealth that a member must demonstrate he, she or it has in order to underwrite at Lloyd’s. The means of all members must be held in approved form and must be maintained in value so long as the member has actual or potential outstanding underwriting liabilities.
Member (of the Society)
A person (either individual or corporate) admitted to membership of the Society.
Members' agent
An underwriting agent which has permission from Lloyd’s to be appointed by a member to provide services and perform duties of the same kind and nature as those set out in the standard members’ agent’s agreement. These services and duties include advising the member on which syndicates he should participate, the level of participation on such syndicates and liaising with the member’s managing agents.
Members' agent Pooling Arrangement (MAPA)
An arrangement operated by a members’ agent whereby a number of members combine pool some or all of their underwriting capacity thus enabling them to participate in a wider range of syndicates than would otherwise be the case.
Members' agent's agreement
A standard form of contract between a member and their member's agent, which sets out the services, duties, powers and remuneration of the member's agent and obligations of the member. The terms of the contract with the exception of the amount of the members’ agent’s remuneration are set by the Council of Lloyd’s. A copy of the current versions of the members' agent's agreement is annexed to the Agency Agreements Byelaw.
Member’s allocated capacity
That part of overall premium limit of a member that is allotted to a particular syndicate for a given year of account. It represents the amount of premium that the Member may accept in respect of that syndicate for that year of account.
Minimum premium
The minimum amount that is payable to an insurer or reinsurer as a premium in respect of an insurance or, more commonly, reinsurance contract which provides for a deposit premium. The minimum premium may be the same as the deposit premium or a different figure.
Misrepresentation (of risk)
A misstatement of fact that is made by the insured or their broker to an underwriter during the negotiation of the placement, amendment or renewal of cover which causes the underwriter to grant, amend or renew cover on an incorrect basis of fact. If the misrepresentation is material the underwriter may avoid the contract on the basis that the insured has breached their duty of utmost good faith. Compare duty of disclosure.
Mixed syndicate
A syndicate which is made up of Names and/or MAPAs and corporate members.

Moral hazard
Those personal characteristics of a prospective insured or its employees or associates that may increase the probability or size of an insurance loss.
Name
An individual member underwriting with unlimited liability. Since 6 March 2003 no person has been admitted as a new member to underwrite on an unlimited liability basis.
Nameco
A company that is a corporate member whose members consist of a single individual or a group of connected individuals or their nominees. Many Namecos were formed by Names who wished to cease underwriting on an unlimited liability basis.
Net claims
Gross claims less reinsurance recoveries.
Net earned premium (NEP)
This refers to all written premium, including what may not be earned in the reporting period. In some cases, the insurer may decide to reduce their own risk and reinsure the contracts with a reinsurer. In such cases, the reinsurance premium paid out is reduced from the earned premiums received from the policyholder.
Net incurred claims
Gross claims less the reinsurance recoveries.
Net investment income
The income received from investments such as government and corporate bonds, equities and funds. It also includes changes in market values of investments.
Net premium
The amount of the premium that is left after the subtraction of some or all permitted deductions such as brokerage and (for certain types of business) profit commission.
New Central Fund
The fund held, managed and applied by the Society pursuant to the New Central Fund Byelaw (No. 23 of 1996).
Nominated member
A member of the Council of Lloyd's who is not an external member or a working member and whose appointment has been approved by the Governor of the Bank of England.
Non-disclosure (of a material fact)
See duty of disclosure.
Non-proportional reinsurance
A type of reinsurance in which the reinsurer does not share similar proportions of the premiums earned and the claims incurred by the reassured plus certain associated expenses. Compare proportional reinsurance. Excess of loss reinsurance is an example of non-proportional reinsurance.
Open market basis
See open market business.
Open market business
Insurance business that may be offered to and placed with any managing agent that is willing to underwrite it on behalf of its managed syndicate. It excludes business that is underwritten pursuant to a binding authority.
Open market correspondent
A firm that produces business to a Lloyd's broker for placement on an open market basis. Lloyd's requires that firms in certain overseas territories must be approved or registered by its attorney in fact or general representative before they can produce business to one or more sponsoring Lloyd's brokers for placement on an open market basis.

Open year of account
A year of account of a syndicate which has not been closed by reinsurance to close. There are two types of open year of account; naturally open years of account and run-off accounts. Syndicates are required to keep each year of account open for a minimum of three years before it may be closed by reinsurance to close. In normal circumstances a syndicate will therefore have three naturally open years of account at any point in time: the third year of one year of account, the second year of the following year of account; and the first year of the next year of account. Thus in 2005 the 2003 year of account is in its third year, the 2004 year of account is in its second year and the 2005 year of account is in its first year. Where the liabilities attaching to a particular year of account of a syndicate (including any prior year of account closed into that year) cannot be quantified after three years then that year of account will be left open until such time as a reinsurance to close may be effected or all the liabilities attaching to that year of account are extinguished.
Operation expenses
Operating expenses are incurred to run the business and include employment expenses, legal & professional fees, system & communication costs, depreciation & amortization and interest & finance costs.
Order
This may refer to - (a) the communication by a broker to an underwriter of a client's acceptance of their quotation; or (b) the amount of the sum insured that is covered by a particular slip where more than one slip is used to arrange cover.
Outwards reinsurance
The reinsurance of a syndicate or of an insurance company as distinct from inwards reinsurance.
Overall premium limit (or overall premium income limit) (OPL)
In relation to a member, the limit for the time being prescribed on the amount of insurance business which is to be underwritten on their behalf from time to time, such limit being expressed as the maximum permissible amount of their premium income allocable to any year of account.
Overall profit before tax
This is an organizations final result after all premium income, investment and other income, claims incurred and operating and other expenses are accounted for, but before any tax has been paid.
Overriding commission
A commission that is paid by a reinsurer to the reassured to cover the latter's overheads in administering the reinsurance.
Overwriting
Where a syndicate exceeds its allocated capacity. Depending on the scale of the problem the managing agent of the syndicate may be required to cease underwriting some or all new business and the members may be required to make available additional funds at Lloyd's to cover the overwriting.
Particular average
A partial loss of a ship or cargo which is caused by an insured peril and which is not a general average loss. The term partial loss may be used instead.
Peril
A harmful event which may be covered under a contract of insurance or reinsurance as an insured peril or excluded from it.
Personal accident insurance
A type of insurance which provides for the payment of specified sums in the event that the insured suffers some bodily injury as a result of an accident.
Personal lines insurance
Insurance which is sold to individual consumers such as buildings, contents and travel insurance. This term is used in contrast to commercial lines.

Personal reserve fund
A reserve of cash or investments held on behalf of a member and comprising part of their funds at Lloyd's. The reserve, which is held within the premiums trust fund of the member, may be built up by setting aside a proportion of past profits or by the setting aside of funds from other sources. It is separate from any special reserve fund the member may have.
Placement (of cover)
Where a broker effects an insurance or reinsurance contract with underwriters on behalf of its client.
Placing broker
This term may refer to an individual broker or a broking firm that places cover directly with one or more underwriters. Compare producing broker.
Placing slip
See slip.
Policy
The wording of a contract of insurance or reinsurance.
Policy holder
The person who is insured under a contract of insurance.
Policy limit
Another term for limit of indemnity. It refers to the maximum amount payable under a policy of insurance or reinsurance, either overall or with reference to a particular section of the policy.
Pre-emption
Where a managing agent increases the underwriting capacity of a syndicate, for example when it expects to write more business in future. The participations of the members of the syndicate are increased proportionately to the extent the managing agent's pre-emption offer is taken up.
Premium
The amount charged by an insurer or reinsurer as the price of granting insurance or reinsurance cover, as stated before or after the subtraction of brokerage and other deductions.
Premium growth
The change in GWP from one period to the next.
Premium growth
The change in GWP from one period to the next.
Premiums trust fund (PTF)
The premiums and other monies that members receive in respect of their underwriting at Lloyd's are held by their managing agents in trust for them subject to the discharge of their underwriting liabilities. The premiums trust funds comprise a sterling fund, Lloyd's American Trust Fund, Lloyd's Dollar Trust Funds, Lloyd's Canadian Trust Fund and the Lloyd's Asia Trust Fund. These premiums trust funds are available to fund overseas regulatory deposits, claims, return premiums, underwriting expenses and (once a year of account has been closed) any profit that is payable to the member.
Price adequacy
This ensures that an insurer is charging the adequate price in order to underwrite a risk.
Prior year development
Used to determine the adequacy of reserves across the Lloyd's market and the benefit of reserve margin to be considered within the combined ratio. It also serves as a comparator of Lloyd's market underwriting profitability to its peers.
Prior years
Earlier years. This term usually refers to earlier years of account which have been closed into another year of account by reinsurance to close.

Pro rata cancellation
When an insurance contract is terminated mid-term by an insurer, the return premium will usually be calculated on a pro rata basis. For example this means that if a 12 month contract is cancelled 4 months before its expected expiry date then the insured would receive back 4/12 of its premium.
Producing broker
This term may refer to (a) the individual broker who obtains a proposal for insurance or reinsurance for the broking firm for which he works; or (b) a broking firm or individual broker that is responsible for introducing a proposal for insurance or reinsurance to another broking firm. The original producing broker will be the person who deals directly with the client. The term producing broker is often used in contrast to the term of placing broker although it is common for individual brokers and broking firms to undertake both functions.
Profit commission
A commission that is payable according to a pre-determined formula as an incentive and reward for profitable underwriting. The following are examples of profit commission: (a) the commission paid to a coverholder by a managing agent for underwriting a profitable account; (b) the commission paid by a Member to a managing agent in respect of the profitability of its syndicate in a given year of account; and (c) the commission paid by a reinsurer to an insurer in respect of a profitable reinsurance treaty.
Proportional Reinsurance
A type of reinsurance in which the reinsurer shares similar proportions of the premiums earned and the claims incurred by the reassured plus certain associated expenses. Compare non-proportional reinsurance. Quota share treaties and surplus line treaties are examples of proportional reinsurance.
Proposal form
A standard form which is prepared by an insurer and which contains a number of questions which a person seeking insurance is required to answer for the purpose of enabling the insurer to decide whether or not it is willing to grant cover and, if so, the terms on such cover. See duty of disclosure.
Qualifying quota share (QQS) reinsurance
A quota share treaty that may be purchased by a managing agent with the permission of Lloyd's so as to increase the underwriting capacity of its managed syndicate, subject to a specified limit and subject to the treaty complying with certain terms and conditions.
Quantum
Latin for amount. Where an insured or reassured makes a claim it must first be established whether the insurer or reinsurer is legally liable to pay the claim (i.e. it must be shown the relevant loss is covered under the insurance or reinsurance). If the insurer or reinsurer is liable to pay the claim it must then be established how much is the insurer must pay. For example, there may be deductions for an excess, under insurance or depreciation.
Quota share treaty
A reinsurance treaty which provides that the reassured shall cede to the reinsurer a specified percentage of all the premiums that it receives in respect of a given section or all of its underwriting account for a given period in return for which the reinsurer is obliged to pay the same percentage of any claims and specified expenses arising on the reinsured account.
Quotation
A statement of the premium that an underwriter requires to underwrite an insurance/ reinsurance risk based on the information supplied by the person seeking cover, either directly or via their broker. A quotation may be conditional; it may be subject to the provision of further information, or not. If a quotation is accepted before it is withdrawn, then subject to the satisfaction of any conditions that may attach to the quotation, an insurance/reinsurance contract will be made. Compare indication.
Rate
The premium expressed as a percentage of the sum insured or limit of indemnity.

Recognized accountant
An individual or firm entitled to act as a recognized accountant in accordance with the Audit Arrangements Byelaw (No. 7 of 1998).
Reinstatement of cover
The restoration of cover following its exhaustion as a result of a loss by payment of an additional (reinstatement) premium. Many reinsurances provide for one or more automatic reinstatement of covers.
Reinsurance
A contract under which a reinsurer agrees to pay specified types and amounts of underwriting loss incurred by an insurer or another reinsurer in return for a premium. Reinsurance serves to 'lay-off' risk. Reinsurance may be proportional or non-proportional and may take the form of a cover in respect of an individual risk exposure (see facultative risk) or cover in respect of multiple risk exposures (see treaty). Reinsurance accounts for more than half of Lloyd's total business.
Reinsurance to close (RITC)
A reinsurance which closes a year of account by transferring the responsibility for discharging all the liabilities that attach to that year of account (and any year of account closed into that year) plus the right to any income due to the closing year of account into an open year of account of the same or a different syndicate in return for a premium. Where a reinsurance to close is effected between members of the same syndicate the reserves of the closing year of account constitute the premium for a reinsurance to close. This premium must be equitable as between the members of the two years of account concerned which means that neither the reinsured nor the reinsuring members should expect to profit from the transaction at the time it is concluded. Where a reinsurance to close is effected between members of different syndicates the managing agent of the reinsuring members will want to make a profit from the transaction for those members and will set the reinsurance to close premium accordingly. This usually involves a loading on the reserves of the closing year of account.
Reinsurer
An underwriter of reinsurance. If the reinsurance is underwritten at Lloyd’s the reinsurer(s) will be one or more syndicates. If the reinsurance is not underwritten at Lloyd’s the reinsurer(s) will be one or more insurance companies. Some reinsurances may be underwritten by both syndicates and insurance companies.

Replacement
Where an insurer agrees to replace irreparably damaged or stolen goods with goods of a similar type and quality under a contract of indemnity instead of paying a cash sum to the insured.
Representation
A statement of fact or expectation. Representations made as to material facts at the time of the negotiation of the placement, amendment or renewal of cover must be true whereas representations as to a matter of expectation must be made in good faith.
Reserves
The amount of money that has been set aside by an insurer or reinsurer to meet outstanding claims, incurred but not reported losses and any associated expenses.
Reserving assumptions
The amount of money that has been set aside by an insurer or reinsurer to meet outstanding claims, incurred but not reported losses, and any associated expenses. Assumptions that typically actuaries or claims handlers make to estimate how much money will be needed.
Retention
The amount of any loss or combination of losses that would otherwise be payable under an insurance/reinsurance contract which the insured/reassured must bear itself before the insurer or reinsurer becomes liable to make any payment under that contract. Compare deductible and excess. An insured or reassured may be able to insure its retention with another insurer/reinsurer.

Retrocedant
A reinsurer that is reinsured under a retrocession.
Retrocession
A reinsurance of a reinsurer by another reinsurer. It serves to 'lay-off' risk.
Retrocessionaire
The reinsurer under a retrocession.
Risk
This term may variously refer to - (a) the possibility of some event occurring which causes injury or loss; (b) the subject-matter of an insurance or reinsurance contract; or (c) an insured peril.
Risk adjusted rate change (RARC)
RARC is taken into account when pricing a risk. It is a comparator of the rate that is charged in a previous period versus the rate that was charge in the next period.
Risk based capital
The determination of a member's capital requirement according to the spread of syndicates in which he participates and the nature of business that those syndicates underwrite.
Run-off account
A year of account which has not been closed as at the date at which it would normally have been closed and which remains open.
Run-off broker
A broker that provides the broking support for business in run off. At Lloyd's, Lloyd's brokers that undertake to limit their business to acting as a run off broker are given a dispensation from a number of requirements that otherwise apply to Lloyd's brokers.
Run-off syndicate
A syndicate with one or more run-off years of account.
Salvage
This may refer to – (a) property that is rescued from danger on land or at sea; or (b) an award that is paid to someone for voluntarily rescuing property at sea from a marine peril.
Salvage value
The estimated cash amount that would be received if damaged property were to be sold.
Service Company
A 'service company coverholder (referred to in the Code simply as a "service company")' is an approved coverholder which Lloyd's has agreed can be classified as a "service company" by reason of it being a wholly owned subsidiary of either a managing agent or of a managing agent's holding company and which is normally only authorized to enter into contracts of insurance for members of its associated syndicate and/or associated insurance companies.
Services business
See freedom of services.
Several liability
Each member underwrites for their own account and is liable accordingly for their share of all claims and expenses that are incurred by the syndicates in which he participates.
Short-rate cancellation
When an insurance contract is terminated prior to its expiry date by the insured any return premium that is payable will usually be calculated on a time on risk basis. The result is that the insured will receive less return premium than would be the case if the return premium was calculated on a pro rata basis (see pro rata cancellation).
Short-tail (risk)
A type of insurance where claims are usually made during the term of the policy or shortly after the policy has expired. Property insurance is an example of short tail business. The opposite of short tail business is long tail business.

Signed line
This refers to the amount of a given risk that an underwriter has agreed to accept. It may be the same as the underwriter's written line or, if there is signing down, a lower amount. The amount of a syndicate's signed line should be shown in a table in the policy, where one is issued.
Signing Down
Where a risk is oversubscribed, which is to say that the underwriters' written lines exceed 100% then, absent some contrary instruction, those lines will be proportionally reduced ('signed down') by the broker until they total 100%. An underwriter may insist on preserving their written line in which event the written lines of the other underwriters will be proportionally reduced until they total 100% when added to the preserved written line of the other underwriter.
Signing slip
See slip.
Slip
There are two types of underwriting slip: a placing slip and a signing slip. A placing slip is a document created by a broker that contains a summary of the terms of a proposed insurance or reinsurance contract which is then presented by the broker to selected underwriters for their consideration. Underwriters may delete, amend or add terms on a slip as they consider appropriate for the purpose of providing an indication or a quotation. A signing slip is a document that is created by a Lloyd's broker after a quotation has been accepted for the purpose of processing premiums under the contract that is evidenced by the placing slip. It is a cleaned up version of the final placing slip and shows underwriters' stamps, signed lines and underwriting references, these details being inserted by each underwriter at the request of the broker. Provided that it shows the underwriters' stamps, signed lines and underwriting references a placing slip may be used as a signing slip.
Slip policy
A signed slip which is agreed to be a policy where the insured or the reassured does not require a separate policy.
Society of Lloyd's
The Society incorporated by Lloyd's Act 1871 by the name of Lloyd's.
Soft market
When the availability of some or all classes of insurance or reinsurances is high relative to demand for such insurance or reinsurance. Competition amongst insurers and reinsurers leads to downward pressure on premiums and to the availability of more extensive coverage terms. Compare hard market.
Special reserve fund
A reserve that is held on behalf of a member and comprising part of their funds at Lloyd's. The reserve, which is held within the premiums trust fund of the member, may be only built up by setting aside a proportion of past profits and funds can only be withdrawn from it in the event of the payment an overall underwriting loss or on the death or resignation of the member following the closure of all years of account in which he underwrote. It is separate from the personal reserve fund of a member.
Spread vehicle
A corporate member which participates in a number of syndicates.
Stop loss reinsurance
Also known as excess of loss ratio reinsurance. This is a form of excess of loss reinsurance which provides that the reinsurer will pay some or all of the reassured's losses in excess of a stated percentage of the reassured's premium income in respect of its whole account or a specified account, subject (usually) to an overall limit of liability which may be expressed as a percentage of the relevant premium income or an amount.
Strategic asset allocation
An investment strategy that determines what percentage of your assets are held across financial assets: namely cash, bonds and stocks.

Subrogation
The right of an insurer which has paid a claim under a policy to step into the shoes of the insured so as to exercise in their name all rights he might have with regard to the recovery of the loss which was the subject of the relevant claim paid under the policy up to the amount of that paid claim. The insurer's subrogation rights may be qualified in the policy. In the context of insurance subrogation is a feature of the principle of indemnity and therefore only applies to contracts of indemnity so that it does not apply to life assurance or personal accident policies. It is intended to prevent an insured recovering more than the indemnity he receives under their insurance (where that represents the full amount of their loss) and enables their insurer to recover or reduce its loss.
Subscriber
A person that bids for underwriting capacity in a capacity auction.
Substitute agent
A person or body appointed in accordance with part K of the Underwriting Byelaw.
Syndicate
A Lloyd's syndicate is formed by one or more members joining together to provide capital and accept insurance risks. Most syndicates write a range of classes of business but many will have areas of specific expertise.
Tenderer
A member that seeks to sell some or all of their underwriting capacity in a capacity auction.
Term life insurance
A life insurance policy that pays the sum insured only if the life assured dies within the period of the policy which is for a fixed period.
Terms of business agreement TOBA
Each Lloyd's broker that wishes to do business with a managing agent must enter into an agreement with the managing agent which records the general terms and conditions on which business will be conducted between them.
Third party
Someone other than the insured or their insurer who has suffered injury or loss.
Third party liability
The liability that an insured has to a third party.
Total loss
Where the subject matter of an insurance is lost, destroyed or damaged beyond repair.
Treaty
A reinsurance contract under which the reassured agrees to offer and the reinsurer agrees to accept all risks of certain size within a defined class.
Uberrima fides
Latin for utmost good faith.
Unaligned member
A member that is either (a) not affiliated to the managing agent of a particular syndicate; or (b) not affiliated to any managing agent.
Under insurance
Where the sum insured does not represent the true value of the property insured.
Underwrite
This term may refer to (a) The process of evaluating, defining and pricing insurance and reinsurance risks including where appropriate the rejection of such risks. (b) The acceptance of the obligation to pay or indemnify the insured or reassured under a contract of insurance or reinsurance.
Underwriter
Depending on the context this term may refer to: (a) the individual who is responsible for underwriting a particular insurance or reinsurance contract and who is either an employee of a managing agent, an

insurance company or reinsurance company or an employee of a coverholder or any similar underwriting agent. (b) an individual member or company that insures or reinsures a risk.

Underwriters

Depending on the context this term may refer to: (a) the employees of managing agents, insurance companies and reinsurance companies and their respective underwriting agents that underwrite insurance or reinsurance risks; (b) the members or other carriers that underwrite a particular contract of insurance or reinsurance; (c) members collectively; or (d) insurers and reinsurers collectively.

Underwriting Profit

The measure of the profitability of an insurer's underwriting activity. This refers to earned premiums (net of reinsurance) with net operating expenses and claims incurred (net of reinsurance) subtracted. The underwriting profit does not include any investment income.

Underwriting agent

A managing agent or a members' agent.

Underwriting capacity

Depending on the context this term may refer to: (a) a member's allocated capacity (b) syndicate allocated capacity, with or without the addition of cover from qualifying quota share reinsurance; (c) the total underwriting capacity of all syndicates combined, with or without the addition of cover from qualifying quota share reinsurance; or (d) the underwriting capacity of an insurance company or a reinsurance company. Underwriting stamp The stamp that is applied to a slip by an underwriter to signify their acceptance of a risk. It shows the number and pseudonym of the syndicate or the name of the (re)insurance company for whom the underwriter acts and has a space for their underwriting reference to be inserted. The underwriter will insert their line on a slip next to their underwriting stamp.

Unearned premium

The proportion of premium that relates to the unused period of cover.

Utmost good faith

Contracts of insurance and reinsurance are contracts of utmost good faith. In the event that either party fails to observe utmost good faith towards the other in regard to the negotiation of cover then the other party may avoid the contract. The duty of utmost good faith requires each party to inform the other all material facts during the negotiation of the placement, renewal or alteration of cover. An insured has a separate duty of good faith when making a claim under an insurance policy.

Valued policy

See agreed value policy.

Void policy

A contract which has no legal effect and is therefore unenforceable in a court of law. For example, an insurance contract where the policyholder does not have an insurable interest.

Voidable contract

A contract which may be voided at the option of either party. For example, an insurer may avoid a policy from inception for the misrepresentation or non-disclosure of material facts during the negotiation of the placement, renewal or alteration of cover. A insurer may also avoid a policy from the date of the presentation of a fraudulent claim.

War and civil war risks exclusion agreement

An agreement between Lloyd's underwriters and non-marine insurance companies that they will not cover certain war and civil war risks on land.

War risk waterborne agreement

A marine market agreement whereby underwriters will only cover goods against war risks whilst they are on the vessel subject to a time limit after arrival at the port of destination. There is reduced cover for offloading and transhipment at the port of destination.

Warranty
Where an insured or reassured promises that something will or will not be done during the period of cover or that a particular state of affairs exists or does not exist at the inception of cover. If the promise is untrue or is not kept then the insurer/reinsurer may disclaim all liability under the policy from the date of the breach, regardless as to whether the false declaration was material to the underwriting of the contract or causative of any loss.

Wear and tear
The amount deducted from a claims payment in recognition of the depreciation of the property insured through usage of it over time. Where cover is provided on a 'new for old basis' i.e. where the insurer agrees to replace an old item with a similar new one, no such deduction is made.

Working member
A member who occupies themselves principally with the conduct of business at Lloyd’s by a Lloyd’s broker or underwriting agent, or a member who has retired but who immediately before their retirement occupied themselves in this way.

Written line
The amount of a risk that an underwriter is willing to accept on behalf of the members of the syndicate or company for which he underwrites. This is commonly expressed as a percentage of the sum insured which is written on the broker’s placing slip. If, on completion of the broking exercise, the written lines exceed 100% then, absent some contrary instruction, they will be signed down by the broker, which is to say they will be reduced proportionately so that they total 100%.

Xchanging
An outsource provider of policy, premium and claims processing services to the Lloyd’s market and others. These services are delivered via its operating subsidiaries, Ins-Sure Services and Xchanging claims services.

Year of account
The year in which an insurance or reinsurance contract that is underwritten by a syndicate is allocated for accounting purposes and into which all premiums and claims arising in respect of that contract are payable. Insurance or reinsurance contracts are generally allocated to years of account according to the calendar year of their inception date so that a contract that commences in 2005 will normally be allocated to the 2005 year of account. Historically syndicates have operated a three year accounting system which means that each calendar is normally left open for two further years before a profit or loss is determined. A year of account is normally closed by reinsurance to close at the end of 36 months. Compare open year of account and run-off account.

Glossary - Conducting business as a Delegated Authority

Term (Acronym) Description

Acquisition costs - The costs for Managing Agents of acquiring business e.g. Broker fees.

Audit Management System (now Delegated Audit Manager) AiMs now (DAM) - A single workflow system for Coverholders, Brokers, Carriers, TPAs and the Central Audit Function to manage the full audit process (including scheduling, scoping, quoting, preparing for site visits and managing audit findings and recommendations). It also supports solo audits where a Coverholder/TPA has a single relationship with a Carrier.

ATLAS - A web-based system that acts as an electronic filing and online application system for Coverholders.

Binding Authority Agreement (BAA) - Coverholders are authorized to write risks on behalf of Lloyds syndicates (DA) via the Binding Authority Agreement. The Binding Authority Agreement, commonly referred to as a "binder," frames the responsibilities, entitlements and obligations of the parties and, as such, is the contract of delegation. It is the document used to make sure all contracting parties are clear about their roles and responsibilities. The binding authority agreement (contract of delegation) is not the contract of insurance provided to the policyholder.

Binding Authority Registration system (BAR) - An online market system to register Lloyd's binding authority contracts.

Bordereaux - Spreadsheet containing data relating to risks, premiums and/or claims.

Business Process Operations (BPO) - Third-party company which has been contracted to complete bordereaux processing on behalf of another firm.

Coverholder Appointment Agreement (CAA) - Basis of delegated authority contract utilized by Lloyd's Europe where capacity is re-insured to Lloyd's managing agents participating within Lloyd's London market

Carrier - The carrier of the risk, e.g. a Lloyd's syndicate or (re)insurance company.

Consortium Arrangement - A contractual arrangement under which one or more Managing Agents delegate(s) authority to another Lloyd's Managing Agent ("the Consortium Leader") to enter into contracts of insurance on their behalf.

Delegated Contract and Oversight Manager Project (DCOM) - Lloyd's project set up to replace legacy systems, ATLAS and BAR (previously known as Chorus).

Contract Builder - Contract creation tool, built into Lloyd's Delegated Contract Manager.

Coverholder Workbench – (CWB) - Lloyd's Coverholder Workbench is a digital platform that supports the Coverholder placement lifecycle including submission, rating, quoting, policy generation, management, and cash handling.

Coverholder - An insurance intermediary who has the authority to write and manage risks on behalf of Underwriters via Binding Authority Contracts.

Coverholder Reporting Standards (CRS) - The minimum information Coverholders must provide on risks, premiums, and claims (latest version V5.2).

Company Market - Insurance capacity that is not placed via Lloyd's.

Claim -

1. A demand made by a policyholder to their insurer for payment or contractual benefit under an insurance policy.

2. A demand made by an insurer on its reinsurer to be paid under a reinsurance contract

3. A demand made by a 3rd party on a policyholder.

Delegated Authority (DA) - A distribution method which permits a Coverholder to underwrite business and/or manage claims on an insurance company's behalf.

Delegated Authority Operations Committee (DAOC) - The role of the DAOC is to identify and promote the common interests of LMA members in any matter relating to the operation of delegated authority facilities.

Delegated Contract Manager –(DCM) Lloyd's new online platform (replacing BAR) to register all Delegated Authority contracts. An optional contract creation tool will also be available to Delegated Contract Manager users.

Delegated Data Manager (DDM - previously DA SATS) - A central repository designed to provide Brokers, Managing Agents and Coverholders with a platform to send and receive bordereaux information. DDM is also known as TIDE.

Delegated Oversight Manager (DOM) - Lloyd's online system (replacing ATLAS) to provide a single, end-to-end compliance check for new and existing Coverholders and DCAs.

Delegated Claims Authority - Where the management of claims has been outsourced to a third party under the terms of a DCA agreement. The current Delegated Claims Authority program aims to provide an improved and more consistent DA experience for TPAs, improved service for customers and increased indemnity accuracy. This will be achieved by providing the market with guidance, tools, model wordings and frameworks to assist in moving towards a common market approach in managing delegated claims.

Delegated Underwriting Authority – (DUA) - A delegated underwriting authority relationship is formed when an insurer permits another party to perform risk selection and/or underwrite on their behalf. The most common method of delegated underwriting authority is to a Coverholder under the terms of a binding authority agreement.

Direct Dealing Managing Agent – (DDMA) - When there is no broker involved in a contract and the Managing Agent assumes this role themselves, this is referred to as a Direct Deal Managing Agent.

Delegated Claims Administrator (DCA) - A company or partnership authorized to determine claims on contracts of insurance underwritten by the members of a syndicate in accordance with the terms of a delegated claims administration agreement.

Financial Conduct Authority – (FCA) - As of April 2013, a regulatory body of the UK's financial services industry which, together with the PRA, replaced the Financial Services Authority (FSA).

Future at Lloyd's - The long-term vision/strategy for how Lloyd's will become the most advanced marketplace in the world.

Gross Written Premium – (GWP) - Original and additional inward premiums, plus any amount in respect of administration fees or policy expenses remitted with a premium but before the deduction of outward reinsurance premiums.

International Underwriting Association of London – (IUA) - Body representing non-Lloyd's international and wholesale insurance companies' operation in the London market.

Lineslip - A lineslip is an agreement by which a Managing Agent delegates its authority to enter into contracts of insurance, to be underwritten by the members of a syndicate or authorized insurance company, in respect of business introduced by a Lloyd's Broker named in the agreement.

London Brussels Syndicate (LBS) – renamed Lloyd's Europe in 2020 - was set up in 2018 so syndicates can continue writing business in the European Economic Area after the UK leaves the European Union.

Lloyd's Direct Reporting (LDR) - System that allows Managing Agents to report regulatory and tax information directly to Lloyd's.

London Insurance Market Operations & Strategic Sourcing LIMOSS Established to source and manage the portfolio of market services, built by the London insurance market as it modernizes its processes.

Lloyd’s Market - A marketplace where insurance business is conducted, bringing together Managing Agents and Brokers.

Lloyd’s Broker - A representative sanctioned by the Committee at Lloyd's of London to contact underwriters at Lloyd's and negotiate insurance with the underwriters on behalf of the representative's clients

Managing Agent (MA) - A person who is permitted by the Council in the conduct of his business to underwrite contracts of insurance.

Market Participant Register - Golden source of data in the Market Entity Database (MED) which holds details of companies such as Brokers, Coverholders DCAs etc. that operate within the Lloyd’s Market.

Prudential Regulation Authority (PRA) - As of April 2013, a regulatory body of the UK’s financial services industry which, together with the FCA, replaces the Financial Services Authority (FSA).

Policyholder - The person who is insured under a contract of insurance.

Producing Broker - The individual Broker who obtains a proposal for insurance or reinsurance.

Qualifying quota share reinsurance (QQS) - A quota share treaty (a type of reinsurance) that may be purchased by a Managing Agent with the permission of Lloyd’s to increase the underwriting capacity of its managed syndicate.

Reinsurance - A contract under which a reinsurer agrees to pay specified types and amounts of underwriting loss incurred by an insurer or another reinsurer in return for a premium.

Reinsurer - An insurance company that provides insurance or reinsurance to other insurance or reinsurance companies

Syndicate - Members of Lloyd’s underwrite insurance by forming groups of members known as syndicates. Syndicates are franchises of insurance companies that operate as independent business units, but have no legal personality, within the Lloyd’s market and are managed by Managing Agents.

Third Party Administrator (TPA) - An organization to which an insurance company pays another company to do the administration or management of certain activities.

Unique Claims Reference (UCR) - A reference applied to a claim record being processed through Central Services.

Unique Market Reference (UMR) - The primary reference created by Brokers and used by the market to identify a contract.

Underwriter - The individual who is responsible for agreeing to (re)insure a particular risk and setting the terms of cover. These individuals are either employees Managing Agents, (re)insurance companies, Coverholders or any similar Underwriting Agents.

Xchanging (XIS) - An outsource provider of policy premium and claims processing services to the Lloyd's market and others. Also referred to as DXC or "the bureau."

Year of Account (YOA) - The year to which an insurance or reinsurance contract underwritten by a syndicate is allocated for accounting purposes and into which all premiums and claims arising in respect of that contract are payable.