

Lloyd's Response: CMA consultation - the application of the Chapter I prohibition in the Competition Act 1998 to agreements between competitors or potential competitors in relation to environmental sustainability agreements

Lloyd's welcomes the Competition and Markets Authority's call for inputs to the draft guidance on the application of the Chapter I prohibition in the Competition Act 1998 to environmental sustainability agreements. We have set out our response to the draft guidance below. By way of background, Lloyd's has also provided a summary of its involvement and leadership of environmental sustainability initiatives.

We welcome the CMA's review of our comments and remain available for a meeting to discuss our comments in further detail if required.

Lloyd's Sustainability Strategy and Initiatives.

Lloyd's is a Society of Members incorporated under the Lloyd's Acts 1871-1982, which operates as an insurance and reinsurance market based in London. Lloyd's (formally, the Council of Lloyd's) is responsible for managing the affairs of the Society and has powers to regulate the business of insurance at Lloyd's. All insurance business in the Lloyd's market is underwritten by Lloyd's members, organized into 77 active syndicates, managed by 52 managing agents. In 2022, the Lloyd's market's aggregate gross written premiums totalled £46.705bn. The business underwritten in the Lloyd's market is primarily non-life insurance and reinsurance.

With their industry leading experience and expertise, the participants in the Lloyd's market provide leadership and insight to anticipate and understand risk, and the knowledge to develop relevant, new and innovative forms of insurance for customers across more than 200 territories, in any industry, at any scale. Lloyd's believes these qualities will become increasingly important in a world that has to adapt to the uncertainty that climate change may bring and to avert the worst effects of it.

On an ongoing basis, Lloyd's engages in consultations with its market, governments, regulatory authorities, brokers, NGOs and other key stakeholders as it continues to develop and implement its sustainability strategy.

Aligned to this, Lloyd's aims to make steady progress towards net zero by 2050, and is dedicated to ensuring that our market is giving full and appropriate consideration to the increased risk and potential financial consequences that result from a changing climate. We are committed to be the insurer of the transition, supporting our customers as they decarbonise, including harder-to-abate sectors and regions which are critical to a successful, responsible, and orderly transition.

While we have not mandated the market to set their own net zero commitment, Lloyd's will look to see how managing agents align with our net zero ambition and evidence progress in supporting their policyholders with their own transition plans on a proportionate and prioritised basis. We will continue to work with managing agents as we further develop our overall Lloyd's approach to insuring the transition, to ensure that we continue to be aligned across our global market.

[✂]

[REDACTED]

[REDACTED]

Lloyd's is also honoured to convene His Majesty The King's Sustainable Markets Initiative Insurance Task Force, bringing together leaders across the insurance industry to drive tangible progress to help accelerate the transition to a sustainable future. Adhering strictly to UK competition law, the Task Force is focused on driving tangible progress to accelerate the pace of industry transitions towards a more resilient and sustainable future, putting Nature, People and Planet at the heart of global value creation.

In developing its approach to support the transition to net zero, Lloyd's has also met regularly with the Financial Conduct Authority and has participated in a round table event hosted by the FCA. Lloyd's has appreciated the pragmatic approach the FCA has taken and their engagement with us in this evolving area.

Lloyd's Comments on the Draft Guidance

[REDACTED]

[REDACTED]

[REDACTED]

Considering the global nature of the Lloyd's market, a key challenge remains the lack of international consensus on competition law enforcement principles in this area. As such, whilst the adoption of a more progressive application of competition law in the UK in relation to environmental sustainability is a positive step, Lloyd's would encourage the CMA to use its position and influence to encourage similar flexibility in other jurisdictions. International alignment of regulation would have a tangible impact on the business conducted at Lloyd's in view of the cross border structure of the market and the participants which operate within it. We are sure many other international companies will have a similar view.