Q3 2020 Sales and Revenue Call

Company Participants

- Alex Maloney, Group Chief Executive Officer
- Darren Redhead, Chief Executive Officer, Kinesis Capital Management
- Natalie Kershaw, Group Chief Financial Officer
- Paul Gregory, Group Chief Underwriting Officer and Chief Executive Officer

Other Participants

- Ben Cohen
- Edward Morris
- Emanuele Musio
- Faizan Lakhani
- Iain Pearce
- Kamran Hossain
- Ming Zhu
- Oliver Troop
- Paris Hadjiantonis

Presentation

Operator

Hello, and welcome to the Lancashire Holdings Limited Third Quarter 2020 Results. Throughout the call all participants will be in a listen-only mode, and afterwards there will be a question-answer-session. Please note, this call is being recorded. Today, I'm pleased to present Alex Maloney, Group CEO; Paul Gregory Group CEO; and Natalie Kershaw, Group CFO. Please begin the meeting.

Alex Maloney {BIO 16314494 <GO>}

Thank you, operator. It's been a difficult year, I continue to be immensely proud of my colleagues for demonstrates continued professionalism and resilience during these unusual times. During the third quarter, we've witnessed the high number of natural catastrophe losses, following one of the most active hurricane seasons on record.

Coupled with this, we've also experienced the higher than usual run rate of[ph] single risk losses, (inaudible) specialty insurance portfolio. These are businesses usual losses for us, and relate to, for example, the Beirut port explosion, a couple of airline crashes, a refinery explosion and oil spill offshore Mauritius and similar losses events.

Importantly, no individual claim amount falls outside of our expectation for these events. But clearly the aggregates of these losses is higher than we usually see in a quarter. Although we cannot predict when our clients may present a claim, these events do allow us the opportunity to demonstrate the value of insurance. We are afterall in the claims paying business.

Turning to our top line, our business has continued the momentum we saw at the half year. Therefore, I'm pleased to report we continues to grow and improving underwriting climate. Our gross premiums have grown 14% for the year-to-date with an underlying growth rate of 20%. We have seen continued rates hardening in virtually every class of business we underwrite. We expect this to continue during the fourth quarter and into the 2021 underwriting year.

Our capital base remains strong, following our successful capital rise in June. We explained at the time of our raise, our plan was to deploy these funds over the next 6 to 12 months. As such, these funds have not yet been deployed. With the important January renewals upon us, coupled with the improving underwriting climate, we expect to start utilizing this additional capital to allow us to grow further into this opportunity.

Our COVID-19 loss amount remains unchanged at this point. As we have stated before, this event is ongoing and the ultimate industry loss will take years to mature, particularly with a casualty element. We continue to believe that like all things COVID-19 related, there will be further challenges ahead as we learn more about this terrible virus and its implications. But we remain confident, we have applied the same level of prudence to this loss amount as we would any other large loss the group assumes. We have tried and tested process for such large losses, which we will continue to apply.

As we have stated before, there is more uncertainty with regard to COVID-19 losses for us and the wider industry versus the usual large losses we have historically navigated. The outlook for the Lancashire group is strong. We are now seeing a greater degree of hardening across most of our underwriting portfolio than we have seen in years.

We continue to grow organically but also through the acquisition of new underwriting teams. We have been busy during this calendar year, building a broader more diverse business which we expect to further strengthen our franchise over the coming years.

In summary, I couldn't be happy with our current market but it's positioning. We have no legacy issues, excellent people and a strong capital base. We fully intend to maximize the current underwriting opportunity for the benefit of our shareholders, who I thank for their continued support for our business.

I'll now hand over to Paul.

Paul Gregory {BIO 16314515 <GO>}

Thank you, Alex. The third quarter has been a challenging loss[ph] quarter for both the industry and ourselves given the frequency of both natural catastrophe and large risk losses. Ahead of Q3, our outlook for market conditions was positive, and the size of the industry losses in Q3 only strengthens our belief that market conditions will continue to improve in 2021 across the majority of our product lines. And you can see some of this already.

While Q3 is not a significant premium quarter, we have once again growing top line and our RPI for Q3 was a very encouraging a 117%, bringing the year-to-date renewal price index up to a 112%. This acceleration and strong market conditions gives us confidence we can grow into 2021 and beyond.

The capital we raised at media remains fully available and we will look to deploy this through the 2021 renewal season. The capital will be used in two main ways. Firstly, the growth in catastrophe expose lines, such as retrocession, property catastrophe reinsurance and property insurance. Market conditions have allowed us to grow in each of these lines during 2020, and we expect this to continue into 2021.

Secondly, we'll use some of this capital to retain more risk. We anticipate dislocation in the reinsurance markets particularly for natural catastrophe expose products and we will not be immune from this. There will always be core insurance products we buy from core insurance partners throughout the cycle and we will have to pay more for these.

The capital just allows us the flexibility to retain more risk in certain areas, if we feel this best risk-adjusted decision. It's worth reiterating that we remain both products and platform agnostic as to where we deliver this growth. The waiting will be dictated by the market opportunity.

Let me move on to our specialty book, which is less capital-intensive. Market conditions in line such as Marine, Aviation and distinct parts of the energy book continue to improve and will provide the opportunity for continued portfolio growth.

Demand in these product lines has held up well despite COVID-19 with no material impact to premium seen thus far in 2020. We are anticipating future demand headwinds, but we would expect rate increases and expanding market share to help offset this somewhat.

Finally, we've continue to add new and complementary underwriting teams to the group. Our accident and health underwite[ph] joined earlier this year, is now under writing via Lancashire Syndicate 3010. In Lancashire, Bermuda, we've employed[ph] a casualty treaty underwriter and a specialty treaty underwriter and subject to regulatory approval will start underwriting these classes in 2021. That is now six new product lines in the past three years added to the group's product offering.

In summary, 2020 has so far been a challenging year from pretty much every angle. However from an underwriting perspective, we're extremely well placed to take full advantage of the improving market conditions, and that's exactly what we intend to do.

I will now pass over to Nat.

FINAL

Bloomberg Transcript

Natalie Kershaw {BIO 21394441 <GO>}

Thanks, Paul. Today, I'm going to give a brief update on our top line losses, investment return and capital. New business and rate rises across all our segments have contributed to continued growth momentum and gross premiums return in the third quarter.

Our top line is up 14% year-on-year with underlying growth of 20%, once the impact a multi-year contracts and reinstatement premiums are taken into account. The largest increases is in dollar term are in the property cap excessive loss and property direct and fac classes, which have increased by 21% for the first nine months of the year compared to the same period in 2019.

As a reminder, these increases will take a while to earn through to the bottom line. So the majority of the benefit will come through in 2021 and 2022. As Paul has already mentioned, we planned to deploy our newly raised capital during 2021. We are likely to see healthy demand in the property catastrophe space, but in light of the economic outlook there is potential for weaker demand on the specialty side. We'd expect this to be at least some way, if not fully, offset by rate increases.

Moving on to our loss experience. While COVID loss estimate remained stable at $42 million. The pace and quantum[ph] of loss notifications has thus far been a fully in line with expectations. But to reiterate, this is an unprecedented loss for the industry. So there is a greater degree of uncertainty still remaining.

Elsewhere, the third quarter of 2020 witnessed enacted North American hurricane season, as well as California wildfire and a large derecho storm in the Mid-West. Our ultimate loss estimate for these events, net of reinsurance and reinstatement premiums is in the range of $65 to $75 million, and in line with our 10-year average annual loss exposure to such events. Where our cap losses account for around 15% of the groups annual combined ratio.

The third quarter of 2020, also saw an unusual frequency of single risk losses, including the Beirut explosion, Aviation losses and a number of tanker groundings amongst others. Although none of these events are individually material, they aggregates for total map ultimate loss of approximately $30 million net of reinsurance and reinstatement premiums for the quarter. In addition, to the usual level of attrition that we guide to. These type of losses are not unexpected given that portfolio that we write.

Prior year favorable reserve development in the quarter was in line with normal expectations and brings total favorable development for the first nine months of 2020 to $11.2 million. Our investments produced the total return of 2.4% for the year-to-date, with most of our asset classes having a positive contribution to the return. Fixed maturities have recruits all of the losses from the third quarter with hedge funds, bank loans and private debt funds still showing small losses on a year-to-date basis.

As a reminder, we carried excess headwind over our internal preferences and overall rating agency requirements coming into 2020. Therefore even given that active loss share we have seen so far in 2020, all the capital raised in June is still available to take advantage of the continuing rates improvements we are seeing, and will be utilized in 2021.

With that, I'll now hand over to the operator for questions.

Questions And Answers

Operator

Question And Answer

Thank you. (Operator Instructions) And our first question comes from Kamran Hossain from RBC. Please go ahead. Your line is now open.

Q - Kamran Hossain {BIO 17666412 <GO>}

Hi, afternoon, everyone. Couple of questions about the COVID loss. The first one is I guess of the $42 million revenues quite stable. Could you maybe comment on how much of that is IBNR versus kind of case reserves? And I guess as we go into second waves or I guess in the second lockdowns. Is there any risk that the number gets bigger in Q4 just because of that? And then the second question. I think you're very -- you address all my questions on cash [ph], but as we move towards 1/1, do you think the shape of next year's earnings kind of previously seemed higher retentions exposure growth. Is this still the same way to think about it as we work on I guess last quarter? Thank you.

A - Natalie Kershaw {BIO 21394441 <GO>}

Okay. Hi, Kamran. I'll take the COVID question. So the first part on the IBNR versus case, yes, most of that $42 million is still IBNR. And on the question of the second lockdown, obviously, this loss is highly uncertain, so we can't really comment on how that might change in the future.

A - Alex Maloney {BIO 16314494 <GO>}

Yes, Kamran. We were very clear from day one that any COVID number for ourselves or the industry, there is just going to be more uncertainty of loss query from that. We are still comfortable with our number today and we think adopting the same approach we always do. There's -- we obviously try and be as prudent as we can, but you have to be completely clear about the fact that all COVID losses whether it's us or anyone else -- anyone in our industry, there is a level of uncertainty just because the uncertainty that COVID brings to all of us. So that is a fact, and I know people want more certainty than that on COVID, but I don't believe any insurance company or reinsurance company can give you like the ultimate sort of loss at this point. It is an ongoing event, but as nicely said, we are comfortable with our number, we see no reason to change at this point.

Q - Kamran Hossain {BIO 17666412 <GO>}

Got it. Thanks.

A - Paul Gregory {BIO 16314515 <GO>}

And sorry, Kamran, could you repeat the second question, please?

Q - Kamran Hossain {BIO 17666412 <GO>}

Yes. I guess looking back to the half year, when we talked about what might happen to pay now and initially you talked about higher retentions exposure growth. I guess so as market conditions have gone little bit clearer. Is that still the same intensive fee or how things change, kind of more range own small retro or something else or less retro?

A - Paul Gregory {BIO 16314515 <GO>}

Yes, so (inaudible) it's kind of what we were talking about before we expect to grow in all of those cat expose lines. As I said in my script, we're pretty agnostic about where that comes from, but I -- and honestly, I'd expect a growth in retro property cat and D&F in terms of retaining more. Yes particularly on the catastrophe-expose lines, we will retain more risk some of that and all (inaudible) will be forced upon us. Some of it will be tactical. We are of course, going to be paying more money for that coverage as well because we're not immune from market conditions. And then obviously on the reinsurance, then you need to factoring things like new teams joining and associated their reinsurance spent with those startup portfolios as well. But yes, look, we're going to be looking to grow the top line. We definitely be retaining more cat risk at certain points. What that exactly looks like yet? We don't know, I think this is going to be a very interesting renewal season both inwards and outwards and certainly in February we'll be able to give you a much clearer picture of exactly what's happened.

A - Alex Maloney {BIO 16314494 <GO>}

Yes, and on that Kamran, everything we've seen so far is all in line with our expectation. So there's no change from what we thought was going to happen at half year and arguably with the events in Q3 that just strengthens everything we thought were going to happen anyway.

Q - Kamran Hossain {BIO 17666412 <GO>}

Well, (inaudible) really good '21. Thank you.

Operator

Thank you. Our next question comes from Emanuele Musio from Morgan Stanley. Please go ahead. Your line is now open.

Q - Emanuele Musio {BIO 19781440 <GO>}

Hello. Hi. Two question from me please. In discussion capital deployment you refer to capital raised this year whether when you raise capital, you said you already had $600 million surplus. So when you refer to capital that you intend to deploy next year, do you refer to judge the $340 million that you raised or maybe you envisage to utilize some of the circles that you had prior to the capital raised? Second question, you didn't mention casualty in the press release, but you recently talked about it. So focusing on capital, I'm just curious to know, when do you think you may start to see some diversification benefit in your (inaudible) calculation or maybe refreshing the question. Do you think that your recent proposition in casualty will be supportive of more efficient capital location at some point? Or maybe it will always be too small to matter? Thank you.

A - Alex Maloney {BIO 16314494 <GO>}

Okay. On your first point, you are correct. When we done our capital raise we were in a strong capital position. If you remember, we had a very good '19, we retained those earnings and we did had remain our PMLs at that point. We also done the capital raise, which just gave us more flexibility. So we do have all of the capital that we raised in June, but we did have headroom in our PMLs already. So yes, we can deploy more than the capital that we raised in June. As I said, we were in a strong position there. So (inaudible) is the first, real time to do that and that's exactly what we told our investors at the time. We said, we deploy that capital within 6 to 12 months, so we're completely on track.

A - Natalie Kershaw {BIO 21394441 <GO>}

Hi, Emanuele on your second point about the potential benefits of casualty in the capital model. And the capital models are really highly geared towards catastrophe. So we -- where we may see a small amount of diversification benefit from casualty business, it really isn't going to impact us significantly at all.

A - Paul Gregory {BIO 16314515 <GO>}

And I'd also like to add to that, at the moment, this is going to be a relatively small amount of great premium income, so maybe in a number of years time we can answer that question again, but at the moment, it's going to be a relatively small proportion of what we're paying up.

Q - Emanuele Musio {BIO 19781440 <GO>}

Okay, sounds good. Thank you.

Operator

Thank you. Our next question comes from the line of Edward Morris from JP Morgan. Please go ahead. Your line is now open.

Q - Edward Morris {BIO 16274236 <GO>}

Hi, everyone. Few questions from my side, please. So first of all, I mean, obviously, you seem pretty good growth this year in premiums. When I look at this sort of makeup of that growth, it does appear that the vast majority of it is coming from improvements in pricing, so that, the difference between the premium growth and the RPI that you show is relatively modest. So I wonder if you could just explain, is there any reasons why there hasn't been more underlying volume growth this year? And as we come to think about this into next year, would you expect that delta to be greater, i.e., continuing to benefit from price improvements and also seeing an underlying increase in volume. So any view on how that dynamic between the two might change [ph] will be helpful?

And secondly, could you just remind us when it comes to capital requirements, particularly capital requirements associated with growth. If you're growing just because pricing is better RPI is above 100%, does that in itself deploy more capital? Or is it only increases in the sort of underlying risk exposure? I'm just trying to understand how consumptive of capital any premium growth would be? And then lastly, you mentioned some of the new business lines, I think, you said, you had three new areas that you're writing in addition to another three that you recently launched. I think some of the new business lines you've been writing with quota share reinsurance or proportional type reinsurance, could you just confirm what your plans are for some of the new areas like casualty et cetera. How are you going to approach writing this business on gross and net basis? Thanks.

A - Paul Gregory {BIO 16314515 <GO>}

Okay. Hi, Ed. I can probably take all of those. So on the growth side, the first thing I'd say is that year-to-date renewal price index is 112%, our underlying growth which is as Matt said in his script, where we strip out, impacts of reinstatement premiums and multi-year is 120%, sorry, 20% growth. So we are trending above the RPI, so there's some good underlying growth in there. One -- I suppose one area which is always lumpy for us, every year is our political risk portfolio, which is non-renewable by nature, that is linked to kind of economic activity and we have seen that book kind of reduce year-on-year, but that -- we can see that go up a lot in one year in down and another, but of all the other lines we see in kind of growth above RPI and I think you can see that through our main segments.

On the capital piece, it's primarily risk that drives our capital requirements. There are small elements for things like premium charges, but its risk really is underlying risk and changes in that, that drives capital. On the new business lines, it's predominantly the aviation team that we bought in had or does have a quota share protection associated with it. On the new lines of business, they're going to be more focused on excel, traditional excel purchases as of (inaudible) loss purchases as opposed to quote share purchases we'll be buying those products in the first quarter of next year when we start underwriting those classes.

A - Alex Maloney {BIO 16314494 <GO>}

And also just to remember that when -- if you go back to what we said earlier in the year, the -- our market only really started to move in Q2, so I think the difference is looking into '21, we're going to have a full years to have run. So as Paul said, there are some -- that 20% if you stripped out some of the political risk would probably look better. It's still good number, but as you come into '21, 1/1/21, looks a very different market to 1/1/20.

Q - Edward Morris {BIO 16274236 <GO>}

Okay, great. That's very clear. Thank you.

Operator

Thank you. Our next question comes from the line of Iain Pearce from Credit Suisse. Please go ahead. Your line is now open.

Q - Iain Pearce {BIO 19522835 <GO>}

Hi, thanks for taking my question. Two from me. Firstly just on the multi-year and the headwind you've had. I guess the difference between the RPI and the rate growth you seen is mainly on that multi-year headwind. So I'm just looking for some comments on the expected future headwind from some of these multi-year deals which we factored into our growth expectations? And then secondly, I think, I'm right in saying that the Q4' period is quite big for the aviation book and the aviation deductible business. So I'm just wondering if you could give us some comments around volume expectations they're given honestly the headwinds that number of clients facing that?

A - Natalie Kershaw {BIO 21394441 <GO>}

Okay. Hi, Iain. I'll take the first question on multi-year. Yes, you're right, most the difference to get to that 27% is the impact of multi-year contracts that were written in prior years. I would expect the impacts be lower in 2021 than we've seen previously. There's a couple of reasons for that, one is that some of them all peer deals we wrote a couple of years ago are actually coming up for renewal in 2021. And also we have written less multi-year deals in 2020 and property care and energy, given the rate rise of this thing, you would expect that. But also take into account what PG just said that, we do have the political risk and construction classes that we don't expect to year-on-year.

A - Alex Maloney {BIO 16314494 <GO>}

And on aviation, yes, and you're quite right Q4 is really big for all aviation classes really and then deductibles included within that. What we're seeing at the moment is demand has remained reasonably robust so far, Q4 will clearly be a test. We do expect demand headwind moving into '21 for obvious reasons. The kind of offsetting that within -- and as you can see from our renewal price index, we're seeing really strong red momentum and that's across all subclasses or our aviation portfolio and we were able to -- have been able to increase our market share in certain of those sub classes as well.

So thus far, the growth we've been able to continue to grow in aviation, 2021 will be a challenge, but as I said in my script, we believe that rate increases and increased market share will kind of help offset that. I think, we're expecting a reasonably strong Q4 from a rating perspective and it'll be interesting to see some of our bigger clients, what they buy. Now a lot of them do need to buy the insurance, they currently have, that's always worth remembering.

Q - Iain Pearce {BIO 19522835 <GO>}

Just following up on that if I can. Is there anything on the frequency side in the aviation book or maybe into marine book as well, but that's worth flagging that either you haven't recognized or recognized so far yet today?

A - Alex Maloney {BIO 16314494 <GO>}

Well, I think if you look at Q3 clearly there, there has been some frequency in both of those classes. We will never take one quarter as a trend. But going forward clearly, there's less planes flying. That's helpful. It doesn't mean, you can't still have losses. You can, but less activity usually brings less attrition. On marine portfolio, in all fairness other than our cruise account, everything in terms of demand has remained the same and activities remain broadly the same. So we wouldn't necessarily expect anything there.

Q - Iain Pearce {BIO 19522835 <GO>}

Thank you. Perfect. Thank you.

Operator

Thank you. Our next question comes from Oliver Troop from Autonomous. Please go ahead. Your line is now open.

Q - Oliver Troop {BIO 20944194 <GO>}

Hi, guys. Good afternoon, everyone. You mentioned some incremental retrenchment from competitors this quarter and I just wondered if you can give us some more color on that which lines (inaudible) in most? And then secondly just to be (inaudible) crystal clear. We shouldn't expect massive GWP growth in Q4 above RPI, because you're not planning on redeploying that capital you raised until 1/1. And then finally just quickly, only tax risk that you possibly see on the horizon (inaudible)? Thanks.

A - Paul Gregory {BIO 16314515 <GO>}

Hi, Oliver. So on the first point, the kind of classes where we have seen people retractable reduce appetite continues to be some of the specialty classes. We've seen in aviation, for example, some of our competitors call back on appetite, the same in certain sub-classes of marine or where you've seen a lot of that in the build-up to 2020. And again, in the property insurance market, which is a very big market, there are parts of that market historically been written locally in the U.S. that are now coming back to London because of changed appetite from larger carriers in the states that, that trend is still continuing. And then obviously, as we move closer to 1/1, it will be interesting to see people's appetite for writing retrocession business, which is an area that we feel will be dislocated at 1/1.

A - Natalie Kershaw {BIO 21394441 <GO>}

On the tax point, we're not really expecting anything, we haven't seen him mentioning Bermuda in particular, but we'll obviously, we'll keep an eye on it going forward.

A - Alex Maloney {BIO 16314494 <GO>}

And then (inaudible) you're correct on that obviously, the Q4 is not is not a heavy quarter for cat-exposed business, but obviously the 1st of January is.

Q - Oliver Troop {BIO 20944194 <GO>}

Great, very clear. Thanks so much.

Operator

Thank you. Our next question comes from Ming Zhu from Panmure Gordon. Please go ahead. Your line is now open.

Q - Ming Zhu {BIO 17001429 <GO>}

Hi. Good afternoon. And just two questions for me, please. First, you've talked about on some of your competitors and pulling back and this years and above nat cat losses and COVID impact, et cetera. So with this raise (inaudible) environment, how long do you think it will last? And my second question is, is there any update you could give since the last one table, because you talk about and you (inaudible) some of the new classes, have you got all the underwriting things you want? And I remember what the classes you mentioned were casualty which tend to have a longer tails. I mean would that impact your overall and duration of your -- the tail of your portfolio? Thank you.

A - Alex Maloney {BIO 16314494 <GO>}

Hi, Ming. I think on the first question, I mean that's the question everyone wants answered. My personal view is that this is the start of the sort of hardening market, obviously, as I said earlier, we saw real momentum build from Q2. I think 1/1 is going to be one of the hardest markets we've seen in years and I expect that to continue throughout '21, any further than that is very hard to predict, but my personal view is that, you can look at previous cycles and that will give you the answer to what will happen at this cycle. So I think, you're going to go into very good market for at least two years, pricing will be reset people will come up for business as you're seeing already. So people will reshape their portfolios, they will arguably clean up the sins [ph] of the soft market, so I think for a good couple of years we're into much, much better underwriting conditions.

A - Paul Gregory {BIO 16314515 <GO>}

On the underwriting thing side, I think that we are always talking to up to underwriters and underwriting teams that offer something that the group doesn't currently, that happens in all parts of the cycle. We tend to land more when the markets getting better, because it's obviously easier to make the metrics work. At the moment, we're currently having discussions with a number of underwriting teams. But as I say, we do that all the time. There are still products that we don't offer as a group and there's a market improves then there are other areas of the market that we could look to go into. If we feel we can make money out of them and if we feel we can get the right people that will fit our underwriting culture.

A - Natalie Kershaw {BIO 21394441 <GO>}

And then lastly on the casualty side. I think as Paul mentioned earlier, we'll be starting off with pretty low levels of exposure on casualty next year. So we wouldn't expect that to have any impact on duration of either our reserves or our investment portfolio at least in the first year of writing.

Q - Ming Zhu {BIO 17001429 <GO>}

Thank you.

Operator

Thank you. Our next question comes from Paris Hadjiantonis from Exane BNP Paribas. Please go ahead. Your line is now open.

Q - Paris Hadjiantonis {BIO 19703051 <GO>}

Yes. Hi, everyone from my side as well. I hope you're doing well. Couple of remaining questions. Firstly on the message about capital deployment going forward, I am not completely clear how exactly would you like us to essentially judge these capital deployment. Obviously, you have hard new teams, but at the same time, you're talking about material growth in lines of business that I assume are not very high premium driven or driven by the top line, rather they are just very capital intense. So from the outside going into 2021, would you tell us to essentially expect, mainly double-digit premium growth, but what really matters is what happens to your PMLs, because you are returning a lot more cluster period? So that's question number one. The second question is shown your Lloyd's platform. Given we are in the business planning process, any update on that front? What kind of capacity increases are you planning for your Lloyd's platform? Thank you.

A - Alex Maloney {BIO 16314494 <GO>}

Okay, Paris. So in general, we are looking to grow across every product line you are correct in that a lot of the product lines that we've gone into in the last couple of years are more non-cat focused. But if you remember, we've already got the cat teams at Lancashire. So the capital will be deployed to grow the catalog into a better market. As Paul said, we will retain more risk because that makes sense for us to do in a better market when we're getting paid more. And you will be able to see that with the growth in our PMLs, obviously, once we get past the 1st of January, we haven't deployed the capital to-date that we raised in June, but obviously that's a timing issue and Q3 is not a very busy quarter for us for capital deployment. But once we get to the 1st of January with the market that we see very favorable then you should see the change that comes from our PMLs.

A - Paul Gregory {BIO 16314515 <GO>}

And on Lloyd's, obviously, we have the -- syndicate 3010 and 2010, we're happy with the business plans, we've had approved by Lloyds given that 3010 is a predominantly non-cat specialty insurance syndicate [ph] we're able to achieve more growth there, but we were also able to get growth agreed with in 2010 syndicate which is predominant predominantly a catastrophe-exposed syndicate. So we've been able to get growth from both of those platforms and we're happy with what we've achieved.

Q - Paris Hadjiantonis {BIO 19703051 <GO>}

PG, when you say growth, I assume growth over and above price?

A - Paul Gregory {BIO 16314515 <GO>}

Correct.

A - Alex Maloney {BIO 16314494 <GO>}

Exactly. Yeah.

Operator

Thank you. Next question comes from Faizan Lakhani from HSBC. Please go ahead. Your line is now open.

Q - Faizan Lakhani {BIO 20034558 <GO>}

(inaudible) your guide is the attrition loss ratio is $0.37 to $0.38. Given that we are seeing good rates given that we are seeing the business mix shift towards potentially higher cat business. What does that do to your attrition loss ratio guidance going forward? And then question two, I appreciate the single risk losses that you store can be described as part of the business, the part of the work the stuff that you guys do. But is there a case that we're seeing an uptick in frequency of manmade losses? Or can we (inaudible) of that was pretty normal experience?

A - Alex Maloney {BIO 16314494 <GO>}

So on the losses, look, all these losses are completely businesses for us. As Paul said on call, so for us it would be anything we would measure any kind of trends, we've been through every individual loss, every losses in line with that expectation for such events. So there's no uptick there, these are standard losses. We have headquarters like this in the past. We've also headquarters in the past that where we've had very little loss experience. So I think it's just the nature of the specialty insurance world, we're not kind of a car insurer or anything like that. So, Apple [ph] can always be a bit lumpy and it's actually one of the reasons we moved away from quarterly reporting because we just know we can have quarters like this and we know we can have quarters that are very light on loss experience.

Q - Faizan Lakhani {BIO 20034558 <GO>}

Okay. Thank you.

A - Natalie Kershaw {BIO 21394441 <GO>}

Okay. On the attritional loss ratio, you're right about the RPI's that I would still keep the attritional loss ratios in the mid to high 30s for next year, there's a couple of reasons for that. One is on the new lines of business we're going to write, we will reserve prudently for those as we always do when we enter into new classes and also the new lines of businesses, we gone into recently, such as aviation deductible, tend to have relatively high additional loss ratios compared to the rest of the book. And then also especially given the second phase of lockdown due to COVID, we are expecting that, that will impact higher claims costs generally such as increased cost for parts and materials and higher loss adjustment costs going forward. So I think we would -- so advise keeping attritional loss ratios in the mid-30s for next year.

Q - Faizan Lakhani {BIO 20034558 <GO>}

But it seemed that two offsetting factors with COVID as well, you're going to see potentially lower frequency or lower account activity which might mean lower loss reserve, plus giving about your writing more cat as well. I assume that would outweigh the business you're writing new lines of business?

A - Alex Maloney {BIO 16314494 <GO>}

So I think your logic is right, but I think it's impossible to make those assumptions to be honest.

Q - Faizan Lakhani {BIO 20034558 <GO>}

Okay. Thank you.

Operator

Thank you. (Operator Instructions) And we have a follow-up question from Paris Hadjiantonis from Exane BNP Paribas. Please go ahead. Your line is now open. Paris, your line is now open. Go ahead.

Q - Paris Hadjiantonis {BIO 19703051 <GO>}

Yes. Sorry, I was on mute. So thanks for the opportunity to ask follow-up, just on LCM and traditionally have been writing a lot of retro business through Kinesis. So going into 2021 and since you're expecting a hard marketing in retro, can you give us an idea of what are the indications when it comes to LCM, what kind of conversations you're having with your investors on that platform and whether or not you as ultimate owners are willing to basically put more money into underwriting through LCM? Thank you.

A - Darren Redhead {BIO 17995744 <GO>}

Hi, there. This is Darren. Yes, I mean, we're in the middle of capital raising at the moment, we never really make any comment around how much AUM we've got, I mean, well, I can give you a bit more is that, existing investors are very supportive of where we are on the target returns, getting new investors is challenging, not impossible, but very challenging for the whole sector, so you can draw whatever conclusions you want from that.

A - Alex Maloney {BIO 16314494 <GO>}

I think a point to make as well is, we do a lot of retro through LCM as you know, and as Darren said, we feeling a reasonably good spot there, given the context of the market, but as retro rates improve then it's certainly something that we will be looking to underwrite through rated carrier, particularly the platform in Bermuda as well, as we move into 1/1, we have that, we have the ability to do that and I've done that many times in the past.

Q - Paris Hadjiantonis {BIO 19703051 <GO>}

So you -- I assume it means you rather do it direct rather than through LCM if prices are what you think they are?

A - Alex Maloney {BIO 16314494 <GO>}

The preference is we'll do both ultimately, it will be a client's decision as to what paper, what paper they want and we have the ability to offer them both.

A - Darren Redhead {BIO 17995744 <GO>}

Yes, and both entities so slightly different products as well. So it will be what the client chooses is the product they want.

Q - Paris Hadjiantonis {BIO 19703051 <GO>}

Okay. Thanks.

Operator

Thank you. Our next question comes from Ben Cohen from Investec. Please go ahead. Your line is now open.

Q - Ben Cohen {BIO 1541726 <GO>}

Hi there. Thanks very much. I just had two questions. Firstly on the nat cat losses in the third quarter, I just wondered, if you sort of have had any kind of -- for one of the better price kind of learnings from what you've seen in Q3, I suppose particularly around ongoing frequency of Californian wildfires whether there are just any parts of the market after numerous years of losses that it's not really worth participating in, is that something that you're weighing? And the second question is again back on LCM, anything to sort of flag up from the sort of H2 performance in terms of impact on the sort of fees that they're going to earn either this year or into next year from their loss performance? Thank you.

A - Alex Maloney {BIO 16314494 <GO>}

Yes, on your first point, Ben, again we've looked all the trends that we've got and I think everything that we've got is in line with what we would expect for such events. Clearly, there's been an increase in frequency in the type of small losses that have come through the system and clearly that demonstrates us something that we've said for a long time that proxy cat rates or cat expose business and needs to pay more money to be able to absorb these losses and that's for us and the wider industry. But we're still in the cat business. We still see -- we see greater opportunity in cat business for '21, so it would be a mistake to not see it as anything else, but equally, you can't ignore the frequency and that's why the underwriting opportunity has to be in groove [ph] for us and the industry.

A - Darren Redhead {BIO 17995744 <GO>}

Hi, Ben. It's Darren. On your second point regarding fees, I mean, as we said, we've no real comment on that, I mean, it's just, the year is still ongoing, so it's we can't really comment on that at least the quarter to go.

Q - Ben Cohen {BIO 1541726 <GO>}

Okay. Thank you very much.

Operator

Thank you. (Operator Instructions) Okay. As it appear to be no further question. I return the conference to speakers for any closing remarks.

A - Alex Maloney {BIO 16314494 <GO>}

Okay. Thank you, everyone, and thank you for your questions.

Operator

Thank you. This now concludes our presentation. Thank you for attending. You may now disconnect your lines.