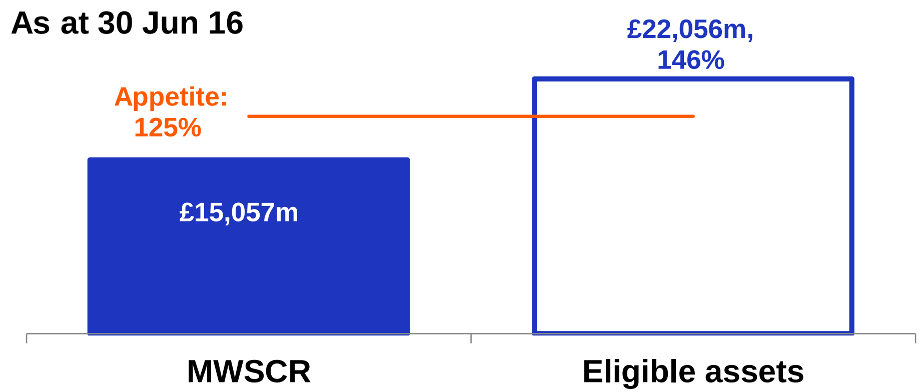
LLOYD'S

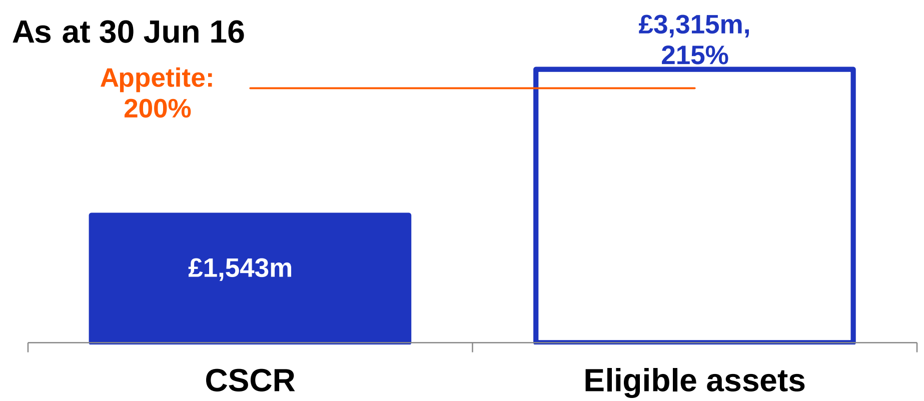
Solvency coverage ratios are at appetite levels

Eligible assets versus Solvency Capital Requirements (SCR)

Market wide solvency coverage [1]



Central solvency coverage [2]



Solvency coverage risk appetites

- **Market Wide SCR:** The Society aims to hold capital sufficient to provide financial security to policyholders and capital efficiency to investors (or members). Members are required to put up funds to meet their Economic Capital Assessment (ECA), which is set as their SCR (on an ultimate view of risk) plus an uplift of 35%. Lloyd's does not require excess capital to be held above this level and considers that the risk appetite of 125% of SCR gives an appropriate buffer following diversification benefits. In the event that the capital put up by a member falls below their ECA through losses incurred or an increase in their risk profile, additional funds must be deposited. If members do not recapitalise, their authority to continue to trade is restricted to the level of their available capital or ultimately fully withdrawn and they cease trading. Such action would then reduce their risk and the aggregate MWSCR. There is over £2bn of additional liquid capital (Letters of Credit used for Funds at Lloyd's) that cannot be recognised due to Tier 2 restrictions.
- **Central SCR:** All policies written at Lloyd's are supported by central assets, which underpin the financial strength ratings of the Lloyd's market and our international licence network. Accordingly, the risk appetite for 200% Central SCR coverage reflects the prudent approach to maintaining adequate central assets to meet a 1-in-200 year event and be in position to continue to write new business, following such an event.
- No credit has been taken in the model when calculating the **MWSCR** or **Central SCR** for members recapitalising.

Note:1) MWSCR: Market Wide SCR, calculated to cover all of the risks of 'the association of underwriters known as Lloyd's; 2) CSCR: Central SCR, calculated in respect only of the risks facing the Society and the Central Fund

Source: Lloyd's Internal Model