

LLOYD'S

Lloyd's Market Message



Today's session

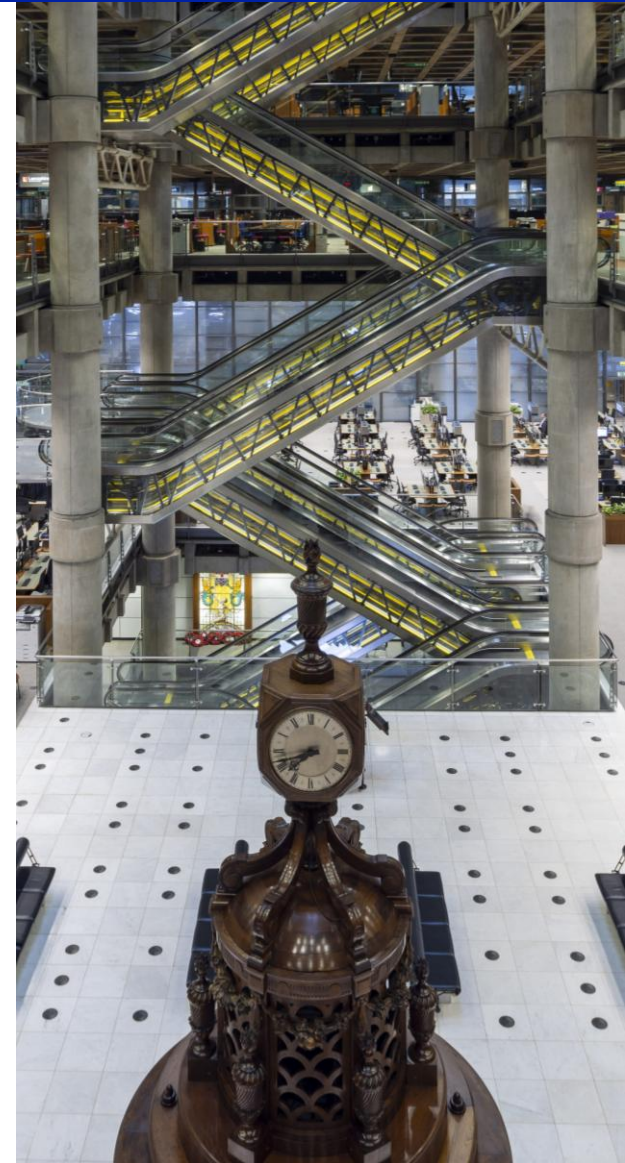
Plan expectations for 2027

Class highlights

Capital expectations for 2027

Risk based oversight in Planning

Middle East exposures

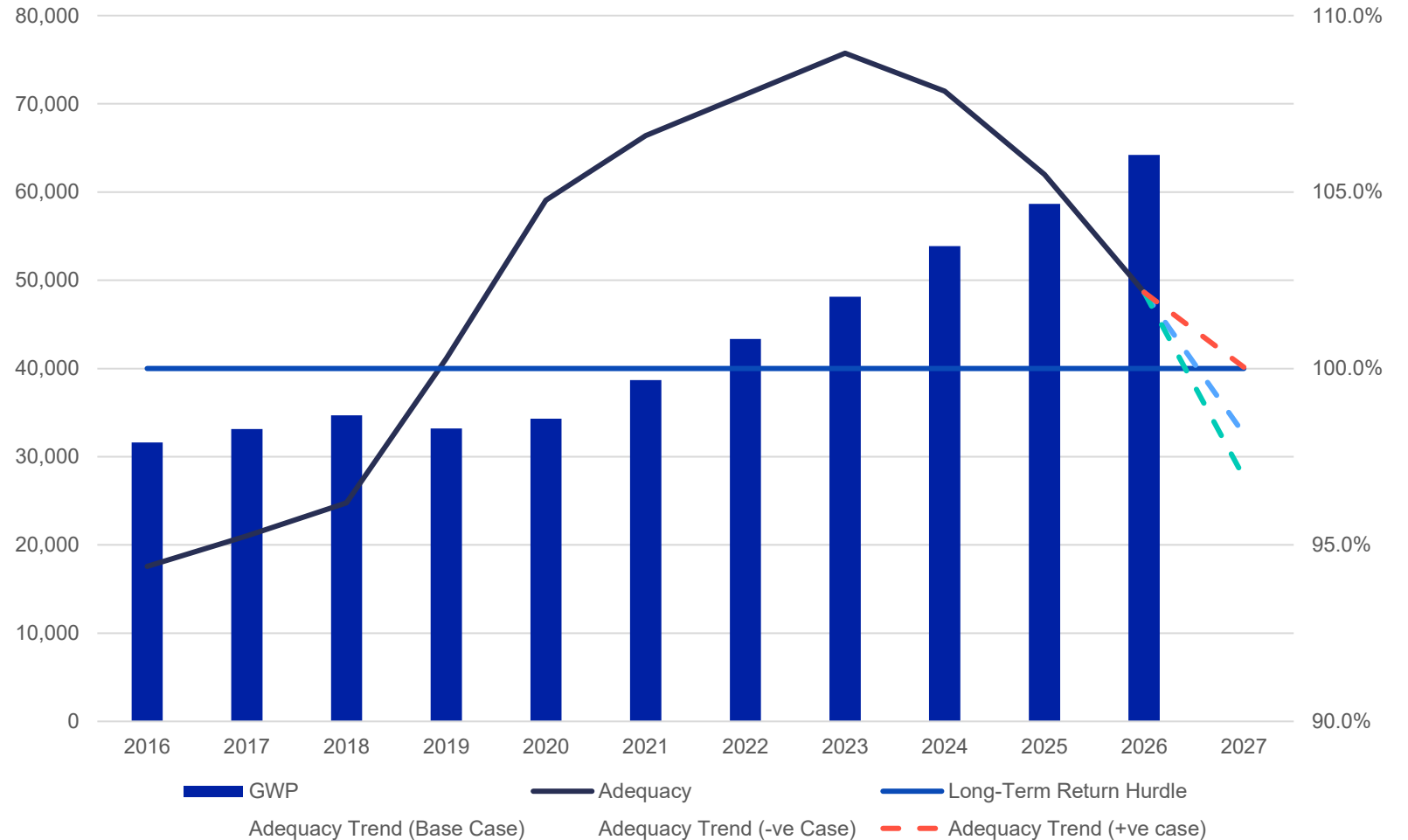


Rate adequacy is declining at market level

Rate isn't the issue; pace of decline is

Adequacy for 2027 is coming under threat

Plans should reflect current conditions



Four things to focus on in a softening market

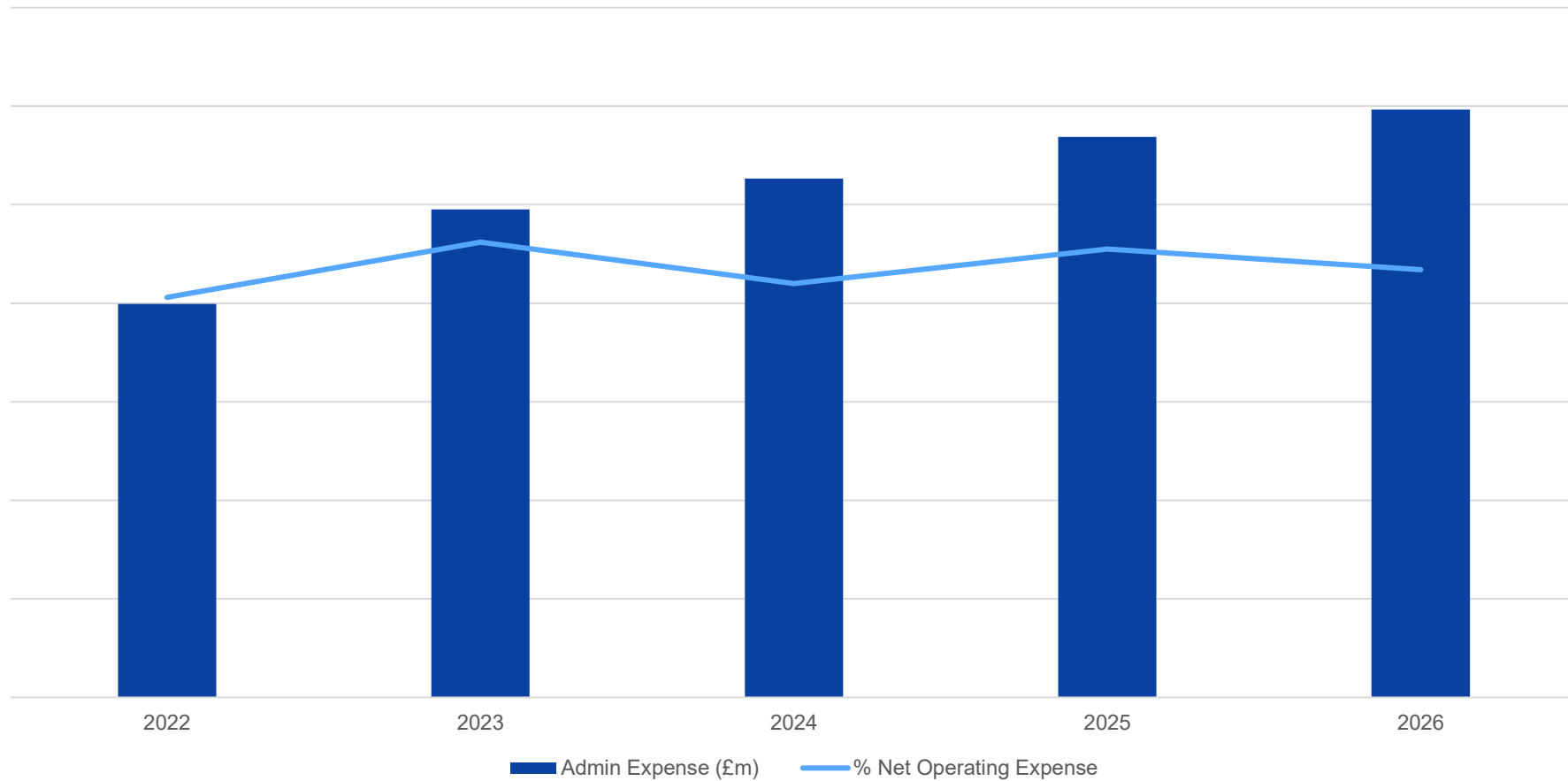
Margin

Expenses

Cycle management

Profitable growth

Expense discipline matters more as margin tightens



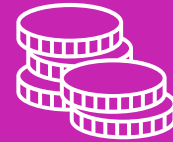
Strategy enables profitable growth



**Innovation at
scale**



**Client led
solutions**



**Capital
advantage**



**Cost and
efficiency**

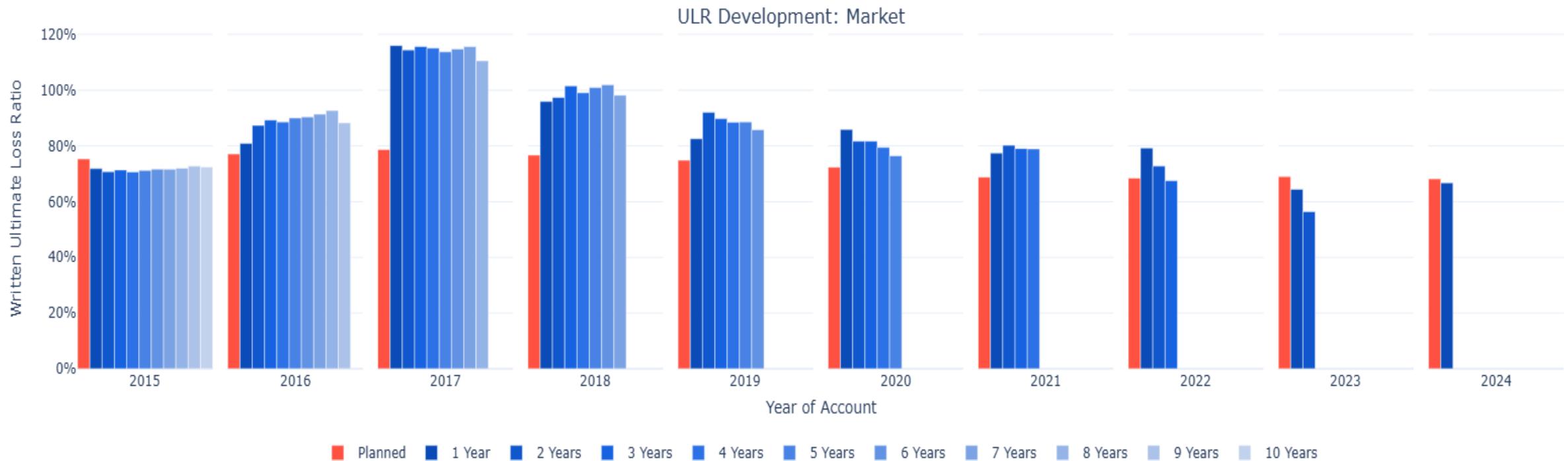
Adequacy by class isn't pretty

Class of Business	Adequacy Assessment	Direction
Whole Account	Marginal	Rapid Weakening
Accident & Health	Marginal	Stable
Aviation	Marginal	Stable
Casualty FinPro	Marginal	Weakening
Cyber	Marginal	Rapid Weakening
Casualty Other	Marginal	Stable
Casualty Treaty	Marginal	Weakening
Energy	Marginal	Rapid Weakening
Marine	Marginal	Weakening
Property D&F	Marginal	Rapid Weakening
Property Treaty	Strong	Rapid Weakening
Specialty Other	Strong	Weakening

Capital Expectations for 2027

Mirjam Spies, Interim Chief Actuary

Plans have historically under-called the cycle



* ULRs here are gross of reinsurance and net of acquisition costs

Model loss ratios for 2027

Inconsistent planning philosophies across the market

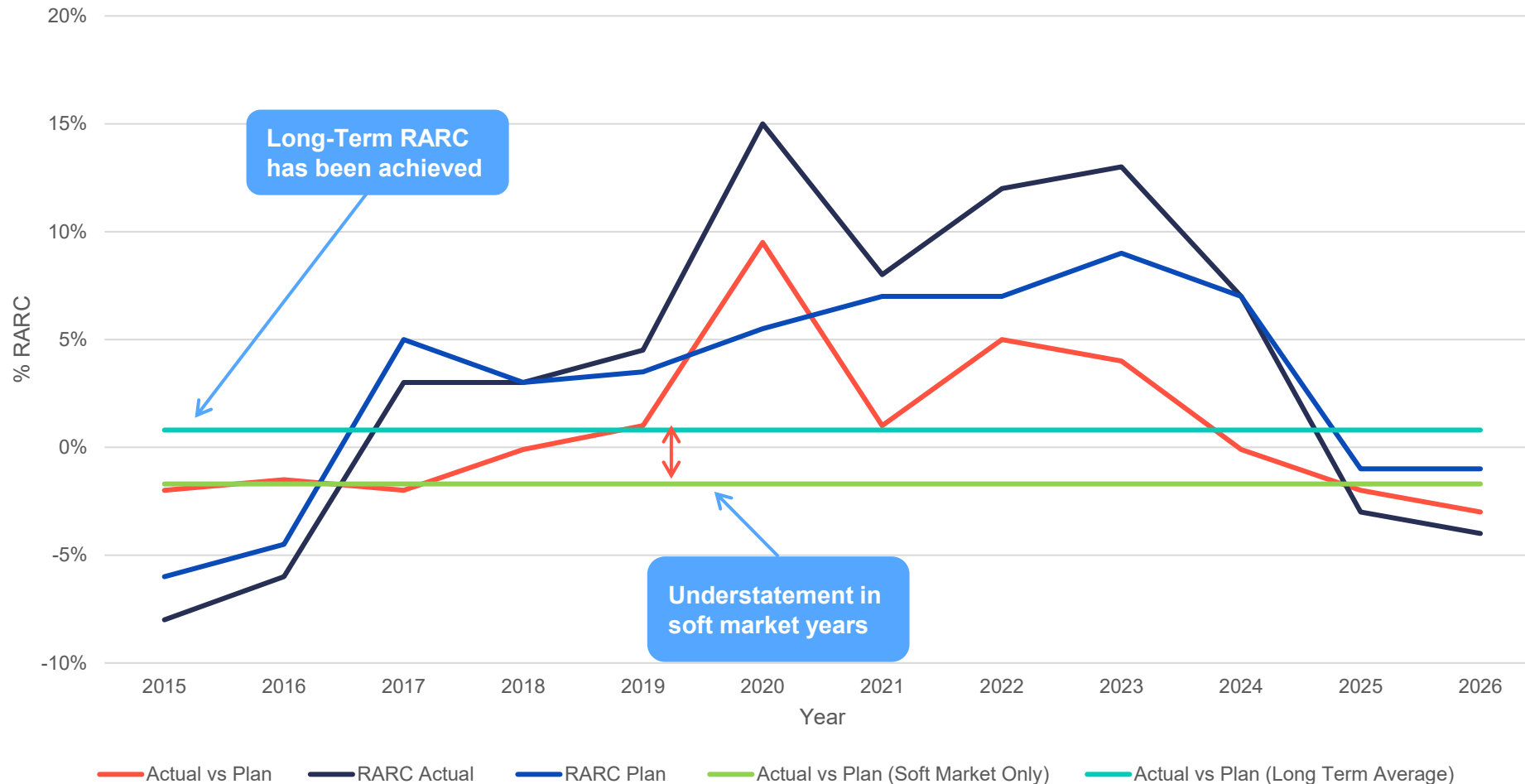
Loss ratio setting starts from actuarial best estimate

Adjustments transparent, well-evidenced and coherent across planning and capital

Model loss ratios – only remediation which has proven effective

Model loss ratios – RARC/new business adjustments appropriate for softening cycle

RARC – actual vs. plan through the cycle



Expectation is explicit adjustment to the loss ratios for softening market conditions

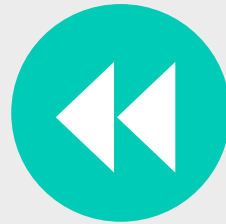
* Hypothetical and not actual Lloyd's data in this chart

Geopolitical and macroeconomic risks in capital



Second Order Effects

Will impact your planning and capital assumptions



Backward looking

Reserve Risk around current conflict



Forward looking

Appropriateness of geopolitical scenarios

Capital setting with Partial Internal Models

What?

- Lloyd's will **offer the ability to use a Partial Internal Model** (PIM) for business use
- A PIM is an **Internal Model** that replaces one or more components with a **simplified methodology**, subject to defined guardrails

Why?

- More **proportionality and flexibility** of approach
- **Align** Lloyd's rules with **Solvency UK** framework
- No desire to reduce standards or use of models within risk frameworks
- No appetite to weaken capital strength

How?

- Pilot exercise being run during 2026
- **Wider implementation in 2027**

Who?

- PIM to be open to **all Syndicates**
- Subject to guardrails:
 - Only market, credit, operational risk are in scope
 - They cannot be too material to overall capital
 - Overall Capital cannot reduce by moving to a PIM

Oversight will be targeted and proportionate

Risk based oversight

Outperforming remains unchanged

Cycle management capabilities are key

Hold us to account

Middle East

The market continues to function as expected

Contingent capacity is welcomed to give strategic optionality

We do not see the need to request a Major Loss return at this time

Expectation for 2027 is not growth at any cost

How you are managing a shrinking core

How adequacy is being maintained as conditions soften

How expenses are being managed over the near and medium term

Where growth is coming from, and why it's sustainably profitable

How your loss ratio assumptions are supported

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