Market Oversight Plan

2026

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Foreword

I am pleased to share the Market Oversight Plan for 2026 which sets out Lloyd's priorities and planned areas of focus for the coming year.

The 2026 Market Oversight Plan has been prepared at a pivotal time.

Our Principles-Based Oversight Regime (PBO) has been in operation for three full years, and it is now well embedded. Our commitment remains to deliver risk-based, joined-up, impactful and proportionate oversight that protects the Lloyd's Market's performance, balance sheet, capital strength, access to insurance markets and our brand and reputation. PBO is designed to be agile and enabling, able to respond to changing market conditions and an ever-evolving risk-landscape without becoming burdensome or layered with complexity.

During 2026 we will remain focussed on delivering oversight where it is impactful and protects our marketplace, but we will also take stock to ensure that we are only conducting oversight activity which contributes to this objective.

Against this backdrop, the 2026 Market Oversight Plan is focussed on two things:

- Sustainable market performance; and

- The enhancements that we need to make to the way that we deliver our oversight for the benefit and ongoing protection of the Lloyd's Market.

Managing the market's performance through the cycle remains our number one priority.

During 2026 we will remain laser focused on oversight of underwriting discipline in a softening market, with differentiated oversight based on syndicate materiality and performance. It should be of no surprise that this will include a continued focus on oversight of delegated business which, if not well managed, can exacerbate the effects of a softening market. Looking to the external environment, we continue to see increased geopolitical and macroeconomic uncertainty. This poses risks to overall profitability, capital appropriateness, investment returns and compliance with changing sanctions regimes.

Efficient delivery of oversight is fundamental. Reflecting the confidence we have built through PBO, we have reached an agreement with the PRA under which they have confirmed that from 2026 onwards they intend to leverage Lloyd's oversight activity where possible. This is a significant step forward in our objective of reducing areas of duplication with the PRA, and it evidences our shared commitment to conduct our respective roles in a way that is more aligned, more efficient, and more enabling of the competitiveness of our marketplace.

We also continue to appreciate and respond to your feedback, whether shared directly or via the LMA. Throughout 2026 we will work to ensure that Lloyd’s oversight teams continue to deliver oversight and engage with managing agents openly and transparently, with clear and consistent signposting of potential changes to a syndicate category, which we will describe as being on either a positive or negative “outlook”, alongside more transparency around the key milestones and deliverables expected to be achieved to address areas which do not “meet expectations” under PBO.

Whilst now is not the time to be adding complexity or making fundamental changes to PBO it must continue to evolve. We are committed to being open and transparent in that evolution, and to making any planned changes to the framework to a timescale and glide path that the market can work with. As PBO continues to evolve there will be elements of the framework which require refinement. Absent truly exceptional circumstances changes to a PBO Principle, sub-principle or reporting requirements will be explained within the Market Oversight Plan and come into effect at the end of January a year later, providing thirteen months’ notice of these material changes. We will also continue to work closely with the LMA on changes to the framework. Please note that we have not made any changes during 2025 to the wording of any of the Principles, their sub-principles or the guidance within the Maturity Matrix.

The 2026 Market Oversight Plan, in conjunction with the individual Market Oversight Letters issued for each managing agent at year end should provide Boards with a clear line of sight of relevant oversight activity for 2026. To be clear however, whilst the specialty insurance market is cyclical it is not predictable and there may be circumstances which necessitate additional areas of thematic/cross market focus during the year. We would intend however for this to be the exception rather than the rule.

Caroline Sandeman-Allen, Chief of Market Oversight, Lloyd’s

Lloyd's Oversight Priorities for 2026

1. Sustainable Market Performance

Sustainably profitable performance is critical to the ongoing success of the Lloyd's market and so remains a priority for oversight. Underwriting discipline is a must as market conditions change. Lloyd's expects proactive portfolio management to be clearly evident, with robust internal consideration of opportunities alongside appropriate action to deal with areas which are poorer performing or likely to be in the near future. Lloyd's oversight will be looking for this, challenge syndicates on it and take action should we not see you doing it well yourselves. The need for investment in infrastructure and technology is recognised in order to be up to the challenges of the coming years. Expense management is increasingly important, and our oversight will reflect that. For 2026, Lloyd's will use ongoing engagement to oversee syndicates' pricing approaches. There should be a recognition of the interdependency of GWP, RARC, rate adequacy and GULR and an honest assessment of the impact changes in one has on the others with suitable action taken.

Additionally, loss ratio assumptions drive the allowance for profit in capital and Lloyd's will continue to maintain focus on this to ensure that there is no undue optimism impacting capital appropriateness and uncertainty is appropriately considered.

The Syndicate Business Forecast is intended to be a syndicate's best estimate at a point in time. Should there be material changes to the syndicate's strategy or underlying assumptions these are submitted to Syndicate Performance and a change to the plan may be approved. Note that simply 'missing plan' through not managing to write the business is not an acceptable reason to amend the plan and should be reflected in a gap between plan and forecast (QMB).

Lloyd's operates a Continuous Performance Oversight approach. Core oversight for all syndicates will include Lloyd's challenging syndicates in light of market conditions, plans and actual writings throughout the year. Targeted oversight will be enacted to look at syndicates and classes where this is expected to be particularly relevant. For example, we intend to speak to the major property cat writers in December 2025 and January 2026.

Differentiated oversight

PBO is a risk-based regime. PBO syndicate categories, from Unacceptable to Outperforming are based on an assessment against each of the 13 Principles and provide a structured approach to determining the level of oversight to be undertaken. The interventions to be applied to remediate concerns where syndicates are not rated as Meets Expectations are well established across the 13 Principles.

As market conditions change it is essential that an appropriately differentiated approach to oversight is undertaken for PBO to deliver its overarching objective of protecting the market's performance, balance sheet, capital strength, access to insurance markets and our brand and reputation. In 2025 we introduced the concept of Tier 1 managing agents to identify those managing agents with the potential to materially impact Lloyd's financial and non-financial risk profile (including reputational risk) due to their scale, underlying risk profile, strategic ambitions or nature. A Tier 1 categorisation for a managing agent does not lead to more oversight, as through the PBO regime our oversight approach across the 13 Principles is already differentiated by materiality. During 2026 we will continue to embed the approach to enable us to build a deeper understanding of these managing agents.

During 2026 we will be clarifying the benefits to be associated with Good and Outperforming syndicate categories.

Currently, to be eligible to be considered for Outperforming syndicates must (i) be rated as Meets Expectations across all 13 Principles and; (ii) meet a performance metric. Outperforming is the only syndicate category for which a separate performance metric is considered in this way. The current metric, which is based on a three-year view of profitability does not sufficiently account for the length of the market cycle and so may not reliably identify cross-cycle outperformance; it is less able to account for periods of particularly high or low catastrophe activity; and can be sensitive to volatility introduced by major loss events impacting NCRs in single years of account.

From 31 January 2027 an updated performance metric will apply which will take a longer-term view and therefore better identify those syndicates which can evidence sustainable cross-cycle performance. In Q4 2025, we are consulting with the LMA on the proposed changes and will engage directly with impacted syndicates in Q1 2026 ahead of the full implementation of this change.

Delegated Authorities

Delegated business (i.e. any business written under any contract of delegation (excluding DCAs)) accounts for circa 45% of the market's GWP, making it a key driver of performance. Growth is increasingly driven by cross-class 'portfolio solutions', including index-seeking broker facilities. These offer scale and efficiency but introduce additional oversight considerations. As this segment continues to structurally shape the market, we will stay closely engaged with managing agents seeking to build the required capabilities and ask for proactive engagement as strategies evolve.

Performance deterioration of delegated business tends to be less visible and harder to remediate, meaning issues can compound before corrective action is taken. This highlights the need for strong controls and active portfolio management to ensure resilience across cycles. Timely access to risk, premium and claims data is critical. Ensuring data adequacy will be a core focus of our oversight.

January 2026 will see the implementation of a more defined delegated oversight approach which we have been building our teams towards. Each managing agent will be assigned a dedicated DA Oversight Manager who, through structured engagement and select delegated lifecycle reviews, will build a holistic view of the firm's ability to write and manage delegated business. These changes do not alter existing PBO Principles or sub-principles; they aim to embed them more deeply, supporting our continued shift away from rules-based delegated requirements.

In December 2025 the Legal Department launched a consolidated rulebook of all Lloyd's Requirements on Lloyds.com. The Lloyd's Requirements include byelaws, requirements made under powers conferred in byelaws and other instruments made under byelaws, the PBO Principles and also the Membership and Underwriting Conditions and Requirements (M&URs). The Legal Department is proposing that there will be a review of Lloyd's byelaws in 2026 as a second phase of this project - this next phase will include a review of the Intermediaries Byelaw (and the Requirements made under the Intermediaries Byelaw).

2. Enhancements to delivery of oversight

Lloyd's & PRA Co-ordination

The Co-Operation Agreement between Lloyd's and the PRA sets out high-level principles of how we work together and share information. For the first time, we are now establishing an additional framework to agree practical co-operation on a more granular, rolling basis. A key tenet of this approach is that the PRA has confirmed that it intends to leverage Lloyd's oversight of managing agents where possible.

In practice, this will mean co-ordinated supervisory strategies and workplans in response to crystallised risks, a streamlined, more efficient authorisation process for new managing agents, and closer coordination between

Lloyd's Market Oversight Plans and PRA priorities. This is a real and significant shift in how oversight will be delivered from 2026 onwards.

The DyGIST exercise is intended to be run across the UK insurance industry from May 2026. In accordance with this new co-ordinated approach, Lloyd's is working closely with the PRA to ensure the DyGIST provides an effective assessment of event response preparedness. Lloyd's will consider maturity and materiality of syndicates in determining a proportionate approach for this exercise. This will be confirmed before the end of 2025, and any syndicates that are out of scope will be informed directly. Syndicates that do not suffer a material loss from the DyGIST scenarios will not be required to complete additional qualitative reporting.

In addition, Lloyd's has been engaging with the market and the PRA to expand the capital setting options in order to remove the requirement for all syndicates to develop a full internal model and making partial internal models an option. This will move Lloyd's closer to other regulatory regimes and further in line with the proportionality principles, as well as significantly simplifying the requirements. After successful consultations with the PRA in 2025, Lloyd's will start a pilot program in 2026 with interested managing agents to develop how this would be implemented in practice, including determining appropriate guardrails and requirements needed to mitigate the risk of syndicates being undercapitalised as a result of their chosen capital setting method.

Areas being explored for further enhancement between Lloyd's and the PRA include SMCR appointments in the Lloyd's market where we are looking at opportunities for greater alignment between PRA, FCA and Lloyd's processes, as well as thematic reviews and data requests.

Risk-based oversight

We continually strive to ensure that we are achieving this objective in all areas, and we will continue to refine our approach over time.

Expected Maturity against individual PBO Principles is set by reference to materiality metrics. The more material a syndicate is to a particular Principle, the more sophisticated we expect the syndicate's capabilities to be to meet that Principle. During 2025 we refined the materiality metrics for Principle 2a., Natural Catastrophe, and Principle 3, Outwards Reinsurance, to ensure that they are more risk-based and transparent. During 2026 we will review and update the materiality metrics for Principle 2b, Non-Natural Catastrophe, Principle 6, Reserving and Principle 7, Capital. Further details are set out in Annex 1.

In the 2025 Market Oversight Plan we identified the intention to conduct a detailed review of Principle 11, Regulatory and Financial Crime, with a view to better articulating the risk being managed and adapting the oversight approach for future years accordingly. This review will continue into 2026 and will require extensive internal and market engagement. Implementation of any changes to the Principle or sub-principles will not be before 2028.

During 2026 we will also:

- Transition to a more risk-based approach for Principle 8, Investments. For the first three years of PBO we conducted a standardised review of all managing agents on a triennial cycle. All managing agents have now been reviewed on this basis. Moving to a more risk-based approach will mean that the level of oversight undertaken for each managing agent is determined by materiality and performance, rather than a standard approach applied to all. The more material managing agents have been contacted to explain the approach which will also be set out in their Market Oversight Letters. For the remainder of managing agents, oversight will be determined based on investment performance.
- Review our approach to Catastrophe Exposure oversight (Principle 2) to ensure that it is appropriately risk-based and principles-based. We do not anticipate that this will require changes to existing PBO Principles or sub-principles. If any such changes are required, implementation will not be before 2028.

- Introduce cyber resilience metrics for Principle 12, Operational Resilience, to replace the previous cyber survey. These have been developed in collaboration with the LMA CISO community and designed to enable Lloyd's to have greater clarity over cyber resilience across the market. We will ask managing agents to provide information on these metrics for the first time by June 2026 and intend to collect the data on a 6-monthly basis thereafter. We will share further details early in Q1.
- Introduce PBO categories for new syndicates after their first year of trading (rather than after their third year as is currently the case) to increase transparency and ensure that oversight is appropriately differentiated from an earlier point in a syndicate’s lifecycle.

PBO Reporting - Attestations

In 2025, to provide sufficient time for enhanced guidance on outcomes-based reporting to be absorbed and thereby improve the quality of Principles Board Attestations across the market, managing agents were offered the opportunity to submit their Attestation at any time during the year. We were pleased to observe improvements to the quality of Attestations submitted during 2025 and expect this trend to continue. The spread of Attestation submissions across the year did however mean that review and feedback on those Attestations was also spread across the year.

From 2027 Attestations need to be submitted either on or before 31 March; or on or before 30 June. Managing agents should confirm to the Oversight Framework team (oversight.framework@lloyds.com) their selected submission date by the end of January each year.

For 2026, Lloyd’s would be grateful if managing agents could make best endeavours to submit Attestations in March and June, but where this is not possible, we will accept a roll forward of the submission date that you chose for 2025. Again, we ask that you confirm your selected submission date for 2026 to oversight.framework@lloyds.com by the end of January.

Annex 1

Framework Enhancements and Areas of Focus by PBO Principle

Principle	2026 Areas of Focus	Planned Framework Changes and Timeline
01. Underwriting Profitability	Risk-based class underwriting oversight with triaging based on class materiality, focus/volatile classes, capability/performance concerns. Credit – New risk codes have been introduced for the 2026 Year of Account to allow for better segmentation of the market. This, in turn allows for a more targeted credit risk return to support Lloyd's understanding of the market portfolio by product type, territory and industry. In addition, Lloyd's will introduce updated RDS (the first collection at 1 July 2026) to ensure our view of aggregation remains fit for purpose. For larger syndicates and those writing the more complex products, we will ensure our assessment of syndicate capability is appropriate through a targeted class of business review and assessment (COBRA) (encompassing underwriting, pricing, exposure management and capital modelling as well as management of asset-side correlations).	
01a. Underwriting Profitability *(Legacy Reinsurance) (RITC syndicate only)*	Application of new legacy review process for all legacy transactions will continue. Further details on this can be found on Lloyds.com (https://www.lloyds.com/market-resources/legacy-reinsurance).	
02. Catastrophe Exposure	Continuation of the Cyber RDS Refresh work started in 2025, to deliver an updated suite of scenarios which better capture the current risk profile and landscape, with a view to replacing the existing scenarios. The new RDS's will be collected in addition to the existing scenarios as part of 2 data collections in 2026. Lloyd's Exposure Management will undertake a review of syndicate EM reporting requirements including the wider RDS framework with a view to implement changes in 2027.	**02a. Natural Catastrophe Exposure** **Type of change**: Revision to guidance Proposed review (with market engagement) during 2026 of the guidance within the Maturity Matrix to better reflect the current market practices. Any changes would apply from 2027. **02b. Non-Natural Catastrophe Exposure** **Type of change:** Revision to materiality metrics To move from using a premium to risk-based approach, which is more aligned to the revised Natural Catastrophe metrics, making the calculations more transparent to enable the market to calculate their expected maturity independently. Lloyd's will provide additional clarity on the transition plan to the new expected maturities in Q1 2026.

03. Outwards Reinsurance	Lloyd's has now adopted a new approach to reviewing proposals from both new entrants and existing syndicates with high outwards reinsurance leverage components. This approach is principles-based and seeks to weigh strategic alignment and broader benefits against the risk considerations and mitigation options available to ensure are standards are applied proportionately and appropriately. Please reach out to your Outwards Reinsurance Manager if you would like to discuss the implications of this further. Other reinsurance initiatives in 2026 to highlight include: • Plan to issue Best Practice Guidance on the use of Shared Reinsurance to the market following the 2025 review • Engagement with the market to develop a reinsurance failure test as a new control over non-recovery risk, particularly where there is high reinsurance leverage or concentration.	
04. Claims Management	Continued focus on delegated claims handling services to ensure robust oversight frameworks are in place and ongoing monitoring of performance in line with expectations. Increased and structured engagement to embed the new Claims Management Principle and sub-principles, as well as Claims Management as a hurdle principle.	
05. Customer Outcomes	During 2026 we will follow up on the market's implementation of Consumer Duty following Lloyd's 2024/2025 reviews, its Consumer Duty Report (June 2025) and the FCA's ongoing review of its expectations in relation to Consumer Duty.	
06. Reserving	Follow-up on the capital climate thematic review with syndicates on quantifying climate litigation exposure. Major Event Reserve Monitoring via QMA returns with further engagement on Ukraine/Russia expected over 2026.	**Type of change:** Revision to materiality metrics Following the implementation of the RRA return to replace the TPD return, the materiality metrics will be reviewed in 2026 to ensure the revised data remains appropriate against the existing thresholds. Any changes would not come into force before 2027.
07. Capital	Given the changing market conditions, oversight will focus on appropriateness of underwriting profit assumptions, and the prospective year modelled loss ratio within the capital model. Solvency UK implementation: the capital major model change guidance was updated in 2025 to adapt Lloyd's processes and align them to Solvency UK. Syndicates were given a transition period to adjust their own	**Type of change:** Revision to materiality metrics Lloyd's will review the materiality metrics and thresholds for the Capital Principle to ensure their ongoing suitability. Any changes would not come into force before 2027.

	internal model change policies. If a major model change is required, this needs to be submitted to Lloyd's by September 2025. Other areas of focus: • Ongoing oversight of geopolitical risk • Issuance of updated guidance following the 2025 climate thematic review • Review of Solvency UK compliant model change policies • Pilot on Partial Internal Models.	
08. Investments	Continued quantitative reviews of managing agents, bringing Investment oversight in line with PBO approach. Moving to risk-based reviews with greater outcomes-focus monitoring investment performance and active portfolio management.	**Type of change:** review of sub-principle During 2026 Lloyd's will review expectations under the Investments sub-principle to "develop and embed a Responsible Investment Policy" to ensure closer alignment with Lloyd's broader business strategy. Implementation of any changes to Principle or sub-principles will not be before 2028.
09. Liquidity	Following the move in 2023 to a triennial cycle for the Lloyd's Defined Liquidity Stress Test, the next market-wide submission will be required in 2026. In response to market feedback, the timing of the stress test will shift to late September or early October to better reflect prevailing market conditions. Additionally, the stress test template has been refined to align more closely with the data and processes already used by syndicates. While a small number of Lloyd's-specific inputs remain to support market-wide aggregation and analysis, the overall structure has been simplified. Final dates and updated instructions will be issued in due course.	**Type of change:** oversight approach During 2026 Lloyd's will review the approach to Liquidity oversight, to ensure that it is appropriately principles-based, and to ensure that it follows a considered and targeted thematic approach and that our future oversight is aligned with the objectives of the market. Implementation of any changes to Principle or sub-principles will not be before 2028.
10. Governance, Risk Management and Reporting	Lloyd's will continue to embed and enhance its BAU oversight approach. Core oversight in 2026 will include a focus on expectations set out in Supervisory Statement SS4/25 (finalised by Policy Statement PS25/25). In addition, we will develop our approach to the oversight of managing agency governance segmented by ownership structure and provide updated ORSA guidance.	
11. Regulatory and Financial Crime	Lloyd's intends to undertake an information gathering exercise in Q1 2026 to understand how managing agents with an expected maturity of Advanced gain assurance that their batch screening tool is operating effectively. This will focus on when internal or external assurance testing on batch sanctions screening tools was last conducted, the approaches to such testing and the outcomes observed.	**Type of change:** Review of Principle & sub-principles Detailed review, with market engagement with a view to better articulating the risk being managed. Implementation of any changes to the Principle or sub-principles will not be before 2028.

12. Operational Resilience	2026 areas of focus will include cyber resilience, including the use of a metric-based oversight approach, scenario testing sophistication, third-party resilience, and implementation of prior feedback, with Advanced managing agents subject to more frequent and tailored engagement. For sub-principle 3, we will use outcomes-driven, data-based cyber oversight with defined metrics and regular CISO engagement from 2026.	**Type of change:** oversight approach Introduction of cyber resilience metrics, to replace the previous cyber survey. These have been developed in collaboration with the LMA CISO community and designed to enable Lloyd's to have greater clarity over cyber resilience across the market. We will ask managing agents to provide information on these metrics for the first time by June 2026 and intend to collect the data on a 6-monthly basis thereafter. We will share further details early in Q1.
13. Culture	Lloyd’s will complete the transition to new maturity levels for Culture, with Culture Dimension Ratings impacting Syndicate Categories as a hurdle Principle from June 2026.	