Lloyd's 2026 March Re-assessment Guidance

Any changes since prior year are highlighted in red text.

Following year-end, all syndicates are required to re-assess their capital based on actual positions at year-end. Managing agents should update the model to include the actual technical provisions within the unaudited QSRs and make allowance for any changes in business plans, risk profile and rates of exchange. If ASRs are not available at the time of March re-assessment, managing agents should make reasonable efforts to use the latest view of technical provisions at the point of running the model.

In a similar vein, managing agents should not use the latest approved SBF if there is a more recent version of the business plan that is being used internally at the syndicate. This is also the case for re-forecasting, for example, any changes to rate assumptions. It is these more up-to-date versions that should be used for the March re-assessment and, generally, for ongoing monitoring of capital. We highlight that the self-uplift in the modelled loss ratio (over and above the plan loss ratio) should be, at a minimum, maintained at the same level as in the LCR approved in September/October.

Lloyd's requires all syndicates to re-run their models to assess the movement and submit the movement in capital requirement in the March re-assessment template, which is available on Lloyds.com. Year-end exchange rates are available in Market Bulletin Y5477.

The modelled impact of the RICB is expected to be the same as reported in the Q4 QSR where a March resubmission is made. In line with the prior year, the modelled impact of the risk margin in a re-submission is expected to be consistent with that reported in the Q4 QSR, including that a 4% cost of capital should be used for all risk margin calculations. Where there are material differences between the Q4 QSR and ASR, Lloyd's will centrally adjust these to match the audited ASRs when they are available. If the syndicate is close to the 10% threshold for resubmission and aligning the modelled TPs with the carried TPs (i.e. the TPs reported in the ASR) would exceed the threshold then the syndicate may be asked to make a resubmission or be loaded. Differences between carried and modelled TPs should be explained and addressed appropriately within capital submissions, with model developments planned to resolve them if appropriate.

Consistent with recent years, Lloyd's will not adjust capital through the QCT process to align the risk margin in the ECA calculation with that included in the Technical Provisions. As such, the change in risk margin should contribute the uSCR 10% movement analysis when assessing if any LCR resubmissions are required. The March re-assessment template allows for this change. If the March Reassessment template indicates a 10% (or greater) absolute movement in uSCR, prior to any adjustment for latest foreign exchange and RICB movement (which will be centrally adjusted by Lloyd's as part of the QCT process), then a full capital submission is usually required in March. As a reminder, there may be specific circumstances in which Lloyd's will collect capital even when the 10% threshold has not been breached. In such cases, Lloyd's will contact you directly.

In light of current market conditions and the evolving geopolitical landscape, additional information is being collected within the reassessment template this year. In particular:

- We are collecting information on the change in RARC at overall syndicate level and its impact on net modelled loss ratios and capital, in isolation. Given changing market conditions, we are requesting this information to help understand better the impacts of the softening rate environment on underwriting profitability and any capital implications.
- The request for the isolated impact of RARC on loss ratio is to understand the impact in the absence of any offsetting factors. We are requesting the change to 2025 YOA given the view is likely to have changed from business plan submission, as well as reforecast for the 2026 YOA full year given information gained in the last few months including from 1/1 renewals. Recognising that the impact of 1/1 rate change will not provide the full picture, we request you provide any change in rate assumptions for new business, and that this should be included in the net modelled loss ratio and uSCR in Table 4.
- Table 4 of March SCR collects information on:
  - The 2026 YOA (and 2025 YOA) net Risk-Adjusted Rate Change (RARC) at overall syndicate level for both the latest approved capital submission and the updated re-forecasted position following 1 January renewals. This should be consistent with SBF form 184 totals.
  - The modelled loss ratio associated with each of these positions. The updated modelled loss ratio should reflect the full isolated impact of all changes in RARC assumptions since the latest approved capital submission. This would be consistent with the modelled loss ratio in LCR form 561 Table 1 col G row Total. For the latest position, the modelled loss ratio should isolate the impact of the change in RARC.

- The associated Ultimate SCR, in circumstances where the updated modelled loss ratio (based only on the latest RARC) is more than 1% higher than that used in the latest approved capital submission. This capital figure should isolate the impact of the updated RARC assumption
- Confirmation of whether the effect of the updated RARC assumption has been incorporated into the year-end reassessment of capital in Table 1, together with any commentary explaining drivers of the RARC movement, impacts on the modelled loss ratio, or other relevant context.

- Recent geopolitical events might require agents to review the continued appropriateness of scenario assessments i.e. whether additional scenarios are required or return periods need to be revised, which might result in parameter and/or model changes. This may already be considered as part of the syndicate's ORSA process. As such, we are collecting information around any changes that have been implemented in the syndicate's capital model since the last LCR submission, or planned changes in upcoming months, included high level estimated impacts. We note that syndicates are not required to have implemented any changes since September, however, the geopolitical landscape has continued to evolve further and as mentioned in the 2026 YoA LCR instructions, we expect syndicate to appropriately capture heightened uncertainty in their internal models. Table 5 of March SCR collects information on:
    - Summary of board-level discussions of the appropriateness of making any such changes to the syndicate's internal model. This should include brief descriptions of any changes, either implemented or planned.
    - The estimated impact of these changes on the ultimate SCR, from the range of options available in the dropdown.
    - Where changes have been implemented, confirmation on whether these changes have been captured in the year-end reassessment of capital in Table 1.
    - Please note, Lloyd's is not intending to perform syndicate specific oversight in this area at this stage, except in exceptional circumstances where there may be concern that capital is materially understated. Lloyd's will playback responses at market-level in the Capital Briefing, which is expected to be held in May.

In addition, Model Test 12, relating to the Tail Risk Exposure Franchise Guideline, has been added in line with the 2026 Focus Areas return.

Please note: **All syndicates are required to complete questions 9 & 10 of the Model Tests, which focus on modelled loss ratio, regardless of whether or not they are re-submitting LCR. For all other questions (including the new Model Test 12), only syndicates that are re-submitting the LCR are required to complete these.**

Major model changes can be submitted to Lloyd's in line with the Model Change Guidance, but this will NOT lead to a change in the capital requirement in the QCT process if the major model change does not result in a material change in uSCR. If a MMC causes a movement in capital greater than 10%, but in combination with minor changes the total SCR in the March re-assessment template shows under 10% movement, the submission should be made in accordance with the major model change process and not as part of the March re-assessment process.

If a March re-assessment LCR submission is required then the submission should be accompanied by a Model Change Template, Analysis of Change (from the previous submission), Methodology documentation (or confirmation that there were no changes from the previous submission) and Validation documentation. The AoC and validation should be proportionate to the nature and level of the change. In general, this means that a full AoC and validation report is not necessary for March, however, any model changes should be validated. Agents should consider if the previous validation findings remain valid, and rerun tests if the nature of any model change and/or risk profile changes requires this.

As part of the March re-assessment process, any planned increase in LCM5 catastrophe risk will be reviewed separately by Exposure Management to ensure adherence with market messaging in respect of the catastrophe risk appetite ratio. Therefore, while the change in catastrophe risk may not lead to a change in uSCR of more than 10% and hence a capital resubmission, Lloyd's may load capital to maintain the catastrophe risk appetite ratio.

If any changes to the SBF or LCR prospective loss ratios are made as part of the March re-assessment, this may trigger a review of any loss ratio loadings applied.

Syndicates whose capital is set on the Lloyd's Standard Model (LSM) are also required to reassess their capital based on actual positions at year-end, however they are not required to complete a March reassessment template. An LSM resubmission is only required if the uSCR moves by more than 10% when measured from the previously approved uSCR (including any management adjustments or risk margin changes). If the uSCR moves by less than 10%, syndicates should provide positive confirmation of this to Lloyd's via email to their Capital Point of Contact and cc the SCR Returns mailbox (SCR.Returns@lloyds.com).

Additionally to the re-submissions, Lloyd's will adjust syndicates SCRs centrally as outlined above. A quarterly statement detailing the capital adjustments processed by Lloyd's, as part of the mid-year Coming Into Line (CIL) exercise, will be sent to all members as noted in Market Bulletin Y5462. The FX item above does not apply to syndicates that resubmit their LCR in March, for these only RICBs will be adjusted in line with the ASR data where necessary. Following the initial CPG approval letter, an updated capital letter (Appendix 2, detailing the capital requirements) will only be sent to managing agents in the event of a LCR or LSM resubmission approved by CPG, or a change in any CPG loadings applied. The results of the QCT and Mid-Year CIL process adjustments are available to syndicates via the syndicate view screen, "Capital Requirement" tab in the member modeller software (except in Q2 where the CIL ECA takes precedence over the QCT ECA).