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Member ECA Change Through the Capital Cycle

MEMBER CAPITAL TEAM

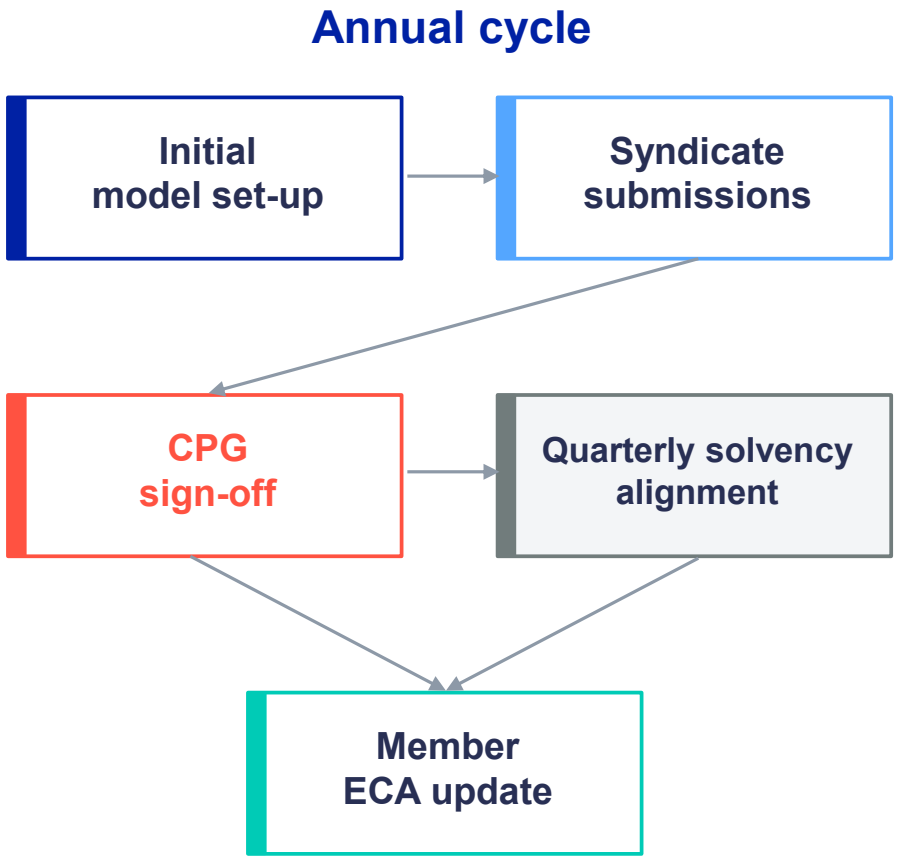
Capital setting | Modelling cycle | Member solvency alignment

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Member Capital Movements Through the Annual Cycle

PURPOSE AND FRAMING

Explain how member capital can move through the annual cycle, distinguishing Lloyd's influence at initial model set-up from later movements driven by data, approvals and solvency alignment.



Starting modelled assumed view is progressively replaced by actual syndicate and member-level data leading to a solvency-aligned member ECA positions through the cycle

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Executive summary

OVERALL MESSAGE

- Member ECA is not static through the annual cycle.
- The initial view is shaped by Lloyd's model set-up, annual calibration, rollover, new year of account and RITC assumptions.
- Later movements mainly arise from syndicate submissions and resubmissions, CPG loadings, FX / RICB updates, participation updates and member solvency alignment.

Quarterly purpose:
Adjust member ECA to reflect the latest solvency position and minimise avoidable overall member solvency movements.

Lloyd's model set-up
Calibration, rollover, new YoA and RITC assumptions included in the model

Syndicate data
Initial submissions and later resubmissions replace assumptions

CPG review / loadings
Approvals, loadings and adjustments affect syndicate ECAs

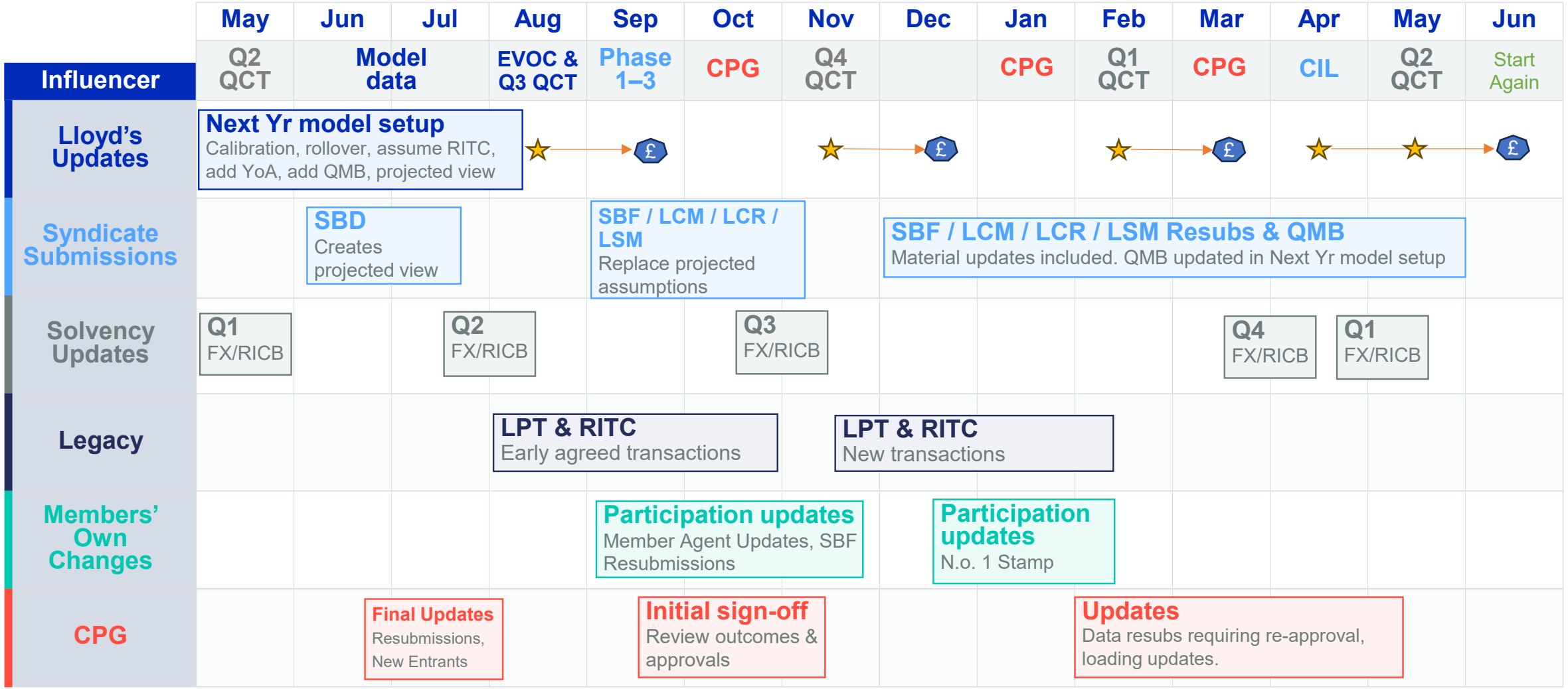
Solvency alignment
Quarterly FX, RICB updates included in member statements

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Annual timeline by source of movement

Key
- Member Modeller & Member Statement Release Deadlines
- FAL Submission Deadline

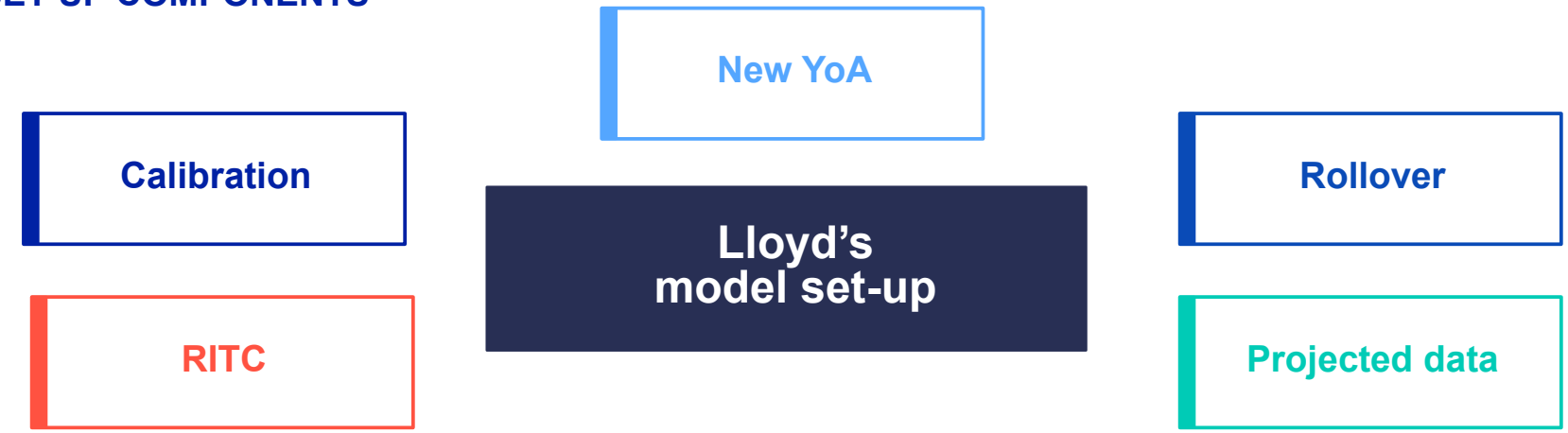
May 2026 → June 2027



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Initial model set-up: where Lloyd's has most influence

KEY MODEL SET-UP COMPONENTS



MODEL UPDATES

- Annual model calibration to the latest view and data.
- Updated internal model parameters using data originated from syndicate submissions.
- Addition of a new year of account and rollover from current exposure and capital data to the proposed modelling year.
- Additional reserves, premium and capital assumptions, including assumed RITC.
- Additional reserves, premium and capital assumptions, including assumed RITC.

MEMBER IMPACT

- Impacts vary by portfolio and syndicate participation.
- Drivers include premium and reserve assumptions, diversification, open years, profit offsets and RITC assumptions.
- Typical movements may range around ±0–3%, depending on the driver.

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Model data and parameter updates

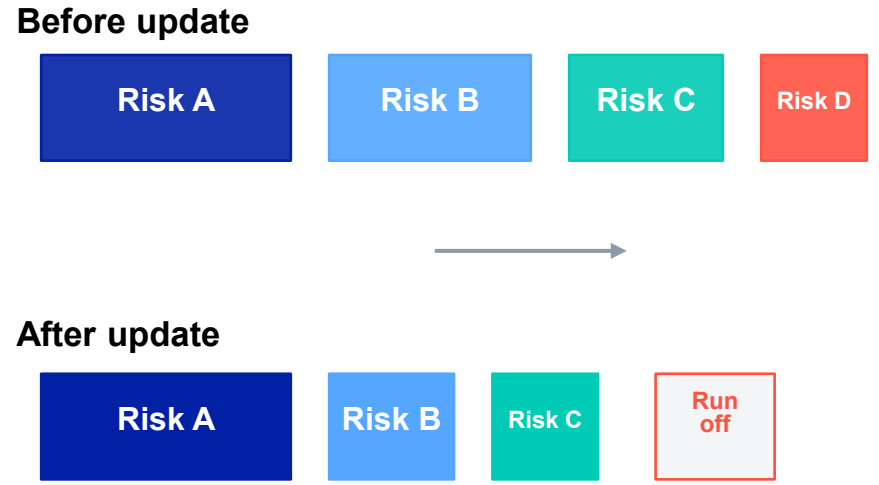
JUNE–JULY 2026

- QMB and non-material syndicate SBF / LCM data updates are included in the year-end extraction.
- Updates amend premium and risk groupings as risks run off.
- Changes can affect diversification where the shape of the member portfolio changes.
- Materiality is generally assessed by reference to uSCR movements greater than 10%.

Member impact
Members are affected depending on the syndicates and risk groups in which they participate. Resulting movements generally range around ±0–1%, although this will vary.

DIVERSIFICATION EFFECT

Portfolio shape changes as risk groups are added, reduced or run off.



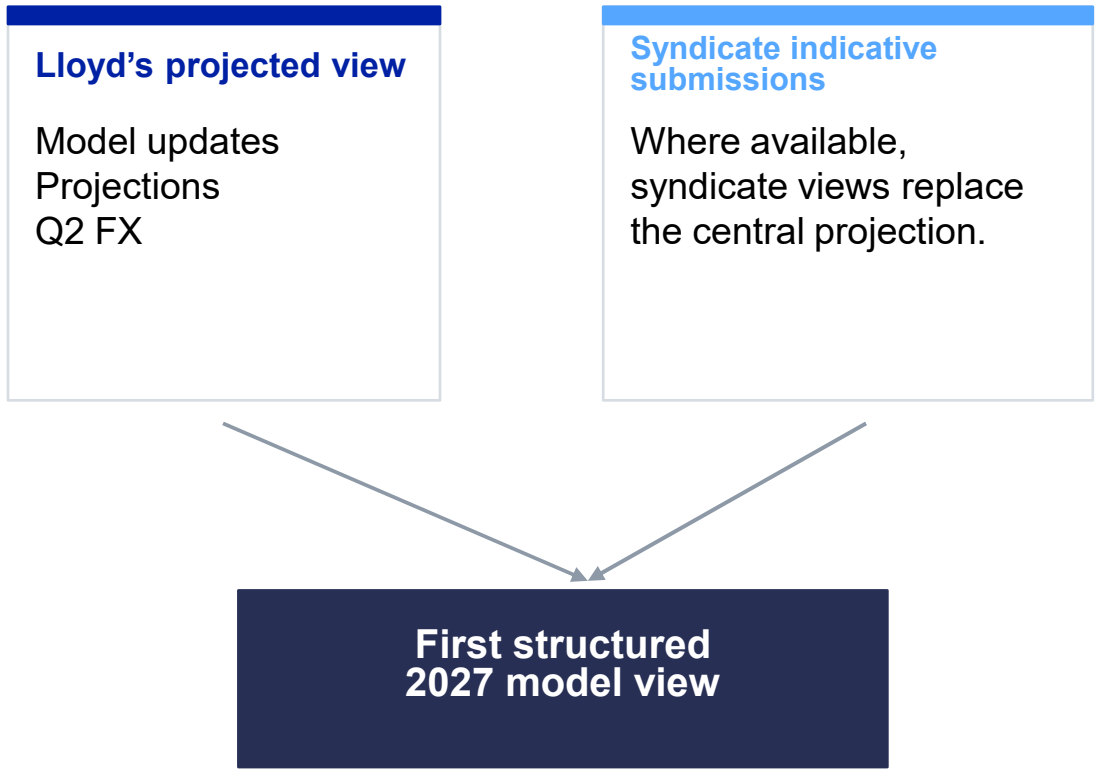
Removing or reducing uncorrelated risk groups can reduce diversification benefit.

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EVOC 2027: first model view

7 AUGUST 2026

- Provides the first 2027 model view.
- Includes all model updates created by Lloyd's.
- Incorporates projections, model updates and Q2 FX.
- Normally no further central model change after this point except agent-driven data and quarterly FX / RICB updates.



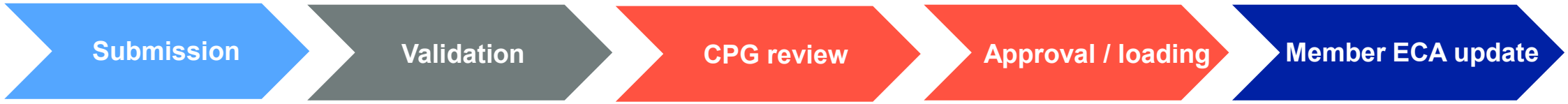
INDICATIVE CAPITAL SUBMISSIONS

- Some syndicates provide indicative 2027 submissions for EVOC.
- These replace Lloyd's projected view for those syndicates; the remainder stays on Lloyd's projected view.
- Projections remain subject to change when actual submissions arrive in September / October.

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September / October submissions and CPG sign-off

PHASE 1–3 SUBMISSIONS



Actual 2027 data submitted

- SBF, LCM, LCR and LSM submissions are validated, collated and initially released as submitted by the agent.
- Resubmissions are requested where validation or analysis identifies issues.
- As submissions are received, they overwrite rollover or EVOC positions.

CPG impact

- CPG review may result in loadings or adjustments.
- These directly affect syndicate ECA and therefore member ECA.
- Member impacts depend on syndicate participation, loadings, plan movement scale and whether participation data is finalised.

Driver shift: The ECA member changes from this point are driven by syndicate data updates

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October releases: pre-auction and Tier II views

15 October 2026 — Non-aligned MM release

What changes
Approved phase 1 data; may include CPG loadings and adjustments.

What is MM purpose
Provides a pre-auction view but does not yet include Q3 FX and RICB.

23 October 2026 — Tier II MM release

What changes
Approved phase 2 data, Q3 FX and updated solvency data.

What is MM purpose
Supports Tier II / AOF declarations and aligns capital to latest solvency data.

MEMBER IMPACT

- CPG-approved loadings or adjustments included for non-aligned syndicates in the 15 October release.
- Further ECA changes should be expected from Q3 FX and RICB in the 23 October release.
- FX adjustments minimise variance between member asset movements and member ECA.
- Solvency data adjustments reflect movements such as future cost of reinsurance moving from capital into reserves.

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Q4/Q1 QCT, CIL and Q2 reassessment

13 November 2026 — Q4 QCT MM release

Approved syndicate data ahead of finalising Q4 QCT. Member agent participation files overwrite Lloyd's participation set in the Member Modeller. Q4 member statements are produced on this updated basis.

18 February 2027 — Q1 QCT MM release

Updates stamp participations, late participation changes, legacy transactions, new RI agreements, resubmissions and central adjustments to minimise capital/solvency movement.

15 April 2027 — CIL MM release

Captures syndicate resubmissions where ultimate SCR moves by more than 10%. Full CPG review is completed and may include loadings or adjustments. Includes central adjustments plus quarterly FX and RICB updates from the latest Solvency UK submission.

Mid-May 2027 — Q2 QCT reassessment

Similar reassessment process, but no Member Modeller release. Focus remains on material resubmissions, CPG outcomes, FX and RICB updates, and alignment to member-level solvency statements.

Key Takeaways:

- **Q1 QCT represents the final stamp position, outside exceptional late changes such as new syndicates, late run-off notifications or deceased members.**
- **The rest of the year is primarily about maintaining alignment between member ECA and member-level solvency positions while minimising unnecessary overall movements.**

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What this means for member solvency positions

CAPITAL AND SOLVENCY ALIGNMENT

Member ECA movement

Capital requirement changes through model, submissions and quarterly updates

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Member solvency statement movement

Latest valuation, FX, RICB and solvency information

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Overall member position

Managed to reduce avoidable solvency volatility

- Member ECA movements should be considered alongside member solvency statement movements.
- Where capital movements are offset by solvency movements, the overall member position may be less volatile than ECA movement alone suggests.
- FX adjustments reduce mismatches between FAL valuation movements and member ECA.
- RICB and solvency updates reflect latest member-level solvency information.

Key distinction
Member ECA may move through the year; the quarterly process attempts to negate those movements by aligning to the latest solvency data and not creating avoidable overall solvency strain.

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Closing message

SUMMARY

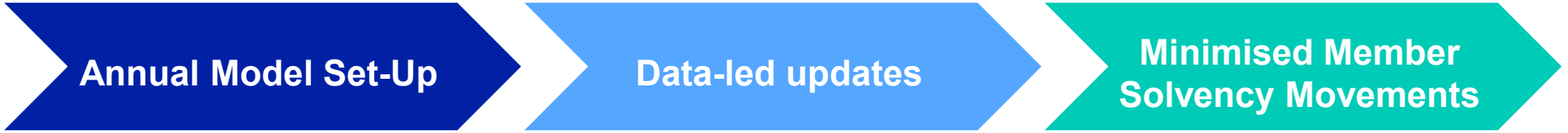
- Member ECA movements are expected through the annual cycle.
- Lloyd's direct influence is limited to the period of initial model set-up.
- Later movements are driven mainly by syndicate submissions, CPG loadings, participation updates, FX / RICB and solvency statement alignment.
- The objective is not to remove all movement; it is to ensure movements are minimized or within the de minimis level in most cases, data-led and aligned to the latest solvency position.

FINAL TAKEAWAY

The annual cycle progressively moves from a Lloyd's model-led starting position to a syndicate-data and solvency-aligned member ECA position.

With Member ECA movements occurring from syndicate data resubmissions or members own participation updates

MEMBER ECA JOURNEY REMINDER



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Appendix — Glossary (A–L)

Term	Meaning
AOF	Ancillary Own Funds
CIL	Coming Into Line
CPG	Capital Planning Group
ECA	Economic Capital Assessment
EVOC	Early View of Capital
FAL	Funds at Lloyd's

Term	Meaning
FX	Foreign exchange
LCM	Lloyd's Capital Model
LCR	Lloyd's Capital Return
LIM	Lloyd's Internal Model
LSM	Lloyd's Standard Model

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Appendix — Glossary (M–Y)

Term	Meaning
MAPA	Members' Agent Pooling Arrangement
MM	Member Modeller
QCT	Quarterly Corridor Test
QMB	Quarterly Monitoring Part B
RICB	Reinsurance Contract Boundary
RITC	Reinsurance to Close
RI	Reinsurance

Term	Meaning
PRA	Prudential Regulation Authority
SBD	Syndicate Business Data
SBF	Syndicate Business Forecast
SCR	Solvency Capital Requirement
SUK	Solvency UK
uSCR	Ultimate Solvency Capital Requirement
YoA	Year of Account

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Appendix A — Data items and capital effects (1/2)

Data item / event	Description	Potential member impact
RITC	Assumption that an open year of account closes into the next reporting year of account.	If the assumption varies, member ECAs may move.
LCR / LSM	Syndicate-supplied view of next year's capital requirement.	Post EVOC this replaces Lloyd's rolled over view at syndicate level.
Model limitation adjustments	Adjustments included in syndicate capital submissions that cannot be explicitly modelled and include din the SCRs.	Will affect syndicate and member ECA.
Assumed RICB	Contract boundary assumption included in the initial capital modelling submission.	Updated to latest solvency position quarterly via updated syndicate returns.
YoA allocation of uSCR	Used to allocate ultimate SCR between open years rather than using the Lloyd's assumed position based on modelled risk.	Syndicates choice to overwrite Lloyd's model view of risk allocation and is assessed for appropriateness before inclusion in the model.
CPG loadings and adjustments	Capital changes agreed through CPG review to account for model limitations, reporting issues, etc.	Directly changes syndicate and member ECA totals.

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Appendix A — Data items and capital effects (2/2)

Data item / event	Description	Potential member impact
LCM	Catastrophe data feed based on syndicate returns and is a direct input into the modelling of risk.	Direct impact on diversification.
SBF	Premium, expenses, profit, reinsurance and capacity data.	Affects projected capital and member-level impacts.
Change in cession	Movement in share of Special Purpose Arrangement (SPA) syndicate business.	Changes member exposure to syndicate risk.
Participation updates / drops	Member participation changes not yet reflected in the model.	Can create differences until updated participation files are applied.
Participation changes prior to number 1 stamp	Late changes not yet updated in the model. Removal of deceased members from stamp.	May lead to changes in sum of participations affecting apportionment of syndicate ECA to members.

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