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Lloyd's Reserving Forum

6th October 2026

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Agenda

- Opening remarks
  - Market level reserving insights
  - Insights from underwriting perspective
  - Key Uncertainties for 2026 Year-End
- Closing remarks and Q&A

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Opening Remarks

Louise Bennett – Head of Reserving

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Key insights based on Lloyd's central reserving exercise and market reserves

Priye Kanabar, Lead Actuary – Reserving

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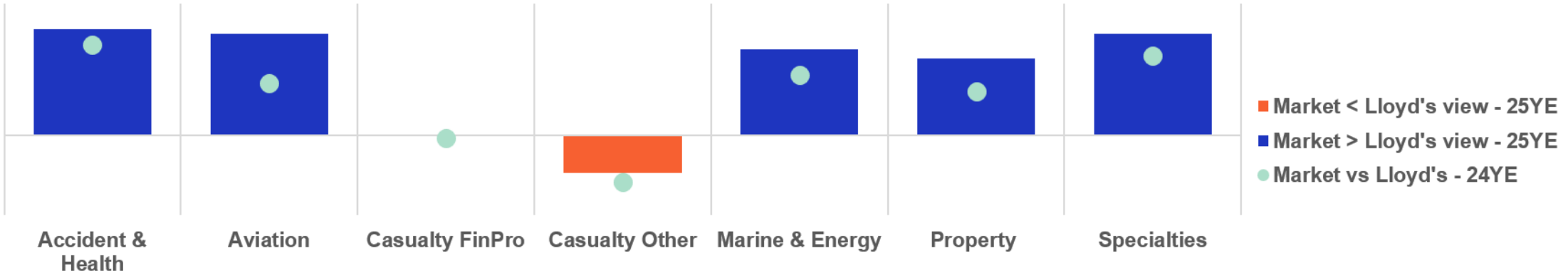
Current reserve strength should not reduce forward-looking challenge

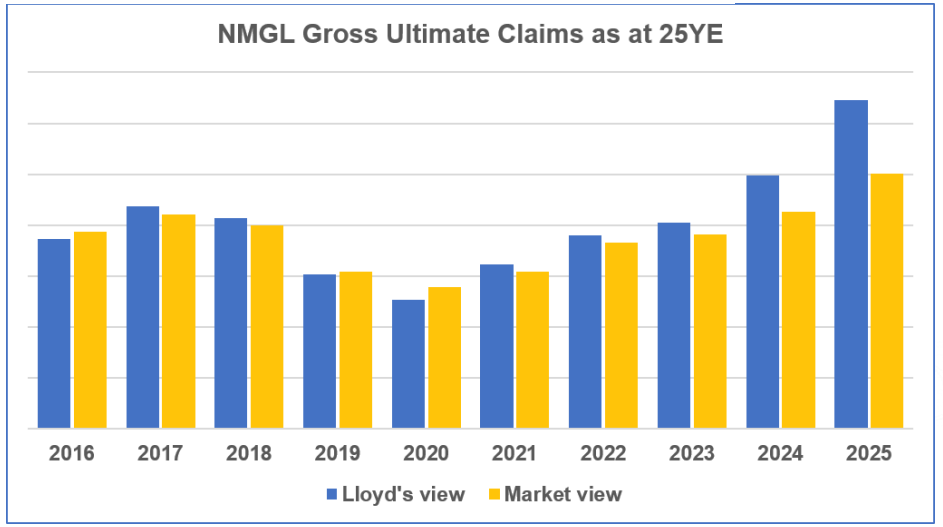
Current position	Changing risk	2026 year-end response
• Aggregate reserves appear appropriate with pockets of increased uncertainty	• Uncertainty is uneven and market conditions softening	• Apply targeted, forward-looking challenge

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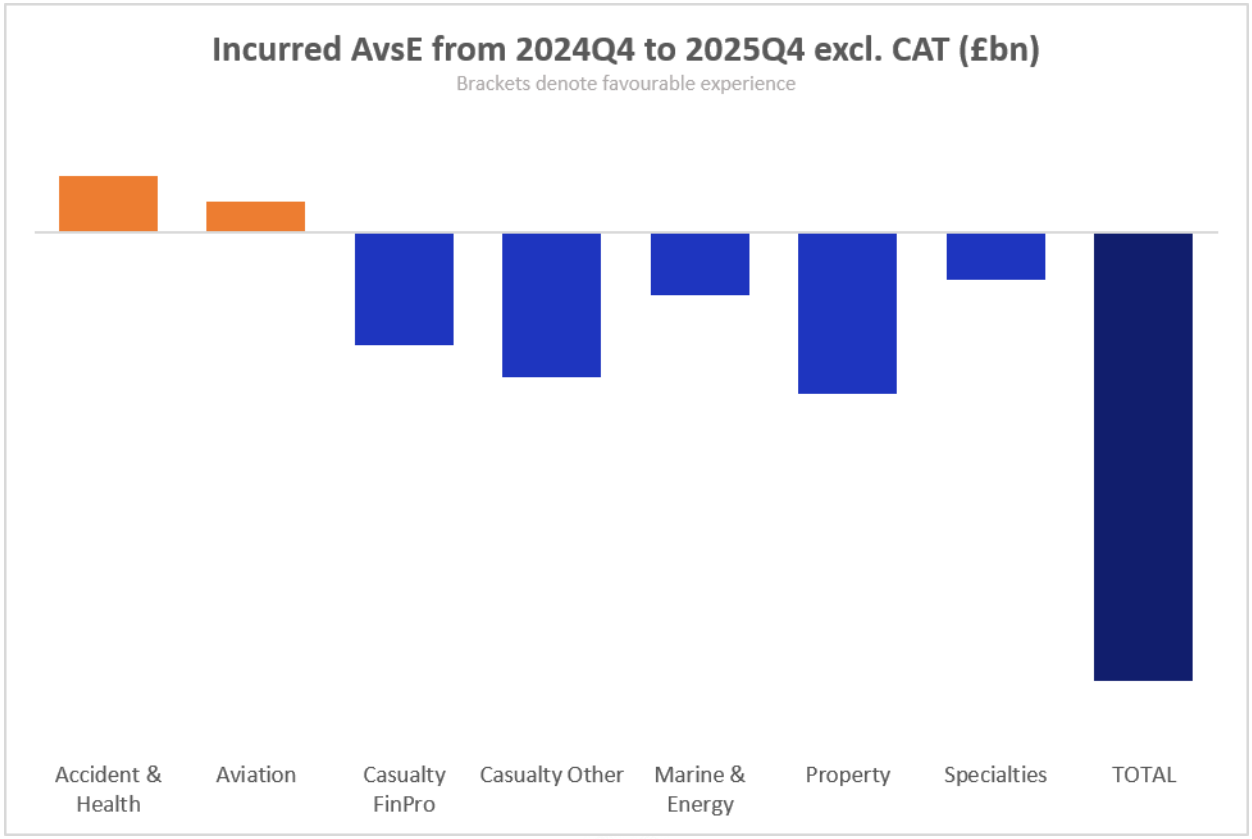
We remain confident that aggregate market reserves are appropriate

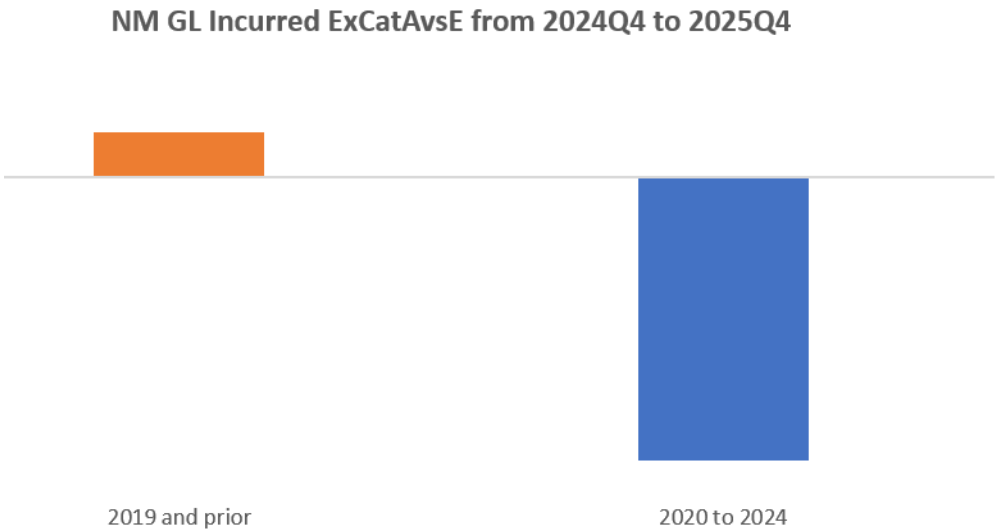
The market's best estimate reserves continue to be more than our independent view





Favourable recent claims experience relative to centrally derived expected patterns

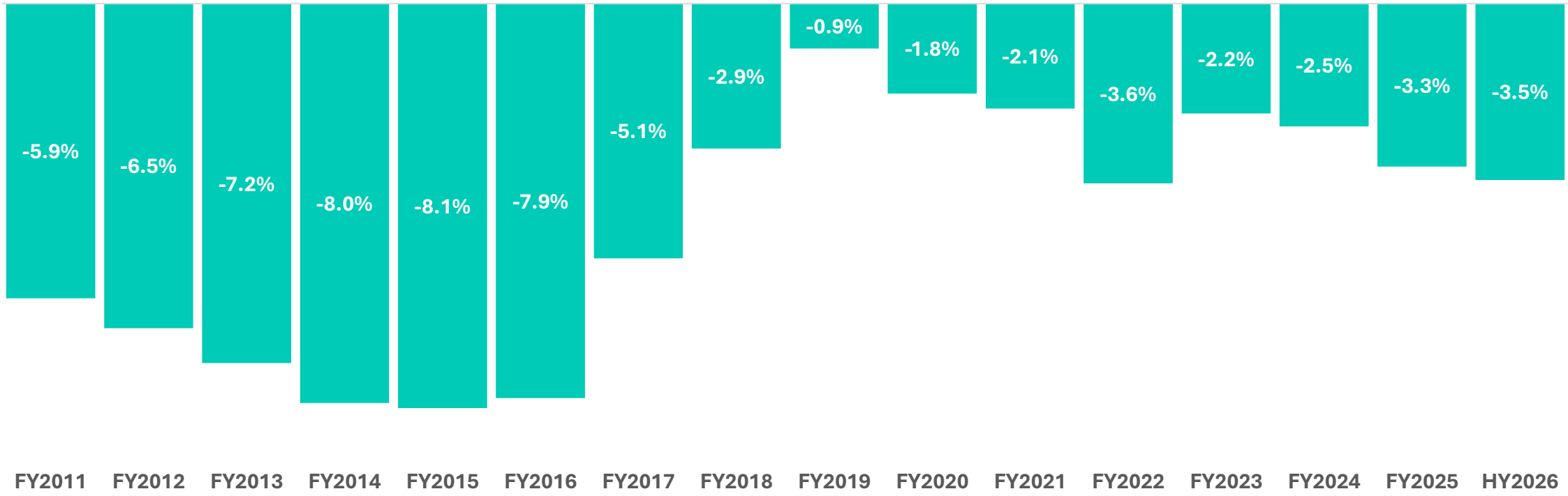




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Reserve releases are strengthening, but reflect the performance of earlier underwriting cohorts



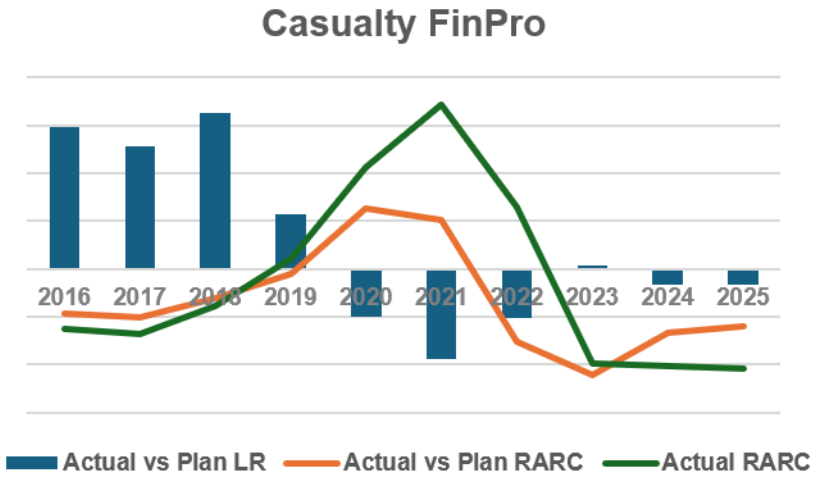
Negative percentages represent reserve releases

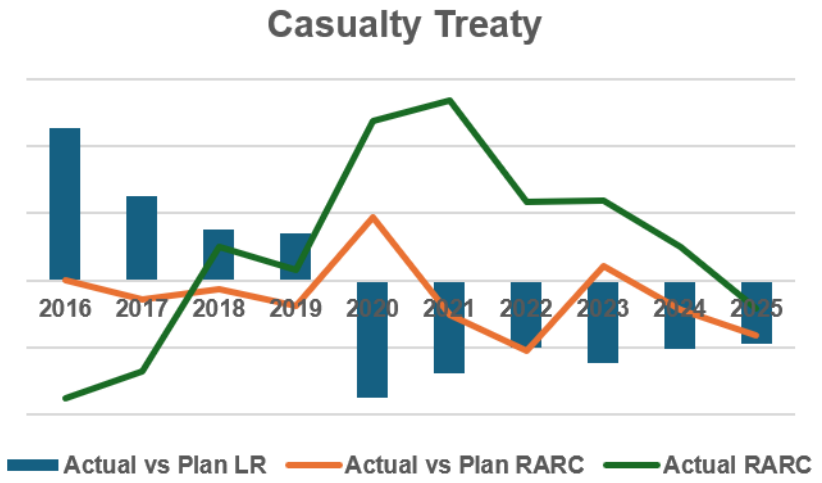
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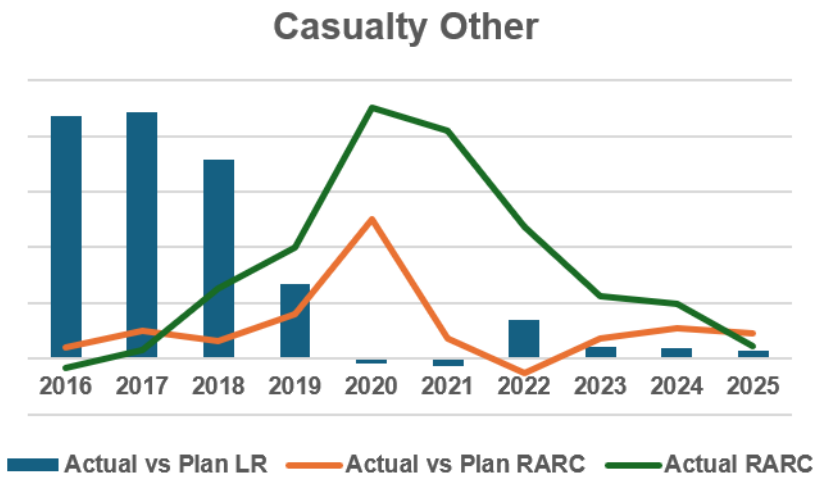
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Previous soft markets show that deteriorating conditions can be underestimated







Plan loss ratios have typically proved too optimistic during soft-market periods.

Negative RARC has also tended to be understated, compounding the pressure on ultimate loss ratios.

For 2026 year-end, IELRs should robustly reflect changes in rate, coverage, and terms and conditions.

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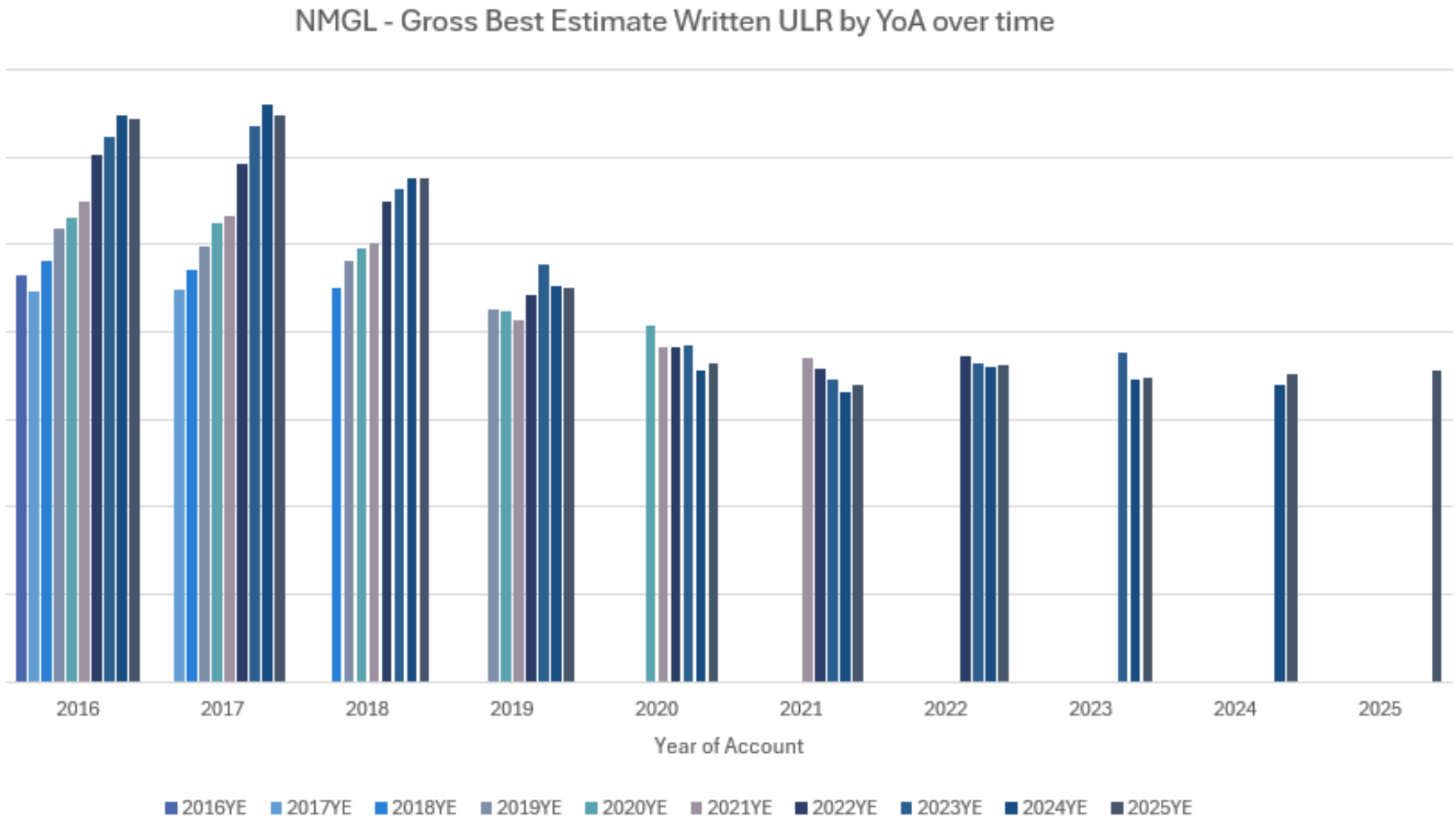
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Non-Marine General Liability remains our principal area of reserve uncertainty

Current position	Changing risk	2026 year-end response
• Recent years have performed better though still immature	• Older years remain a concern with significant tail uncertainty	• Apply targeted, cohort-specific challenge

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Older years remain the principal source of uncertainty, while recent-year performance requires closer monitoring



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NMGL: heterogeneous drivers require targeted challenge

Our review did not identify a single geography, underwriting year or exposure explaining the movement.

1 What is driving movement

- Slower claims emergence and settlement
- Stronger tail assumptions and longer development patterns
- Social inflation, defence costs and severity
- Portfolio-specific adverse experience

2 Why recent years may differ

- Portfolio repositioning and stronger controls
- Smaller line sizes and higher attachment points
- Some movement reflects caution on immature years
- Most reviewed syndicates remain above the Signing Actuary view

3 Focus for 2026 year-end

- Test whether underwriting benefits are emerging in experience
- Separate changes in experience from changes in judgement
- Align reserving with claims and underwriting indicators
- Reflect residual uncertainty in best estimate, margin and SAO commentary

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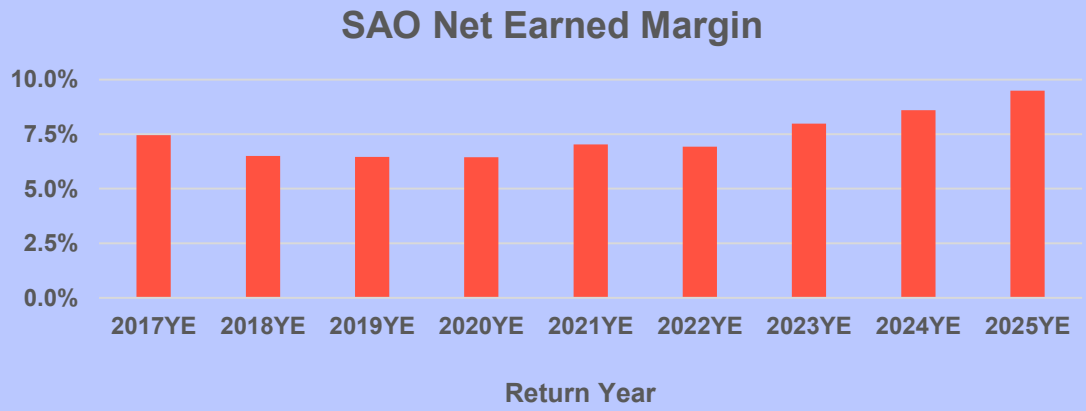
Strong aggregate SAO margin should not obscure where resilience may be reducing

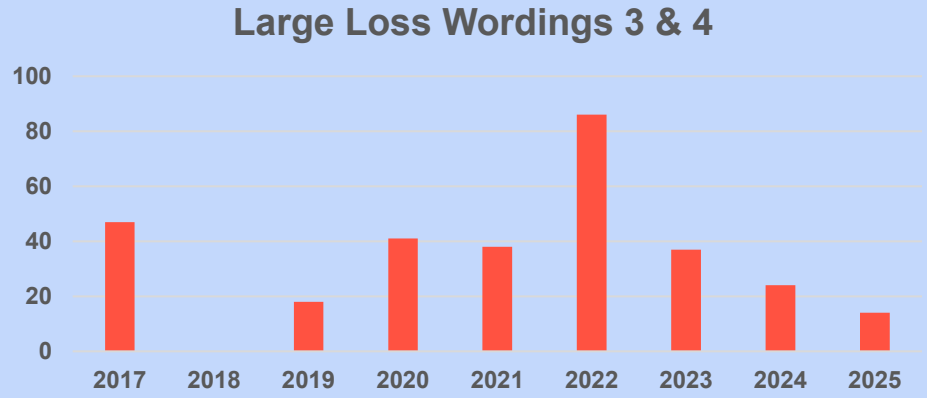
Aggregate position	Emerging signal	2026 year-end response
• Overall SAO margin remains strong and is at its highest level in recent history	• Margin has reduced across several longer-tailed classes	• Apply greater scrutiny to the affected classes and, within casualty, to the most recent underwriting years

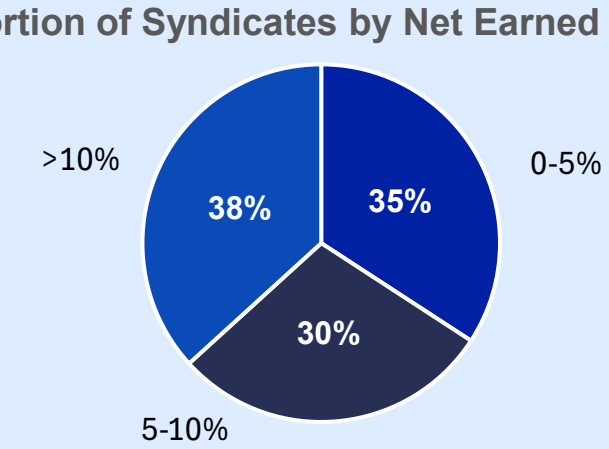
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SAO margin is at its highest level in recent years, but varies materially across the market

The aggregate SAO position is strong, but the headline margin does not show where resilience is held by class or underwriting years







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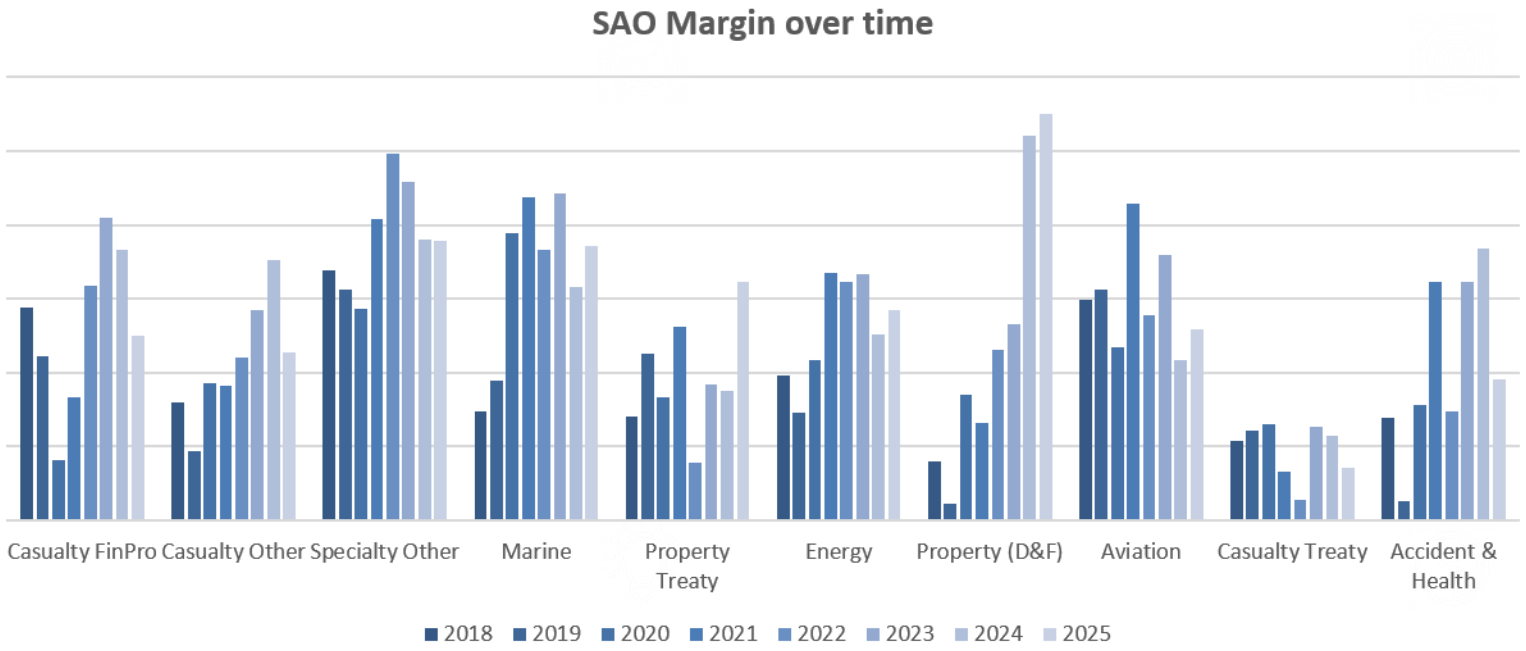
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SAO margins have reduced across several longer-tailed classes

- Aggregating observations demonstrates **some insight can be gained** from SAO margin analysis.
- Lower SAO margins tend to result in a higher proportion of future reserve deteriorations.

Insight presented at the Lloyd's 2025 Reserving Forum



Lower margin is not evidence of inadequacy, but history suggests it should increase the level of reserving challenge.

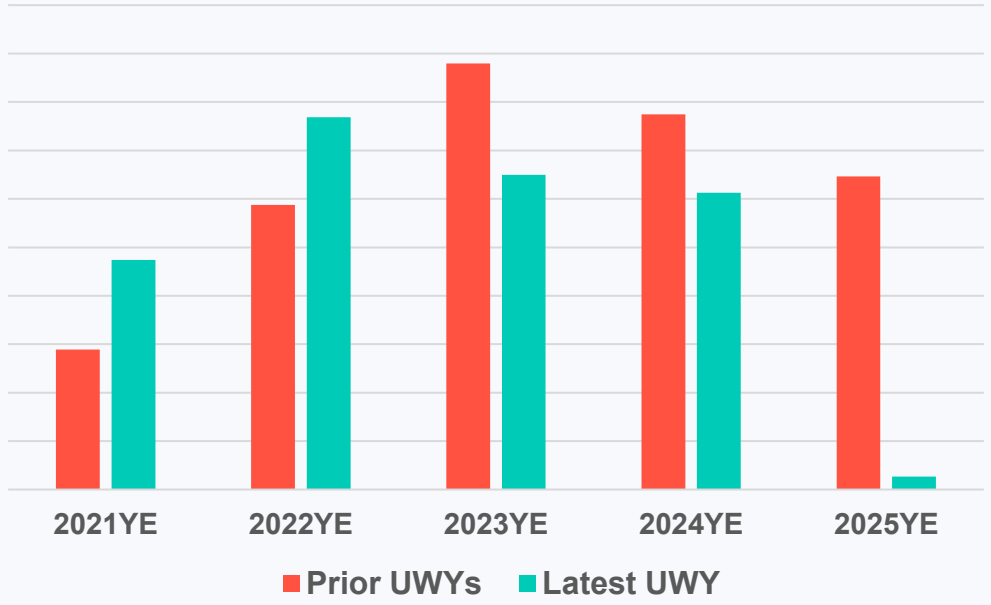
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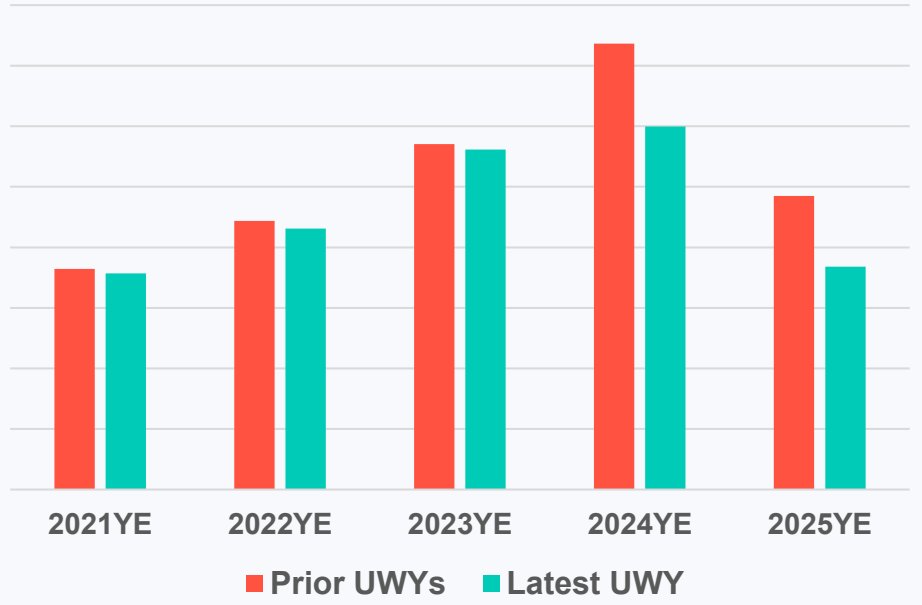
Within Casualty, reduced surplus is concentrated in the latest YOAs

At each reporting year, the latest underwriting year is shown separately from the aggregate surplus on all prior underwriting years.

Casualty FinPro



Casualty Other



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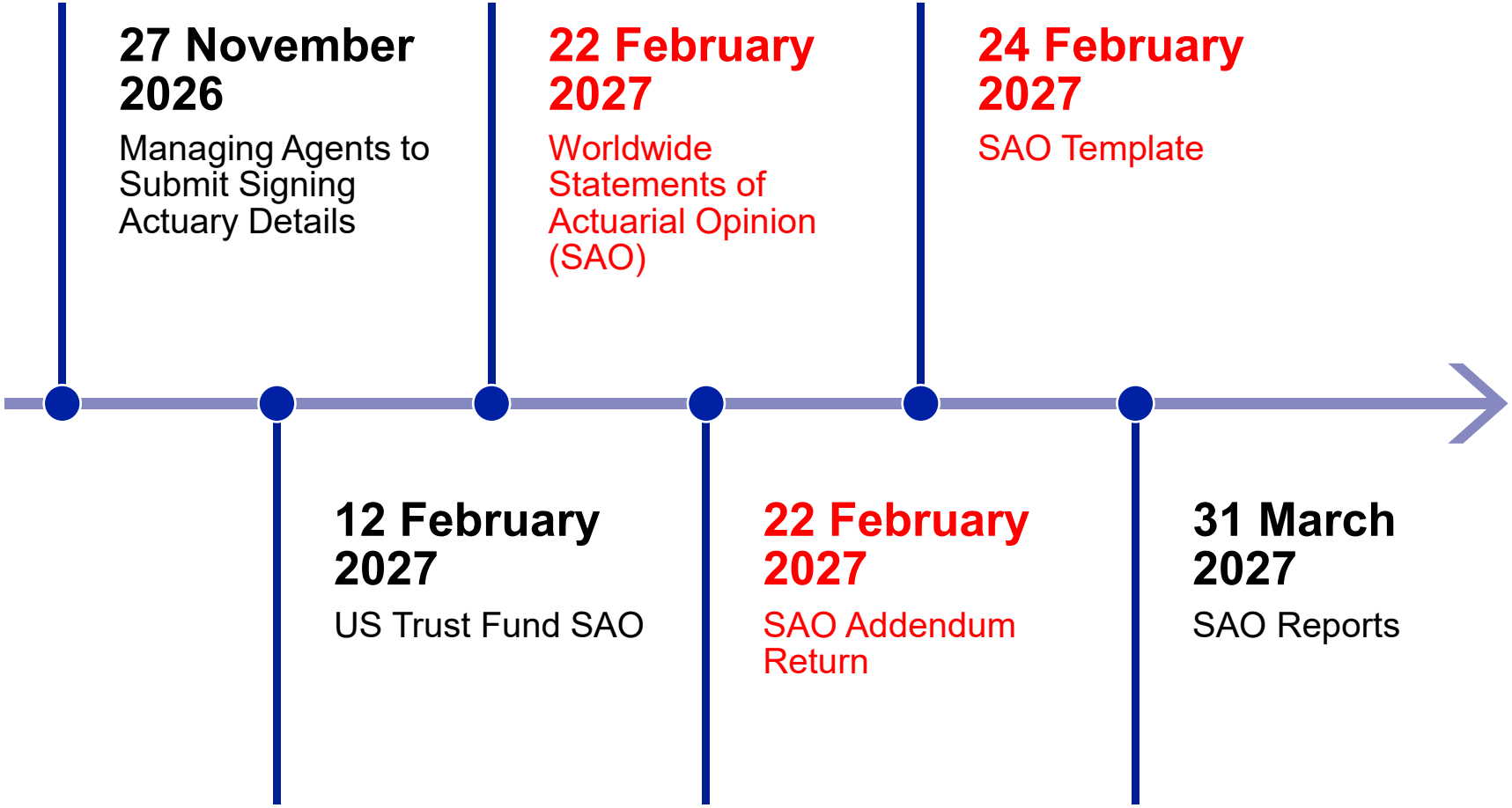
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2026YE SAOs

Housekeeping

2026YE SAO updates

- SAO template on a Lloyd's LoB basis in line with 25YE
- Immaterial changes to the Valuation of liabilities rules



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Key insights from an underwriting perspective

Daniel Sisson, Head of Casualty Underwriting, Class Underwriting Performance

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Transactional Liability

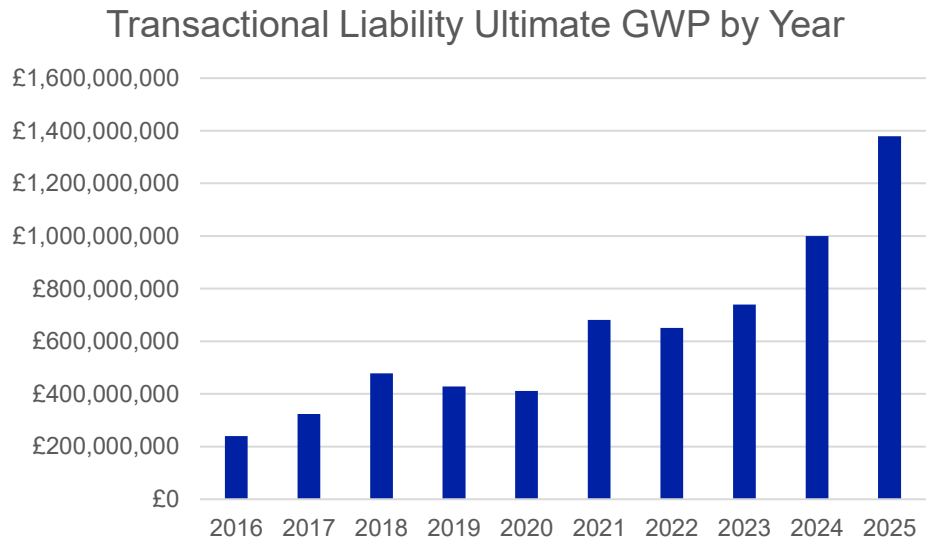
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Transactional Liability in Focus

Given the rapid expansion of the Transactional Liability (TL) market over the past decade, it has become an integral component of the M&A process, acting as a key deal facilitator. This reliance may introduce elements of moral hazard and potentially weaken due diligence standards.

Reserving Challenges in Transactional Liability
Key points:

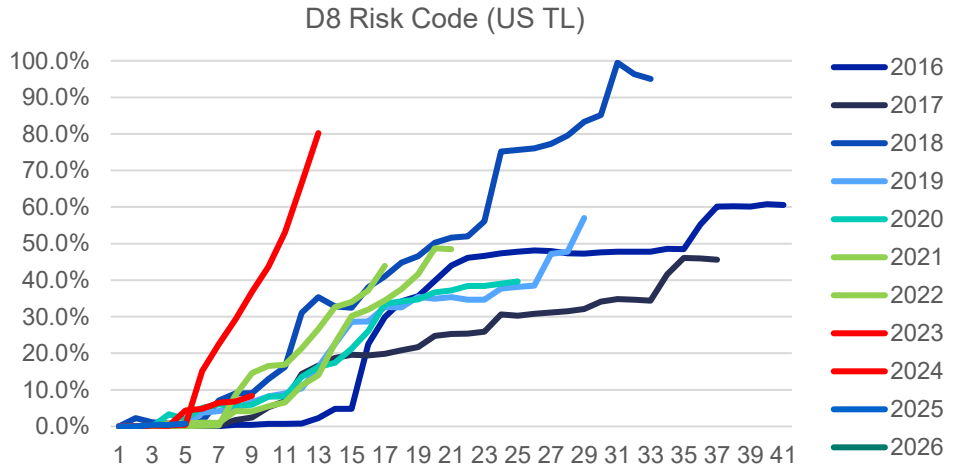
- TL is a low-frequency, high-severity class where individual claims can materially impact Underwriting year performance.
- Historical loss experience can be misleading as the market has evolved rapidly in terms of product mix, geography and underwriting appetite.
- Development patterns remain immature, with limited credible data through a full market cycle.
- Claims emergence can be influenced by external factors such as M&A activity, economic conditions, tax authority scrutiny and court decisions.

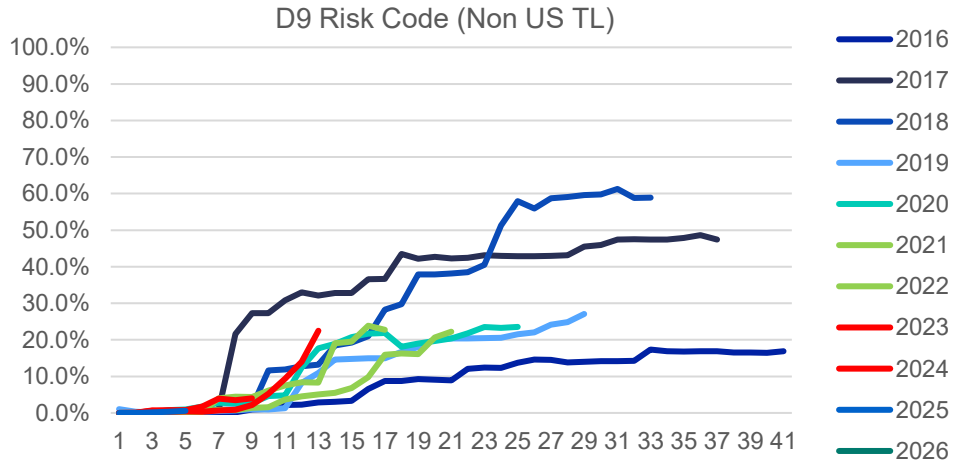


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Transactional Liability in Focus





Growth in GWP across this segment has been accompanied by a comparable increase in claims activity. Several large losses in the JPI (judgment preservation insurance) market, together with substantial traditional W&I claims, have contributed to weak loss ratio outcomes. Performance remained subdued even during the more supportive 2021 rating environment, while the 2023 pricing trough is now exhibiting material adverse development.

Despite the 2021 capacity squeeze where submission volumes exceed available capacity, yet loss ratios do not outperform despite the stronger rating environment. Higher deal volumes and sustained competition may also have affected underwriting rigour. As transaction activity rose, underwriters had to assess more opportunities within shorter timeframes, creating a risk that risk selection practices did not develop at the same pace as portfolio growth.

The MGA model's structurally high acquisition costs provide limited scope to adjust GULR, leaving the market in a constrained and difficult position from combined ratio perspective

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Casualty

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Global casualty market overview

Expanding capacity is squeezing margins across Lloyd's and international markets. US uncertainty in adequacy remains.

General

Capacity outpaces demand

Terms mostly stable

Domestic Competition

MGA/DUA/Facilities Expansion

SME & Mid-Market Competition

Alternative Capital Appetite

International

Pricing pressure

Competition broadens

Submission Quality & Fast Capacity

Embedded US exposures

United States

Adequacy still uncertain

Pricing fatigue

Social Inflation

Underwriter Discipline

Large Corporates & Excess

Litigation Risk

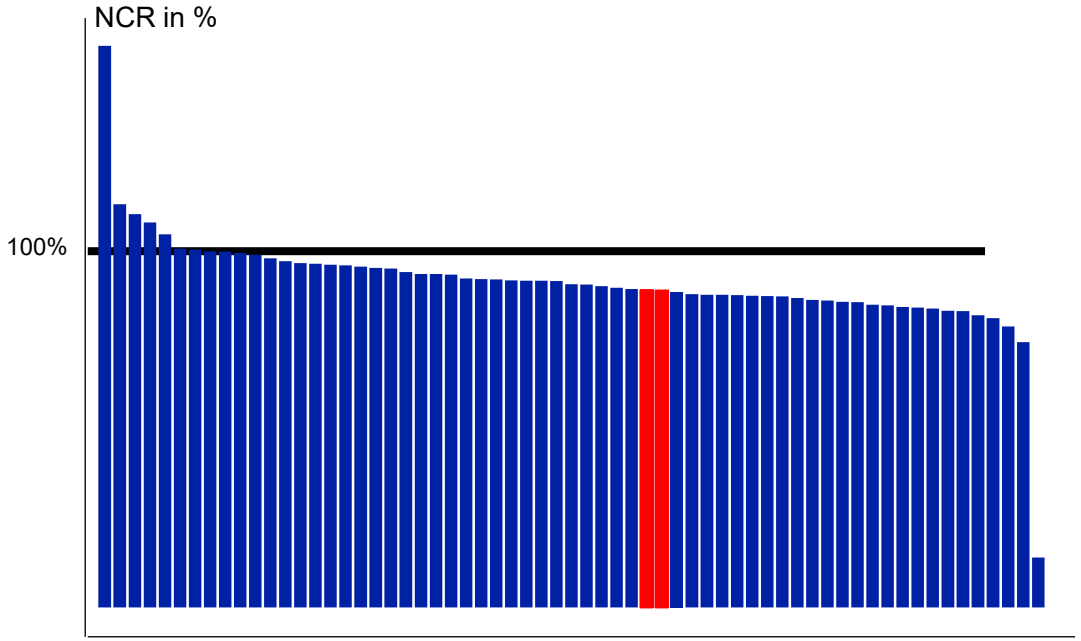
Focus: protect adequacy, not just growth

Prioritise selective underwriting, accurate loss forecasting and disciplined limit deployment amid social inflation and reserve uncertainty.

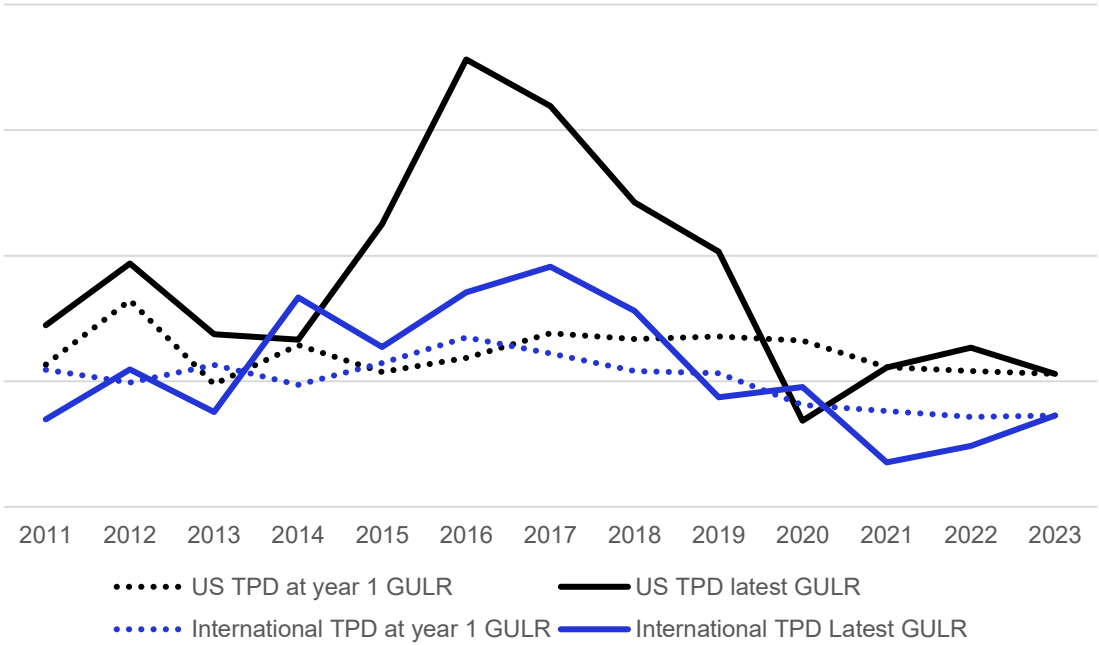
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Lloyd's Perspective on US and International Liability



Over the past five underwriting years, US and International Casualty have delivered results marginally ahead of the broader Lloyd's market, reflecting resilient and improving performance in a challenging environment.



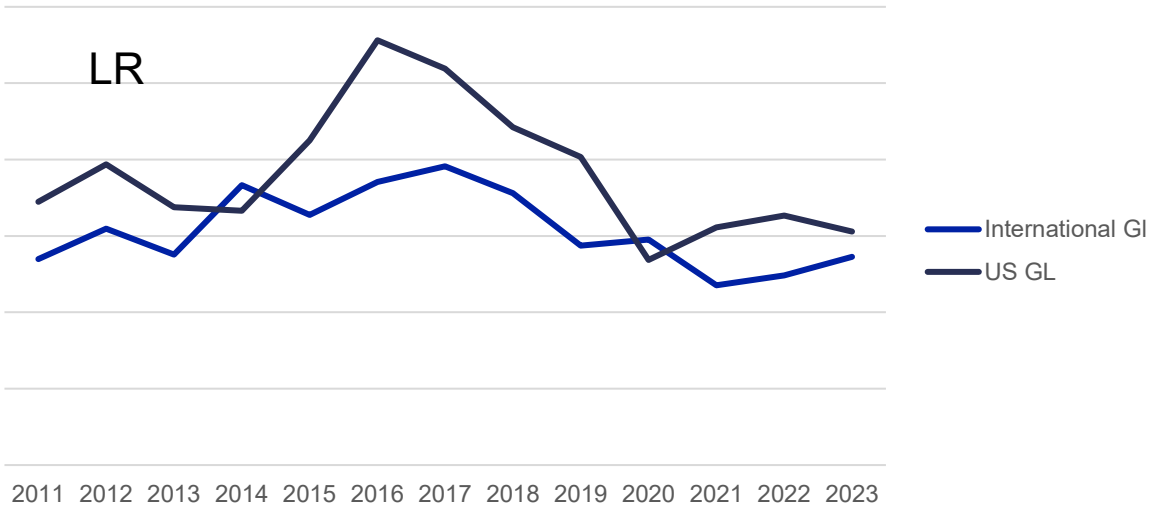
International: Initial-to-latest estimates show deterioration across 2014–2019, though less pronounced than in some other classes. Performance improved after 2019, with early results outperforming original projections.

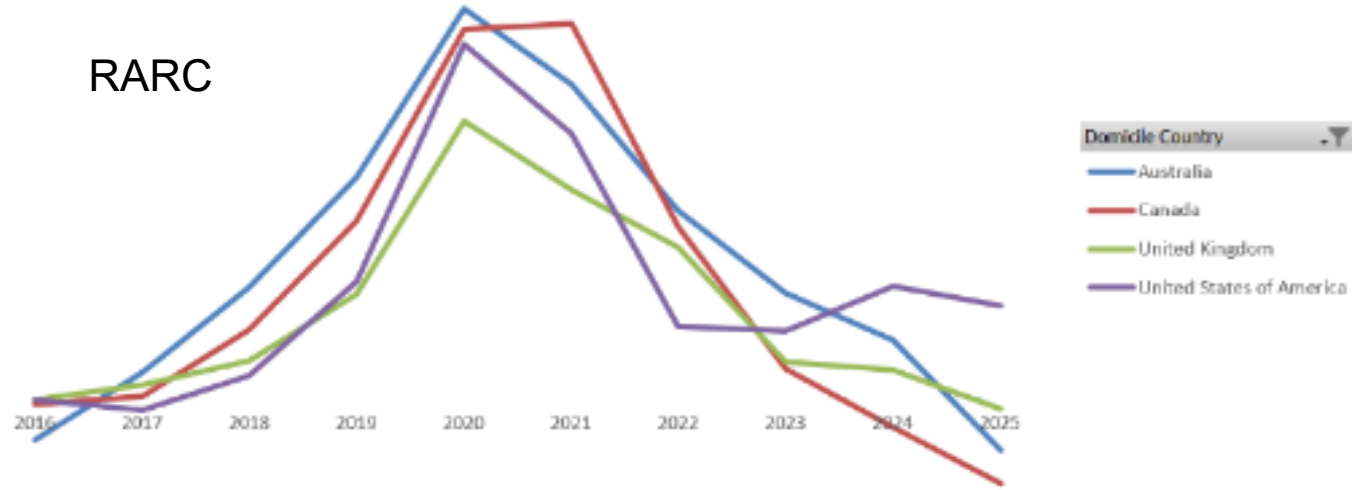
US: The key concern is whether prior-year reserve deterioration will persist. Lloyd's will closely monitor back-year development for its implications for market performance and capital adequacy.

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US vs International





Although the 2015–2019 years showed some deterioration, the movement was far less severe than the shifts seen in the U.S. market, where claims activity has been heavily influenced by economic inflation, rising defence costs, and escalating litigation severity. Outside the U.S., inflationary pressure and higher claims costs have had an effect, but the impact has been more contained due to more stable legal environments and fewer social-inflation drivers. As a result, adverse development is present, but remains comparatively moderate.

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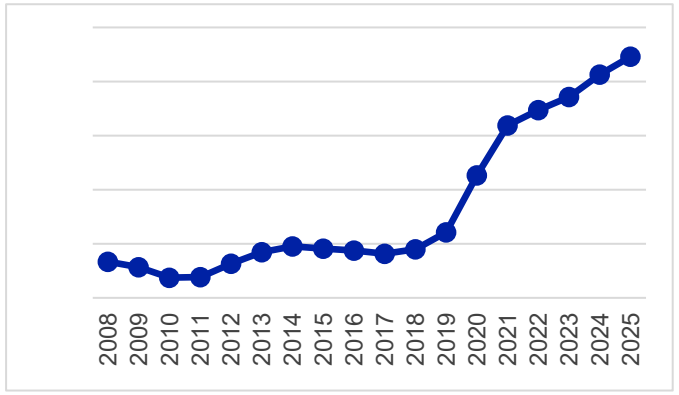
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US Casualty
Indicators – Reasons for Confidence

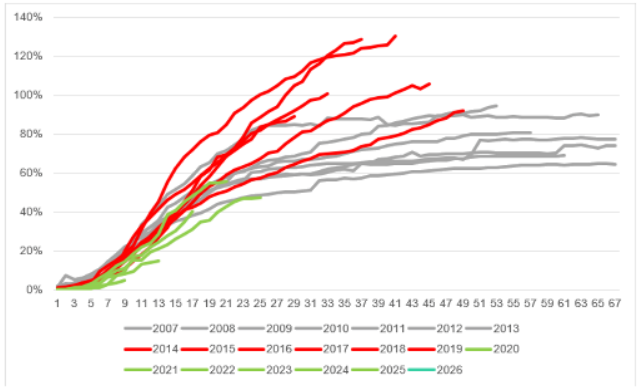
Tailwinds

- ✓ Cumulative RARC – Peak Cycle
- ✓ ILR Emergence
- ✓ Social inflation, recognised and embedded, forecasts
- ✓ Limit and Wording Discipline

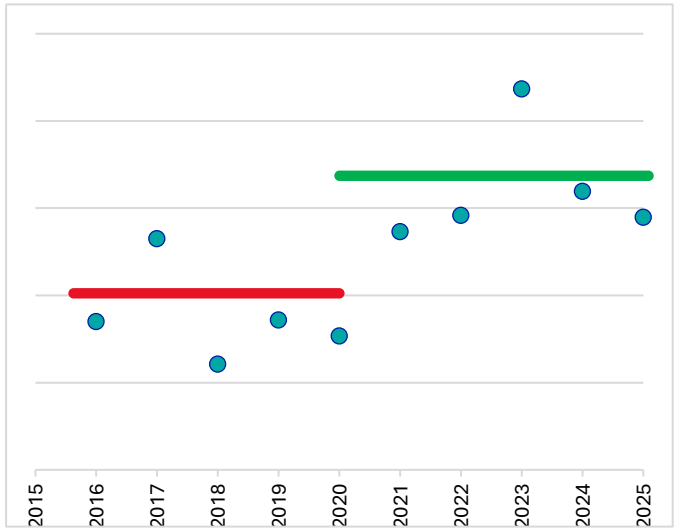
Cumulative rate change index



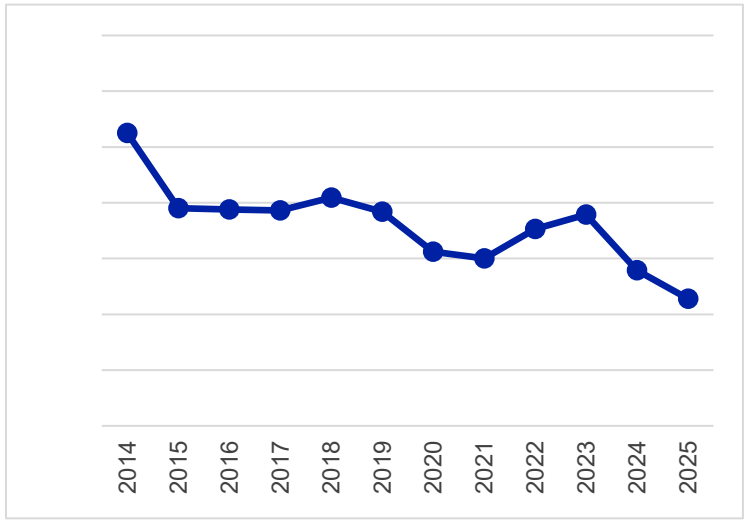
ILR Development



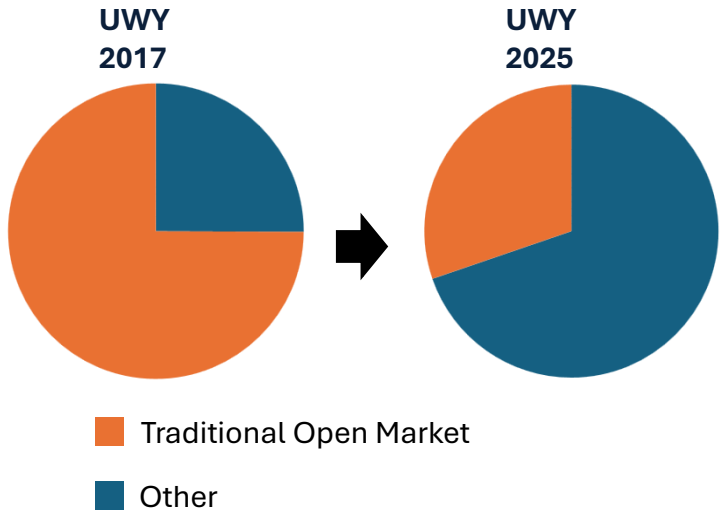
Inflation



Average Limit



Business Mix (top 7 SCOBs)



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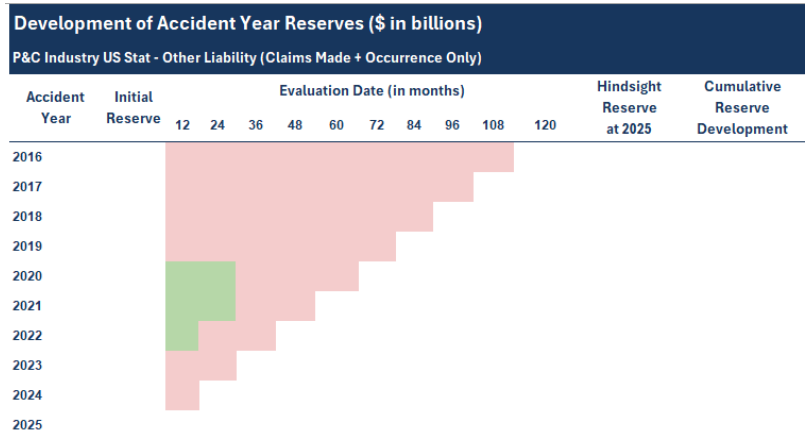
US Casualty
Indicators – Reasons for Concern

Headwinds

ULR Development Lloyd's Market

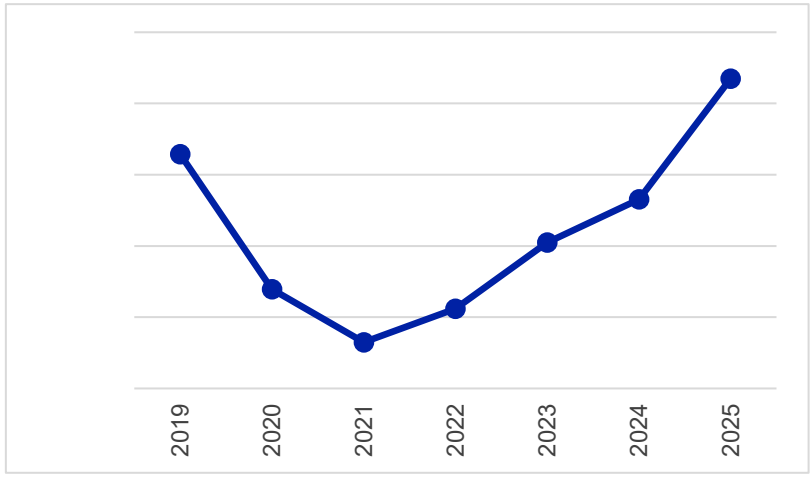
	Initial ULR	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Latest ULR
2015	77%	2.5%	0.8%	3.6%	2.0%	2.2%	1.7%	6.9%	6.4%	1.9%	4.3%	110%
2016	93%		-3.9%	6.6%	6.9%	3.2%	3.3%	10.4%	5.1%	1.3%	3.0%	129%
2017	89%			4.0%	5.7%	5.4%	1.5%	11.4%	9.0%	1.4%	1.8%	130%
2018	89%				6.1%	2.9%	1.1%	9.3%	3.9%	-1.6%	3.9%	115%
2019	85%					-0.2%	-2.2%	5.1%	7.3%	-7.8%	2.2%	90%
2020	82%						-5.3%	0.0%	-0.1%	-6.7%	3.1%	73%
2021	75%							-2.3%	-2.5%	-5.1%	3.0%	68%
2022	75%								-1.6%	-2.7%	1.5%	73%
2023	76%									-6.8%	0.5%	70%
2024	68%										2.4%	70%
2025	71%											71%

Reserve Development US Market (ex Workers Comp)

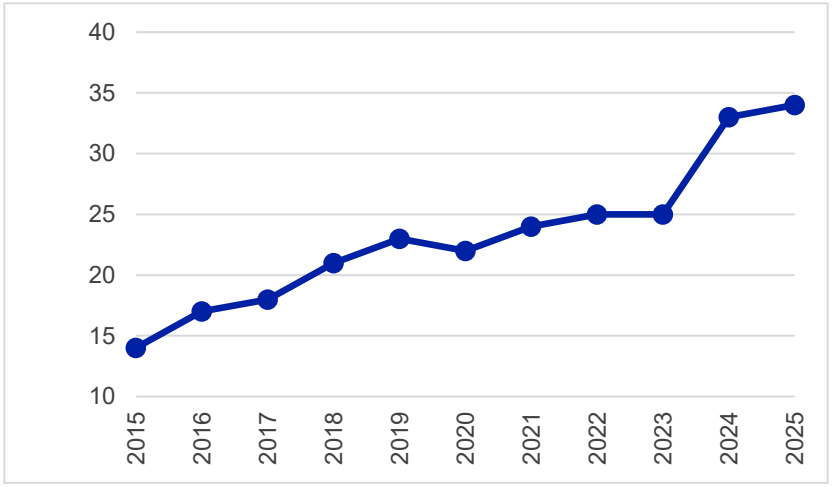


- ✓ Lloyd's Market Adverse PYD
- ✓ Domestic Market Adverse PYD
- ✓ Capacity & Growth

Onleveled (RARC & Inflation) Growth



Capacity



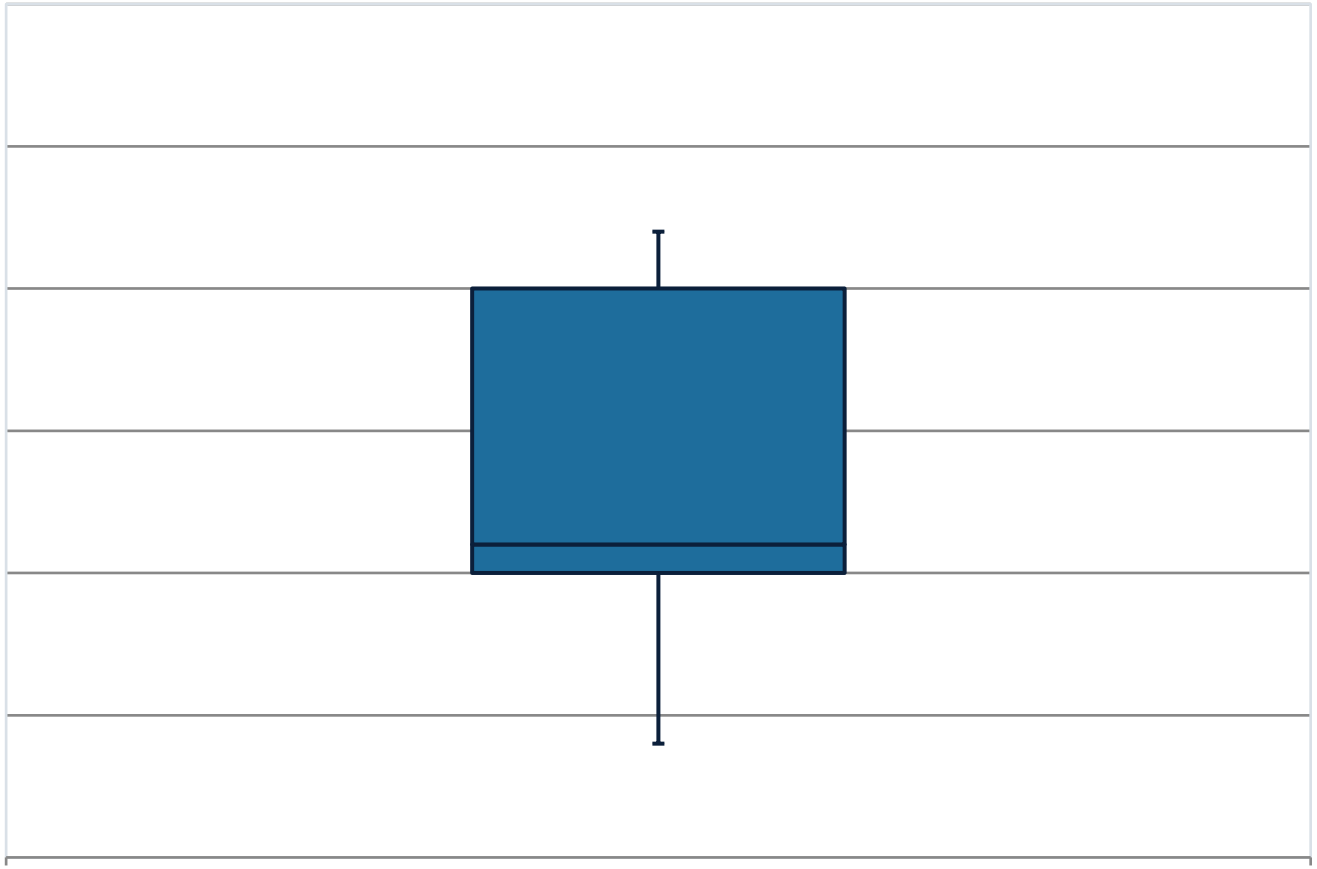
2010–14	Transitioning
2015–19	Soft
2020–22	Contracting
2023–25	Hard
2026	Transitioning

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US Casualty
Adequacy remains highly judgmental

Different weightings of recent experience produce materially different conclusions.



~25+ pts

Gap of loss ratio estimates from low to high end of range

- Covid-related distortion and court delays
- Loss trend and social inflation assumptions
- RARC credibility and inflation treatment
- Credit for underwriting remediation
- Weight assigned to post-2019 experience

Full reliance on recent experience is not appropriate for long-tail occurrence business.

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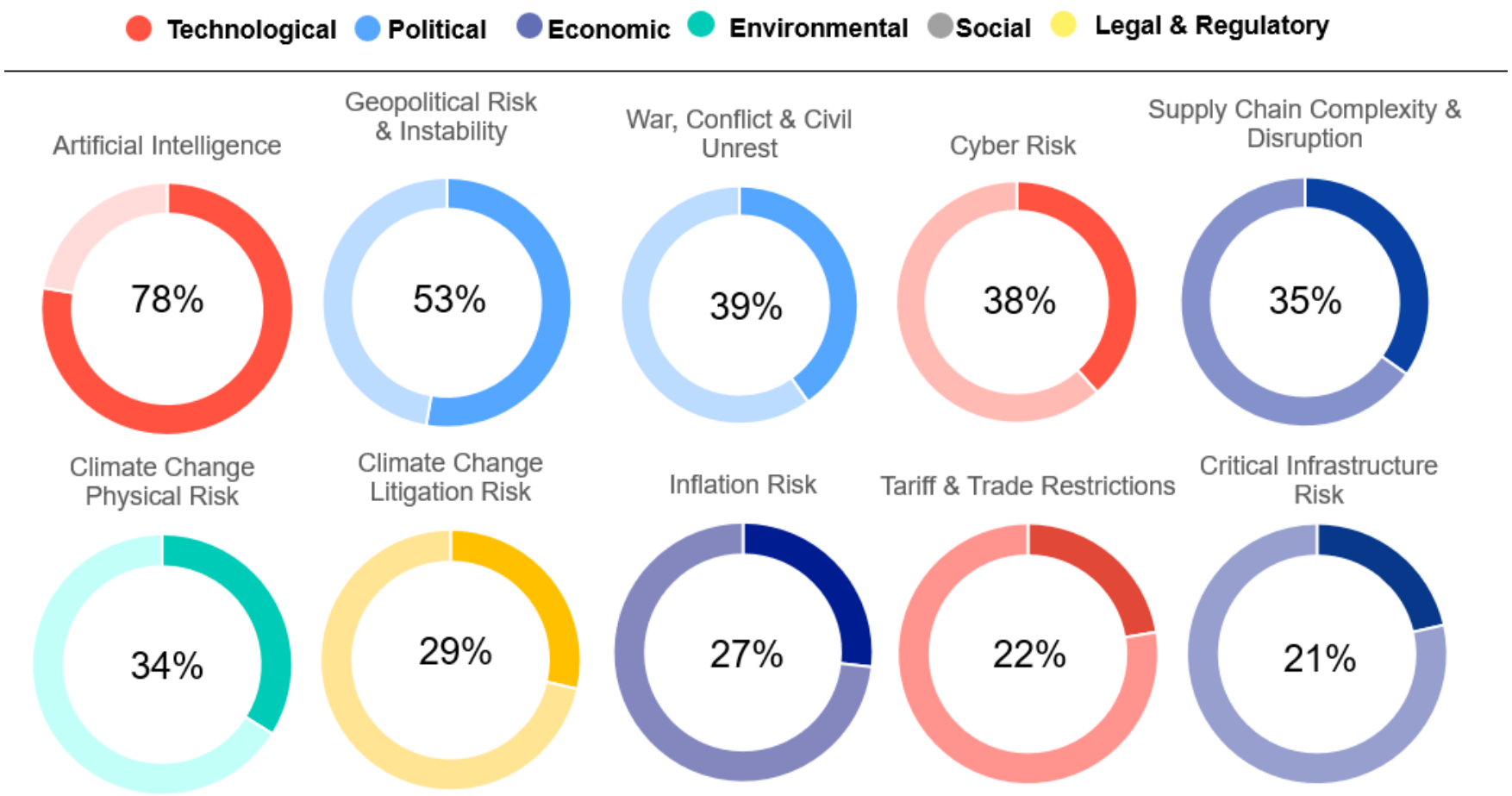
Key Uncertainties for 2026 Year-end

Anil Vekaria – Senior Actuarial Associate, Reserving

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Uncertainty on the horizon

Market wide uncertainties we would expect considered for year-end reserving



The percentages shown in each of the 10 risks above represents the proportion of the market that have included these explicitly as an emerging risks in their ORSAs

Our expectation is that:

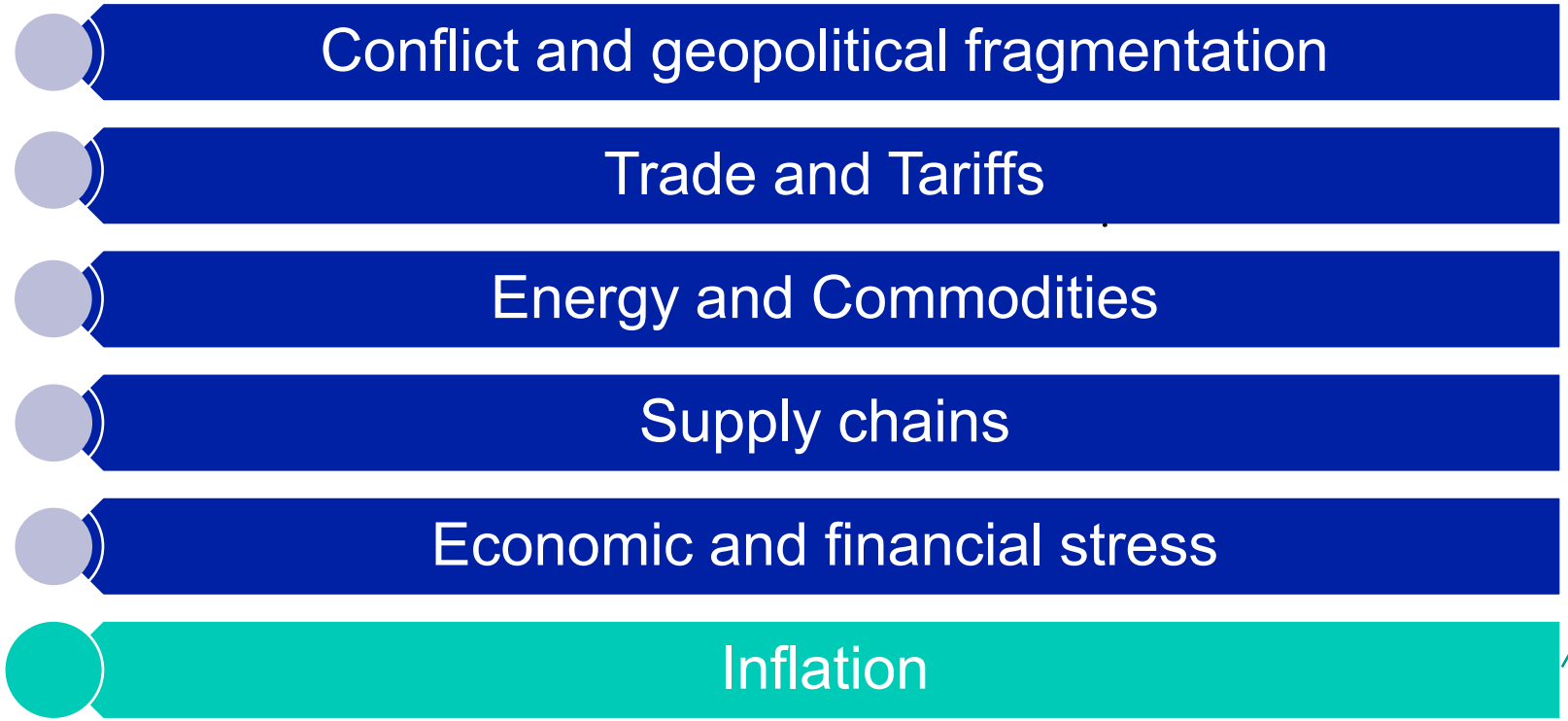
- Actuaries work with wider parts of the business to understand the exposure, and
- Each area of uncertainty is explicitly allowed for such that there is a good understanding of what allowances are contained within the best estimate reserves (and margin) to enable effective monitoring over time.

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Geopolitical and macroeconomic uncertainty

Reserving teams should assess emerging pressures and identify exposures through cross-functional collaboration



- ❑ Are assumptions appropriate for specific portfolios?
- ❑ As assumptions consistent across pricing, claims, reserving, planning and capital?
- ❑ Do scenarios capture prolonged or combined inflation shocks?
- ❑ Is an explicit adjustment needed?

Reflect material uncertainty in assumptions, scenarios and margin before it becomes visible in historic data.

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Middle East: reserve estimates remain highly uncertain

Immature claims information and an evolving conflict create a wide range of potential outcomes

- **Claims and exposures**
- **Coverage interpretation**
- **Marine War**
- **Reinsurance**
- **Unearned Exposures**



Reserve selections and scenarios should remain robust to escalation, adverse coverage outcomes and lower reinsurance recovery.

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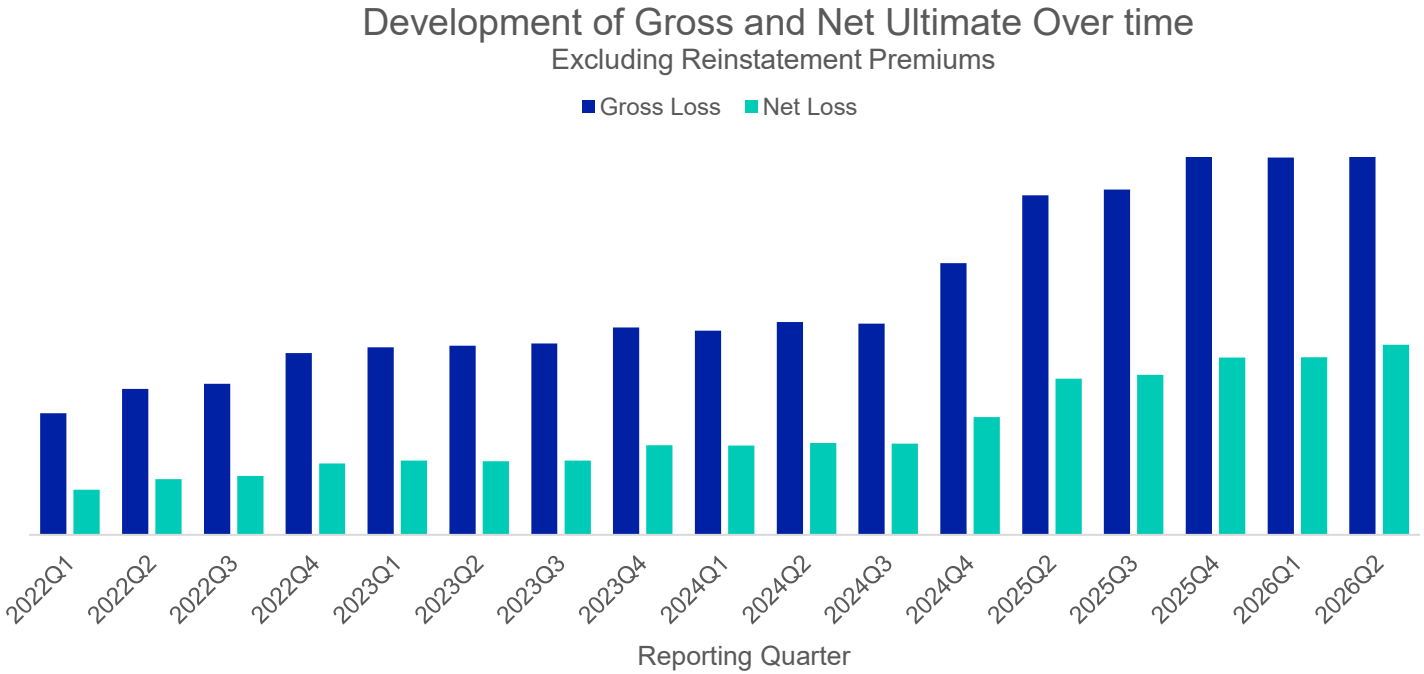
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Ukraine/Russia Conflict

Market estimates are stabilising, but material uncertainty remains

Ultimate estimates have developed materially since the event began, but the Butcher judgment and recent settlements have provided greater clarity and slowed the pace of change recently.



Key remaining uncertainties

1. **Potential operator exposures**
2. **Reinsurance recovery outcomes**
3. **Unresolved legal and claims outcomes**

Continued monitoring is required as operator, reinsurance, legal and claims developments may still affect ultimate loss outcomes.

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Closing and Q&A

Louise Bennett – Head of Reserving

So what does this all mean for 2026 Year-end?

For Signing Actuaries and Syndicate Actuaries

- Lots to think about
  - Market Conditions and rate
  - Uncertainties and the volatile risk environment
  - Interconnected nature
- How uncertainties should be incorporated
  - Best estimates?
  - Margin?
  - Uncertainty Wordings?
  - Capital?
- The importance of data, early indicators and feedback loops to react without delay
  - The insight from SAOs is incredibly valuable to you and to us

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