

Model Change Policy Updates for Model Limitation Adjustments

FAQs

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Key Contacts

- If you have specific questions on this topic please contact your Capital Oversight Point of Contact copying SCRreturns@lloyds.com

Section 1: General Questions:

Q. **What are agents being asked to do?**

A. Under Solvency UK, a syndicate's Model Change Policy (MCP) must include the syndicate's approach to using Model Limitation Adjustments (MLAs), the governance around these, and how the syndicate classifies an MLA as major or minor.

The introduction of the MLA framework will therefore require syndicates to update their MCPs.

See section 3.2.1 of the [Lloyd's Model Change Guidance](#) for details of what information Lloyd's expects syndicates MCP to include in relation to MLAs.

Agents may also refer to section 4.11 of the [Lloyd's Capital Guidance](#) which includes details of what can be considered an MLA and how they may be used, and section 21 of the same document which provides examples of the use of MLAs.

Q. **What additional clarification is Lloyd's providing on the process for agents to update their MCPs and submit this to Lloyd's beyond what is captured in section 3.2.1 of the [Lloyd's Model Change Guidance](#) published in June 2025?**

A. In relation to the process around the submission and review of updates to Model Change Policies:

Syndicates will be required to submit their updated MCP by the time of their capital submission in September or October 2026. Lloyd's has clarified that it will then review updates to MCPs for MLAs in Q4 2026, informing agents of the outcomes of these reviews by the 29th January 2027.

Within the Focus Areas Return for the 2027 SCR agents will be asked to:

- Provide signposting to the exact part of the updated MCP that addresses each of the seven bullet points listed in section 3.2.1 of the [Lloyd's Model Change Guidance](#).
- Confirm that the MCP has been updated in line with the requirements set out by Lloyd's and has been subjected to appropriate governance.

More details on this will be included in the LCR instructions to be released in June 2026.

Note agents are asked to provide a tracked changes (or equivalent) version of the MCP as well as a clean version of the updated policy as part of this submission if possible.

Agents can submit their updated MCP to Lloyd's at any point prior to their capital submission in September or October 2026 if they wish. Note however that this will not alter the timing of Lloyd's review, which will be in Q4 2026, as noted above.

Lloyd's notes that this means that most syndicates will be making their submissions in September or October 2026 based on an MCP that has not yet been formally approved by Lloyd's. Consequently, if a revised MCP is ultimately not approved, agents may need to reassess any implications for their

LCR submission and, in the worst case, resubmit the LCR. However, we regard the likelihood of this for a given syndicate as being very low.

Q. What should an agent do if it wishes to make further changes to its MCP beyond updates relating to MLAs?

A. If the agent wishes to make further changes which would constitute a major change it should submit the updated MCP to Lloyd's as a Major Model Change in line with the usual process. We note the deadline for submitting MMC pre-applications has now passed, so if this is the case please get in touch with your Capital Point of Contact before making such a submission. Lloyd's will then agree with the agent whether these changes are reviewed in line with the usual MMC process and timelines, or in November/December 2026.

If the agent wishes to make further changes to its MCP which are considered minor these should be included in the next version submitted to Lloyd's.

Q. What should an agent do if they have already completed its updates to the MCP to address the expectations set out in section 3.2.1 of the [Lloyd's Model Change Guidance](#) ahead of the release of this FAQ document?

A. Please raise this with your Capital Oversight Point of Contact. In such cases Lloyd's may agree to review prior to Q4 2026.

Q. Does the update to the MCP to address the expectations set out in section 3.2.1 of the [Lloyd's Model Change Guidance](#) in relation to MLAs need to be treated as a major change?

A. Agents can determine to categorise the change as major or minor depending on the nature of the changes made and in line with their own Policy. However, agents are reminded that as per section 3.2 of the [Lloyd's Model Change Guidance](#), only immaterial changes to the Model Change Policy should be treated as minor, and any changes that make substantive changes to the processes set out in the MCP should be treated as a major change. Lloyd's expectation is therefore that these changes should be treated as major for most syndicates.

Q. Does the requirement to submit the updated MCP to Lloyd's by the time of the 2027 SCR submission still apply if the syndicate categorises the change as minor?

A. Yes.

Section 2: Suggested considerations when updating the Model Change Policy in relation to MLAs:

Note the below are suggestions as to what we would expect agents to consider when updating Model Change Policies - they are not requirements.

Q. What specific considerations should agents make in relation to the process for **introducing** an MLA?

A. Lloyd's would expect the process for introducing an MLA to be linked to processes involving the identification and assessment of residual Model Limitations (RMLs), in line with the commentary in section 4.11 of the [Lloyd's Capital Guidance](#).

Related to this, agents should consider that some situations leading to an MLA being introduced may arise shortly before a capital submission to Lloyd's, e.g. due to a validation finding, an external event or a significant change in economic conditions.

This consideration of the timeframes that may apply may also be relevant to the process for developing a plan to address the underlying model limitation, and internal and external communications around MLAs.

See also the answer to the question below relating to expectations relating to documentation when introducing an MLA, which includes expectations in relation to validation when introducing an MLA.

Q. What specific considerations should agents make in relation to the **categorisation** of an MLA as major or minor?

A. Agents should consider what quantitative and qualitative thresholds are appropriate for categorising an MLA model change as major and therefore whether any additional thresholds relevant to MLAs may be appropriate.

In doing this, agents should take into account the following points from the Lloyd's Capital Guidance (section 4.11) and Lloyd's Model Change Guidance (section 2.3) respectively:

(a) *"Lloyd's would not expect the use of MLAs in aggregate to be highly material for a syndicate. If the aggregate impact of MLAs is above 10% of the SCR this will be taken as an indication that there may be issues with SUK model compliance and Lloyd's will give consideration to whether additional controls loadings or capital approval conditions are required".*

(b) *"When selecting trigger points, the overarching principle that agents should keep in mind is that a major model change should be triggered by any accumulation of changes or single change that reflect a material change in the syndicate's capital requirements, risk profile, and/or modelling changes that require the board's attention and approval. Lloyd's will engage with managing agents with thresholds that do not clearly give appropriate board visibility of change".*

Any agent submitting an MCP where the threshold for an individual MLA to trigger a major change is greater than 10% would therefore be expected to provide robust justification as to why this is considered appropriate.

Q. What specific considerations should agents make when updating a Model Change Policy to set out the timescales over which the MLA will be addressed?

A. Agents should review the expectations set out in section 4.11 of the [Lloyd's Model Change Guidance](#) which include that:

(i) MLAs which are management adjustments should not be carried forward into the following YoA SCR without prior agreement by Lloyd's, and

(ii) Lloyd's would expect syndicates to consider the materiality of the underlying limitation to the SCR and other business uses, and the complexity of addressing the limitation, when assessing the timescale for it being addressed.

Q. What specific considerations should agents make when updating a Model Change Policy to set out the process for developing a plan to address the issue giving rise to the MLA?

A. Agents should be aware that when introducing an MLA that Lloyd's would expect the agent to provide a plan for addressing the MLA, but this only need be a brief outline plan where the agent has not yet had sufficient time to develop a detailed plan. Therefore, agents should consider this when setting out the process for developing a plan to address the issue giving rise to the MLA, and internal and external communications around MLAs.

Q. What specific considerations should agents make when updating a Model Change Policy to set out how MLAs should be documented?

A. Although section 3.2.1 of the Lloyd's Model Change Guidance states that Lloyd's would expect the MCP to set out how MLAs should be documented, this is no longer the case.

Note however the following points intended to clarify Lloyd's expectations in relation to documentation relevant to MLAs:

(i) Lloyd's would expect both the rationale for the MLA (with reference to the underlying limitation) and parameterisation of the MLA to be appropriately documented, in line with sections 5.9 and 8.6 of the [Lloyd's Capital Guidance](#).

(ii) When introducing an MLA Lloyd's would expect the Analysis of Change supporting the subsequent capital submission to include:

- Commentary relating to the materiality of the MLA consistent with the quantitative impacts captured in the Model Change Template
- A description of the model limitation giving rise to the need for the MLA
- Details of the methodology for deriving the MLA and details of parameterisation
- An outline plan for addressing the MLA (i.e. timescale over which the agent expects to address the underlying model limitation and when a detailed plan to address this is intended to be formed).

(iii) When introducing an MLA, the supporting validation should include explicit consideration of the appropriateness of the MLA including the rationale (with reference to the underlying limitation), parameterisation and quantum of impact where relevant.

Q. What specific considerations should agents make when updating a Model Change Policy to set out the process for changing and/or removing an MLA?

Agents should ensure the MCP explicitly sets out the process for changes to existing MLAs as well as the process for removing an MLA.

Q. Are there any changes to Lloyd's reporting relating to MLAs which may be relevant to consider?

A. Agents should note that in 2025 Lloyd's introduced a new model change type of 'Model Limitation Adjustment' – see section 2.2 and Appendix 1 of the [Lloyd's Model Change Guidance](#) for details. As such, the introduction of an MLA or change to an MLA should be categorised in the Model Change Template using this Lloyd's Change Type.

Agents may therefore consider introducing an equivalent model change type for their internal purposes, but this is not expected or required.