

LLOYD'S

Solvency and Financial Condition Report

31 December 2025

Lloyd's Solvency and Financial Condition Report – 31 December 2025

Overview

Lloyd's Solvency and Financial Condition Report (SFCR) as at 31 December 2025 has been prepared in accordance with Chapter 3 of the Reporting Part of the PRA Rulebook, as applicable to UK Solvency II firms.

This SFCR is prepared in respect of 'the association of underwriters known as Lloyd's ('Lloyd's'). Further information on the structure of Lloyd's, and the basis of preparation of the SFCR, is described in the Summary.

Lloyd's SFCR contains the quantitative templates as specified by Article 4: Templates for the Solvency and Financial Condition Report of Individual Firms of Chapter 3A of the Reporting Part of the PRA Rulebook.

Throughout this document, unless otherwise stated, references to Lloyd's relate to the Lloyd's market; references to the Society are in respect of the Society of Lloyd's (including the Corporation and the Central Fund). Any references to UK Solvency II should be interpreted as references to the UK Solvency II regime.

Further information

Additional information regarding Lloyd's may be found within Lloyd's Annual Report 2025 and Aggregate Accounts 2025. These reports are available from Lloyd's website: <https://www.lloyds.com/about-lloyds/investor-relations/financial-results/full-year-results-2025>.

The Lloyd's Annual Report includes the Pro Forma Financial Statements (PFFS), which are prepared so that the financial results of Lloyd's and its members taken together and their net assets can be compared as closely as possible with general insurance companies. The PFFS have been prepared by aggregating audited financial information reported in syndicate annual accounts (Aggregate Accounts), members' Funds at Lloyd's (FAL), the financial statements of the Society of Lloyd's and any central adjustments. The Annual Report also includes the financial statements of the Society of Lloyd's, comprising the financial position and performance of the Corporation of Lloyd's and the Central Fund.

The Aggregate Accounts set out an aggregation of all audited syndicate annual accounts including the audited results for calendar year 2025 and the financial position as at 31 December 2025 of all syndicates which transacted business during 2025. Where relevant, references to these documents are made in the SFCR.

Governing body's statement in respect of the SFCR

We, the Council, acknowledge our responsibility for preparing the SFCR of Lloyd's as at 31 December 2025 in all material respects in accordance with the PRA Rules and UK Solvency II Regulations as applicable to Lloyd's.

We are satisfied that:

- throughout the financial year in question, Lloyd's has complied in all material respects with the requirements of the PRA Rules and the UK Solvency II Regulations as applicable to Lloyd's; and
- it is reasonable to believe that Lloyd's has continued so to comply and will continue so to comply in future.

For and on behalf of the Council:

Charles Roxburgh
Chair

Patrick Tiernan
Chief Executive

1 April 2026

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Summary

About Lloyd's

Lloyd's is the only insurance marketplace of its kind in the world.

In 2025, the Lloyd's market wrote £57.9bn of insurance premium. Risks are considered, priced and insured by a marketplace of 60,000 risk professionals, protected by £49.5bn of capital.

Lloyd's is uniquely structured to connect the global insurance ecosystem. We are committed to bringing together risk takers to protect and advance global progress and economic growth.

From its inception more than 300 years ago, Lloyd's has been a market of firsts – helping global commerce flourish by allowing risk to be pooled and shared. It has developed into a key pillar of risk management in the global financial system.

Lloyd's has consistently turned emerging threats into insurable realities – from shipping and aviation, space and cyber, to renewable energy and storage. The risks have changed over the years. But our fundamental principle – helping people, organisations and businesses move forward boldly and with confidence – has not.

Lloyd's Market Structure

Members – providing the capital

The capital to underwrite policies is provided by members of Lloyd's. This capital is backed by many of the world's major insurance groups, listed companies, individuals and limited partnerships, with corporate entities providing the majority of the capital for the Lloyd's market.

Syndicates – writing the insurance

A Lloyd's syndicate is formed by one or more members joining together to provide capital and accept insurance risks. Most syndicates write a range of classes of business, but many will have areas of specific expertise. Syndicates are, technically, set up on an annual basis. In practice, they usually operate from year to year with members having the right, but not the obligation, to participate in syndicates the following year. This continuity of capital backing the syndicates means they function like permanent insurance operations. Each syndicate sets its own appetite for risk, develops a business plan, arranges its reinsurance protection and manages its exposures and claims.

At 31 December 2025, there were 110 active (i.e. participating on the 2025 year of account) (2024: 106) syndicates at Lloyd's including 6 (2024: 9) syndicates in a box writing innovative new business.

Managing agents – managing the syndicates

A managing agent is a company set up to manage one or more syndicates on behalf of the members. Managing agents have responsibility for employing underwriters, overseeing their underwriting and managing the infrastructure and day-to-day operations.

At 31 December 2025, there were 57 (2024: 51) managing agents at Lloyd's.

Policyholders – transferring risk

Policyholders include businesses, organisations, other insurers and individuals from around the world who seek to mitigate the impact of potential risks. Policyholders may access the Lloyd's market via a broker, coverholder or service company.

Brokers – distributing business

Lloyd's is a broker market in which strong relationships, backed by deep expertise, play a crucial part. Brokers facilitate the risk transfer process between policyholders and underwriters. Much of this business involves face to face negotiations between brokers and underwriters.

At 31 December 2025, there were 401 (2024: 401) broking firms introducing business to Lloyd's.

Coverholders – offering local access to Lloyd's

A coverholder is a firm either in the UK or overseas that is authorised by a managing agent under the terms of a binding authority to enter into contracts of insurance to be underwritten by members of a syndicate managed by the managing agent. A Lloyd's broker may act as a coverholder.

At 31 December 2025, there were 3,015 (2024: 2,949) approved coverholder office locations.

Service companies

A service company is a wholly owned subsidiary of either a managing agent or of a managing agent's holding company and which is authorised to enter into contracts of insurance for members of its associated syndicate and/or associated insurance companies.

At 31 December 2025, there were 409 (2024: 405) service companies at Lloyd's, with the majority in the UK and the US.

Members' agents – supporting the members

Members' agents provide services and perform duties including advising the member on which syndicates they should participate.

At 31 December 2025, there were 4 (2024: 4) members' agents at Lloyd's.

Society of Lloyd's – supporting the market

Behind the Lloyd's market is the Society. While the Society does not underwrite insurance risks, it acts as the market operator: providing the infrastructure and regulatory oversight needed for the market to succeed. The Society's main corporate purposes are to facilitate the conduct of insurance business by members of Lloyd's, to advance and protect their interests in this context and to manage the Society's insurance undertakings.

The Society's role includes:

- managing and protecting Lloyd's network of international licences;
- agreeing syndicates' business plans and evaluating performance against those plans. Syndicates are required to underwrite only in accordance with their agreed business plans. If they fail to do so, Lloyd's can take a range of actions including, as a last resort, stopping a syndicate underwriting;
- monitoring syndicates' compliance with Lloyd's Principles for Doing Business; and
- continuing to raise standards and improve performance across two main areas:
 - overall risk and performance management of the market; and
 - maintaining and developing the market's attractiveness to capital providers, distributors and clients, while preserving its diversity.

The Society's Executive Committee exercises the day-to-day powers and functions of the Council of Lloyd's.

The average number of employees, on a full-time equivalent basis, was 1,219 (2024: 1,307).

Basis of preparation of the SFCR

The basis of preparation of the Lloyd's SFCR has been selected so that the financial position of Lloyd's is presented on a basis to most appropriately reflect the structure of Lloyd's.

The Society of Lloyd's is defined in the PRA Rulebook as "the Society incorporated by the Lloyd's Act 1871 by the name of Lloyd's". Under Chapter 3 of the Insurance General Application Part of the PRA Rulebook, where a provision in the Solvency II firms sector of the PRA Rulebook is expressed to apply to the Society, the Society is required to apply the relevant provisions so as to achieve the same effect as would apply to a UK Solvency II firm. As a result, where required the Society is treated as an insurer subject to UK Solvency II. Given the unique nature and capital structure of Lloyd's, as described above, it must present two separate views of its solvency – a Central solvency view (treated as a solo undertaking), and a market wide solvency view (treated similar to a group undertaking), as agreed with the PRA.

The Quantitative Reporting Templates (QRTs) submitted to the PRA are prepared on a Lloyd's market wide basis. Accordingly, the majority of the SFCR relates to the market wide solvency view. References to central solvency are made where relevant and are clearly identified; unless otherwise stated, commentary in the SFCR should be read as referring to market wide solvency.

The market wide solvency position presented in the SFCR includes the aggregate of returns submitted from syndicates, members' Funds at Lloyd's (FAL) and the Society (Corporation and Central Fund).

The Lloyd's templates report the quantitative information for calendar year 2025 and the financial position at 31 December 2025 for all syndicates which transacted business during the year. The data therein which contributes to the sections of the SFCR subject to a reasonable assurance engagement by PricewaterhouseCoopers (PwC) is the subject of an audit opinion by the auditor of each syndicate.

The capital provided by members is generally held centrally as FAL. The data included within the SFCR in relation to FAL is provided by the Corporation. The data therein which contributes to the SFCR is the subject of a reasonable assurance engagement by PwC as the auditor of Lloyd's.

Data in respect of the Society of Lloyd's is also provided by the Corporation. Again, the data therein which contributes to the SFCR is the subject of a reasonable assurance engagement by PwC.

The balance sheet (IR.02.01) and summary of own funds (IR.23.01) in the SFCR aggregate the assets held at syndicate level, members' assets held as FAL and the central resources of the Society. Adjustment to these positions is made to ensure consistency of treatment of Lloyd's Insurance Company S.A (LIC) and Lloyd's Insurance Company (China) Limited (LICCL) between Own Funds and the Market-wide Solvency Capital Requirement (MWSCR).

Overall, the SFCR aggregates the results and resources of the Society and its members. It may, therefore, be used as a reasonable presentation of the results and state of affairs of the Lloyd's market on a basis as if it were a group applying UK Solvency II (i.e. similar to a group Solvency II calculation), and is prepared so as to be as closely as possible comparable with general insurance companies.

Throughout this document, sections/items indicated with an asterisk (*) are not subject to reasonable assurance.

Solvency Capital Requirement* (UK Solvency II basis)

The Solvency Capital Requirement (SCR) represents the amount of capital required to withstand up to 1 in 200-year losses over a one-year time horizon. Given Lloyd's unique structure there are two SCRs which are monitored under the UK Solvency II regime:

- The Lloyd's Market Wide SCR (MWSCR) is calculated to cover all the risks of 'the association of underwriters known as Lloyd's', i.e. those arising on syndicate activity, members' capital provided at Lloyd's and the Society taken together, at a 99.5% confidence level over a one-year time horizon. All the capital of the component parts of the market taken together is available to meet the MWSCR.
- The Lloyd's Central SCR (CSCR) is calculated in respect of only the risks facing the Corporation and the Central Fund at the same confidence level and time horizon used to calculate the MWSCR. The material risk is that members do not have sufficient funds to meet their underwriting losses even having complied with Lloyd's capital setting rules.

Individual syndicates are also required to calculate a SCR, at a 99.5% confidence level over both a one-year and an ultimate horizon, for each underwriting year. The ultimate basis drives the determination of member level capital and each member's SCR is derived as the sum of the member's share of the syndicate's ultimate SCR. Where a member participates on more than one syndicate, a credit for diversification is provided to reflect the spread of risk. The MWSCR and CSCR are derived from the Lloyd's Internal Model which has been approved by the PRA.

Individual syndicates also derive SCRs from their own internal models which are subject to approval by the Lloyd's Capital and Planning Group. The appropriateness of each syndicate's internal model, including changes thereto and the reasonableness of the key assumptions are assessed as part of the Society's oversight of the Lloyd's market.

Financial highlights for the Lloyd's market - 2025

In 2025, the Lloyd's market delivered a strong financial performance, reporting an underwriting profit of £5,208m with a combined ratio of 87.6% (2024: underwriting profit of £5,314m with a combined ratio of 86.9%), reflecting comparatively benign catastrophe losses in the latter part of the year. The underwriting performance was further supported by an investment return of £6,010m (2024: £4,914m).

Foreign exchange movements resulted in a loss of £121m (2024: £124m loss) and net non-technical expenses increased to £503m (2024: £478m), resulting in an overall profit before tax of £10,594m (2024: £9,626m).

	2025	2024
	£m	£m
Underwriting result	5,208	5,314
Investment return	6,010	4,914
Gain/(Loss) on exchange	(121)	(124)
Other income	88	79
Expenses (other than technical account operating expenses)	(591)	(557)
Total	10,594	9,626

Gross written premium rose by 4.2% to £57.9bn, with 10.3% volume growth made up of 7.2% from existing participants and 3.1% from new entrants. This was offset by a (2.4)% adverse foreign exchange impact reflecting the strengthening of Sterling against the US dollar, and a (3.7)% reduction in price consistent with a more competitive pricing environment, although disciplined underwriting continues to support price adequacy. Reinsurance recorded the strongest growth during 2025, driven by new entrants and continued demand in selected segments, while Property continued to grow, albeit at a slower pace in competitive US markets.

The market reported an underwriting profit of £5,208m. Performance varied by line of business: Property and Reinsurance benefited from lower catastrophe activity and stable underlying loss experience, while Aviation reflected further reserve strengthening related to Russia-Ukraine conflict exposures.

The combined ratio was 87.6% (2024: 86.9%). Total major losses were £2,436m (2024: £3,169m), producing a major claims ratio of 5.8% (2024: 7.8%). The year was marked by several severe events, including Hurricane Melissa, which, despite their wider human and environmental impact, did not generate material insured losses for the market. As a result, the Californian wildfires recorded in the first quarter remained the most material loss of the year.

The expense ratio increased to 35.6% (2024: 34.4%), reflecting higher profit commissions, including catch-up adjustments on prior underwriting years, increased acquisition costs associated with new business, and impacts of foreign exchange.

The Lloyd's market generated an investment return of £6,010m (or 5.6%) (FY 2024: £4,914m, 4.7%), driven by strong income and realised gains from fixed income assets, alongside positive equity market performance. Interest rate yields fell during the period, which also contributed to unrealised gains on fixed income assets.

Overall market returns in 2025 were strong, supported by an improved risk environment following the initial volatility triggered by the introduction of US tariffs early in the year and ongoing geopolitical uncertainty. As the year progressed, concerns regarding higher tariffs eased as several countries secured negotiated tariff reductions with the US administration, contributing to a more constructive market backdrop.

Returns were further supported by resilient corporate earnings and the gradual easing of interest rates, as inflation began to moderate and tariff-related inflation fears did not materialise. The artificial intelligence theme continued to play a significant role in equity market performance, although investor selectivity increased due to the high capital expenditure requirements within the sector. Economic growth in the US remained stronger than expected, although labour market conditions softened, while the UK economy showed signs of fragility.

The Lloyd's market continues to be strongly capitalised with total capital, reserves and subordinated loan notes of £49,825m at 31 December 2025, a 5.7% increase from the £47,149m reported at 31 December 2024.

The central solvency ratio has increased from 435% at 31 December 2024 to 496% at 31 December 2025. This primarily reflects a reduction in the central solvency capital requirement (central SCR) alongside an increase in Society own funds, after taking into account the repayment of the 2020 tranches of syndicate loans.

The market-wide solvency ratio has decreased from 205% at 31 December 2024 to 200% at 31 December 2025. This is due to an increase in the market-wide solvency capital requirement (market-wide SCR) partially offset by an increase in members' balances, underpinned by resilient underwriting and investment returns.

The central SCR decreased by £125m to £1,275m at 31 December 2025, following improvements to the modelling of extreme syndicate loss risk to the Central Fund, partially offset by market growth. The market-wide SCR increased by £1,950m to £27,550m at 31 December 2025, as market exposures grew and pricing conditions softened.

Post-balance sheet events

Following the balance sheet date, geopolitical tensions continued, including the ongoing Russia-Ukraine conflict and an escalation of hostilities in the Middle East. Lloyd's is deeply mindful of the human consequences of these events. These developments have increased geopolitical risk across several insurance classes, particularly Aviation, Marine and Energy. Industry commentary indicates the potential for elevated claims and accumulation risk. However, given the early stage of recent developments and the inherent uncertainty surrounding these events, Lloyd's is currently unable to quantify any financial impact. As these events occurred after the year end, they are treated as non-adjusting events, and developments continue to be monitored.

Lloyd's risk profile

At Lloyd's, the risk profile originates from both syndicates and at Society level. Syndicates are the source of the majority of risks. They source all the insurance business; manage the bulk of the asset portfolios; hold the majority of the counterparty exposures; and conduct most of the day-to-day operational activity. The syndicate risks include: insurance risk (underwriting, reserving and catastrophe risk); market risk on syndicate assets (including credit risk on Premium Trust Funds (PTF)); reinsurance and other credit risk; and syndicate operational risk.

At the Society level, additional risks arise from central operational risk; pension fund risk; market risk on central assets; and the risk of member default.

Lloyd's Internal Model*

The approved Lloyd's Internal Model (LIM) is a purpose-built model designed to calculate the MWSCR and CSCR as required under UK Solvency II. It covers all risk types and all material risks for the aggregation of syndicates as well as for the Society, allowing for the unique capital structure of Lloyd's. The LIM consists of three main components: the Lloyd's Investment Risk Model (LIRM) which simulates economic variables and total assets returns; the Lloyd's Catastrophe Model (LCM) which models catastrophe risk; and the Capital Calculation Kernel (CCK) which is the main element of the LIM where all other risks are simulated, and all risks are combined.

Syndicates calculate their own SCR. However the market wide and central capital requirements are derived from Lloyd's parameterisation at a whole market level to build a view of total market capital requirements from the ground up using market level assumptions. The LIM uses a methodology whereby losses from insurance and other risks are simulated by line of business, allocated to syndicates and through to members to assess the level of capital required by the market and centrally to meet up to 1 in 200-year losses over the one-year time horizon.

Lloyd's solvency ratios and capital

Lloyd's solvency position is summarised below:

	Dec 2025	Dec 2024
	£m	£m
Market wide solvency		
Lloyd's MWSCR*	27,550	25,600
Eligible capital	55,088	52,381
Lloyd's solvency ratio	200 %	205 %
Central solvency		
Central SCR*	1,275	1,400
Eligible central capital	6,325	6,095
Lloyd's central solvency ratio	496 %	435 %

The market wide solvency ratio has decreased to 200% from 205% at 31 December 2024 driven by an increase in Lloyd's market-wide capital requirement following growth in the market partially offset by an increase in eligible capital.

The central solvency ratio has increased to 496% from 435% at 31 December 2024. The increase is driven by the reduction in Lloyd's central capital requirement following modelling changes to address limitations in accurately capturing the risk profile of extreme syndicate losses to the Central Fund. The reduction has been partially offset by growth in the market.

A summary of Lloyd's market wide capital ('own funds') by tier is set out below.

31 December 2025	Tier 1	Tier 2	Tier 3	Total
	£m	£m	£m	£m
Syndicate assets	20,471			20,471
Members' Funds at Lloyd's (FAL)	23,011	7,854		30,865
Society assets:				
Subordinated debt		301		301
Deferred tax			23	23
Balance of net assets	3,428			3,428
Total own funds available to meet the SCR	46,910	8,155	23	55,088
Lloyd's SCR*				27,550
'Excess' own funds not eligible to meet SCR	–	–	–	–
Total market wide own funds eligible to meet the SCR	46,910	8,155	23	55,088
Lloyd's market wide solvency ratio				200 %

31 December 2024	Tier 1	Tier 2	Tier 3	Total
	£m	£m	£m	£m
Syndicate assets	18,389			18,389
Members' Funds at Lloyd's (FAL)	22,689	7,790		30,479
Society assets:				
Subordinated debt		295		295
Deferred tax			12	12
Balance of net assets	3,206			3,206
Total own funds available to meet the SCR	44,284	8,085	12	52,381
Lloyd's SCR*				25,600
'Excess' own funds not eligible to meet SCR	–	–	–	–
Total market wide own funds eligible to meet the SCR	44,284	8,085	12	52,381
Lloyd's market wide solvency ratio				205 %

The eligibility of assets to count towards the solvency coverage is subject to tiering restrictions. All Tier 1 assets count fully towards the solvency coverage assessment. However, Tier 2 and Tier 3 assets are only eligible up to a maximum of 50% of the SCR. A significant portion of the members' FAL are in the form of letters of credit (LOCs),

which are classified as Tier 2 assets under UK Solvency II. At 31 December 2025, the amount of ineligible Tier 2 and Tier 3 capital was £nil (2024: £nil).

These LOCs are callable on demand and when called, the proceeds, namely cash, would qualify as Tier 1 assets. Under these circumstances, any amounts previously restricted would become fully eligible.

The central own funds available to cover the central SCR are summarised below:

	Tier 1	Restricted Tier 1	Tier 2	Tier 3	Total
31 December 2025	£m	£m	£m	£m	£m
Society assets:					
Subordinated debt			301		301
Deferred tax				23	23
Balance of net assets	3,484	–			3,484
Callable layer*	2,517				2,517
Total central own funds available to meet the SCR	6,001	–	301	23	6,325
Central SCR*					1,275
'Excess' central own funds not eligible to meet central SCR	–	–	–	–	–
Total central own funds eligible to meet the SCR	6,001	–	301	23	6,325
Central solvency ratio					496 %

	Tier 1	Restricted Tier 1	Tier 2	Tier 3	Total
31 December 2024	£m	£m	£m	£m	£m
Society assets:					
Subordinated debt			295		295
Deferred tax				12	12
Balance of net assets	3,200	303			3,503
Callable layer*	2,285				2,285
Total central own funds available to meet the SCR	5,485	303	295	12	6,095
Central SCR*					1,400
'Excess' central own funds not eligible to meet central SCR	–	–	–	–	–
Total central own funds eligible to meet the SCR	5,485	303	295	12	6,095
Central solvency ratio					435 %

Callable layer*

The Society has the right to make a call on members of up to 5% of members' premium limits ("callable contributions"). The callable contributions can be drawn from members' premiums trust funds without the members' consent. This would result in the transfer of Tier 1 capital from syndicate funds to central resources. The value assigned to the callable layer has been reduced to reflect that part of the callable layer which would not be available in a stressed situation at the central SCR level of confidence.

Syndicate loans to the Central Fund

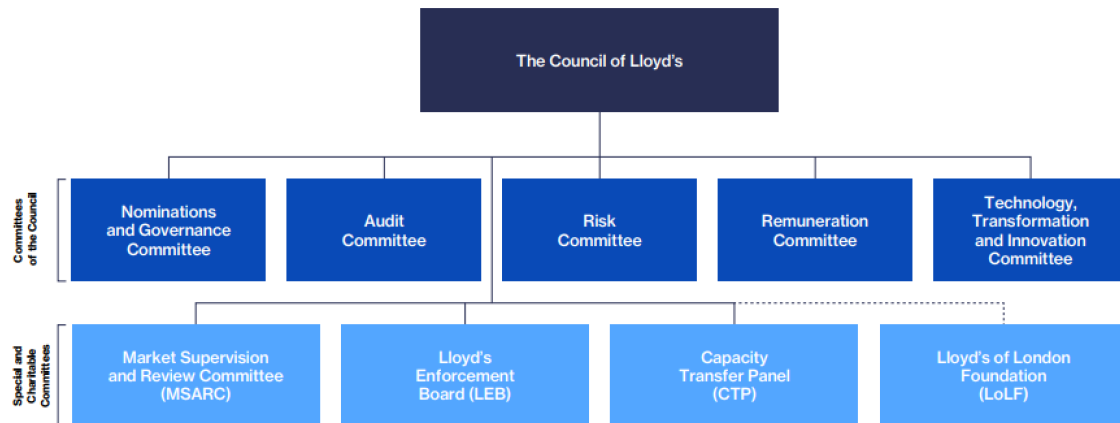
During 2019 and 2020 the Society issued capital in the form of syndicate loans to the Central Fund ("syndicate loans") from members participating on the 2019 and 2020 years of account. In 2024, the Society repaid the 2019 tranche of syndicate loans. During 2025, the Society repaid both 2020 tranches of syndicate loans reducing the total restricted Tier 1 capital to £nil as at 31 December 2025 (2024: £303m). There are no outstanding syndicate loans as at 31 December 2025.

Coverage of the central SCR with eligible central own funds

The capital tiering rules also apply to the coverage of the central SCR. The inclusion of the subordinated debt and deferred tax increase Lloyd's Tier 2 and 3 central capital by £324m (2024: £307m). At 31 December 2025, the amount of ineligible Tier 2 and Tier 3 capital was £nil (2024: £nil).

Lloyd's governance structure

The structure of the principal governing bodies of Lloyd's is summarised in the chart below:



The Council of Lloyd's

Under Lloyd's Act 1982, the Council of Lloyd's undertakes the management and superintendence of the affairs of the Society and has the power to regulate and direct the business of insurance at Lloyd's. The Council is responsible for the day-to-day oversight of Lloyd's and thus constitutes Lloyd's Administrative, Management or Supervisory Body (AMSB).

A Business and Performance

A.1 Business

Name and legal form of undertaking

In 1871, by the Lloyd's Act 1871, the then existing association of underwriters was incorporated in the United Kingdom as the Society and Corporation of Lloyd's (the 'Society'). Its activities are accordingly governed by statute and, since 1982, have been managed by the Council of Lloyd's (the 'Council') pursuant to the Lloyd's Act 1982. The Society's principal place of business is One Lime Street, London EC3M 7HA.

Supervisory authority responsible for financial supervision

The supervisory authority of Lloyd's is the Prudential Regulation Authority (PRA), which was created as part of the Bank of England by the Financial Services Act (2012). The registered office of the PRA is as follows:

Prudential Regulation Authority
20 Moorgate
London
EC2R 6DA

External auditor of the undertaking

The independent auditors of Lloyd's are:

PricewaterhouseCoopers LLP Chartered Accountants
7 More London Riverside London
SE1 2RT

Holders of qualifying holdings of the undertaking

There are no qualifying holdings applicable to Lloyd's.

Legal structure of group

Lloyd's does not belong to a group.

Material lines of business and geographical areas

Lloyd's writes a wide range of classes of business in a variety of geographical areas.

Significant events during the reporting period

Total major losses were £2,436m (2024: £3,169m), producing a major claims ratio of 5.8% (2024: 7.8%). The year was marked by several severe events, including Hurricane Melissa, which, despite their wider human and environmental impact, did not generate material insured losses for the market. As a result, the Californian wildfires recorded in the first quarter remained the most material loss of the year.

During the year, Sir Charles Roxburgh KCB commenced as Chair of Lloyd's, Council member, Remuneration Committee member and Chair of the Nominations Committee. Patrick Tiernan ceased as Chief of Markets and became Chief Executive, remaining a member of the Council throughout 2025. On the same date, the Chief Executive announced an amended Executive Team.

A.2 Underwriting performance

The Lloyd's market result for 2025 is described and analysed in detail in pages 28 to 33 'Market Financial Review' of the Lloyd's Annual Report 2025. This provides a qualitative and quantitative description of the Lloyd's market result, including analysis by material line of business.

The overall underwriting result is summarised below:

	2025	2024
	£m	£m
Net premiums earned	41,994	40,424
Net claims incurred	(21,847)	(21,222)
Net operating expenses	(14,939)	(13,888)
Total	5,208	5,314
Combined ratio	87.6 %	86.9 %

The underwriting result by material line of business is summarised below:

	2025	2024 (restated)
	£m	£m
Property	2,373	1,659
Reinsurance	2,046	1,680
Specialty	275	397
Life	6	7
Casualty	(87)	880
Marine, Aviation and Energy	(178)	40
Sub-total	4,435	4,663
Transactions between syndicates and the Society	773	651
Total	5,208	5,314

The lines of business presented have been revised to support more consistent and comparable reporting. Accordingly, the comparative figures for the prior period have been restated. This change in presentation does not impact the underlying financial performance or position of the market.

A.3 Investment Performance

The investment performance for Lloyd's for 2025 is summarised below:

	2025	2024
	£m	£m
Interest and similar income:		
From financial investments designated as at fair value through profit or loss	2,393	2,043
From available for sale investments	3	27
Dividend income	9	42
Interest on cash at bank	141	223
Other interest and similar income	13	40
Notional investment return on members' funds at Lloyd's	1,887	1,865
Investment expenses	(98)	(88)
Total	4,348	4,152
Other income from investments designated as at fair value through profit or loss:		
Net realised gains / (losses)	521	451
Net unrealised gains	1,135	311
Other relevant expenses	6	-
Total	1,662	762
Total investment return	6,010	4,914

The Lloyd's market generated an investment return of £6,010m in 2025, representing a positive return of 5.6% (2024: £4,914m, 4.7%).

Overall market returns in 2025 were strong, supported by an improved risk environment following the initial volatility triggered by the introduction of US tariffs early in the year and ongoing geopolitical uncertainty. As the year progressed, concerns regarding higher tariffs eased as several countries secured negotiated tariff reductions with the US administration, contributing to a more constructive market backdrop.

Net gains on investments of £3m (2024: gain of £13m) were recognised directly in equity.

A.4 Performance of other activities

Other items contributing to the overall profit of £10,594m (2024: profit of £9,626m) were losses on exchange of £121m (2024: losses of £124m) and other income of £88m (2024: £79m), less other expenses of £591m (2024: £557m). Other income related primarily to Society income, largely market charges and charges to members. The other expenses were primarily in respect of Society operating expenses. Additional information on Society performance may be found in the Group Financial Review section (pages 114 to 120) within the Lloyd's Annual Report 2025.

A.5 Any other information

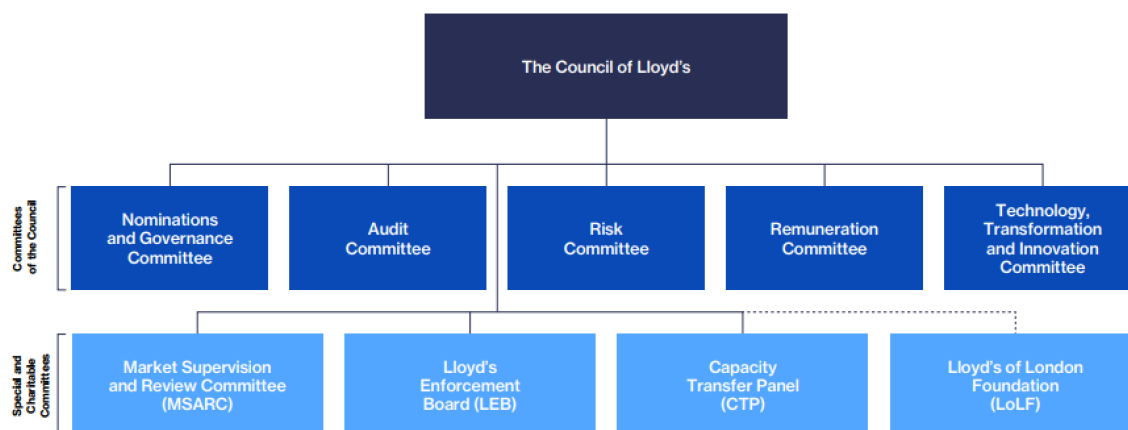
There is no other material information to disclose.

B. System of Governance

B.1. General information on the system of governance

Structure, roles and responsibilities

The structure of the principal governing bodies of Lloyd's is summarised in the chart below:



The Council

Under Lloyd's Act 1982, the Council undertakes the management and superintendence of the affairs of the Society and the power to regulate and direct the business of insurance at Lloyd's.

The Council comprises a maximum of 15 members, split between three working, three external, six independent nominated members and three executive nominated members (the Chief Executive, Chief Financial Officer and Chief of Market Performance together "the Executive Members of the Council"). The current Council membership comprises 14 members as at 31 December 2025.

The Chair and Deputy Chairs are elected annually by the Council from among its members.

Certain functions are reserved to the Council including:

- Setting Lloyd's strategy;
- Permitting managing agents;
- Setting Society level capital requirements;
- Approving the Corporation's culture strategy;
- Approving the Society's risk appetites
- Determining Central Fund contribution rates;
- Approving Society's budget; and
- Making, amending or revoking byelaws (which are available at <http://www.lloyds.com/conducting-business/market-oversight/acts-and-byelaws/lloyds-byelaws>);

The Council is responsible for appointing and, when required, removing, members of its committees, panels, boards and other designated roles, including the Chair, Deputy Chairs, committee members and the Chief Executive, and sets their delegated authority and terms of office in accordance with the relevant terms of reference.

Beyond the reserved functions, the Council can delegate its powers or functions to any person, committee or employee of the Society.

The Council has responsibility for the day-to-day management of the market. The Council has delegated authority to carry out specified functions to committees, including the Remuneration and Nominations & Governance Committees and the Executive, as summarised below.

Main Committees of the Council

Nominations & Governance Committee (Nominations Committee)

The Nominations & Governance Committee is responsible for keeping under review the governance arrangements and leadership needs of the Society and its subsidiaries. Its functions include making recommendations to the Council on the appointment of the Chair, Chief Executive, new nominated Council members, key members of the Executive, members of Council committees and the Secretary to the Council. The Committee is also responsible for succession planning arrangements for these positions. The Nominations Committee seeks to ensure that the Council and its committees have a combination of skills, experience and diversity, and have sufficient time to fulfil their Lloyd's roles. For further information on the skills, experience and knowledge of the Council members, please see <https://www.lloyds.com/about-lloyds/governance-and-management/council-of-lloyds>.

The Nominations Committee is chaired by the Chair of Lloyd's and its remaining members are drawn from the Council. No Executive member of the Council is eligible to be a member of the Committee.

The Nominations Committee reports to the Council on its proceedings after each meeting.

Remuneration Committee

The Remuneration Committee is responsible for setting remuneration arrangements for the Chair, Chief Executive, the Executive Directors and any other direct reports of the Chief Executive and any such other members of the executive management or other persons as it is designated to consider.

Non-Executive remuneration is decided by the Council, on recommendation from the Chair and Chief Executive, who may consult the Remuneration Committee as part of that process. The levels of remuneration for each position reflects the time commitment and responsibilities of each role.

The Committee is chaired by Fiona Luck, an independent nominated member of the Council. The Chair is a member of the Committee, and its remaining members are drawn from the non-executive members of the Council. No Executive member of the Council is eligible to be a member of the Remuneration Committee.

The Remuneration Committee reports to the Council on its proceedings after each meeting, and on all matters relating to its duties and powers and makes recommendations to the Council on any area within its remit where action or improvement is needed.

Blueprint Two Cutover Committee (BCC)

The BCC met as required to review key milestone proposals for Blueprint Two cutover. The Chair of the BCC was Richard Dudley (an elected member of the Council). In 2025, the BCC was stood down as a Council committee.

Technology & Transformation Committee (TTC)

On 13 February 2025, the Technology & Transformation Advisory Panel ('TTA') was reconfigured into a formal committee of the Council - the Technology and Transformation Committee ('TTC'). The TTC monitored progress of the delivery of Blueprint Two. On 31 January 2026, the TTC was stood down and the Technology, Transformation and Innovation Committee (TTI) was set up with effect from 1 February 2026. The TTI is responsible for supporting the Council by overseeing technology, data, AI, transformation, market modernisation, and innovation initiatives to ensure that Lloyd's remains resilient, competitive, and aligned with its purpose, values and regulatory requirements.

Audit Committee

The Audit Committee supports the Council by overseeing the integrity of the Society's financial reporting, internal controls, sustainability disclosures and whistleblowing. This includes:

- reviewing the Society Report (which incorporates the Society's group financial statements), the annual and interim pro forma financial statements, the Aggregate Accounts, and the Lloyd's Solvency and Financial Condition Report submitted to the PRA.
- monitoring the Society's Risk Management Framework and systems of internal control, and reviewing their effectiveness (including oversight of the independence and performance of both internal and external auditors).

The Audit Committee is chaired by an independent nominated member of the Council, Angela Crawford-Ingle. The other members of the Audit Committee are drawn from the Council. No Executive Director of the Council is eligible to be a member of the Committee.

The Chair of Lloyd's, Chief Executive, Chief Financial Officer, Chief Accountant, Head of Risk, Internal Audit Director and external auditors regularly attend meetings with others invited as appropriate. The Audit Committee as a whole meets privately with the Internal Audit Director and the external auditors.

Reports from the internal and external auditors on aspects of internal control are reviewed by the Audit Committee and appropriate action is taken in response.

The Audit Committee reports to the Council on its proceedings after each meeting.

Risk Committee

The Risk Committee supports the Council's oversight of risk management within the Society and the Lloyd's market. It monitors the identification and control of material risks and oversees the global Risk Management Framework and related controls.

The Risk Committee was chaired by an independent nominated member of the Council, Neil Maidment, until 31 January 2025. From 1 February 2025 to 21 May 2025, Andrew Brooks acted as Interim Chair. From 22 May 2025, following regulatory approval, Alexander Baugh, an independent nominated member of the Council, chaired the Risk Committee. The other members of the Committee are drawn from the Council. The Chief Executive, Chief Risk Officer, Chief of Market Performance and Chief Financial Officer are regular attendees, with others invited to attend all or part of any meeting as and when deemed appropriate.

The Committee reports to the Council on its proceedings after each meeting.

Market Supervision and Review Committee

The Market Supervision and Review Committee (MSARC) makes decisions regarding the exercise of the Society's enforcement powers and reviews certain Executive decisions affecting managing agents. It determines whether decisions can be referred to the Lloyd's Appeal Tribunal and makes business decisions as required. Members are appointed by the Council, remain independent of both the Council and the Society, and the Committee is chaired by a qualified lawyer. MSARC provides an annual written report to the Council and additional reports as needed.

Capacity Transfer Panel (CTP)

The CTP was principally established to exercise the Council's powers on syndicate minority buyouts and mergers. Members are appointed by the Council. At the end of 2025, the Committee was chaired by Angela Crawford-Ingle, an independent nominated Council member. Other members of the Panel are neither Council members nor employees of the Society. The CTP provides an annual written report to the Council and additional reports on material matters as required.

Investment Committee

The Committee recommended investment objectives for Lloyd's centrally managed assets, reviewed performance, monitored investment operations, approved counterparties and oversaw the Lloyd's Investment Platform. On 31 December 2025, the Committee was reconstituted with responsibilities transitioned to an executive sub-committee. The Investment Committee was chaired by Paul Stanworth.

Sustainability Committee

The Committee oversaw Lloyd's sustainability, culture and philanthropic strategies, including annual employee engagement surveys. On 31 December 2025, the Committee was stood down, and its responsibilities were reassigned to the Council, Nominations Committee, Risk Committee and Audit Committee. The Sustainability Committee was chaired by Lord Mark Sedwill until his departure on 30 November 2025.

Underwriting Advisory Panel (UAP)

The UAP assisted the Chief of Market Performance by sharing insights on underwriting conditions and provided advice on technical market matters. On 31 December 2025, the UAP was reconstituted as an executive advisory group.

Material changes in the system of governance that have taken place over the reporting period

During 2025:

- On 31 January 2025, Neil Maidment ceased as a Council member and Chair of the Risk Committee due to completion of a full nine-year term. Neil Maidment also ceased as Chair of the CTP, Audit Committee, UAP and BCC.
- On 31 January 2025, Dominick Hoare ceased as a Council member and as a member of the Audit, Risk and Remuneration Committees and of the UAP.
- On 1 February 2025, Victoria Carter ceased as a member of the Audit Committee and was appointed as a member of the Risk Committee on the same date.
- From 1 February 2025 to 21 May 2025, Andrew Brooks served as interim Chair of the Risk Committee.
- On 1 May 2025, Sir Charles Roxburgh KCB commenced as Chair of Lloyd's, Council member, Remuneration Committee member and Chair of the Nominations Committee.
- On 1 May 2025 Alexandra Cliff commenced as Chief Financial Officer and as a Council member, replacing her predecessor, Burkhard Keese.
- On 22 May 2025, following regulatory approval, Alexander Baugh commenced as Risk Committee Chair (having commenced as a committee member on 15 May 2025).
- On 22 May 2025, Angela Crawford-Ingle commenced as CTP Chair.
- On 31 May 2025, John Neal ceased as Chief Executive Officer and as a Council member.

- On 1 June 2025, Patrick Tiernan ceased as Chief of Markets and became Chief Executive, remaining a member of the Council throughout 2025. On the same date, the Chief Executive announced an amended Executive Team.
- On 1 June 2025 Rachel Turk was appointed as Chief of Market Performance and a Council member.
- On 30 November 2025, Lord Mark Sedwill (Senior Independent Deputy Chair) ('SIDC') ceased as a Council member and SIDC. Following his departure Fiona Luck commenced as SIDC. The appointment was intended to provide continuity during the transition period pending the conclusion of the recruitment process for a permanent Senior Independent Deputy Chair.
- In 2025, the Council simplified its sub-committee structure to improve strategic focus and eliminate duplication. As part of this process, the following committees were stood down or transitioned with effect from 31 December 2025:
 - BCC;
 - The Investment Committee with its responsibilities transitioned to an executive sub-committee;
 - The Sustainability Committee, with responsibilities reassigned to the Council, Nominations Committee, Risk Committee and Audit Committee; and
 - The UAP, which was reconstituted as an executive advisory group.

During 2026 (up to 18 March 2026), the following changes took place:

- On 16 January 2026, it was announced that Chief Financial Officer, Alexandra Cliff, would be leaving Lloyd's with Jim Bichard appointed as her successor.
- On 31 January 2026, Andrew Brooks ceased as Deputy Chair of the Council and as a Council member, and as a member of the Risk, Nominations and Remuneration Committees. Following the Council elections, Duncan Dale was elected as a working member of the Council, effective 1 February 2026.
- On 31 January 2026, the TTA was stood down, and the TTC was set up with effect from 1 February 2026.
- On 1 February 2026, Sean McGovern commenced as Deputy Chair.
- On 1 February 2026, Richard Dudley commenced his second term following his re-election during the Council elections.

Information on the remuneration policy

Principles of the remuneration policy

Lloyd's operates a Total Reward approach to remuneration, which is designed to meet employee and Society needs by providing rewards that are linked to individual performance and the delivery of the Society's objectives. Lloyd's Total Reward approach is supported by the following practices:

- The approach looks beyond base salary to the value of the total reward package in meeting the needs of employees;
- Lloyd's recognises and rewards high performance; and
- Lloyd's remuneration practices are designed to promote and reward sound and effective risk management.

The Society operates a balanced approach to performance measurement. The individual performance bonus is linked to Lloyd's key strategic objectives and KPIs are set each year which support the delivery of Lloyd's long-term vision. Lloyd's Market Award Bonus is based on business success, directly linked to the profitability of the Lloyd's market to encourage an attitude of commercial partnership with the market and align the interests of participants with capital providers.

The Society's executive remuneration policy

The structure of total compensation for the CEO and executive directors is designed to support the strategic priorities and reflect the market oversight role of the Society.

Lloyd's reward policy is designed to facilitate the future success of the Society by ensuring that the executive package may be sufficient to attract executive directors of the calibre required to deliver the Society's strategic priorities. It seeks to ensure that no more than is necessary is paid on recruitment, while taking into account a highly competitive and global market for talent.

All of Lloyd's executive remuneration practices are designed to protect the brand and reputation of Lloyd's and to promote sound and effective risk management. Incentives (individual performance bonus, market award and from 2022, a Strategic Transformation Incentive Plan) are subject to a potential downward adjustment if risk management practices and standards are not considered to have been sufficiently met.

To ensure the long-term sustainability of the Lloyd's brand and reputation, the Society operates malus and clawback provisions on all incentives to ensure that senior executives act responsibly and in the long-term interests of the Society.

Summary of executive remuneration policy for 2025

Salary - Salaries are set to appropriately recognise responsibilities and be broadly market competitive. For 2025, salaries are set as follows: Chief Executive (CEO): £825,000; Chief Financial Officer (CFO): £450,000; and Chief of Market Performance (COMP): £450,000.

Lloyd's Incentive Plan comprises individual performance and market elements. In addition a Transformation Incentive Plan also currently operates for a group of key roles that are considered critical to the continued delivery and execution of the market's transformation, based on achievements in three key lead performance areas: Profitable Growth, Market Infrastructure & Efficiencies and a 'Fit for Purpose' Lloyd's.

Lloyd's Individual Performance Bonus - The discretionary annual bonus links reward to specific and measurable targets aligned with Lloyd's strategy. For 2025, annual bonus maximums (as a % of salary) for the CEO, CFO and COMP are 100%. Annual bonus awards are subject to a 'risk underpin'. The Remuneration Committee will assess performance against risk and compliance metrics and may apply a downward adjustment where appropriate.

Lloyd's market award bonus - This offers an incentive which is directly linked to the profitability of the Lloyd's market. In order to provide a balanced approach to performance measurement and reflect the focus of the Society and its drive for improved efficiencies and transformation in the Lloyd's market, Profit Before Tax (PBT) and Combined Operating Ratio (COR) are key metrics used to measure market performance. For the CEO, a maximum cap of 100% of salary applies in 2025. For the CFO and COMP, a maximum cap of 50% of salary applies and all awards are subject to a 'risk underpin'. The Remuneration Committee will assess performance against risk and compliance metrics and may apply a downward adjustment where appropriate.

A portion of the combined total award is deferred for three years, to meet the PRA guidance to defer at least 40% of total variable pay.

Strategic Transformation Incentive Plan - In 2025, awards are made to a group of key roles who have been critical to the continued delivery and execution of the market's transformation in three key lead performance areas. Metrics are directly aligned with performance on profitable growth, market infrastructure & efficiencies and a 'fit for purpose' Lloyd's.

For 2025 individual maximum awards are 200% of salary for the CEO and 100% of salary for the CFO and COMP. Awards will be made in 2025 and will be performance tested and vest following 31 December 2025. Payment of any vested awards will be made in three tranches in the three years following the end of the performance period, subject to employment at the time of vesting; and awards will be subject to Lloyd's malus and clawback provisions, and the risk underpin adjustment applicable to the Lloyd's Incentive Plan.

Pension - The CEO, CFO and COMP are eligible to be members of the Group Personal Pension (GPP) Plan (or equivalent), which is a defined contribution plan. All executive directors receive a cash allowance of 15% of base salary which is in line with the pension available to the wider workforce.

Variable components of remuneration for all Society employees

Lloyd's variable component of remuneration consists of the following elements within one bonus framework:

- individual performance bonus
- market performance award bonus

Individual performance bonus

The annual bonus is a discretionary annual bonus plan which links reward to specific and measurable targets aligned with Lloyd's strategy. All Society employees are eligible for a discretionary annual bonus, based on performance against objectives and individual key performance indicators for the year.

Any employee who performs below role expectations or has resigned will not receive an individual performance bonus.

Market performance bonus

The market element bonus is available to all employees and is directly linked to the profitability of the Lloyd's market to provide a competitive reward and therefore assist Lloyd's in attracting and retaining the talented individuals required to develop and support future strategy.

Awards are calculated by reference to profit on ordinary activities before tax (PBT), as reported in the pro forma financial statements in the Lloyd's Annual Report for each financial year, and Combined Operating Ratio (weighted equally) for each financial year subject to minimum threshold levels.

Deferred pay components are included within the remuneration provision under the market award bonus for senior roles as an additional incentive to encourage employee recruitment and retention.

No market award is payable to individuals rated as 'inconsistent performers', those who are underperforming or those who have resigned.

Remuneration for the Chair and members of the Council of Lloyd's and Board who are not employees of the Society

The previous Chair, Bruce Carnegie-Brown, was appointed effective 15 June 2017. In June 2022, he was reappointed for a third term of three years with effect from 1 June 2022 to June 2025 with a fee of £665,000 per annum.

On 19 September 2024, Sir Charles Roxburgh KCB was confirmed as the next Chair of Lloyd's with effect from 1 May 2025 with a fee of £675,000 per annum.

In accordance with Lloyd's constitutional arrangements, Council member fees (who are not employees of the Society) are a matter for the Council on the recommendation of the Chair and the Chief Executive. The level of fees reflects the time commitment and responsibility of the role.

The standard Council member's fee is £65,625. Additional fees are payable to the Deputy Chairs and Senior Independent Director, and in respect of the Chair and membership of a number of Council committees (including ad-hoc committees established to consider specific issues), in recognition of the increase in responsibilities and time commitment.

Non-Executive Council members do not participate in performance related reward.

Further information on Lloyd's remuneration policy is set out in pages 94 to 104 of Lloyd's Annual Report 2025.

Material transactions during the reporting period with persons who exercise a significant influence on the undertaking, and with members of the administrative, management or supervisory body

There were no relevant material transactions during the reporting period.

B.2. Fit and proper requirements

Requirements for skills, knowledge and expertise (competence and capability) Lloyd's has a regulatory obligation to ensure that all relevant persons remain fit and proper at all times, in accordance with the requirements of the Senior Managers and Certification Regime (SM&CR). This includes requirements for sufficient skills, knowledge, competencies, qualifications (where relevant) and expertise.

The Lloyd's Global Compliance Policy sets out the expectations of Senior Management Functions (SMFs), Certified Staff and all other staff which also includes adhering to Financial Conduct Authority (FCA)/Prudential Regulation Authority (PRA) Conduct Rules.

Where disciplinary action is to be taken against a person within scope of SM&CR, consideration will be given to the impact on the assessment of the person's fitness and propriety, including any breach in conduct rule/s. The requirement to notify the PRA and FCA when disciplinary action has been taken against a person for a conduct rule breach is outlined in the Global Compliance Policy.

The following individuals are within scope of the Fit and Proper requirements under SM&CR:

- all persons carrying out a Senior Manager Function;
- all persons carrying out a Certified Function; any other Key Function Holder ("KFH"); or
- anyone carrying out an activity which has the potential to cause significant harm.

In relation to the Council, the Nominations Committee is responsible for recommending appointments for nominated members of the Council.

Given that 6 of the 15 members of Council are, under the Constitutional Arrangement Byelaw, required to be elected by members of the Society, it is neither possible nor appropriate for the Nominations Committee to exercise specific obligations regarding the overall balance of expertise and experience represented on the Council. Nevertheless, the Committee undertakes at least an annual review of the structure, size and composition of the Council, including the skills, knowledge and experience of its members.

Before making any recommendation on a candidate for appointment, the Nominations Committee seeks to ensure that it has assessed a balance of skills, knowledge, experience and diversity on the Council and, in light of that assessment, prepares a description of the role and capabilities required for the appointment.

In relation to Society employees, candidates are recruited through Lloyd's recruitment process which comprises competency-based interviews to enable Lloyd's to assess whether a candidate has the appropriate skills, knowledge and experience for the particular role in question.

Process for assessing fitness and propriety

The process for assessing the fitness and propriety of the persons who effectively run the Society or have other key functions is described in the SM&CR Procedure which sets out how Lloyd's performs the necessary fitness and

propriety checks prior to appointment and periodically thereafter for the various categories of roles to which the policy applies.

The Chair maintains an ongoing dialogue with the non-executive members of Council and meets with each of them individually at least once a year to appraise their performance. In addition, each non-executive member of the Council meets individually with the Head of Secretariat and Governance at least once a year.

The Senior Independent Deputy Chair leads meetings of the other non-executive Council members without the Chair present, at least annually, to appraise the Chair's performance (and the Executive), and on any other occasions as necessary.

The Remuneration Committee reviews the performance of the Chair, Chief Executive and members of the Executive Committee. The Chief Financial Officer is responsible for reviewing the performance of the Lloyd's Chief Actuary through Lloyd's Performance Appraisal Process. The Audit Committee is responsible for annually reviewing the performance of the Lloyd's Audit Director and the results of this review are shared with the Chief Executive who agrees remuneration. Other employees who are within the scope of SM&CR are assessed through Lloyd's performance appraisal process. In addition all SMFs and Certified Staff are required to annually confirm their fitness and propriety via an attestation which takes into account the PRA and FCA requirements.

B.3. Risk management system including the own risk and solvency assessment (ORSA)

Lloyd's Risk Management Framework

The Lloyd's Risk Management and Internal Control Policy describes its overall framework and approach for the management of risk, including the roles and responsibilities, internal governance arrangements, tools, processes and reporting procedures.

The Lloyd's Risk Management Framework ('the framework') ensures that the identification, assessment, monitoring and management of all material risks affecting the Society takes place on an ongoing basis. The framework includes a number of risk assessment techniques, which are tailored to specific risk areas.

The management of all risks is, first and foremost, the responsibility of each employee and department at Lloyd's and decisions taken across the business have the potential to impact the risk profile of Lloyd's to a greater or lesser degree.

The Risk Management Function is responsible for establishing an effective risk framework and providing a secondary check and balance to ensure the range of risks taken by Lloyd's are well understood, effectively managed and in line with Lloyd's overall strategy and risk appetite. This objective is achieved through operation of the risk management framework.

The risk governance structure comprises the Executive Risk Committee and the Risk Committee. These provide clear independent challenge to the risk takers at Lloyd's. The risk committees oversee, challenge and where appropriate escalate issues using appropriate management information sourced from the risk management and internal control frameworks, such as the various risk and control self-assessments, details of the operating and regulatory environment and capital management reports.

A key objective of the Lloyd's risk governance structure is to provide assurance to the Council that risks facing the Society are identified and managed in accordance with approved policy and risk appetite.

Risk Appetite Framework

The Risk Appetite Framework articulates the level of risk believed to be acceptable and desirable for Lloyd's through a series of risk appetite statements and metrics. The framework seeks to translate stakeholder expectations into clear boundaries within which the business should operate. The boundaries set by the risk appetite framework are hard limits; if a breach of appetite occurs action must be taken to bring the risk back within appetite. These metrics are monitored on an ongoing basis by both the business areas responsible for each risk area and the risk committees.

Risk and control self-assessment (RCSA)

Lloyd's adopts a consistent approach in managing its risks through a risk and control self-assessment process, which is conducted on an ongoing basis, supported by a formal bi-annual attestation process through which risk owners attest to the effective management of risks and controls. This process re-assesses the existing risks and identifies any new risks. It evaluates the performance of key controls and also seeks to monitor the action plans in place to help manage risks.

ORSA process

The ORSA process is a key element of the risk management framework of Lloyd's. It incorporates a series of processes which ensure an appropriate level and quality of capital is maintained to support the risks taken within Lloyd's on a current and future basis in light of the Lloyd's strategy set by the Council. The key focus of the ORSA is to continually assess Lloyd's own view of the risks faced and associated economic capital needs to meet its strategic goals.

The ORSA draws on existing ongoing oversight activities used to manage market and Corporation risk (including the risk and control self-assessment process, business plan and capital approval), the member capital setting processes and the determination of a central capital requirement.

ORSA frequency, review and approval

'Business as usual' basis

The ORSA is an ongoing, continuous process which aligns to the Lloyd's business cycle. As such, the activities of the ORSA are performed through the course of the year. The risk profile is presented to the Council annually in the annual ORSA report, with updates on key risks presented to Executive Risk Committee and the Risk Committee in the quarterly ORSA updates.

Ad-hoc basis

Following the occurrence of a significant event, the activities within the ORSA may be revisited to ensure that they are still valid and to assess any potential impact on the level of economic capital and the own funds necessary to meet solvency requirements. Certain trigger events may require all activities within the ORSA process to be revisited, however, less material events may only trigger the review of some ORSA components.

Governance

The Council has overall responsibility for the review and approval of the ORSA process and report. The Council will make key decisions and review and approve key outputs through the ORSA report but shall sub-delegate the day-to-day oversight and operation of the ORSA process to the relevant committee and function teams as detailed in the Lloyd's ORSA framework.

Determination of own solvency needs and interaction of capital management activities with the risk management framework

The outcome of the ORSA process is formally documented within the ORSA report. The ORSA report details how Lloyd's has completed its own solvency assessment given its risk profile. Furthermore, it is used to present the results of the various, inter-linked ORSA processes, illustrating the dependencies between strategy, risk, capital and solvency. It provides all the key information which has been assessed and the conclusions reached as part of the ORSA process to provide management with a suitable platform for appropriate oversight and for future strategy setting.

Governance over the Lloyd's Internal Model (LIM)

The Lloyd's Internal Model (LIM) is a regulatory-approved internal model used to set the Lloyd's regulatory capital requirement and support decision making across the Corporation.

The LIM is owned by the Council, which relies on the outputs for key decision-making activities. The Council, via the CEO, delegates Executive responsibility to the CRO, with the Internal Model Oversight Committee established to carry out oversight of day-to-day duties. The Council delegates to the Risk Committee to provide oversight and challenge of the design, operation and validation of the LIM. Lloyd's has embedded the structure set out below to ensure effective governance and oversight of the LIM and to ensure that the internal model continues to appropriately reflect the risk profile of the Society.

The Governance framework highlighted below identifies those ultimately responsible for ensuring effective governance of the LIM and satisfying themselves that the operation, change and validation activities are performed in alignment with their respective policies.

Internal model validation

Validation is a key regulatory requirement and seeks to ensure that the LIM is both fit for purpose and that its outputs can be relied upon to make key strategic decisions across the Society. A successful validation is one of the key requirements for maintaining internal model approval.

The validation policy is set out in the Lloyd's Internal Model Policy. This includes the validation activities, owned by Risk Management, covering all the risk categories and associated processes of the LIM, both on a quantitative and qualitative basis.

Quantitative Validation
Attritional claims covering premiums risk and reserve risk for claims other than those considered under catastrophe risk
Catastrophe risk (including natural catastrophe risk modelled in the Lloyd's Catastrophe Model (LCM), and the integration of the LCM outputs into the calculation kernel (CCK))
Reinsurance credit risk
Operational risk (Society and Syndicate)
Additional Central Fund (ACF)
Market risk (including investment risk modelled in the Lloyd's Investment Risk Model (LIRM), and the integration of the LIRM outputs into the CCK)
Pension risk
Central Fund Insurance
Overall SCR, including dependencies between risks

Qualitative Validation ¹
Internal Model Scope / Risk Coverage
Use
Governance (including change)
Documentation
Systems & IT
Data Quality Standards (covered by a separate policy)

¹ Validation of data quality (not listed above) is performed by Internal Audit on a periodic basis.

The validation process is performed over a three-year cycle. The purpose of the three-year cycle is to:

- Ensure validation activity is spread throughout the year;
- Allow a risk-based validation approach with the majority of activity focused on the material risk areas;
- Ensure validation activity is directed at the areas which have been subject to change, e.g. methodology changes to ensure continuous model development or parameter updates to reflect changes to risk profile; and
- Allow targeted, in-depth validation activity into thematic areas.

The three-year validation cycle is implemented through four categories of tests:

1. **Core tests:** these are validation tests which are run annually, regardless of any risk profile or model changes. The suite of core tests covers all areas of the model but is focused on the material areas;
2. **Extended tests:** these are considered as extensions of the core tests, which are only necessary to run once within a three-year validation cycle, assuming it has not been subject to either model or risk profile changes;
3. **Additional tests:** additional testing carried out in response to breaches of certain triggers or where further investigation is necessary, or tests not on the initial plan and have been carried out at the discretion of the Validation team; and
4. **Focus Areas:** targeted, thematic validation reviews.

Validation at Lloyd's is a continuous and iterative process. A validation plan including the scope of testing is considered and agreed prior to each three-year validation cycle and reviewed and updated annually. Any validation actions agreed throughout the cycle are fed back into the design, operation and development of the internal model and reflected in the validation plan.

The activities on the validation plan are carried out through a combination of primary validation, performed by LIM component leads and other subject matter experts, and independent validation led by the Risk Management team, with support from external consultants.

Validation findings raised by the validation team are assigned a materiality rating as defined in the validation policy and procedure, and reported to the Internal Model Oversight Committee.

Validation findings are also reported to the Executive Risk Committee and the Risk Committee (and/or Council where required) when reviewing the Solvency Capital Requirements. Progress on management's response to the validation findings is reported quarterly to the Internal Model Oversight Committee. This process ensures there is clear and transparent recording of validation findings to inform the development of the internal model and associated processes, thereby providing assurance on the effectiveness of the validation process.

B.4. Internal control system

Internal control system

An effective system of internal control is a critical component of a successful business: it provides the foundation for the safe and sound operation of a business, ensuring compliance with relevant laws and regulations and the safeguarding of assets.

Internal control at Lloyd's comprises a set of continually operating processes involving the Council, as Lloyd's AMSB, senior management and all levels of personnel who by acting together ensure that the specific goals and objectives of Lloyd's are met and that a strong control culture is prevalent across the business.

An effective internal control system is key to embedding responsibility for risk management across the business and supporting the attainment of overall business strategy. The internal control system is designed to reduce, rather than eliminate, and identify ways to mitigate the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Council has responsibility for the Society's system of internal control and for reviewing its effectiveness. The Audit Committee monitors and reviews the effectiveness of the system of internal control, providing an annual internal control report and an annual report on the key financial reporting controls to the Council. The Executive team is responsible for the implementation and maintenance of the internal control system and for instilling a strong internal control environment across the Society and market.

Lloyd's internal control system provides the foundation for the safe and sound operation of the business, ensuring compliance with relevant laws and regulations and the safeguarding of assets.

The Risk Management and Internal Control Policy describes the way in which the key components of the Lloyd's internal control system act together to ensure assurance processes are operationalised and risk oversight is applied. This policy describes key processes such that Lloyd's can consistently demonstrate:

- Effectiveness and efficiency of operations;
- Compliance with applicable laws, regulations and administrative provisions; and
- Availability and reliability of financial and non-financial information.

Implementation of the Financial Crime and Compliance function

Financial Crime and Compliance, part of the Risk & Regulatory function, focuses on:

- Managing regulatory engagement with the PRA and FCA;
- Overseeing the Policy Governance Framework of the Society;
- Owning and operating the Global Compliance Policy, which includes Conflicts of Interest, Conduct, SMCR, Regulatory Returns, Gifts and Hospitality, Regulatory Engagement and Whistleblowing;
- Owning the Global Financial Crime Policy;
- Owning the Mandatory Training and Global Policy Frameworks;
- Financial Crime and Compliance Monitoring and reporting on the Society's compliance and financial crime control design and effectiveness;
- Advising the Society on financial crime and compliance risk management;
- Monitoring the Market's financial crime and compliance programmes as a contributory element to the Principles based oversight programme;
- Acting as part of the second line of defence, as part of the Risk Management function and interacting with Internal Audit as the third line of defence.

Financial Crime and Compliance reports periodically, including on progress against the Financial Crime and Compliance Plan, to the Executive Risk Committee and the Risk Committee. In addition, Financial Crime and Compliance Advisory present the Money Laundering Reporting Officer (MLRO) Report and the Enterprise Wide Risk Assessment (EWRA) annually to the Executive Committee, Risk Committee and Council.

B.5. Internal Audit function

Implementation of the Internal Audit function

The Purpose, Authority and Responsibility of the Internal Audit function is defined within the Internal Audit Charter. Internal Audit's mission is to provide reliable independent and objective assurance to the Audit Committee and Executive Committee on the adequacy, effectiveness and sustainability of the system of internal control.

The primary scope of Internal Audit's activities is the examination and evaluation of the adequacy and effectiveness of the systems of risk management, internal control and governance processes for the Society of Lloyd's and its subsidiaries. In addition to this, Internal Audit's scope includes review of:

- compliance with policies, procedures, laws and regulations;
- reliability and integrity of information;
- means of safeguarding, verifying and accounting for assets;
- economic and efficient use of resources; and
- the accomplishment of strategic objectives.

To ensure adequate audit coverage of the Society's systems and controls an "Audit Universe" and risk based annual plan is prepared by Internal Audit. The Audit Universe and annual plan are developed independently by Internal Audit with full reference to:

- the Executive Committee's and senior management views of the key risks facing the business;
- expectations and issues raised by the regulator;
- the Risk Management team, to ensure all relevant risks are addressed in a plan that forms part of a value adding assurance framework; and
- Internal Audit's discussions with the external auditor.

The plan is submitted to the Executive Committee for discussion and input prior to being presented to the Audit Committee for review and approval.

Independence of the Internal Audit function

Internal Audit operates in accordance with the International Standards for the Professional Practice of Internal Auditing (IIA Standards) and the Internal Audit Code of Practice in the UK. These standards guide Internal Audit's methodology, including planning, execution, reporting and quality assurance activities, ensuring a consistent and robust approach to delivering independent assurance.

The Internal Audit Charter and Internal Audit Manual establish the framework in which the Internal Audit function operates. This includes affirming the independence of the internal audit function, stating that Internal Audit must be independent from management at all times to be effective in executing its work freely and objectively, including:

- The Lloyd's Audit Director has a direct reporting line, with direct and unlimited access, to the Chair of the Audit Committee and a secondary reporting line, for administrative purposes, to the Chief Executive;
- The Audit Committee is responsible for the approval of Internal Audit's annual plan and the overall budget;
- Internal Audit is authorised to review all areas of Lloyd's and has full, free, and unrestricted access to all activities, records, property, and personnel necessary to complete their work including correspondence with regulators and Council and Committees meeting minutes;
- Internal Audit is authorised to allocate resources, set frequencies, select areas, determine audit scopes and apply audit tools and techniques, and to obtain the necessary assistance and specialised services within or outside Lloyd's to accomplish its objectives;
- Internal Audit reports are reported to the Audit Committee. Significant rated reports are also advised to the Chair of the Audit Committee on a timely basis;
- Internal Audit has the right to be informed by management, on a timely basis, of any significant control failures identified by management or the external auditor; and
- The Lloyd's Audit Director has the right to attend and observe all or part of Executive Committee meetings and any other key management decision making forums where they would have the appropriate standing, access and authority to challenge the Executive.

Internal auditors have no direct operational responsibility or authority over any of the activities audited. Accordingly, internal auditors do not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year;

- Performing any operational duties for the Corporation or its affiliates;
- Initiating or approving transactions external to the Internal Audit department; and
- Directing the activities of any Lloyd's employee not employed by the Internal Audit department, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist internal auditors.

In addition to Lloyd's in-house internal auditors, additional resource and specialist subject-matter experts are provided as required using a flexible co-source agreement. These additional resources ultimately report to the Lloyd's Audit Director. The Audit Committee keeps under review the relationship with co-source providers and the procedures to ensure appropriate independence of the Internal Audit function is maintained.

B.6. Actuarial function

The Actuarial Function is a required key function under the PRA Rulebook for UK Solvency II firms. The Lloyd's Actuarial Function (LAF) carries out a number of activities during each year, both qualitative and quantitative. Lloyd's unique structure means that any requirements in respect of the Actuarial Function apply at both syndicate level and at the overall Society level. Syndicates are therefore required to have their own Syndicate Actuarial Functions (SAFs) and part of the role of the LAF is to oversee that these individual SAFs maintain the required standards.

The accountabilities and governance of the LAF are outlined in its Terms of Reference. The LAF and SAFs have a defined set of tasks which must be performed to adhere to the regulations as set out in the PRA Rulebook. These are to:

- Coordinate the calculation of technical provisions including:
 - Ensuring the use of appropriate methods and assumptions;
 - Assessing sufficiency and quality of data; and
 - Comparing best estimates against experience;
- Express an opinion on the overall underwriting policy;
- Express an opinion on the adequacy of reinsurance arrangements;
- Contribute to the effective implementation of the risk management system with particular regard to risk modelling and ORSA; and
- Report at least annually to the Council and the committees it delegates to on the results of this work;
- Identify deficiencies where they exist and make recommendations to address these.

The LAF meets the requirements by:

- Providing an appropriate framework (i.e. issuing guidance, standards and requirements) for Syndicates to operate within;
- Requiring submissions of SAF reports and other documentation which demonstrate Syndicate compliance;
- Monitoring compliance against this framework;
- Performing top-down and bottom-up market oversight on reserving;
- Complying centrally through its own activities used to monitor the market; and
- Reporting to the Lloyd's Council at least annually on the work of the LAF, including compliance of the SAFs, and making recommendations to address any identified deficiencies.

The LAF is primarily resourced by the Market Reserving and Capital team. The work of the LAF is continuous over the course of the year. The requirements relating to technical provisions are met through market level reserving analysis performed by the LAF and oversight of SAF technical provisions. The SAF oversight involves a completeness check for requirements as set out in the Actuarial Function guidance. This includes the requirement for a sign-off from the head of the SAF where they attest to UK Solvency II compliance in respect of requirements relating to the SAF. Where syndicates self-attest that a specific requirement is only partially met or not met, this is required alongside supporting commentary. Where commentary does not adequately address the gaps, these are then queried with Syndicates who are required to respond on how they will address the identified shortcomings. Lloyd's places reliance on the SAF self-assessment to demonstrate compliance and does not look to perform a separate review of all Syndicates and/or all components.

The requirement to provide actuarial function opinions (as detailed above) on reinsurance and underwriting is satisfied at individual Syndicate and Society level. At the Society level this involves collaboration of the Actuarial Function with other areas of the Society that have primary oversight responsibility for underwriting and reinsurance.

Contribution to the risk management process and the ORSA includes the LAF work to provide input for the Lloyd's Internal Model. Evidence of similar contribution is also required from SAFs.

The LAF provides written reports to the Council, on an annual basis, documenting all the tasks that it has undertaken, results, identifying any deficiencies and giving recommendations as to how such deficiencies should be remedied. The LAF also receives reports from all SAFs on an annual basis, covering the areas outlined above.

B.7. Outsourcing

Outsourcing policy and governance

Lloyd's has an Outsourcing Policy that sets out the processes, controls and reporting arrangements required to ensure that the outsourcing of any functions or activities does not adversely affect Lloyd's or the market's risk profile, or Lloyd's ability to meet its regulatory responsibilities.

Lloyd's undertakes a wide range of activities that support the effective operation of the Corporation and the wider Lloyd's market. In certain circumstances, it is more efficient or cost-effective to use external service providers with the relevant capability and expertise. Where this is the case, Lloyd's may enter into an outsourcing arrangement with a third-party supplier.

Outsourcing inherently shifts certain activities from direct to indirect operational control and may increase Lloyd's exposure to operational risk. The Council, as Lloyd's AMSB, remains fully responsible for any outsourced activity and must ensure that Lloyd's does not outsource any function in a manner that unduly increases operational risk. Under the Senior Managers & Certification Regime, prescribed responsibility for outsourcing (SMF24) rests with the Chief Operations Officer.

Strong governance and ongoing oversight of outsourced arrangements - supported by regular management information, contractual controls, and performance monitoring - are in place and essential to ensuring that outsourcing risk is effectively managed and that Lloyd's maintains continuity of service.

Outsourcing of critical or important operational functions or activities

Lloyd's relies on various third-party suppliers to undertake critical or important functions on its behalf. These arrangements are subject to enhanced oversight in accordance with regulatory requirements and Lloyd's Outsourcing Policy. The table below summarises the critical or important outsourced activities and the jurisdictions in which they are delivered:

Services Provided	Jurisdiction
Infrastructure & Platform services	UK, EU
Banking platform for the Central Accounting process	UK
Lloyd's IT, data and change services	UK, USA, EU & Asia

B.8. Any other information

Assessment of adequacy of the system of governance

For the year ended 31 December 2025 (reported in 2026), an internal review of the Council and its committees - Nominations, Remuneration, Risk, and Audit - was undertaken. The assessment was conducted through questionnaires distributed to all Council and Committee members. Feedback was sought on the operation and dynamics of the Council and its committees, and consideration was given to their composition (including diversity) and overall effectiveness. The recommendations arising from the review will be taken forward during the year.

There is no other material information to report.

C. Risk profile

Overview

At Lloyd's, the risk profile originates from risks arising in the market (i.e. via managing agents and syndicates), and at central level.

Syndicates are the source of the majority of risks. They source all the insurance business; manage the bulk of the asset portfolios; hold the majority of the counterparty exposures; and conduct most of the day-to-day operational activity.

The syndicate risks include: insurance risk (underwriting, reserving and catastrophe risk); market risk on syndicate assets (including credit risk on Premium Trust Funds (PTF)); reinsurance and other credit risk; and syndicate operational risk.

At the central level, additional risks arise from central operational risk, pension fund risk; market risk on central assets; and the risk of member default.

Solvency Capital Requirement* (UK Solvency II basis)

The Solvency Capital Requirement (SCR) represents the amount of capital required to withstand up to a 1 in 200-year loss event over a 12-month time horizon. Given Lloyd's unique structure there are two SCRs which are monitored under the UK Solvency II regime:

- The Lloyd's Market Wide SCR (MWSCR) is calculated to cover all the risks of 'the association of underwriters known as Lloyd's', i.e. those arising on syndicate activity, members' capital provided at Lloyd's and the Society taken together, at a 99.5% confidence level over a one-year time horizon. All the capital of the component parts of the market taken together is available to meet the MWSCR.
- The Lloyd's Central SCR (CSCR) is calculated in respect of only the risks facing the Corporation and the Central Fund at the same confidence level and time horizon used to calculate the MWSCR. The material risk is that members do not have sufficient funds to meet their underwriting losses even having complied with Lloyd's capital setting rules.

Individual syndicates are also required to calculate a SCR, at a 99.5% confidence level over an ultimate time horizon, for each underwriting year; this drives the determination of member level SCRs. Each member's SCR is derived as the sum of the member's share of the syndicate's SCR. Where a member participates on more than one syndicate, a credit for diversification is provided to reflect the spread of risk. The MWSCR and CSCR are derived from the Lloyd's Internal Model which has been approved by the PRA. The appropriateness of each syndicate's internal model, including changes thereto and the reasonableness of the key assumptions are assessed as part of the Society's oversight of the Lloyd's market.

Lloyd's Internal Model*

The Lloyd's Internal Model (LIM) is a purpose-built model designed to calculate the MWSCR and CSCR as required under UK Solvency II. It covers all risk types and all material risks for the aggregation of syndicates as well as for the Society, allowing for the unique capital structure of Lloyd's. The LIM consists of three main components: the Lloyd's Investment Risk Model (LIRM) which simulates economic variables and total assets returns; the Lloyd's Catastrophe Model (LCM) which models catastrophe risk using syndicates' views of risk; and the Capital Calculation Kernel (CCK) which is the main element of the LIM where all other risks are simulated, and all risks are combined.

Syndicates calculate their own SCR, however, the market wide and central capital requirements are derived from Lloyd's parameterisation at a whole market level to build a view of total market capital requirements from the ground up using market level assumptions. The LIM uses a methodology whereby losses from insurance and other risks are simulated by class of business, allocated to syndicates and through to members to assess the level of capital required by the market and centrally to meet up to 1 in 200-year losses over the one-year time horizon.

Lloyd's MWSCR*

The MWSCR is broken down into the various risk components at 31 December 2025 as shown below.

	2025	2024
	£m	£m
Reserving risk	14,157	13,826
All other (attritional) underwriting risk	13,420	12,124
Catastrophe risk	10,376	9,352
Market risk	15,315	14,858
Reinsurance credit risk	1,181	1,232
Operational risk	1,254	1,133
Other Society risks	1,065	1,102
Diversification Benefit	(29,387)	(28,081)
MWSCR* before adjustments	27,381	25,546
Foreign exchange adjustment	169	54
MWSCR*	27,550	25,600

The increase in overall market-wide SCR reflects market growth from new entrants and changes in market conditions that have reduced modelled profitability.

Lloyd's central SCR*

The central SCR has decreased from 31 December 2024 by £125m to £1,275m. The reduction is driven by improvements to the modelling of extreme syndicate loss risk to the Central Fund, partially offset by market growth.

C.1. Insurance Risk (including underwriting risk)

The dominant category of risk faced by Lloyd's syndicates is insurance risk. This is the risk arising from the inherent uncertainties as to the occurrence, amount and timing of insurance liabilities. In practice, insurance risk can be subdivided into:

- underwriting risk;
- reserving risk; and
- catastrophe risk.

Underwriting risk (including catastrophe risk)

This includes the risk that business is not appropriately priced such that premiums can sufficiently cover expected claims and expenses. Poor understanding of underwriting exposures and aggregations can lead to insufficient pricing and capitalisation for exposures.

Underwriting strategy is agreed by the Board of each managing agent and set out in the syndicate business plan that is submitted to the Society for approval each year. Approval of business plans – and setting the capital requirements needed to support these plans – is the key control the Society uses to manage underwriting risk alongside continuous performance oversight throughout the year.

The managing agents' underwriting controls should ensure that underwriting is aligned with their strategy, agreed business plan and underwriting policy. Managing agents are expected to have controls in place to ensure that regulatory requirements and the scope of Lloyd's market licences are clearly understood and that risks are written within those requirements.

The Society reviews each syndicate business plan to ensure it is consistent with the capabilities of the managing agent and aligned to the risk appetites set by Council. The underwriting oversight approach is underpinned by a philosophy of continuous performance management with performance reviewed on a quarterly basis at a syndicate and class of business level.

The Society has natural and non-natural catastrophe risk appetites set by the Council to manage accumulation risk from these exposures with oversight processes aligned to achieve outcomes in line with risk appetite. Franchise Guidelines also set out additional requirements to support adequate capitalisation for catastrophe exposures and tail risk.

The Society does not seek to eradicate the inherent risks of insurance risk from the market but to ensure that they are appropriately understood and managed. Assessment against the Catastrophe Exposure and Underwriting Principles within the Principles Based Oversight framework is used to understand capability against Lloyd's expectations and helps to drive oversight decision-making.

Reserving risk

Reserving risk arises where the reserves established in the balance sheet are not adequate to meet eventual claims arising. The level of uncertainty varies significantly from class to class but can arise from inadequate reserves for known or Incurred but Not Reported claims (IBNR claims). These shortfalls can arise from inadequate reserving processes or from the naturally uncertain progress of insurance events.

Lloyd's current level of aggregate market reserves remains robust and the continued level of overall reserve releases are supported by underlying claims experience being more favourable than expected.

Syndicates set reserves and obtain an annual Statement of Actuarial Opinion (SAO). The SAO is produced under the guidance and valuation of liability rules set by Lloyd's. Additionally, the requirement for individuals to provide an opinion is set by the UK Actuarial Profession; the Lloyd's Chief Actuary has close access to the relevant committees in the UK professional body and is able to oversee that the guidance is kept in line with Lloyd's objectives.

Syndicates are assessed against the Reserving Principle within the Lloyd's Principles Based Oversight framework. This assessment and ongoing reserve monitoring is informed by the following activities:

- Market-level reserving analysis to highlight potential areas of concern on reserving by Lloyd's line of business and year of account (used to also determine reserving oversight activities for the forthcoming calendar year);
- Deep dives on thematic areas of concern which in 2025, included conclusion of the US Casualty Thematic Review, with market-level finding presented and syndicate-specific feedback addressed with participants;
- Event related oversight which in 2025 was largely focused on assessing the appropriateness of reserves relating to the Ukraine conflict and quantification of uncertainty around this;
- Targeted oversight in respect of legacy reinsurance transactions, including pre-transaction oversight to support approval of requested transactions;
- Monitoring and challenge of prior year reserve deteriorations; and
- Review of a wide range of monitoring metrics to determine which syndicates have a higher likelihood of reserve deteriorations with risk-based review of these agents' reserving capability.

C.2. Market risk

Market risk is the risk that the values of financial instruments will fluctuate because of movements in foreign currency, interest rates, credit spreads or asset values. Syndicate assets are held in premium trust funds (PTFs) and are subject to the asset rules contained in the PRA's handbook. Market risk can impact the investments held by syndicates and also the assets held centrally, namely the capital provided by members in their Funds at Lloyd's and assets held by the Society including the Central Fund.

Market risk represents the risk that movements in financial markets will affect the financial position of the Society. Market risks arising from the disposition of the Central Fund are monitored using Value at Risk (VAR), where the appropriate thresholds have been agreed by the Risk Committee. The position was reviewed regularly by the Investment Committee (please see above comments in this regard). The market risk of the capital in FAL is monitored at a Member level and must comply with the Standard Strategic Asset Allocation (SSAA) limits for Members which are included in the Membership & Underwriting Conditions and Requirements (M&URs). Investments are actively monitored on a fair value basis.

Investments are designated as fair value through profit or loss or amortised cost.

Managing agents manage asset risk in the PTF through their investment strategy. There is greater oversight of market risk by Lloyd's, via the Principle Based Oversight framework, in light of the volatile economic climate, which includes the monitoring of Lloyd's Principles for Doing Business. Assets are monitored across the full Lloyd's Chain of Security to ensure the asset disposition of the market and Society remains appropriate. In general, assets are monitored closely, with global economic and market trends in mind.

The potential financial impact of changes in market value is additionally monitored through the capital setting process, and asset mix must be reported to Lloyd's on a quarterly basis, including the credit rating of fixed income assets.

Market risk comprises of the following key types of risk:

- inflation risk;
- currency risk;
- interest rate risk;
- equity risk; and
- credit risk (covered in C.3).

Inflation risk

All insurance liabilities are linked to some form of inflation which captures increases in claims and expenses from one year to the next. Economic inflation risk (which is proxied as Consumer Price Index - CPI) captures the risk of increases in costs beyond what is already priced and reserved at expected levels. As US dollar is the largest exposure, uncertainty in US inflation is a key driver of market risk.

Currency risk

Managing agents must identify the main currencies in which each syndicate transacts its business. For the market overall, the US dollar is the largest currency exposure.

Assets are then held in each of those currencies to broadly match the relevant liabilities. Managing agents must ensure that assets in syndicates match liabilities and take corrective action or fund additional capital where a mismatch arises. Lloyd's also monitors the matching of assets to liabilities at the syndicate level as well as at the market level.

Interest rate risk

Interest rate risk is the risk that the value and future cash flows of a financial instrument will fluctuate because of changes in interest rates. In general, Lloyd's operates a generally conservative investment strategy with material cash and short dated bonds portfolios. This gives rise to low levels of interest rate risk. Liability cashflow duration is generally longer than asset cashflow duration.

Equity price risk

Equity price risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). Those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Financial assets and liabilities may be exposed to equity price risk. Such risks are managed by setting and monitoring objectives and constraints on investments, diversification plans and limits on investments in each sector and market. These are set by managing agents on behalf of syndicates, for members' Funds at Lloyd's via the SSAA, and by the Society on the Central Fund through the investment parameters set by the investment committee. In aggregate there is no significant concentration of equity price risk.

C.3. Credit risk

Credit risk represents the risk of financial loss if a counterparty, or the issuer of a security, fails to meet its contractual obligations. The assets of syndicates, members' capital and Society assets are exposed to credit risk.

The market's principal credit risk is that the reinsurance purchased to mitigate gross losses does not respond as expected. This can occur because reinsurers are unable to settle their liabilities. Managing agents are expected to have a clear and comprehensive plan for the reinsurance of each syndicate. This takes into account risk appetite for retained insurance risk and the potential for the accumulation of risk. Managing agents are expected to regularly monitor and assess the security of, and exposure to, each reinsurer, intermediary and any collateral arrangements that support their reinsurance protections. Reinsurance credit risk is subject to quarterly review by Lloyd's.

Syndicates are also exposed to counterparty credit risk from their policyholders. Credit risk in respect of premium debt is controlled through broker approval and regular monitoring of premium settlement performance.

The market has credit risk to financial counterparties via Letters of Credit which are issued by banks to support member capital. This risk is managed through detailed review of all counterparties and limits by counterparty and rating level.

Finally, all investments in credit assets (e.g. corporate bonds) across the chain of security, including Society assets, are exposed to credit risk (i.e., the issuer of the security not being able to pay interest and/or principle). With regard to credit investments, Syndicates set their own risk appetite and limits, while the Members' FAL is subject to the Society's risk appetite via the SSAA. For Society assets, Lloyd's performs detailed credit analysis and does not solely rely on external credit ratings as an indicator of investment eligibility. Analysis includes a top-down approach (macroeconomic environment and cyclical outlook) and a bottom-up approach (business fundamentals, issuer analysis and security analysis).

C.4. Liquidity risk

Liquidity risk arises where funds are not available to meet liabilities as they fall due (either due to insufficient funds or having funds in illiquid structures). This is considered for assets held by syndicates members' capital, and assets held by the Society.

Managing agents are expected to manage the cash needs of their syndicates on an ongoing basis and to avoid becoming forced sellers of assets. They are required to have an asset liability matching (ALM) policy which describes how they manage their assets in relation to expected claims payments and ensuring that funds are available to make these payments. Risks are typically matched between assets and liabilities (e.g. duration, currency). Generally, syndicates have a high concentration of liquid assets, namely cash and government securities.

The value and term of short-term assets are carefully monitored against those of the Society's liabilities. The Society maintains sufficient liquid assets to meet liabilities as they fall due. The liquidity of the Central Fund is monitored separately through the Central Fund's liquidity risk appetite, which is approved by the Risk Committee.

Lloyd's centrally monitors syndicate liquidity both in terms of asset mix and future funding needs every three years with exceptions to be assessed more frequently. The next Lloyd's defined stress test will be for the 2026 year-end.

C.5. Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. Operational risk is modelled in the LIM using a scenario analysis approach, generating operational loss scenarios in conjunction with business teams. This may arise at syndicate level and centrally.

Managing agents are responsible for managing their own operational risks through appropriate policies, procedures and internal compliance monitoring. Lloyd's sets Principles for Doing Business to be applied by agents and monitors to ensure these are met.

Syndicate SCRs calculated with internal models are also required to include a capital requirement in respect of operational risks. The methodology used will be different for each syndicate (as operations are different) but all syndicates are obliged to include their operational risk exposures within their internal model.

In addition, elements of operational risk which arise as a result of syndicate operations but are not felt to be adequately captured in their internal models are modelled centrally. This is known as Additional Central Fund (ACF) risk.

C.6. Other material risks

Regulatory risk

Regulatory risk is the risk of loss owing to a breach of regulatory requirements or failure to respond to regulatory change. Managing agents monitor regulatory development to ensure ongoing compliance and any impact on claims reserves. Additionally, given current developments in the global regulatory landscape, the Society closely monitors changes which may adversely impact the global licence network. Lloyd's is actively working with the market to assist and adapt to any relevant changes in the UK regulatory architecture, for example, the consultations on non-financial misconduct issued by the FCA. Managing agents are now expected to comply with the Lloyd's Principles for Doing Business. Lloyd's also monitors and acts on any changes to regulatory requirements applicable to the Corporation. Lloyd's monitors global political trends and is taking action at both a Society and market level in response to a growing geopolitical risk facing companies operating around the world.

Group risk

Group risk is the risk of loss resulting from risk events arising within a related entity. While Lloyd's is not a group, the Society monitors potential risks which could impact Lloyd's, for example arising from the activities of a parent company of a syndicate or managing agent. Whilst, by its nature, group risk is difficult to control, the Society mitigates the potential impact of group risk through the implementation of controls, including Lloyd's Principles for Doing Business, mitigating any material impairment to Lloyd's brand, reputation or strategic priorities.

Concentration risk

Lloyd's monitors concentrations of risk across the market and tests risk exposure against clearly defined risk appetites as established by the Council. Specialist supervisory teams across Lloyd's monitor concentrations across the following areas: natural catastrophes (including region-perils), investment counterparties and reinsurance counterparties.

A non-natural catastrophe risk appetite is in place to monitor exposures biannually to cyber risk (based on the Realistic Disaster Scenario data collections). In addition, Lloyd's Risk Management maintains a view of the key sources of concentration risk to the market and Corporation, considering areas such as class of business, geographical location, method of distribution, broker and coverholder. This feeds into an assessment of changes in the risk profile as presented in the annual ORSA which informs the annual market oversight planning process. Franchise Guidelines are in place to monitor and limit specific concentrations relating to catastrophe exposure, tail risk and line sizes. Managing agents planning to write more than 10% of overall market gross written premium must also receive prior approval from Lloyd's.

Climate change risks

Climate change risks are embedded into the Lloyd's risk framework. Climate risk can also exacerbate the risk of other areas, by changing the frequency and severity of losses within the existing risk categories described in C.1 – 5. Participation in the Bank of England's Climate Biennial Exploratory Scenario (CBES) during 2021 was an important step in beginning to quantify some of the potential outcomes of climate change and this exercise was refreshed in 2024. While there is inherent complexity and uncertainty in how the future climate pathway will develop, even under extreme stress, these results demonstrate that Lloyd's is adequately capitalised and remains well positioned to manage potential physical risk and transition risk impacts. In 2026, Lloyd's focus will be on developing medium-term scenarios to quantify the impact of climate change to inform strategic decision making. This adds to our current view

of short term impacts through business plan and solvency stresses over a 1-year horizon and the longer-term view provided by CBES.

Climate Change risks continue to be integrated into the Corporation's risk management framework, with a range of controls and processes in place to manage and mitigate exposures as they emerge. Work is currently ongoing to assess Lloyd's position against the PRA's updated SS5/25 requirements with an action plan to be developed to develop the Corporation's risk management framework and capability where there are gaps identified relative to the PRA's increased expectations.

For the market, climate change risks are embedded within the Corporation's Oversight Framework, with exposure to physical risks monitored by the Lloyd's Exposure Management function. A recent thematic review into capital modelling for climate change considered physical, transition and litigation risks with best practice insights shared with the market. Transition risks are also considered through the Underwriting and Investment Principles.

Prudent person principle

In accordance with Chapter 2 of the Investments Part of the PRA Rulebook, all assets at Lloyd's are invested in accordance with the prudent person principle.

Syndicate level assets

Managing agents, as trustees, are responsible for the investment of their own syndicate PTFs. The members of the syndicate are the primary bearers of financial risk. Managing agents identify planned investment risk within the SCR and members are required to provide sufficient capital to support this risk. PTF investments must be managed in accordance with PRA requirements under the Prudent Person Principle. Syndicates must submit information on investment returns and dispositions to Lloyd's quarterly.

Lloyd's oversight of syndicates' investment activities is carried out in line with the wider holistic oversight framework. Syndicates are assessed by Lloyd's quarterly using a mixture of qualitative and quantitative measures. Where Lloyd's deem a syndicate to be underperforming against expectations, Lloyd's may implement a series of interventions such as requiring that additional capital be provided by members, as appropriate.

Lloyd's also considers periodically whether any additional rules should be adopted for prudential reasons beyond the PRA requirements of the Prudent Person Principle.

Member level capital (FAL)

Each member of Lloyd's is responsible for the investment of their own FAL and is the primary bearer of the resulting financial risk. Lloyd's acts as trustee and custodian of FAL assets and all transactions are screened post-settlement to ensure they comply with relevant Anti-Money Laundering (AML) requirements, additionally, no member can make a release of FAL without the express written prior consent of Lloyd's. All FAL investments must comply with the PRA requirements under the Prudent Person Principle; additionally, they must also comply with the Lloyd's Membership & Underwriting Conditions and Requirements (M&URs).

The M&URs include a Standard Strategic Asset Allocation (SSAA), which members must comply with at an aggregate capital level. The SSAA imposes limits on risk assets and issuer exposure to better manage FAL investment risk and to encourage diversification. Asset dispositions are analysed quarterly by Lloyd's and a capital charge test is applied annually should a member's aggregate capital position be outside of this SSAA.

Where concerns are identified, Lloyd's may engage with members to understand risk strategies and may require that investment dispositions be amended. Where members do not comply with such requirements Lloyd's, in its capacity as trustee, may intervene to amend investment dispositions. Lloyd's may also require a member to maintain additional assets within their FAL if that member's FAL investments exceed defined risk limits.

If Lloyd's identifies risks which are unacceptable when considering all FAL assets, or all FAL and PTF assets together, it may, in extremis, adjust permitted investments for all participants by amending the M&URs.

Lloyd's also considers periodically whether any additional rules should be adopted for prudential reasons beyond the PRA requirements of the Prudent Person Principle.

Central resources

Lloyd's complies with the Prudent Person Principle with respect to the central resources. Lloyd's ensures that it:

- Has a diversified investment portfolio that adheres to robust risk and liquidity requirements while ensuring that its investment strategy aligns with the specified goal of the central resources; to grow in line with the Lloyd's Market while being available to pay obligations that arise. The majority of the portfolio is invested in publicly traded assets. The portfolio also includes an allocation to illiquid assets, which was determined based on a thorough risk and liquidity assessment.
- Only holds derivatives that are used for risk management as well as efficient portfolio management purposes, and not for speculation. The use of derivatives is currently limited to forward foreign exchange contracts, equity futures and interest rate swaps. Effective risk transfer is obtained by transacting these derivatives under Master International Swaps and Derivatives Association (ISDA) agreements with the derivative counterparties.

Considerations of how the quality, security, liquidity and profitability of the Central Fund portfolio is improved without significant impairment of any of these attributes made by the Lloyd's Investment Committee. Approved procedures have been implemented in line with this approach to monitor the performance of these derivatives and against defined risk limits.

- Understands the interests of the Society as well as the originator / sponsor of securitised assets before making an investment in such assets. Holdings in these assets are currently limited in the central resources, however, any investments must meet the UK Solvency II eligibility criteria.

Stress testing

Lloyd's seeks to continuously identify and examine Stress and Scenario Tests (SSTs) which may have an adverse impact on the business model to ensure potential risks are clearly understood, monitored effectively and adequate controls are in place.

The outcomes/conclusions of the SSTs form an integral part of the overall risk management system and act as a prompt to senior management to take action across a range of areas such as: implementing changes to the LIM, re-evaluating risk appetites, reviewing the application of Franchise Guidelines, business plan decisions for syndicates and capital management decisions (e.g. setting Economic Capital).

The results of these, as reflected in the ORSA process, inform Lloyd's management in terms of making decisions with regard to member level and central capital strategy over the medium term.

Lloyd's also includes business plan stress tests into the suite of SSTs whereby the assumptions underlying the aggregate business plan are subjected to a number of stresses. The results of this are considered as part of assessment of capital adequacy and also inform areas of focus for the following year Capital Planning Group (CPG) review.

C.7. Any other information

Additional information on risk management at Lloyd's may be found at note 4 of the market results (pages 45 to 57) and note 5 of the Society Report (pages 140 to 143) within the Lloyd's Annual Report 2025.

D. Valuation for Solvency Purposes

Sections/items indicated with an asterisk (*) are not subject to reasonable assurance. As referenced in the basis of preparation, the numbers presented below represent a Lloyd's market wide position of solvency.

A comparison of Lloyd's UK GAAP and UK Solvency II balance sheets is summarised in the following table:

31 December 2025	UK GAAP	Change	UK Solvency II
	£m	£m	£m
Assets			
Deferred tax assets	11	12	23
Intangible assets	53	(53)	–
Pension benefit surplus	50	–	50
Investments	96,969	3,110	100,079
Loans and mortgages	171	4	175
Property, plant & equipment held for own use	22	98	120
Reinsurers' share of technical provisions	31,835	(16,085)	15,750
Deferred acquisition costs	6,905	(6,905)	–
Deposits to cedants	126	(2)	124
Insurance and reinsurance receivables	27,793	(20,534)	7,259
Receivables (trade, not insurance)	1,605	(157)	1,448
Cash and cash equivalents	12,061	(8,087)	3,974
Any other assets	3,670	(2,935)	735
Total assets	181,271	(51,534)	129,737
Liabilities			
Technical provisions	113,451	(113,451)	–
- Best estimate	–	67,581	67,581
- Risk margin*	–	3,461	3,461
Provisions other than technical provisions	62	49	111
Deposits from reinsurers	985	2	987
Derivatives	22	6	28
Debts owed to credit institutions	598	(57)	541
Insurance and reinsurance payables	10,329	(8,444)	1,885
Payables (trade, not insurance)	4,728	(1,734)	2,994
Subordinated liabilities ¹	–	301	301
Any other liabilities	1,271	1,635	2,906
Total liabilities	131,446	(50,651)	80,795
Net excess of assets over liabilities	49,825	(883)	48,942

31 December 2024 (restated) ²	UK GAAP	Change	UK Solvency II
Assets	£m	£m	£m
Deferred tax assets	3	10	13
Intangible assets	60	(60)	–
Pension benefit surplus	48	–	48
Investments	92,972	3,277	96,249
Loans and mortgages	190	(15)	175
Property, plant & equipment held for own use	18	114	132
Reinsurers' share of technical provisions	33,198	(16,227)	16,971
Deferred acquisition costs	6,476	(6,476)	–
Deposits to cedants	252	(23)	229
Insurance and reinsurance receivables	26,463	(19,135)	7,328
Receivables (trade, not insurance)	1,319	87	1,406
Cash and cash equivalents	12,039	(7,990)	4,049
Any other assets	3,479	(2,872)	607
Total assets	176,517	(49,310)	127,207
Liabilities			
Technical provisions	113,046	(113,046)	–
- Best estimate	–	68,687	68,687
- Risk margin*	–	3,228	3,228
Provisions other than technical provisions	74	47	121
Deposits from reinsurers	1,128	(66)	1,062
Derivatives	42	12	54
Debts owed to credit institutions	610	(63)	547
Insurance and reinsurance payables	10,297	(7,945)	2,352
Payables (trade, not insurance)	2,880	(419)	2,461
Subordinated liabilities ¹	–	295	295
Any other liabilities	1,291	889	2,180
Total liabilities	129,368	(48,381)	80,987
Net excess of assets over liabilities	47,149	(929)	46,220

¹Subordinated liabilities are classified as equity within the Annual Report. These are reclassified to liabilities on the balance sheet under UK Solvency II. The prior year amount under UK GAAP of £298m has been reclassified to any other liabilities for consistency in presentation with the current year.

²The UK GAAP balance sheet as at 31 December 2024 has been restated to align with the restatement in the Annual Report. The restatement is presentational in nature and does not impact the net assets. Financial investments of £2,689m has been reclassified as any other assets.

A qualitative description of the reasons for differences between UK GAAP and UK Solvency II is set out at section D.1 (assets), D.2 (technical provisions) and D.3 (liabilities other than technical provisions).

D.1. Assets

Valuation of assets including differences between UK Solvency II and UK GAAP

Overview

Lloyd's requires each syndicate to prepare a UK Solvency II balance sheet in accordance with UK Solvency II valuation rules.

Members' FAL are valued at fair value and thus comply with UK Solvency II valuation principles.

UK Solvency II requires that all assets and liabilities should be measured at fair value. Alternatively, value as per UK GAAP is used where it is a close approximation of the fair value for UK Solvency II balance sheet purposes.

Recognition

Assets are recognised only when economic benefits are expected to be received in future.

Under UK Solvency II, future cash flows relating to insurance and reinsurance contracts are included in the measurement of technical provisions. However, overdue cash flows are treated as insurance receivables in the balance sheet. This is the same principle that Lloyd's has applied in the recognition of insurance receivables.

Lloyd's has applied similar principles as those applied for insurance receivables in assessing recognition of reinsurance receivables. Amounts recoverable from reinsurers relating to claims paid have been included in the balance sheet as reinsurance receivables.

Derecognition

Assets are derecognised once they have been transferred to a third party i.e. substantially all risks and rewards are transferred.

Deferred tax assets

Deferred tax assets relate solely to the Society of Lloyd's. This is because syndicates account for their results gross of tax. Tax is assessed at member level and is outside of the scope of the Lloyd's pro forma financial statements. Deferred tax assets are recognised for all deductible temporary differences and unutilised tax losses to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised. Deferred tax is measured on an undiscounted basis at the rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantially enacted at the reporting date.

Pension benefit surplus

Lloyd's operates a number of defined benefit and defined contribution pension schemes. The principal scheme is the Lloyd's Pension Scheme which is a defined benefit scheme. Other schemes have been established for certain employees based overseas. The pension assets and associated liabilities have been valued in accordance with FRS102 section 28 'Employee Benefits'. There is no difference in the valuation for UK Solvency II purposes.

Additional information in respect of pension scheme obligations may be found in note 23 'Pension schemes' in the Society accounts, on pages 154 to 157 of Lloyd's Annual Report 2025.

Investments

Most of Lloyd's investments i.e. premium trust funds, FAL and Central Fund assets are fixed income investments. These are mainly government bonds and corporate bonds. In addition, significant amounts of equities are held, particularly within members' FAL and the Central Fund. UK Solvency II requires investments to be valued at their fair value.

Government bonds are valued at market value i.e. based on quoted prices. These bonds are regularly traded and hence their prices are easily obtained. These prices are obtained from the investment managers. However, where these are not considered current, a tradable quote from a broker is sought.

Most of the corporate bonds are of very high quality i.e. BBB rating and above. These bonds are regularly traded and hence their prices are easily obtained. Similar to the government bonds, these are valued at market value, based on the quoted prices provided by the investment managers. Similar to government bonds, where prices from investment managers are deemed not to be fresh, a tradable quote from a broker is sought.

Equity and investments funds held by Lloyd's are mainly listed and hence their prices are readily available. These are valued at market value based on the quoted prices provided by investment managers.

Information of the valuation of investments for the purposes of the financial statements may be found on pages 60 to 61 of the Lloyd's Annual Report 2025. There are no material differences in the valuation of investments for UK Solvency II and UK GAAP. However, the allocation of accrued interest has been included within the relevant investment assets rather than in 'Any other assets'.

Loans and mortgages

These consist of the following:

- Loans and mortgages to individuals – relating to recoverable Central Fund loans made to hardship members; and
- Other loans and mortgages – relating to syndicate investment assets classified as loans and mortgages other than 'Loans and mortgages to individuals' and 'Loans on policies'.

These are initially recognised in the financial statements at amortised cost. These are restated to fair value in accordance with UK Solvency II valuation principles.

Alternatively, value as per UK GAAP is used where it is a close approximation of the fair value for UK Solvency II balance sheet purposes.

Property, Plant and equipment held for own use

Right of use assets in respect of the Society's operating leases are recognised on the Society's UK Solvency II balance sheet. Right of use assets are not recognised on the PFFS UK GAAP balance sheet.

Deposits to cedants

These are deposits relating to reinsurance accepted business. The value as per UK GAAP is used where it is a close approximation of the fair value for UK Solvency II balance sheet purposes.

Insurance and reinsurance receivables

These are valued at fair value by discounting expected cash flows using a risk-free rate. Alternatively, value as per UK GAAP is used as an approximation for fair value for UK SII balance sheet purposes where appropriate.

While determining the valuation amount, Lloyd's has considered the recoverability of these balances; hence the amount recognised in the balance sheet is net of expected losses as a result of default.

Under UK Solvency II, future cash flows relating to insurance and reinsurance contracts are included in the measurement of technical provisions, excluding overdue cash flows which remain as insurance receivables in the balance sheet. The value as per UK GAAP is used where it is a close approximation of the fair value for UK Solvency II balance sheet purposes.

Deferred Acquisition Costs

There are no deferred acquisition costs under UK Solvency II given the cashflow basis of technical provisions.

Receivables (trade, not insurance)

The value as per UK GAAP is used where it is a close approximation of the fair value for UK Solvency II balance sheet purposes.

Cash and cash equivalents

'Cash and cash equivalents' comprise of cash in hand and demand deposits, together with short term, highly liquid investments that are readily convertible to a known amount of cash, and that are subject to an insignificant risk of change in value. These are short term investments with a maturity period of three months or less from the date of issuance.

Cash in hand and demand deposits are valued at the amount held at the end of the year plus accrued interest at the end of the year, where applicable.

The value of letters of credit, guarantees and life policies provided within FAL, which represent ancillary own funds (see section E.1 below), and which are included in 'cash and cash equivalents' in the table in section D are excluded from the UK Solvency II balance sheet but are recognised at their UK Solvency II valuation as ancillary own funds in the own funds template.

Any other assets

These include items such as prepayments and other assets. The value as per UK GAAP is used where it is a close approximation of the fair value for UK Solvency II balance sheet purposes.

D.2. Technical provisions

UK Solvency II technical provisions by material line of business

The tables below summarise the UK Solvency II technical provisions for the market by high-level class of business. Reinsurance line of business is included within the respective classes presented below:

31 December 2025	Gross best estimate	Net best estimate
Class	£bn	£bn
Property	12.05	8.26
Casualty	34.91	28.19
Marine, Aviation and Energy	14.48	10.65
Specialty	4.65	3.44
Life	1.50	1.30
Total	67.58	51.83
Risk Margin* (RM)	3.46	3.46
Total including RM*	71.04	55.29

31 December 2024 (restated) ¹	Gross best estimate	Net best estimate
Class	£bn	£bn
Property	14.40	10.74
Casualty	34.78	25.81
Marine, Aviation and Energy	13.40	10.87
Specialty	3.40	2.18
Life	2.71	2.11
Total	68.69	51.71
Risk Margin* (RM)	3.23	3.23
Total including RM*	71.92	54.94

¹The material lines of business presented are aligned to those disclosed within the Annual Report. The prior year presentation has been restated accordingly for comparability.

A summary of technical provisions by UK Solvency II line of business is provided in Appendix 1 on templates IR.12.01 and IR.17.01.

Calculation of technical provisions

The technical provisions are calculated in line with the prescribed UK Solvency II requirements as per the Technical Provisions Part of the PRA Rulebook. In particular, the value of technical provisions corresponds to the current amount insurance and reinsurance undertakings would have to pay if they were to transfer their insurance and reinsurance obligations immediately to another insurance or reinsurance undertaking. The calculation of technical provisions makes use of and is consistent with information provided by the financial markets and generally available data on underwriting risks (market consistency).

The technical provisions are calculated by syndicates in accordance with Lloyd's Technical Provisions Guidance December 2025. The calculations are undertaken by individual syndicates with the calculation basis and assumptions made at this level. This includes the consideration of homogenous risk groupings used for the valuation, which will vary between syndicates based on the consideration of the specific syndicate risk profile. Across the market the following bases, methods and assumptions are most relevant:

- Provisions for future claims are the most material element of the technical provisions;
- Provisions for future claims are based on standard actuarial techniques for estimation of non-life insurance liabilities;
- Assumptions relating to run-off patterns and loss ratios are material to the calculation of future claims provisions;
- In discounting technical provisions, the risk free yield curves published by the PRA are used. The rates used should be the basic risk-free rate curves with no volatility adjustment. For currencies for which the PRA does not publish technical information/discount rates, it is Lloyd's responsibility to propose discount rates that comply with UK Solvency II requirements and justify its approach to the PRA;
- With regard to contract boundaries, all contracts to which the syndicate is legally obliged are included and each existing contract, including reinsurance, is considered in its own right; and
- Reinsurance recoveries are calculated based on consideration of the inwards exposures and the reinsurance in place, including the impact of any claims experience to date.

Level of uncertainty associated with the value of technical provisions*

Provisions for future claims are the most material and uncertain element of the technical provisions. The associated uncertainty of these provisions is assessed by all syndicates and also considered by the Society, using both quantitative techniques and qualitative commentary on sources of uncertainty. Consideration of the uncertainty is undertaken for each syndicate as part of their reserving processes.

This will focus on the areas of particular uncertainty specific to each syndicate and involves statistical reserving techniques, sensitivity and scenario testing and consideration of large reserves associated with individual losses. This information is received and reviewed by Lloyd's as part of Statement of Actuarial Opinion (SAO) and Actuarial Function reporting. Centrally the Lloyd's Actuarial Function assesses the uncertainty in aggregate market provisions via the same methodologies. Further assessment of quantitative uncertainty in the technical provisions is made as part of capital modelling at syndicate and Society level.

In addition to the quantification provided in the LIM, Lloyd's also monitors sources of uncertainty using the SAO process. Each syndicate is required to provide an opinion, given by an actuary with an appropriate Practising Certificate, on reserve sufficiency. As part of this opinion any key sources of uncertainty are required to be

highlighted and quantified. These uncertainties are highlighted in the solvency opinions by wordings; the wordings are comprised of an ascending order scale from 1 to 4 with respect to reserve uncertainty. The large loss uncertainty wordings for 2025 year-end arose primarily from one major event: the conflict between Russia and Ukraine.

Valuation differences of technical provisions by material line of business between UK Solvency II and UK GAAP

The technical provisions on a UK Solvency II basis are calculated in line with UK Solvency II requirements. There are a number of significant differences between this calculation basis and the UK GAAP basis underlying the financial statements.

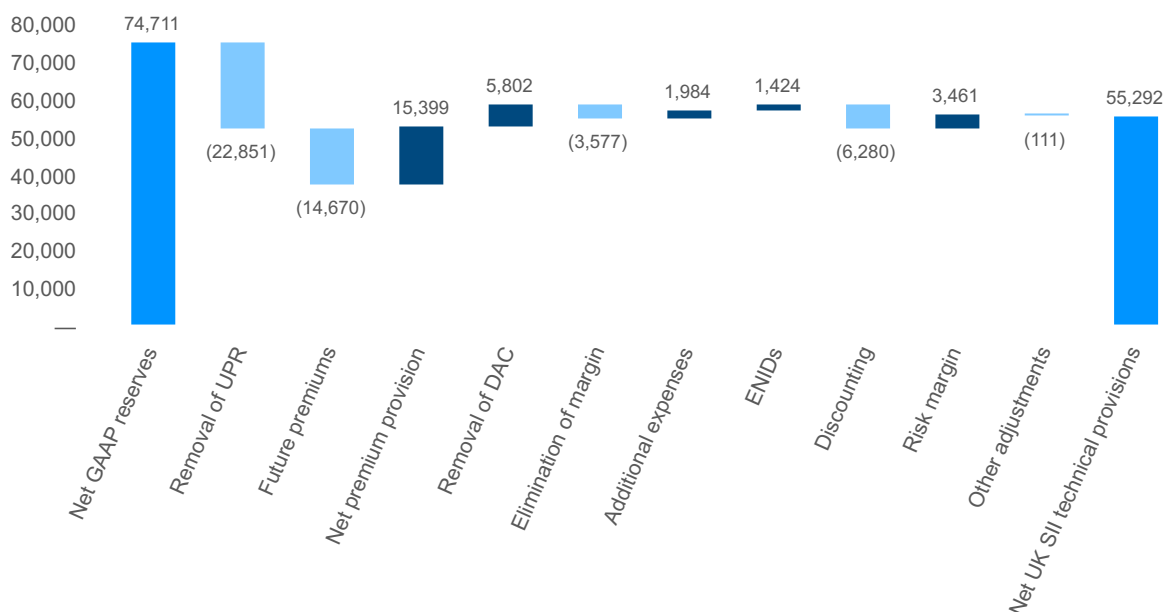
The material differences in the bases are summarised below:

- Removal of the requirements to hold an unearned premium reserve (UPR) and to allow for other non-monetary items;
- Elimination of deferred acquisition costs (DAC);
- Movement to a cashflow basis for valuation of both gross business and outwards reinsurance. This means that future premium income from contracts that are contractually bound at 31 December is introduced into the technical provisions;
- The claims associated with the unearned business must also now be included, in place of the UPR provision;
- Removal of any implicit or explicit margins within technical provisions to give a “true best estimate” for solvency purposes, defined as the mean of the full range of all possible future outcomes;
- Inclusion of all expenses incurred in running-off the existing business, rather than only those relating to cost of claims administration;
- Introduction of the valuation of very low probability extreme events including latent claims, referred to as “Events not in Data” (ENIDs);
- Introduction of discounting of all reserves at risk-free rates, rather than discounting being related to expected investment income and only being allowable on particular claim types; and
- Inclusion of a risk margin sufficient to cover the expected cost of transfer of the obligations.

The impacts of the above changes are summarised in the charts below:

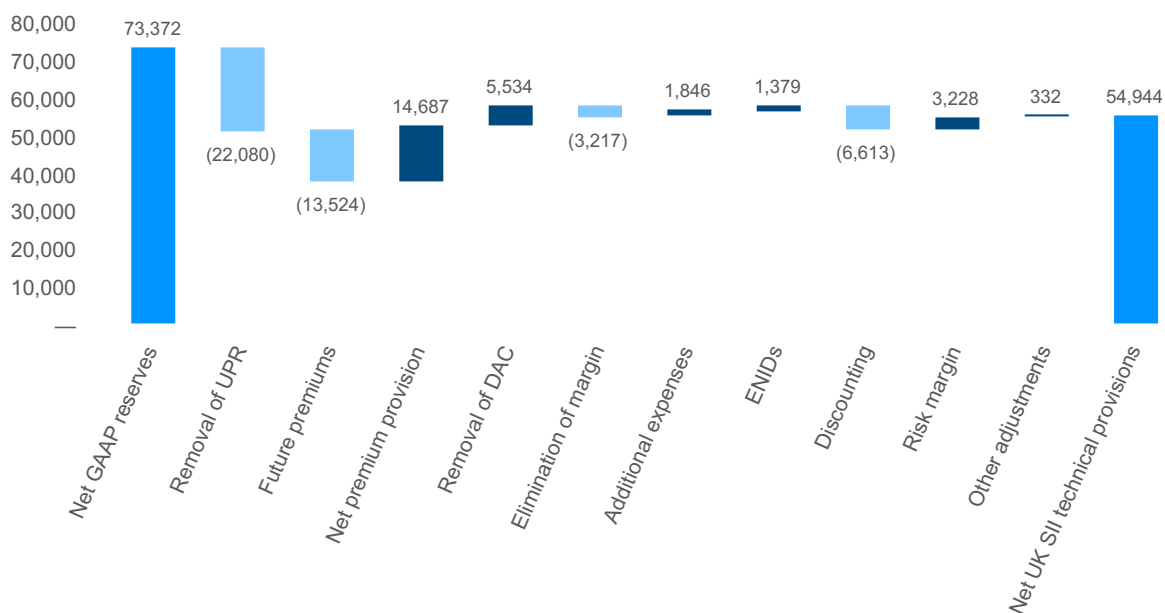
31 December 2025

Analysis of change from UK GAAP to UK Solvency II technical provisions at 31.12.2025



31 December 2024

Analysis of change from UK GAAP to UK Solvency II technical provisions at 31.12.2024



The UK GAAP and UK Solvency II net technical provisions by material line of business are summarised below. Reinsurance line of business is included within the respective classes presented below:

31 December 2025	UK GAAP net technical provisions	UK Solvency II net technical provisions excluding risk margin*
Class	£bn	£bn
Property	17.79	8.26
Casualty	32.92	28.19
Marine, Aviation and Energy	13.92	10.65
Specialty	7.62	3.44
Life	2.45	1.30
Total	74.71	51.83
Risk Margin* (RM)		3.46
Total including RM*	74.71	55.29

31 December 2024 (restated)¹	UK GAAP net technical provisions	UK Solvency II net technical provisions excluding risk margin*
Class	£bn	£bn
Property	16.45	10.74
Casualty	34.11	25.81
Marine, Aviation and Energy	14.57	10.87
Specialty	5.12	2.18
Life	3.12	2.11
Total	73.37	51.71
Risk Margin* (RM)		3.23
Total including RM*	73.37	54.94

¹The material lines of business presented are aligned to those disclosed within the Annual Report. The prior year presentation has been restated accordingly for comparability.

Matching adjustment (per the Matching Adjustment Part of the PRA Rulebook)

Lloyd's does not permit the use of the matching adjustment by syndicates in the setting of technical provisions.

Volatility adjustment (per Chapter 8 of the Technical Provisions Part of the PRA Rulebook)

Lloyd's does not permit the use of the volatility adjustment by syndicates in the setting of technical provisions.

Transitional risk-free interest rate-term structure (per the Transitional Measure on Technical Provisions Part of the PRA Rulebook)

Lloyd's does not permit the use of the transitional risk-free interest rate-term structure by syndicates in the setting of technical provisions.

Transitional deduction (per the Transitional Measure on Technical Provisions Part of the PRA rulebook)

Lloyd's does not permit the use of the transitional deductions by syndicates in the setting of technical provisions.

Recoverables from reinsurance contracts and special purpose vehicles

The technical provisions are calculated gross, with reinsurance calculated separately under the same UK Solvency II principles. All existing and planned future reinsurance purchasing related to the gross provisions is included in the technical provision calculation and associated recoveries resulting from consideration of the expected value of all possible future outcomes is considered. As part of consideration of reinsurance recoveries an allowance for non-payment is also required.

Any material changes in assumptions for calculating technical provisions

Social inflation continues to be a key part of calculating technical provisions, particularly when considering whether it is fully reflected in setting the technical provisions and in distinguishing between the impact of social inflation and general economic inflation. Classes with US exposure continue to show higher social inflation impacts due to the more litigious environment. Lloyd's syndicates have been remediating Casualty classes in recent years, in particular the US General Liability class. Lloyd's has continued to perform targeted oversight across relevant Casualty classes, including review of syndicates' inflation assumptions and evidence supporting any explicit or qualitative allowances. Through this oversight, we have not identified material instances of under-reserving attributable to social inflation, although uncertainty remains elevated in particular around the time it takes for claims to settle and late increases in reserves and we continue to monitor how syndicates assess and respond to these risks.

D.3. Liabilities other than technical provisions

Valuation of other liabilities including differences between UK Solvency II and UK GAAP

A quantitative summary by major class is provided at the start of section D above.

UK Solvency II requires that all liabilities should be measured at fair value. Alternatively, value as per UK GAAP is used where it is a close approximation of the fair value for UK Solvency II balance sheet purposes.

Provisions other than technical provisions

These are liabilities of uncertain timing or amount (excluding liabilities reported under 'Pension benefit obligations').

There are no material differences in the valuation of 'provisions other than technical provisions' for UK Solvency II and UK GAAP.

Deposits from reinsurers

These are syndicate related amounts received from reinsurers or deducted by the reinsurer according to the reinsurance contract.

Under UK Solvency II, these are valued at fair value by discounting expected cash flows using a risk-free rate. Alternatively, value as per UK GAAP is used where it is a close approximation of the fair value for UK Solvency II balance sheet purposes.

Financial liabilities, other than debts owed to credit institutions

UK Solvency II requires that lease liabilities arising from operating leases are recognised on the UK Solvency II balance sheet, consistent with the treatment under IFRS 16 - Leases. These liabilities are not recognised on the UK GAAP balance sheet.

Payments made under operating leases are charged to the Society income statement on a straight-line basis over the period of the lease. Contractual capital expenditure is provided for over the term of the underlying lease agreement. The lease cost provision is an accounting estimate which arises due to the fact the Society has entered into a number of fully repairing leases.

Additional information on lease cost provisions and operating lease commitments for the Society is set out in notes 28 and 32 of the Society accounts at pages 159 and 160 of Lloyd's Annual Report 2025 respectively.

Deferred tax liabilities

Deferred tax liabilities relate solely to the Society of Lloyd's. This is because syndicates account for their results gross of tax. Tax is assessed at member level and is outside of the scope of the Lloyd's pro forma financial statements. Deferred tax is measured on an undiscounted basis at the rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantially enacted at the reporting date.

Derivatives

Derivatives have been valued at fair value for UK Solvency II purposes, which is consistent with UK GAAP.

Debts owed to credit institutions

This includes the Society's senior debt as well as syndicate level debts.

The Society's senior debt is restated to the fair value in accordance with UK Solvency II valuation principles. In the UK GAAP balance sheet the debt is carried at amortised cost.

Syndicate related debts include mortgages, loans, and bank overdrafts owed to credit institutions (excluding bonds held by credit institutions).

UK Solvency II requires that all such liabilities should be measured at fair value. Hence, these are valued at fair value by discounting expected cash flows using a risk-free rate.

The value as per UK GAAP is used where it is a close approximation of the fair value for UK Solvency II balance sheet purposes.

Insurance & reinsurance payables

These are valued at fair value by discounting expected cash flows using a risk-free rate. The value as per UK GAAP is used where it is a close approximation of the fair value for UK Solvency II balance sheet purposes.

Payables (trade, not insurance)

UK Solvency II requires that all such liabilities should be measured at fair value. Hence, these are valued at fair value by discounting expected cash flows using a risk-free rate. The value as per UK GAAP is used where it is a close approximation of the fair value for UK Solvency II balance sheet purposes.

Subordinated liabilities

As at 31 December 2025, Lloyd's had one subordinated debt issue in place. Please refer to section E.1 for more details.

For UK Solvency II purposes, the debt is shown at fair value within Tier 2 capital.

Any other liabilities

UK Solvency II requires that all such liabilities should be measured at fair value. Hence, these are valued at fair value by discounting expected cash flows using a risk-free rate. The value as per UK GAAP is used where it is a close approximation of the fair value for UK Solvency II balance sheet purposes.

D.4. Alternative methods for valuation

As described in section D.1 above, Lloyd's uses market value i.e. based on quoted prices from investment managers to value investments such as government and corporate bonds. However, where these are not considered current, a tradable quote from a broker is sought.

The fair value of financial instruments that are not traded in an active market (level 3) is determined by using valuation techniques which require significant judgement. The valuation techniques used to establish the fair value of the underlying investments may incorporate discounted cash flow models or a more market-based approach, whilst the main inputs might include discount rates, fundamental pricing multiples, recent transaction prices, or comparable market information to create a benchmark multiple. The net asset valued at level 3 as at 31 December 2025 is £1,968m (2024: £1,985m) under UK Solvency II with no difference to UK GAAP.

D.5. Any other information

There is no other material information to disclose.

E. Capital Management

Sections/items indicated with an asterisk (*) are not subject to reasonable assurance.

E.1. Own funds

Lloyd's market wide SCR* and central SCR*

Lloyd's must calculate and cover two SCRs, given the unique structure of Lloyd's: the Lloyd's Market Wide SCR and the Central SCR. Under the UK Solvency II regime, it must then ensure that each SCR is covered by eligible capital.

The Lloyd's Market Wide SCR (MWSCR/Lloyd's SCR) is calculated to cover all the risks of 'the association of underwriters known as Lloyd's', i.e. those arising on syndicate activity, members' capital provided at Lloyd's and the Society taken together, at a 99.5% confidence level over a one-year time horizon as provided for in UK Solvency II rulebook. All the capital of the component parts of the market taken together are available to meet the MWSCR.

The Lloyd's Central SCR (central SCR) is calculated in respect of only the risks facing the Corporation and the Central Fund at the same confidence level and time horizon used to calculate the MWSCR. The material risk is that members do not have sufficient funds to meet their underwriting losses even having complied with Lloyd's capital setting rules. In such an event, assets from the Central Fund can, at the discretion of the Council, be made available to ensure that policyholders' claims are met. Only eligible capital held by the Society may be used to cover the central SCR.

The MWSCR and central SCR are both calculated in accordance with the Lloyd's Internal Model (LIM), which is an approved internal model by the PRA.

The quantitative reporting templates presented in appendix 1 reflect the market wide balance sheet and solvency position.

Objectives, policies and processes for managing own funds

Lloyd's sets medium and long term financial objectives in accordance with among other things, its business objectives, the underwriting environment, broader economic conditions as well as the UK and global regulatory environment and future developments. As part of this work, Lloyd's sets risk appetites in terms of coverage of market wide and central regulatory solvency and economic capital requirements. The calibration of these is reviewed regularly by the Risk Committee. This is articulated through Lloyd's risk management strategy and appetite and, in particular, the Medium-Term Capital Management Plan (MTCMP) and ORSA report. Lloyd's Capital Management Policy has been designed to ensure that these objectives, once set, can be complied with through capital management. The coverage of the regulatory and economic target capital requirements is assessed on at least a quarterly basis.

The MTCMP is prepared to assist Lloyd's management in ensuring that it has sufficient capital centrally and across the Lloyd's market, in terms of both quantity and quality (tiering) to be able to meet its current and projected regulatory and economic capital requirements in the medium term (over a three-year horizon). Lloyd's continues to only require members to come into line once a year, with the quarterly corridor test ensuring members remain adequately capitalised throughout the remainder of the year. The quarterly corridor test requires members to provide additional capital where they are below the minimum level of the corridor and only allows capital to be withdrawn to the extent a member's surplus is above the maximum level of the corridor. There have been no material changes to Lloyd's processes for managing own funds during 2025.

Ensuring minimum Tier 1 levels to cover the Lloyd's SCR

Under UK Solvency II, the SCR must be covered by at least 50% Tier 1 capital. As agreed with the PRA, this test applies to the Lloyd's SCR, which covers the 1 in 200- year loss to the 'association of underwriters known as Lloyd's' (as calculated using the LIM 'capital burn' test), as well applying a similar test to the central SCR which addresses the central capital requirement of the Society.

Most own funds at Lloyd's are Tier 1 but as described below letters of credit (LOCs), guarantees and life policies provided as members' FAL, and the subordinated debt issued in 2017, constitute Tier 2 assets. The deferred tax asset is classified as Tier 3.

Lloyd's has a policy whereby each member's capital requirement must be covered by at least 50% Tier 1 capital in order to align members' capital requirements with UK Solvency II regulations. Lloyd's monitors the composition of its capital in terms of amount and quality on an ongoing basis. If coverage of this test becomes marginal, then Lloyd's has in place procedures to require members which make the greatest use of Tier 2 capital within their FAL to substitute part of this with Tier 1 capital.

The coverage of the SCR by Tier 1 capital (as reported on template IR.23.01 in Appendix 1) is summarised below:

	Dec 2025	Dec 2024
	£m	£m
Lloyd's SCR*	27,550	25,600
Tier 1 capital	46,910	44,284
Tier 1 capital %	170 %	173 %

The tiering test also applies to the Central SCR. Lloyd's applies similar procedures to monitor the quality of central capital in this respect.

Own funds classified by tier to meet the market wide SCR

A summary of Lloyd's own funds is set out below. The total market wide own funds available to meet the Lloyd's SCR agrees to template IR.23.01:

31 December 2025	Tier 1	Tier 2	Tier 3	Total
	£m	£m	£m	£m
Syndicate assets	20,471			20,471
Members' funds at Lloyd's (FAL)	23,011	7,854		30,865
Society assets:				
Subordinated debt		301		301
Deferred tax			23	23
Balance of net assets	3,428			3,428
Total own funds available to meet the SCR	46,910	8,155	23	55,088
Lloyd's SCR*				27,550
'Excess' own funds not eligible to meet SCR	–	–	–	–
Total market wide own funds eligible to meet the SCR	46,910	8,155	23	55,088
Lloyd's market wide solvency ratio				200 %

31 December 2024	Tier 1	Tier 2	Tier 3	Total
	£m	£m	£m	£m
Syndicate assets	18,389			18,389
Members' funds at Lloyd's (FAL)	22,689	7,790		30,479
Society assets:				
Subordinated debt		295		295
Deferred tax			12	12
Balance of net assets	3,206			3,206
Total own funds available to meet the SCR	44,284	8,085	12	52,381
Lloyd's SCR*				25,600
'Excess' own funds not eligible to meet SCR	–	–	–	–
Total market wide own funds eligible to meet the SCR	44,284	8,085	12	52,381
Lloyd's market wide solvency ratio				205 %

Total available own funds as at 31 December 2025 compared with 31 December 2024 are summarised below:

	Tier 1	Tier 2	Tier 3	Total
	£m	£m	£m	£m
31 December 2025	46,910	8,155	23	55,088
31 December 2024	44,284	8,085	12	52,381

The increase in total own funds from 31 December 2024 to 31 December 2025 was due to the increases in members' balances, driven by strong profitability and strong investment returns.

Syndicate assets

Syndicate assets are the aggregated own funds of all syndicates, net of anticipated profit releases and ring-fenced funds. All syndicate assets are held in the form of on balance sheet items and meet the criteria of Tier 1 basic own funds.

Members' FAL

FAL provided in the form of cash and investments constitute on balance sheet items and meet the criteria of Tier 1 basic own funds.

A significant proportion of FAL is provided in ancillary own funds, in particular 'letters of credit and guarantees which are held in trust for the benefit of insurance creditors by an independent trustee and provided by credit institutions' (which is treated as Tier 2 capital per Chapter 3H of the Own Funds Part of the PRA Rulebook).

Whilst letters of credit are considered Tier 2 own funds for solvency purposes and are subject to restriction on coverage of the solvency capital requirement, when called upon they are fully converted into cash which is Tier 1 own funds. In addition, prior to Lloyd's accepting a letter of credit into FAL, a robust assessment of the creditworthiness of the respective financial institution is performed, considering both qualitative and quantitative factors.

As described below, these ancillary own funds are subject to prior approval by the PRA and are reported as Tier 2 ancillary own funds in accordance with the valuation rules provided by the PRA's approval.

Society assets

As at 31 December 2025, Lloyd's had one subordinated debt issue in place which was the Sterling 2017 Notes issued in February 2017 – classified as Tier 2 basic own funds under UK Solvency II. All other Society assets are classified as Tier 1 basic own funds, with the exception of deferred tax assets which are Tier 3 basic own funds.

Reconciliation reserve

The amount of the reconciliation reserve reported in template IR.23.01 (Appendix 1) is £21,810m (2024: £19,026m). This comprises:

	Dec 2025	Dec 2024
	£m	£m
Syndicate balances per PFFS ¹ before adjusting:	15,981	13,533
Solvency II valuation adjustments	6,499	6,780
Members' funds in syndicate	(2,089)	(2,567)
Foreseeable distributions	(1,001)	(631)
Ring-fenced funds	(1,008)	(1,293)
	18,382	15,822
FAL per PFFS ¹ before adjusting:	31,132	30,500
Solvency II valuation adjustments	(267)	(21)
Ancillary own funds at UK GAAP valuation	(7,854)	(7,790)
Other FAL	(23,011)	(22,689)
	-	-
Society net resources per PFFS ¹ before adjusting:	2,712	3,116
Solvency II valuation adjustments	1,040	397
Subordinated debt (at fair value)	(301)	(295)
Deferred tax asset	(23)	(14)
	3,428	3,204
Total	21,810	19,026

¹ Pro Forma Financial Statements, page 36 of Lloyd's Annual Report 2025

Coverage of the Lloyd's SCR with eligible own funds

In accordance with UK Solvency II rules, the SCR must be covered with at least 50% Tier 1 own funds. Accordingly, the amount of available Tier 2 and Tier 3 own funds which exceeds 50% of the SCR is not eligible to cover the SCR and cannot be calculated as such in the solvency calculation.

This has the potential to impact the Lloyd's solvency ratio calculation as a large part of Lloyd's capital is provided by ancillary own funds which are treated as Tier 2 capital for UK Solvency II purposes. However, these are assets callable on demand.

When called, the proceeds, namely cash, would qualify as Tier 1 capital. Under these circumstances, any amount of Tier 2 capital represented by these assets ineligible to meet the SCR (since they exceed the 50% tiering limit for Tier 2 and Tier 3 Capital set by UK Solvency II) would then become fully eligible. As at 31 December 2025 the amount of ineligible Tier 2 and Tier 3 capital was £nil (2024: £nil).

Own funds classified by tier to meet the Central SCR

31 December 2025	Tier 1	Restricted Tier 1	Tier 2	Tier 3	Total
	£m	£m	£m	£m	£m
Society own funds:					
Subordinated debt			301		301
Deferred tax				23	23
Balance of net assets	3,484	–			3,484
Callable Layer*	2,517				2,517
Total central own funds available to meet the SCR	6,001	–	301	23	6,325
Central SCR*					1,275
'Excess' central own funds not eligible to meet central SCR	–	–	–	–	–
Total central own funds eligible to meet the SCR	6,001	–	301	23	6,325
Central solvency ratio					496 %

31 December 2024	Tier 1	Restricted Tier 1	Tier 2	Tier 3	Total
	£m	£m	£m	£m	£m
Society own funds:					
Subordinated debt			295		295
Deferred tax				12	12
Balance of net assets	3,200	303			3,503
Callable Layer*	2,285				2,285
Total central own funds available to meet the SCR	5,485	303	295	12	6,095
Central SCR*					1,400
'Excess' central own funds not eligible to meet central SCR	–	–	–	–	–
Total central own funds eligible to meet the SCR	5,485	303	295	12	6,095
Central solvency ratio					435 %

Callable layer*

The Society has the right to make a call on members of up to 5% (2024: 5%) of members' premium limits ("callable contributions"). The callable contributions can be drawn from members' premiums trust funds without the members' consent. This would result in the transfer of Tier 1 capital from syndicate funds to central resources. The value assigned to the callable layer has been reduced by an erosion factor to reflect that part of the callable layer which would not be available in a stressed situation at the central SCR level of confidence.

Coverage of the central SCR with eligible central own funds

The capital tiering rules also apply to the coverage of the central SCR. At 31 December 2025, the amount of ineligible Tier 2 and Tier 3 capital was £nil (2024: £nil).

Eligible amount of basic own funds to cover Minimum Capital Requirement, classified by tiers

The table below sets out Lloyd's eligible basic own funds to meet the MCR. The total agrees to template IR.23.01:

31 December 2025	Tier 1	Tier 2	Tier 3	Total
	£m	£m	£m	£m
Syndicate assets	20,471			20,471
Members' funds at Lloyd's	23,011			23,011
Society own funds:				
Subordinated debt		301		301
Balance of net assets excluding deferred tax	3,428			3,428
Total basic own funds eligible to meet the MCR	46,910	301		47,211

31 December 2024	Tier 1	Tier 2	Tier 3	Total
	£m	£m	£m	£m
Syndicate assets	18,389			18,389
Members' funds at Lloyd's	22,689			22,689
Society own funds:				
Subordinated debt		295		295
Balance of net assets excluding deferred tax	3,206			3,206
Total basic own funds eligible to meet the MCR	44,284	295		44,579

Differences between equity as shown in the financial statements and the excess of assets over liabilities for solvency purposes

31 December 2025	Syndicates	FAL	Society ¹	Total
	£m	£m	£m	£m
Capital, reserves and subordinated debt per PFFS balance sheet (UK GAAP basis) ²	15,981	31,132	2,712	49,825
Solvency II adjustments:				
Syndicate and FAL valuation adjustments	6,499	(267)		6,232
FAL valuation adjustments re ancillary own funds		(7,854)		(7,854)
Society valuation adjustments			1,040	1,040
Subordinated debt at fair value			(301)	(301)
UK Solvency II excess of assets over liabilities (IR.02.01.02)	22,480	23,011	3,451	48,942

31 December 2024	Syndicates	FAL	Society ¹	Total
	£m	£m	£m	£m
Capital, reserves and subordinated debt per PFFS balance sheet (UK GAAP basis) ²	13,533	30,500	3,116	47,149
Solvency II adjustments:				
Syndicate and FAL valuation adjustments	6,780	(21)		6,759
FAL valuation adjustments re ancillary own funds		(7,790)		(7,790)
Society valuation adjustments			397	397
Subordinated debt at fair value			(295)	(295)
UK Solvency II excess of assets over liabilities (IR.02.01.02)	20,313	22,689	3,218	46,220

¹ Society: Corporation and Central Fund (including subordinated debt)

² Lloyd's Pro Forma Financial Statements, page 36 of Lloyd's Annual Report 2025

Syndicate valuation adjustments

A key difference from the valuation basis for the financial statements (i.e. UK GAAP basis) compared to UK Solvency II is the valuation of technical provisions. This involves moving from the 'prudent undiscounted best estimate' basis of valuation used in UK GAAP to a market consistent basis of valuation based on a probability weighted best estimate (therefore stripping out surplus reserves held in syndicate accounts) less discounting for the time value of money, with a risk margin applied on top. In addition, there are differences arising due to the recognition of contract boundaries and reinsurance costs.

Other valuation differences may arise in respect of investments (measured at fair value rather than amortised cost) and recognising the fair value of debtors and creditors due after one year (by discounting them where material for the time value of money).

In addition, the managing agent profit commission must be recalculated as if it was charged on the UK Solvency II result.

As at 31 December 2025, the net valuation differences in this respect amounted to an adjustment of £6,499m (2024: £6,780m).

FAL valuation adjustments regarding ancillary own funds (AOF)

FAL treated as ancillary own funds does not appear on the UK Solvency II balance sheet but instead the eligible amount in line with the valuation rules applied by the PRA is reflected in the own funds template IR.23.01. Accordingly, £7,854m (2024: £7,790m) (in accordance with their UK GAAP valuations) has been derecognised on the UK Solvency II balance sheet.

Society valuation adjustments

The (decrease)/increase in Society assets for solvency purposes is summarised below:

Item	Dec 2025	Dec 2024
	£m	£m
Lloyd's investments (Nelson collection) (due to uncertainty over fair value)	(15)	(15)
Plant & machinery (as not valued on a 'fair value' basis)	(25)	(21)
Intangible assets (not eligible under UK Solvency II)	(53)	(60)
Provision for Centrewrite MCR (as Centrewrite's assets are included in the aggregate Society accounts)	(4)	(4)
Senior debt valuation difference	57	63
IFRS 16 adjustment	(9)	(7)
Valuation of investment in subsidiaries	(76)	(68)
Deferred tax effect of Solvency II valuation differences	11	9
Central adjustment	1,150	500
Other adjustments	4	–
Total	1,040	397

Subordinated debt

The subordinated debt comprises the Sterling 2017 Notes.

The notes are subordinated obligations of the Society. Each tranche of the notes will rank pari-passu with the other in a winding-up of the Society. Upon the occurrence of any winding-up proceedings of the Society, payments on the notes will be subordinated in right of payment to the prior payment in full of all other liabilities of the Society, except for liabilities which rank equally with or junior to the notes.

Payments on the notes will also be subordinated to certain payments which may be made out of central assets including payments made to discharge the liabilities of an insolvent member to any person (including any policyholders) arising out of, or in connection with, insurance business carried on at Lloyd's by that insolvent member and payments made in respect of the costs required by or under any insolvency

procedure to which the Society or the Lloyd's market may be subject. However, in the event of a winding-up of the Society, the claims of the holders of the Notes rank senior to the distribution of any central assets to members of Lloyd's generally (other than payments made to members in their capacity as senior creditors of the Society).

The Sterling 2017 Notes issued on 7 February 2017 mature on 7 February 2047 and bear interest at a rate of 4.875% per annum, payable annually in arrears on 7 February in each year. These notes have an exercisable first call option in 2027.

The subordinated debt is shown as a liability at book value in the Pro Forma Financial Statements. For UK Solvency II purposes, it is shown at fair value within Tier 2 capital.

Basic own fund items subject to transitional arrangements referred to in Chapter 4 of the Transitional Measures Part of the PRA Rulebook

As at 31 December 2025, Lloyd's does not have any own fund items subject to transitional arrangements.

Ancillary own funds – amount, method and counterparty details for items referred to in Chapter 2.3 of the Own Funds Part of the PRA Rulebook

A significant proportion of Lloyd's own funds are provided in the form of ancillary own funds (AOF) provided within members' FAL.

AOF are subject to prior supervisory approval before they may be treated as available capital under Solvency II. Consistent with this, Lloyd's submitted an application to the PRA for approval of AOF in November 2025. The PRA subsequently granted approval of this application on 22 December 2025, amounting in total to £8,252m. The approval, including the conditions of subsequent valuations of AOF, was published in the PRA's written notice 00011361. The approval applies until 31 December 2029. This approval replaces a previous approval in this respect granted by the PRA in December 2024.

As set out in the written notice, the PRA provided approval in respect of 822 letters of credit, bank guarantees and insurance company guarantees ('guarantee items'), and 63 life policy items. Details of each counterparty are not disclosed in the written notice or the SFCR as they represent confidential arrangements between the member concerned and the counterparty providing the AOF instrument.

If any of the AOF items are called they would be converted into cash, a Tier 1 basic own funds item.

The table below summarises Lloyd's AOF and the valuation of these as at 31 December 2025 consistent with the valuation rules contained within the PRA's most recent approval of these. These amounts appear on template IR.23.01 provided in Appendix 1.

Tier 2	Dec 2025	Dec 2024
	£m	£m
Letters of credit and guarantees in accordance with Chapter 3H of the Own Funds Part of the PRA Rulebook	7,837	7,773
Life policies	17	17
Total ancillary own funds	7,854	7,790

Letters of credit and guarantees in accordance with Chapter 3H of the Own Funds Part of the PRA Rulebook

Certain members provide capital in the form of letters of credit and guarantees held in trust by Lloyd's to support FAL. This form of capital is consistent with 'letters of credit and guarantees which are held in trust for the benefit of insurance creditors by an independent trustee and provided by credit institutions' (which is treated as Tier 2 capital per Chapter 3H of the Own Funds Part of the PRA Rulebook).

Letters of Credit (LOCs)

LOCs provided as FAL are in a Lloyd's standard form, and constitute a clean, irrevocable and unconditional standby credit which can be drawn down on demand. No substantive alterations to the form of the LOC can be made without consultation and notification to the PRA/FCA. Lloyd's has made conditions and requirements which must be met in order for a LOC to be admissible for FAL.

The parties to the LOC are Lloyd's (as beneficiary) and the approved credit institution. If the LOC has been confirmed by a UK credit institution (which would be the case if the issuing bank is outside of the UK) then Lloyd's contractual relationship will be with the confirming bank; if the LOC is not confirmed (because the issuing bank is in the UK), then Lloyd's contractual relationship will be with the issuing bank. Either way, both parties to the LOC will be in the UK. Moreover, all LOCs must be governed by English law and subject to the jurisdiction of the English court, as per the M&URs and the wording of the standard form LOC itself.

Some LOCs are provided on a syndicated basis, in which case Lloyd's would call on the agent bank. The contractual relationship is as described above.

Guarantees

Guarantees provided as FAL are in a Lloyd's prescribed form, which cannot be changed without consultation with and notification to the PRA/FCA. Lloyd's has made conditions and requirements which must be met in order for a guarantee to be admissible for FAL. The process for drawing on a guarantee is slightly different to that for a LOC – the wording of the guarantee states that a demand can be made any time after the Principal (i.e. the member) is in default under the Security and Trust Deed under which the guarantee is held. The Principal would be in default if a demand for payment under the Trust Deed has been made and not met in accordance with its terms.

The parties to the guarantee are Lloyd's (as beneficiary) and the issuing entity.

In order to issue a guarantee an entity must be approved by Lloyd's – the criteria for approval include (inter alia) that a guarantee must be issued or confirmed out of London (although elsewhere in the UK (e.g. Manchester) has also been accepted). As with LOCs, this is a Lloyd's requirement and the wording of the guarantee itself states that the guarantee is subject to English law and the exclusive jurisdiction of the English court.

Sometimes a joint guarantee is provided in which case Lloyd's would call on the agent bank. The contractual relationship is as described above.

Life policies

Certain members provide FAL in the form of life policies. Lloyd's sets out conditions for these to be eligible as FAL. These include that the policy is assigned to Lloyd's, which is achieved through the execution by the member of a Deed of Assignment in favour of Lloyd's. Notice of the assignment is then given by Lloyd's to the life company which issued the policy, and acknowledgement of the same requested from the life company.

As a result of the assignment, the owner of the policy – as far as the life company is concerned – is Lloyd's. The relevant parties to the arrangement are therefore Lloyd's and the life company.

The life policies will be subject to the law of the jurisdiction in which they were issued, which in most cases will therefore be English law. In each case, Lloyd's requires the life company to advise which local jurisdiction the company is governed to transact life assurance business, and also to confirm that it is authorised to transact such business in the UK. The deed of assignment by which the policies are transferred to Lloyd's ownership are governed by English law and jurisdiction, and the assignment will have been acknowledged by the life company, and as such there are no concerns as to whether Lloyd's has properly acquired the benefit of them.

Syndicate loans to the Central Fund

The Society had issued three tranches of syndicate loans to the Central Fund ("syndicate loans"). During 2024, the 2019 tranche of syndicate loans was repaid, and the two remaining 2020 tranches of syndicate loans were settled during 2025. Such capital items are subject to prior supervisory approval before they may be treated as available capital under UK Solvency II. The PRA had granted Lloyd's approval to classify the syndicate loans as restricted Tier 1 capital until they were settled. The net amount included in Central own funds is £nil (2024: £303m).

Until the syndicate loans were settled, interest was payable on the loans at the discretion of the Council. Where an interest payment is cancelled by the Council the Society has no obligation to pay that interest.

Items deducted from own funds and significant restrictions affecting availability and transferability of own funds

Foreseeable distributions

The amount of £1,001m (2024: £631m) reported on R0720 'Foreseeable dividends, distributions and charges' on template IR.23.01 represents the net amount available to be distributed to inactive Lloyd's members in the capital tests. The capital test calculates the amount of funds that each member needs to hold at Lloyd's to cover its capital requirement and any underwriting liabilities. Only any excess over this amount is available for distribution to the member.

Ring-fenced funds*

Ring-fenced funds arise where an asset is not considered to be freely available to meet all liabilities and thus must be deducted from available own funds.

Lloyd's has conducted a review of syndicate overseas trust funds to assess whether any constitute a ring-fenced fund. Where this conclusion has been reached, they are excluded from available own funds to meet the Lloyd's SCR. The amount in total in this respect is £1,008m (2024: £1,293m) as reported on R0740 at template IR.23.01 in Appendix 1.

Restriction to availability of Syndicate loan capital

The syndicate loans are deemed to be hybrid capital instruments which generate a tax charge on write down. In accordance with Supervisory Statement 3/15, the maximum tax charge generated on write-down must be deducted in calculating central own funds to reflect the reduced loss absorbency of the loans.

At 31 December 2025, the substantially enacted rate of tax was 25% and the deduction amounted to £nil (2024: £101m). Therefore, the net contribution to central own funds at 31 December 2025 from the syndicate loans amounted to £nil (2024: £303m).

E.2. Solvency Capital Requirement* and Minimum Capital Requirement

Amount of Solvency Capital Requirement* and Minimum Capital Requirement

The table below shows the total SCR and MCR as at 31 December 2025.

	Dec 2025	Dec 2024
	£m	£m
Lloyd's MWSCR*	27,550	25,600
Lloyd's MCR	11,329	11,122
Central SCR*	1,275	1,400

The final amounts of the Lloyd's MWSCR and central SCR are subject to supervisory assessment.

Solvency Capital Requirement split by risk categories*

The table below shows the risk categories that make up the Lloyd's MWSCR:

Component description	Dec 2025	Dec 2024
	£m	£m
Reserving risk	14,157	13,826
All other (attritional) underwriting risk	13,420	12,124
Catastrophe risk	10,376	9,352
Market risk	15,315	14,858
Reinsurance credit risk	1,181	1,232
Operational risk	1,254	1,133
Other Society risks	1,065	1,102
Diversification Benefit	(29,387)	(28,081)
MWSCR* before adjustments	27,381	25,546
Foreign exchange adjustment	169	54
MWSCR*	27,550	25,600

An analysis of the Lloyd's SCR by component as agreed with the PRA is provided at template IR.25.04 (see Appendix 1).

Simplified calculations used in standard formula

Lloyd's SCR is calculated using an internal model thus this is not applicable to Lloyd's.

Undertaking specific parameters used in standard formula

Lloyd's SCR is calculated using an internal model thus this is not applicable to Lloyd's.

Inputs to calculate the Minimum Capital Requirement

The Lloyd's Minimum Capital Requirement has been calculated in accordance with the input elements as specified on template IR.28.02 (see Appendix 1).

Changes to the SCR* and MCR during the reporting period

The MWSCR*, Central SCR* and MCR as at 31 December 2025 and 31 December 2024 are summarised below:

	Dec 2025	Dec 2024
	£m	£m
MWSCR*	27,550	25,600
Central SCR*	1,275	1,400
MCR	11,329	11,122

The increase in market wide SCR is driven by a growth in market exposures and softening of pricing conditions.

The decrease in central SCR is driven by improvements to the modelling of extreme syndicate loss risk to the Central Fund, partially offset by market growth.

The MCR is calculated formulaically based on premiums and technical provisions.

E.3. Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement*

Lloyd's has not used this in the calculation of the SCR.

E.4. Differences between the standard formula and any internal model used*

Uses of Lloyd's Internal Model (LIM)

To ensure the LIM is widely used and embedded at the appropriate levels within Lloyd's, supports decision making and the Risk Management Framework, as well as encourages the consideration of risk and capital in day-to-day operations, it can be used for the following purposes:

	Uses relating to Lloyd's (Central) Financial Management	Used relating to oversight of managing agent activities
Regulatory capital requirements	X	X
Capital management	X	X
Reinsurance risk management	X	
Investment risk management	X	X
Liquidity risk management	X	X
Operational risk management	X	
Concentration risk management	X	
Reserve risk management		X

Scope of internal model in terms of business units and risk categories

The scope of Lloyd's internal model can be categorised into three areas:

- Syndicate risks;
- Member risks; and
- Society risks.

Syndicate risks

Syndicates are the source of the majority of risks. They are the source of all the insurance business; manage the bulk of the asset portfolios; hold the majority of the counterparty exposures; and conduct most of the day-to-day operational activity.

The syndicate risks include:

- Insurance risk;
 - Reserve risk;
 - Natural catastrophe risk (catastrophe risk);
 - All other (attritional) underwriting risk;
- Market risk;
 - On syndicate assets (including credit risk on Premiums Trust Funds);
 - On syndicate liabilities;
- Credit risk;
- Syndicate operational risk; and
- Liquidity risk.

Member risks

Members provide capital (FAL), in a variety of forms to support syndicates' risks. FAL presents asset related risks which are dependent on the underlying characteristics of the assets it is constituted of. Members are exposed to market risk (including credit risk) on FAL.

Society risks

Central level risks include:

- Member deficits – arising from syndicate risks including Additional Central Fund risk (ACF);
- Central operational risk;
- Market risk (including credit risk) on central assets; and
- Pension fund risk resulting in deficit requiring funding from central assets.

Integration of the techniques to integrate any partial internal model with the standard formula

The LIM is a full internal model so this is not applicable.

Methods used for the calculation of the probability distribution forecast and the Solvency Capital Requirement*

The LIM includes components and processes that are material to the risk and capital calculation within Lloyd's. It consists of three main component models:

- Capital Calculation Kernel (CCK);
- Lloyd's Catastrophe Model (LCM); and
- Lloyd's Investment Risk Model (LIRM).

The main element of the LIM is the Capital Calculation Kernel (CCK) which drives the capital calculation. It is a fully integrated Monte-Carlo simulation based stochastic model. The final model is run with 10,000,000 simulations and a representative set of seeds are chosen to ensure stability of results.

The CCK represents the entire Lloyd's marketplace and models all material quantifiable risk types that the market is exposed to. These risks are modelled using Monte-Carlo simulation methods and are drawn together using the structure of the Lloyd's market. This allows the impacts of these risks to be quantified for different entities in the market place, namely syndicates, members, the Corporation and Central Fund.

The CCK builds a specific representation of each syndicate from the ground up using a generic structure, within a framework of dependency which determines how much diversification there is within and between syndicates. The generic structure calculates stochastic technical provisions, P&L, and balance sheet for the end of the 12-month period 'on risk'. The CCK then models how risk flows through the "chain of security", i.e. from syndicates to members to the Central Fund.

Insurance risk is modelled separately for attritional risk and natural catastrophe risk. For attritional risks, insurance losses are simulated by class of business and allocated to insurance risk for each syndicate after allowing for syndicate level volatility (SLV). SLV is an additional simulated factor applied to allow for diversification between syndicates and the syndicates' class of business experience which will be more volatile compared to the market as a whole. As a result, syndicates will have different results and higher volatility than the market.

The catastrophe risk is defined by simulated losses imported from the LCM. SLV is not applied to natural catastrophe losses as the LCM captures syndicate variability and differences between syndicates directly. The LCM's core purpose is to take syndicate Exceedance Probability (EP) curves and produce an aggregated Lloyd's view of natural catastrophe risk. The LCM aggregates losses across scenarios and applies loadings to ensure complete coverage of risks (e.g. uplifts for European windstorm clustering, secondary uncertainty and non-modelled risks) to produce the aggregated Lloyd's market view. For each simulation in the CCK, a scenario is picked at random for each of the five major perils, plus Rest of the World ("RoW") risks.

The LIRM models market risks as part of the LIM and consists of three core sub-components:

- Economic Scenario Generator (ESG) - an external model provided by Willis Towers Watson, which produces consistent stochastic scenarios of economic and financial variables;
- Asset Model - defines assets to be modelled, re-investment rules of the assets and calculates the distribution of total return for defined assets; and
- Portfolio Model - defines asset portfolios by combining modelled assets.

Once all loss types are aggregated in the LIM, if syndicate losses exceed Premiums Trust Funds (PTF) then the excess is allocated to members. If member losses exceed their FAL then the excess becomes a loss to the Central Fund, to which the Central Fund insurance cover is then applied. Risks relating to the Central Fund which are not considered at syndicate level are also added (operational, market risk on central assets and pension risk) to produce a central capital requirement.

Differences between standard formula and internal model

The LIM is a fully-integrated stochastic model. This method of calculating capital requirements is fundamentally different to the standard formula approach of deterministically combining stresses.

The LIM considers the unique nature and structure of the Lloyd's Market and the detailed risks to which it is exposed, which the standard formula is not able to do. This includes:

- Insurance Risk - Profit in plan: The standard formula makes no allowance for any expected profits in business plans (which can be significant);
- Catastrophe Risk: Allowance for catastrophe risk uses a combination of shocks and scenarios in the standard formula which is significantly less sophisticated than the LIM (and syndicate internal models);
- Market risk: The LIM (and most syndicates) use Economic Scenario Generators (ESGs) to determine their market risk compared to the shocks applied to assets and own funds in the standard formula;
- Diversification: the standard formula gives credit for diversification within each syndicate only (across class, geographical area and risk component). The LIM models the diversification across the market both within and between syndicates which have different exposures; and
- Structure: The Standard Formula does not capture the unique capital structure of Lloyd's and cannot provide a Central Fund capital requirement.

Risk measure and time-period used in the internal model

As set out in rules 3.3 and 3.4 of the Solvency Capital Requirement – General Provisions part of the PRA Rulebook , the SCR calculated using the internal model corresponds to the 99.5th Value-at-Risk over a one-year period.

Nature and appropriateness of data used in the internal model

The LIM uses various sources of data; this data is both internal (based on analyses performed by Lloyd's) and external. Data used within the internal model is subject to the Lloyd's Data Quality Management Policy which requires checks and controls to be applied to the data. The purpose of this policy is to allow data owners to attest that it is accurate, appropriate and complete.

E.5. Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement*

Lloyd's has met the Lloyd's SCR, central SCR and MCR throughout the reporting period.

E.6. Any other information

There is no other material information to disclose.

Appendix 1

IR.02.01.02

Balance sheet

All figures shown in GBP '000

		Solvency II value
		C0010
Assets		
Goodwill	R0010	
Deferred acquisition costs	R0020	
Intangible assets	R0030	-
Deferred tax assets	R0040	22,551
Pension benefit surplus	R0050	49,964
Property, plant & equipment held for own use	R0060	120,015
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	100,078,900
Property (other than for own use)	R0080	-
Holdings in related undertakings, including participations	R0090	50,428
Equities	R0100	2,380,644
Equities - listed	R0110	2,082,011
Equities - unlisted	R0120	298,633
Bonds	R0130	76,379,755
Government Bonds	R0140	33,026,298
Corporate Bonds	R0150	34,470,979
Structured notes	R0160	125,109
Collateralised securities	R0170	8,757,369
Collective Investments Undertakings	R0180	20,387,226
Derivatives	R0190	18,159
Deposits other than cash equivalents	R0200	862,688
Other investments	R0210	-
Assets held for index-linked and unit-linked contracts	R0220	-
Loans and mortgages	R0230	175,069
Loans on policies	R0240	-
Loans and mortgages to individuals	R0250	97,941
Other loans and mortgages	R0260	77,128
Reinsurance recoverables from:	R0270	15,749,694
Non-life and health similar to non-life	R0280	15,386,343
Life and health similar to life, excluding index-linked and unit-linked	R0315	363,351
Life index-linked and unit-linked	R0340	-
Deposits to cedants	R0350	124,425
Insurance and intermediaries receivables	R0360	4,218,776
Reinsurance receivables	R0370	3,040,456
Receivables (trade, not insurance)	R0380	1,447,839
Own shares (held directly)	R0390	-
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	-
Cash and cash equivalents	R0410	3,973,761
Any other assets, not elsewhere shown	R0420	736,150
Total assets	R0500	129,737,600
Liabilities		
Technical provisions - total	R0505	71,041,522
Technical provisions - non-life	R0510	70,465,137
Technical provisions - life	R0515	576,385
Best estimate - total	R0542	67,580,921
Best estimate - non-life	R0544	67,026,204
Best estimate - life	R0546	554,717
Risk margin - total	R0552	3,460,600
Risk margin - non-life	R0554	3,438,932
Risk margin - life	R0556	21,668
Transitional (TMTP) - life	R0565	-
Other technical provisions	R0730	
Contingent liabilities	R0740	-
Provisions other than technical provisions	R0750	110,754
Pension benefit obligations	R0760	-
Deposits from reinsurers	R0770	986,779
Deferred tax liabilities	R0780	-
Derivatives	R0790	28,367
Debts owed to credit institutions	R0800	541,345
Financial liabilities other than debts owed to credit institutions	R0810	129,004
Insurance & intermediaries payables	R0820	755,348
Reinsurance payables	R0830	1,129,732
Payables (trade, not insurance)	R0840	2,993,778
Subordinated liabilities	R0850	300,567
Subordinated liabilities not in Basic Own Funds	R0860	-
Subordinated liabilities in Basic Own Funds	R0870	300,567
Any other liabilities, not elsewhere shown	R0880	2,778,188
Total liabilities	R0900	80,795,384
Excess of assets over liabilities	R1000	48,942,216

IR.05.02.01

Premiums, claims and expenses by country
All figures shown in GBP '000

Home Country - non-life obligations

		Home country
		C0080
Premiums written		
Gross - Direct Business	R0110	17,158,934
Gross - Proportional reinsurance accepted	R0120	2,769,746
Gross - Non-proportional reinsurance accepted	R0130	3,401,389
Reinsurers' share	R0140	6,381,244
Net	R0200	16,948,825
Premiums earned		
Gross - Direct Business	R0210	16,156,494
Gross - Proportional reinsurance accepted	R0220	2,460,906
Gross - Non-proportional reinsurance accepted	R0230	3,335,278
Reinsurers' share	R0240	5,969,626
Net	R0300	15,983,052
Claims incurred		
Gross - Direct Business	R0310	9,252,222
Gross - Proportional reinsurance accepted	R0320	1,402,262
Gross - Non-proportional reinsurance accepted	R0330	1,692,627
Reinsurers' share	R0340	3,634,085
Net	R0400	8,713,026
Net expenses incurred	R0550	6,091,083

Top 5 countries (by amount of gross premiums written) - non-life obligations

Country (by amount of gross premiums written) - non-life obligations	Country (by amount of gross premiums written) - non-life obligations	Country (by amount of gross premiums written) - non-life obligations	Country (by amount of gross premiums written) - non-life obligations	Country (by amount of gross premiums written) - non-life obligations	Country (by amount of gross premiums written) - non-life obligations
AU	BE	BM	CA	US	OTHER
C0090	C0091	C0092	C0093	C0094	C0095
1,461,078	142,287	199,701	2,024,246	11,319,501	50,549
113,122	2,482,244	152,995	120,244	2,281,052	49,137
228,081	120,438	988,850	226,738	5,112,782	26,217
397,564	683,099	400,747	471,587	4,476,943	51,105
1,404,717	2,061,870	940,799	1,899,641	14,236,392	74,798
1,412,310	98,269	170,856	2,094,762	10,928,108	43,338
118,533	2,284,555	131,165	112,153	2,131,253	31,060
223,539	130,175	986,739	223,965	4,990,265	24,433
341,769	607,750	370,526	483,876	4,293,564	26,235
1,412,613	1,905,249	918,234	1,947,004	13,756,062	72,596
572,201	52,165	114,024	760,044	4,135,103	19,277
13,186	1,755,901	85,649	54,848	866,307	35,333
54,038	39,258	228,767	96,404	2,750,661	8,827
126,786	459,733	86,840	182,516	1,915,278	15,581
486,267	1,387,591	341,600	728,780	5,836,793	47,856
543,728	627,988	256,398	736,240	4,756,500	27,191

Total Top 5 and home country - non-life obligations

Total Top 5 and home country
C0140
32,356,296
7,968,540
10,104,495
12,862,289
37,567,042
30,904,137
7,269,625
9,914,394
12,093,346
35,994,810
14,905,036
4,187,114
4,870,582
6,420,819
17,541,913
13,039,128

IR.05.02.01

Premiums, claims and expenses by country

All figures shown in GBP '000

Home Country - life obligations

		Home country C0220
Premiums written		
Gross	R1410	41,357
Reinsurers' share	R1420	5,041
Net	R1500	36,316
Premiums earned		
Gross	R1510	41,784
Reinsurers' share	R1520	6,340
Net	R1600	35,444
Claims incurred		
Gross	R1610	62,496
Reinsurers' share	R1620	55,310
Net	R1700	7,186
Net expenses incurred	R1900	19,352

Top 5 countries (by amount of gross premiums written) - life obligations

Country (by amount of gross premiums written) - life obligations	Country (by amount of gross premiums written) - life obligations	Country (by amount of gross premiums written) - life obligations	Country (by amount of gross premiums written) - life obligations	Country (by amount of gross premiums written) - life obligations
AU C0230	CA C0230	DE C0230	NL C0230	US C0230
-	-	-	-	17,933
-	-	-	-	61
-	-	-	-	17,872
-	-	-	-	19,489
-	-	-	-	153
-	-	-	-	19,336
1	3	60	-	37
165	1	22	13	-
-	164	2	38	50
-	-	-	-	1
-	-	-	-	2,668

Total Top 5 and home country - life obligations

Total Top 5 and home country C0280
59,290
5,102
54,188
61,273
6,493
54,780
81,356
55,182
26,174
22,019

IR.05.03.02

Life income and expenditure

All figures shown in GBP '000

		Insurance with profit participation	Index-linked and unit-linked insurance	Life annuities	Non-life annuities	Other life insurance	Health insurance	Total life and health
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
Income								
Premiums written								
Gross direct business	R0010	-	-	-	-	52,073	-	52,073
Gross reinsurance accepted	R0020	-	-	-	-	7,484	-	7,484
Gross	R0030	-	-	-	-	59,557	-	59,557
Reinsurers' share	R0040	-	-	-	-	5,251	-	5,251
Net	R0050	-	-	-	-	54,306	-	54,306
Claims incurred								
Gross direct business	R0110	-	-	-	46,347	27,837	-	74,184
Gross reinsurance accepted	R0120	-	-	-	28,514	657	- 1,679	27,492
Gross	R0130	-	-	-	74,861	28,494	- 1,679	101,676
Reinsurers' share	R0140	-	-	-	61,131	864	- 1,679	60,316
Net	R0150	-	-	-	13,730	27,630	-	41,360
Expenses incurred								
Gross direct business	R0160	-	-	-	-	18,187	-	18,187
Gross reinsurance accepted	R0170	-	-	-	2,798	3,263	-	6,061
Gross	R0180	-	-	-	2,798	21,450	-	24,248
Reinsurers' share	R0190	-	-	-	-	371	-	371
Net	R0200	-	-	-	2,798	21,079	-	23,877
Other expenses	R0300							709
Dividends paid	R0440							-

IR.05.04.02
 Non-life income, expenditure and business model analysis
 All figures shown in GBP '000

IR.05.04.02.01
 Non-life income, expenditure and business model analysis : reporting period

	All business (including annuities stemming from accepted non-life insurance and reinsurance contracts)																										Annuities stemming from non-life insurance contracts	Annuities stemming from non-life accepted reinsurance contracts
	All non-life business (ie excluding annuities stemming from accepted insurance and reinsurance contracts)																											
	Line of Business for: non-life insurance and accepted proportional reinsurance obligations																											
	Medical expense insurance (lines of business 1	Income protection insurance (lines of business 2	Workers' compensation insurance (lines of business 3	Motor vehicle liability insurance - personal	Motor vehicle liability insurance - non-personal	Motor vehicle other motor insurance - non-personal	Motor vehicle other motor insurance - non-personal	Marine, aviation and transport insurance (lines of business 4	Fire and other damage to property insurance - personal	Fire and other damage to property insurance - non-personal	Employers Liability	Public & products Liability	Professional Indemnity	Other general liability	Credit and suretyship insurance (Lines of business 9	Legal expenses insurance (lines of business 11 and 23)	Assistance (Lines of business 11 and 23)	Miscellaneous financial loss (Lines of business 11 and 23)	Health	Casualty	Marine, aviation and transport	Property						
C0010	C0015	C0110	C0120	C0130	C0140	C0141	C0150	C0151	C0160	C0170	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0310	C0320	C0330	C0340	C0525	C0545			
Income																												
Premiums written																												
Gross written premiums	R0110	58,250,737	275,359	1,154,002	147,052	155,063	568,054	97,401	490,088	7,468,270	1,239,149	15,961,386	384,550	2,349,775	5,017,126	7,696,932	1,893,402	111,867	9,896	601,236	320,562	2,299,584	2,096,941	7,913,042	-	-		
Gross written premiums - insurance (direct)	R0111	36,562,754	231,534	803,132	101,447	129,474	500,996	94,616	447,145	5,615,014	1,181,296	13,178,040	341,423	1,878,180	4,363,651	5,860,782	1,252,273	93,519	3,835	496,547								
Gross written premiums - accepted reinsurance	R0113	21,687,983	43,825	350,869	45,605	25,588	67,148	2,785	42,943	1,853,255	57,913	2,783,350	43,127	471,595	653,475	1,836,150	641,129	18,348	6,060	114,689	320,562	2,299,584	2,096,941	7,913,042	-	-		
Net written premiums	R0160	43,723,972	219,276	957,108	123,592	132,871	444,377	83,372	439,339	5,941,466	818,710	12,219,636	391,627	1,716,798	4,093,387	5,605,955	1,277,745	101,819	9,897	474,569	272,600	1,827,923	1,501,633	5,110,272	-	-		
Premiums earned and provision for unearned																												
Gross earned premiums	R0210	55,405,151	264,218	1,041,492	140,688	146,410	559,411	100,557	493,932	6,990,091	1,230,605	15,352,786	380,319	2,244,686	4,956,533	7,205,214	1,247,459	95,718	10,159	550,898	346,045	2,173,889	2,037,622	7,836,419	-	-		
Net earned premiums	R0220	41,901,727	215,395	865,703	118,505	121,836	455,221	84,605	443,371	5,554,846	801,039	11,854,798	348,163	1,684,495	4,027,913	5,285,273	884,662	87,366	10,161	450,740	302,477	1,745,310	1,471,835	5,088,013	-	-		
Expenditure																												
Claims incurred																												
Gross (undiscounted) claims incurred	R0610	28,232,172	156,855	526,115	100,940	80,311	369,577	55,966	256,234	4,723,491	395,487	5,589,325	181,576	1,614,408	2,673,374	4,669,037	695,391	45,672	31,942	196,244	104,299	1,444,930	1,165,551	3,185,447	-	-		
Gross (undiscounted) claims incurred - insurance (direct)	R0611	17,038,769	120,902	350,844	61,018	67,482	254,499	53,830	225,091	3,289,591	383,845	4,367,055	154,055	1,210,655	2,397,440	3,586,431	287,489	39,354	29,764	159,424								
Gross (undiscounted) claims incurred - accepted reinsurance	R0612	11,084,626	34,379	168,400	31,962	12,844	84,976	2,138	24,758	1,478,097	14,698	1,240,831	28,822	314,396	310,305	943,440	333,932	3,904	2,179	40,723	104,624	1,598,146	1,187,338	3,233,734	-	-		
Net (undiscounted) claims incurred	R0690	20,679,486	134,603	358,766	71,273	71,658	232,480	31,435	226,847	3,456,109	316,343	4,514,265	151,005	1,066,070	2,201,181	3,251,831	458,636	43,435	32,088	140,463	93,298	1,127,982	873,703	1,826,015	-	-		
Net (discounted) claims incurred	R0730	19,375,230	19,381,589																					7,558	1,199			
Analysis of expenses incurred																												
Technical expenses incurred net of reinsurance ceded	R0910	16,081,820																										
Acquisition costs, commissions, claims management costs	R0965	11,281,581	11,281,460	70,938	331,754	26,378	26,666	92,305	18,297	128,918	1,547,129	237,805	3,320,510	83,732	458,089	1,074,187	1,532,732	235,624	28,633	3,059	149,161	54,992	347,295	336,343	1,176,913	-	122	
Other expenditure																												
Other expenses	R1140	183,843																										
Total expenditure	R1310	35,677,872																										

IR.12.01.02

Life technical provisions

All figures shown in GBP '000

		Insurance with profit participation	Index-linked and unit-linked insurance	Life annuities	Non-life annuities	Other life insurance	Health insurance	Total life and health
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
Best Estimate								
Gross Best Estimate (direct business)	R0025	-	-	-	82,174	- 4,300	-	77,874
Gross Best Estimate (reinsurance accepted)	R0026	-	-	-	396,131	12,188	68,524	476,843
Gross Best Estimate	R0030	-	-	-	478,305	7,888	68,524	554,717
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080	-	-	-	294,729	114	68,508	363,351
Best estimate minus recoverables from reinsurance/SPV and Finite Re	R0090	-	-	-	183,576	7,773	17	191,366
Risk Margin	R0100	-	-	-	18,977	2,691	-	21,668
Amount of the transitional on Technical Provisions								
TMTP - risk margin	R0140	-	-	-	-	-	-	-
TMTP - best estimate dynamic component	R0150	-	-	-	-	-	-	-
TMTP - best estimate non-dynamic component	R0160	-	-	-	-	-	-	-
TMTP - amortisation adjustment	R0170	-	-	-	-	-	-	-
Transitional Measure on Technical Provisions	R0180	-	-	-	-	-	-	-
Technical provisions - total	R0200	-	-	-	497,282	10,579	68,524	576,385

IR.17.01.02
 Non-life technical provisions
 All figures shown in GBP '000

	Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance				Total Non-Life obligation	
	Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional reinsurance		
	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170		C0180
Best estimate																		
Premium provisions																		
Gross - Total	R0060	- 1,674	- 23,136	7,212	17,881	77,301	- 58,191	618,656	1,021,754	- 234,210	- 8,332	30	5,338	- 49,750	- 106,804	- 113,339	- 800,057	352,622
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	- 3,336	- 20,624	- 3,487	- 28,373	- 10,199	- 398,986	- 964,837	- 485,981	- 148,362	150	-	15,177	- 8,910	- 70,762	- 178,791	- 545,144	- 2,882,819
Net Best Estimate of Premium Provisions	R0150	1,662	2,512	10,699	46,253	87,500	340,795	1,583,495	1,507,735	- 85,848	- 8,482	30	20,516	- 40,840	- 36,041	65,452	- 254,913	3,235,441
Claims provisions																		
Gross - Total	R0160	100,053	799,867	398,138	802,284	210,190	8,681,569	9,750,712	30,073,606	1,407,194	77,098	1,751	343,375	500,994	5,434,921	3,545,088	4,457,434	66,673,582
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	20,794	34,049	109,088	182,608	42,826	2,676,862	1,724,082	9,254,120	385,307	12,450	-	86,508	78,164	1,487,448	1,178,045	986,773	18,269,162
Net Best Estimate of Claims Provisions	R0250	79,259	765,817	287,050	719,677	167,364	6,004,707	8,026,630	20,819,386	1,021,887	64,609	1,751	256,869	422,741	3,937,483	2,367,043	3,470,661	48,404,421
Total Best estimate - gross	R0260	98,378	776,730	403,350	920,165	287,491	8,623,380	10,369,371	31,095,260	1,167,974	68,767	1,781	348,713	451,154	5,328,126	3,431,749	3,657,377	67,026,204
Total Best estimate - net	R0270	80,921	763,205	297,749	765,930	254,864	6,345,502	9,610,126	22,327,121	931,028	56,127	1,781	277,394	381,901	3,801,441	2,432,495	3,215,748	51,639,881
Risk margin	R0280	5,781	49,356	23,718	44,810	18,885	394,718	575,050	1,400,774	98,740	4,857	6	17,175	26,048	345,850	153,659	279,594	3,438,932
Technical provisions - total (best estimate plus risk margin)																		
Technical provisions - total	R0320	104,079	826,086	427,068	964,975	306,376	9,018,097	10,844,421	32,496,035	1,266,714	73,624	1,775	365,888	477,203	5,673,976	3,585,399	3,936,871	70,465,137
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	17,457	13,425	105,601	154,235	32,627	2,277,876	759,246	8,768,139	236,946	12,640	-	71,329	69,254	1,426,685	999,254	441,629	15,386,343
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340	86,622	812,661	321,467	810,740	273,749	6,740,220	10,165,176	23,727,895	1,029,769	60,984	1,775	294,559	407,949	4,247,291	2,586,145	3,495,242	55,078,794

IR.19.01.21
Non-life insurance claims
All figures shown in GBP '000

IR.19.01.21.01

Line of business	Total
Accident year / Underwriting year	Underwriting Year
Currency	Total

Gross Claims Paid (non-cumulative) - Development year

		0	1	2	3	4	5	6	7	8	9	10+
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110
Prior	R0100											
N-14	R0110	1,935,743	3,851,726	3,140,433	1,804,835	1,098,724	693,082	544,044	965,215	250,588	122,191	2,819,104
N-13	R0120	1,559,651	3,840,777	2,676,477	1,532,480	998,986	694,622	501,407	363,868	222,819	173,057	417,350
N-12	R0130	1,433,941	3,727,462	2,938,699	1,412,686	879,410	714,841	492,409	337,682	262,719	188,290	393,454
N-11	R0140	1,030,470	3,741,085	2,932,563	1,949,806	1,140,113	1,275,077	609,092	358,763	353,182	295,736	360,977
N-10	R0150	847,988	3,982,934	3,314,461	1,844,655	1,328,481	1,022,733	811,757	646,056	329,858	380,155	275,670
N-9	R0160	1,316,123	5,264,739	4,900,401	2,592,604	1,752,901	1,046,672	1,203,012	781,839	682,528	396,692	
N-8	R0170	2,824,212	6,136,163	5,779,447	3,454,961	2,031,586	1,626,862	1,258,502	988,977	736,063		
N-7	R0180	1,937,798	7,674,001	5,075,881	2,855,662	2,173,953	1,967,175	1,482,961	1,272,306			
N-6	R0190	1,093,042	5,476,842	4,703,988	2,617,318	2,088,777	1,631,470	1,092,405				
N-5	R0200	1,698,507	6,251,235	3,668,074	2,213,253	1,884,548	1,410,433					
N-4	R0210	1,707,212	5,118,566	4,462,932	3,294,056	4,632,421						
N-3	R0220	1,433,796	5,665,384	4,617,524	2,842,128							
N-2	R0230	1,173,532	4,119,465	4,199,360								
N-1	R0240	1,242,023	6,357,133									
N	R0250	1,269,546										

IR.19.01.21.03

Line of business	Total
Accident year / Underwriting year	Underwriting Year
Currency	Total

Gross undiscounted Best Estimate Claims Provisions - Development year

		0	1	2	3	4	5	6	7	8	9	10+
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300
Prior	R0100											
N-14	R0110	-	-	-	153,982	214,984	870,601	733,115	640,036	539,587	447,907	3,658,639
N-13	R0120	-	-	241,845	333,620	1,399,848	1,136,627	944,634	726,628	572,443	510,296	1,860,259
N-12	R0130	-	342,018	412,444	1,844,543	1,578,527	1,232,994	928,257	675,721	515,012	377,097	1,140,135
N-11	R0140	250,121	595,179	3,168,436	2,421,730	2,256,326	1,476,002	1,120,114	929,417	712,580	524,450	1,442,449
N-10	R0150	482,350	4,269,450	3,600,862	2,982,303	2,407,395	1,846,817	1,402,247	1,068,288	902,265	1,291,283	1,017,199
N-9	R0160	2,479,115	5,715,160	4,490,978	3,551,122	2,782,722	2,326,343	1,682,770	1,368,371	2,046,613	1,676,809	
N-8	R0170	5,952,154	7,625,677	5,932,053	4,237,507	3,220,906	2,555,115	1,965,899	2,911,476	2,280,489		
N-7	R0180	4,575,816	6,941,273	5,836,586	4,541,119	3,632,349	2,791,566	4,029,922	3,268,115			
N-6	R0190	3,093,640	6,647,864	5,191,399	3,876,283	3,090,990	4,498,822	3,582,143				
N-5	R0200	3,747,978	6,348,743	4,683,493	3,723,531	5,819,305	4,496,128					
N-4	R0210	5,101,182	8,598,019	6,424,470	10,739,276	7,638,669						
N-3	R0220	5,947,708	6,272,780	11,786,290	8,970,027							
N-2	R0230	4,328,961	15,346,334	11,670,003								
N-1	R0240	11,694,542	18,671,687									
N	R0250	10,327,376										

IR.19.01.21.22

Line of business	Total
Accident year / Underwriting year	Underwriting Year
Currency	Total

Gross premium

		Gross earned premium up to and including the reporting reference date	Estimate of future gross earned premium at the reporting reference date
		C0570	C0580
Prior	R0100		
N-9	R0160	18,174,128	2,609,082
N-8	R0170	19,310,789	2,957,690
N-7	R0180	21,196,947	2,855,606
N-6	R0190	23,827,736	2,925,337
N-5	R0200	23,487,354	3,095,576
N-4	R0210	29,510,451	3,635,038
N-3	R0220	32,337,489	4,137,781
N-2	R0230	36,255,041	4,806,326
N-1	R0240	41,533,181	7,418,679
N	R0250	24,667,205	23,714,661

IR.19.01.21.02

Line of business	20010
Accident year / Underwriting year	20020
Currency	20030

Gross Claims Paid - current year (non-cumulative), sum of years (cumulative)

		In Current year	Sum of years (cumulative)
		C0170	C0180
Prior	R0100	3,164,770	71,220,364
N-9	R0160	396,692	19,557,512
N-8	R0170	738,063	26,837,894
N-7	R0180	1,272,306	24,439,738
N-6	R0190	1,092,405	18,703,842
N-5	R0200	1,410,433	17,126,049
N-4	R0210	4,632,421	19,215,167
N-3	R0220	2,842,128	14,558,832
N-2	R0230	4,199,360	9,492,358
N-1	R0240	6,357,133	7,590,156
N	R0250	1,269,546	1,269,546
Total	R0260	27,375,257	230,020,478

IR.19.01.21.04

Line of business	20010
Accident year / Underwriting year	20020
Currency	20030

Gross discounted Best Estimate Claims Provisions - Current year

		Year end (discounted data)
		C0360
Prior	R0100	4,106,092
N-9	R0160	1,482,429
N-8	R0170	1,999,957
N-7	R0180	2,919,040
N-6	R0190	3,116,704
N-5	R0200	3,956,499
N-4	R0210	6,845,285
N-3	R0220	8,067,477
N-2	R0230	10,557,686
N-1	R0240	16,512,760
N	R0250	9,424,456
Total	R0260	68,988,301

IR.23.01.01

Own funds

All figures shown in GBP '000

IR.23.01.01.01

Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds						
Ordinary share capital (gross of own shares)	R0010	-	-	-	-	-
Share premium account related to ordinary share capital	R0030	-	-	-	-	-
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040	25,099,977	25,099,977	-	-	-
Subordinated mutual member accounts	R0050	-	-	-	-	-
Surplus funds	R0070	-	-	-	-	-
Preference shares	R0090	-	-	-	-	-
Share premium account related to preference shares	R0110	-	-	-	-	-
Reconciliation reserve	R0130	21,810,801	21,810,801	-	-	-
Subordinated liabilities	R0140	300,567	-	-	300,567	-
An amount equal to the value of net deferred tax assets	R0160	22,551	-	-	-	22,551
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	-	-	-	-	-
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220	-	-	-	-	-
Total basic own funds	R0290	47,233,896	46,910,778	-	300,567	22,551
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300	-	-	-	-	-
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310	-	-	-	-	-
Unpaid and uncalled preference shares callable on demand	R0320	-	-	-	-	-
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330	-	-	-	-	-
Letters of credit and guarantees	R0340	7,837,155	-	-	7,837,155	-
Letters of credit and guarantees other	R0350	-	-	-	-	-
Supplementary members calls	R0360	-	-	-	-	-
Supplementary members calls - other	R0370	-	-	-	-	-
Other ancillary own funds	R0390	16,656	-	-	16,656	-
Total ancillary own funds	R0400	7,853,811	-	-	7,853,811	-
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	55,087,707	46,910,778	-	8,154,378	22,551
Total available own funds to meet the MCR	R0510	47,211,345	46,910,778	-	300,567	-
Total eligible own funds to meet the SCR	R0540	55,087,707	46,910,778	-	8,154,378	22,551
Total eligible own funds to meet the MCR	R0550	47,211,345	46,910,778	-	300,567	-
SCR	R0580	27,550,000	-	-	-	-
MCR	R0600	11,328,518	-	-	-	-
Ratio of Eligible own funds to SCR	R0620	2.00	-	-	-	-
Ratio of Eligible own funds to MCR	R0640	4.17	-	-	-	-

IR.23.01.01.02

Reconciliation reserve

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	48,942,216
Own shares (held directly and indirectly)	R0710	-
Foreseeable dividends, distributions and charges	R0720	1,000,888
Deductions for participations in financial and credit institutions	R0725	-
Other basic own fund items	R0730	25,122,527
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	1,008,000
Reconciliation reserve	R0760	21,810,801

IR.25.04.21

Solvency Capital Requirement

All figures shown in GBP '000

Rows		C0010
Net of loss-absorbing capacity of technical provisions		
Market risk	R0140	12,077,485
Interest rate risk	R0070	- 1,286,167
Equity risk	R0080	7,427,854
Property risk	R0090	-
Spread risk	R0100	6,337,028
Concentration risk	R0110	-
Currency risk	R0120	10,648,597
Other market risk	R0125	13,184,796
Diversification within market risk	R0130	- 24,234,623
Counterparty default risk	R0180	1,357,612
Type 1 exposures	R0150	1,189,405
Type 2 exposures	R0160	-
Other counterparty risk	R0165	314,965
Diversification within counterparty default risk	R0170	- 146,758
Life underwriting risk	R0270	-
Mortality risk	R0190	-
Longevity risk	R0200	-
Disability-Morbidity risk	R0210	-
Life-expense risk	R0220	-
Revision risk	R0230	-
Lapse risk	R0240	-
Life catastrophe risk	R0250	-
Other life underwriting risk	R0255	-
Diversification within life underwriting risk	R0260	-
Total health underwriting risk	R0320	927,816
Health SLT risk	R0280	136,912
Health non SLT risk	R0290	450,603
Health catastrophe risk	R0300	237,702
Other health underwriting risk	R0305	393,451
Diversification within health underwriting risk	R0310	- 290,852
Non-life underwriting risk	R0370	25,728,083
Non-life premium and reserve risk (ex catastrophe risk)	R0330	32,382,502
Non-life catastrophe risk	R0340	9,910,368
Lapse risk	R0350	-
Other non-life underwriting risk	R0355	-
Diversification within non-life underwriting risk	R0360	- 16,564,787
Intangible asset risk	R0400	-
Operational and other risks	R0430	1,938,351
Operational risk	R0422	1,253,845
Other risks	R0424	684,506
Total before all diversification	R0432	83,266,367
Total before diversification between risk modules	R0434	42,029,347
Diversification between risk modules	R0436	- 14,479,347
Total after diversification	R0438	27,550,000
Loss-absorbing capacity of technical provisions	R0440	-
Loss-absorbing capacity of deferred taxes	R0450	-
Other adjustments	R0455	-
Solvency capital requirement including undisclosed capital add-on	R0460	27,550,000
Disclosed capital add-on - excluding residual model limitation	R0472	-
Disclosed capital add-on - residual model limitation	R0474	-
Solvency capital requirement including capital add-on	R0480	27,550,000
Biting interest rate scenario	R0490	Decrease
Biting life lapse scenario	R0495	

IR.28.02.01

Minimum Capital Requirement - Both life and non-life activity
All figures shown in GBP '000

IR.28.02.01.01

MCR components

		MCR components	
		Non-life activities	Life activities
		MCR _(NL, NL) Result	MCR _(NL, L) Result
		C0010	C0020
Linear formula component for non-life insurance and reinsurance obligations	R0010	11,313,731	-

IR.28.02.01.02

Background information

		Background information			
		Non-life activities		Life activities	
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0030	C0040	C0050	C0060
Medical expense insurance and proportional reinsurance	R0020	82,303	230,822	-	-
Income protection insurance and proportional reinsurance	R0030	763,437	927,105	-	-
Workers' compensation insurance and proportional reinsurance	R0040	304,210	113,513	-	-
Motor vehicle liability insurance and proportional reinsurance	R0050	768,561	731,739	-	-
Other motor insurance and proportional reinsurance	R0060	255,256	521,811	-	-
Marine, aviation and transport insurance and proportional reinsurance	R0070	6,482,598	5,730,390	-	-
Fire and other damage to property insurance and proportional reinsurance	R0080	9,834,786	12,776,791	-	-
General liability insurance and proportional reinsurance	R0090	22,429,987	11,607,248	-	-
Credit and suretyship insurance and proportional reinsurance	R0100	1,039,084	1,197,926	-	-
Legal expenses insurance and proportional reinsurance	R0110	60,693	73,432	-	-
Assistance and proportional reinsurance	R0120	5	11,040	-	-
Miscellaneous financial loss insurance and proportional reinsurance	R0130	291,899	441,464	-	-
Non-proportional health reinsurance	R0140	385,425	269,163	-	-
Non-proportional casualty reinsurance	R0150	3,917,873	1,854,532	-	-
Non-proportional marine, aviation and transport reinsurance	R0160	2,458,174	1,426,812	-	-
Non-proportional property reinsurance	R0170	3,425,257	5,053,604	-	-

IR.28.02.01.03

Linear formula component for life insurance and reinsurance obligations

		Non-life activities	Life activities
		MCR _(L, NL) Result	MCR _(L, L) Result
		C0070	C0080
Linear formula component for life insurance and reinsurance obligations	R0200	3,617	11,169

IR.28.02.01.04

Total capital at risk for all life (re)insurance obligations

		Non-life activities		Life activities	
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0090	C0100	C0110	C0120
Obligations with profit participation - guaranteed benefits	R0210	4,920		-	
Obligations with profit participation - future discretionary benefits	R0220	-		-	
Index-linked and unit-linked insurance obligations	R0230	-		-	
Other life (re)insurance and health (re)insurance obligations	R0240	178,638		8,171	
Total capital at risk for all life (re)insurance obligations	R0250		67,315		15,710,645

IR.28.02.01.05

Overall MCR calculation

		C0130
Linear MCR	R0300	11,328,518
SCR	R0310	27,550,000
MCR cap	R0320	12,397,500
MCR floor	R0330	6,887,500
Combined MCR	R0340	11,328,518
Absolute floor of the MCR	R0350	3,500
Minimum Capital Requirement	R0400	11,328,518

IR.28.02.01.06

Notional non-life and life MCR calculation

		Non-life activities	Life activities
		C0140	C0150
Notional linear MCR	R0500	11,317,349	11,169
Notional SCR excluding add-on (annual or latest calculation)	R0510	27,501,490	48,510
Notional MCR cap	R0520	12,375,671	21,829
Notional MCR floor	R0530	6,875,373	12,127
Notional Combined MCR	R0540	11,317,349	12,127
Absolute floor of the notional MCR	R0550	3,379	121
Notional MCR	R0560	11,317,349	12,127



Independent Reasonable Assurance Report of PricewaterhouseCoopers LLP to the Council of Lloyd’s on the preparation of Relevant elements of the Solvency and Financial Condition Report pursuant to Rule 4.1 (2) of the External Audit Part of the PRA Rulebook for the association of underwriters known as Lloyd’s as at 31 December 2025

Opinion

In our opinion, the Council of Lloyd’s has prepared the information subject to assurance in the Relevant elements of the Solvency and Financial Condition Report (“SFCR”) (as defined below) pursuant to Rule 4.1 (2) of the External Audit Part of the PRA Rulebook for the association of underwriters known as Lloyd’s (“Lloyd’s”) as at 31 December 2025, in all material respects, in accordance with the Basis of preparation of the SFCR (the “basis of preparation”).

This opinion should be read in the context of what we say in the remainder of this report.

What we have assured

Except as noted in Appendix A, we have assured the ‘Relevant elements of the Solvency and Financial Condition Report’, which are prepared by the Council of Lloyd’s and comprises:

- The 'Valuation for Solvency Purposes' and 'Capital Management' sections of the Solvency and Financial Condition Report of Lloyd’s as at 31 December 2025 (‘the Narrative Disclosures subject to reasonable assurance’), which include both Market Wide and Central Solvency disclosures; and

Lloyd’s templates IR.02.01.02, IR.12.01.02, IR.17.01.02, IR.23.01.01 and IR.28.02.01 (‘the Templates subject to reasonable assurance’), which include Market Wide Solvency disclosures only.

The Relevant elements of the Solvency and Financial Condition Report specific to the Market Wide Solvency disclosures have been compiled by aggregating:

- i. financial information extracted from the corresponding Solvency II information included in syndicates’ Insurance Reporting templates by the managing agent of each syndicate, which have been submitted to the Council of Lloyd’s and on which the auditors of each syndicate have reported;
- ii. Society of Lloyd’s financial information extracted from the Society of Lloyd’s UK GAAP financial statements and adjusted for any valuation, presentation and classification differences between UK GAAP and Solvency II, in line with the Lloyd’s basis of preparation; and
- iii. Funds at Lloyd’s financial information extracted from the Lloyd’s Pro Forma Financial Statements (the “PFFS”) and adjusted for any valuation, presentation and classification differences between the basis of preparation of the PFFS and Solvency II, in line with the Lloyd’s basis of preparation.

The Relevant elements of the Solvency and Financial Condition Report specific to the Central Solvency disclosures have been compiled from the financial records of the Society of Lloyd’s.



Professional standards applied and level of assurance

We performed a reasonable assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) – ‘Assurance Engagements other than Audits or Reviews of Historical Financial Information’ (“ISAE 3000 (Revised)”), issued by the International Auditing and Assurance Standards Board.

Our Independence and Quality Control

We complied with the Institute of Chartered Accountants in England and Wales (ICAEW) Code of Ethics, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour, that are at least as demanding as the applicable provisions of the International Ethics Standards Board for Accountants (IESBA)’s International Code of Ethics for Professional Accountants (including International Independence Standards).

We apply International Standard on Quality Management (UK) 1 and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Other Information

We are not required to assure, and as a consequence, do not express an opinion on the ‘Other Information’ which comprises:

- Information contained within the Relevant elements of the Solvency and Financial Condition Report relating to, or derived from, the Market Wide Solvency Capital Requirement and Central Solvency Capital Requirement, as identified in Appendix A to this report;
- The ‘Summary’, ‘Business and performance’, ‘System of governance’ and ‘Risk profile’ elements of the Solvency and Financial Condition Report;
- Lloyd’s templates IR.05.02.01, IR.05.03.02, IR.05.04.02, IR.19.01.21 and IR.25.04.21; and
- The written acknowledgement by management of their responsibilities, including for the preparation of the Solvency and Financial Condition Report (the ‘Governing body’s statement in respect of the SFCR’).

To the extent the information subject to assurance in the Relevant elements of the Solvency and Financial Condition Report includes amounts that are totals, sub-totals or calculations derived from the Other Information, we have relied without verification on the Other Information.

Lloyd’s has authority to calculate its Market Wide Solvency Capital Requirement and Central Solvency Capital Requirement using an internal model (‘the Model’) approved by the Prudential Regulation Authority (the ‘PRA’) in accordance with the PRA Rulebook. In forming our opinion (and in accordance with the PRA Rulebook), we are not required to assure the inputs to, design of, operating effectiveness of and outputs from the Model, or whether the Model is being applied in accordance with the Company’s application or approval order.



Our assurance procedures do not extend to information in respect of earlier periods or to any other information included in the Lloyd's Solvency and Financial Condition Report within which the Relevant elements of the Solvency and Financial Condition Report as at 31 December 2025 are included.

In accordance with Rule 4.1 (3) of the External Audit Part of the PRA Rulebook for Solvency II firms, we are required to read the Other Information (as defined above) and consider whether it is materially inconsistent with the Relevant elements of the Solvency and Financial Condition Report and our knowledge obtained in:

- the reasonable assurance engagements over the Lloyd's 2025 Solvency and Financial Condition Report and the Lloyd's 2025 Pro Forma Financial Statements (Market Wide Solvency disclosures); and
- the reasonable assurance engagement over the Lloyd's 2025 Solvency and Financial Condition Report and the 2025 audit of the Society of Lloyd's Financial Statements (Central Solvency disclosures).

If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

Work performed

Our procedures in respect of the Central Solvency disclosures consisted principally of:

- obtaining an understanding of the process used by the Council of Lloyd's to compile the Relevant elements of the Solvency and Financial Condition Report from the financial records of the Society of Lloyd's; and
- checking (on a sample basis) that the financial information included in the Relevant elements of the Solvency and Financial Condition Report for the Society of Lloyd's was correctly extracted from the Society of Lloyd's UK GAAP financial statements, and that adjustments were made by Lloyd's for any valuation, presentation and classification differences between UK GAAP and Solvency II, in line with the Lloyd's basis of preparation.

Our procedures in respect of the Market Wide Solvency disclosures consisted principally of:

- obtaining an understanding of the process used by the Council of Lloyd's to compile the Relevant elements of the Solvency and Financial Condition Report relating to Funds at Lloyd's, the financial records of the Society of Lloyd's and from the audited syndicate Insurance Reporting templates, prepared by the managing agent of each syndicate;
- checking (on a sample basis) that the financial information included in the Relevant elements of the Solvency and Financial Condition Report for syndicates was correctly extracted from the audited syndicate Insurance Reporting templates;
- checking (on a sample basis) that the financial information included in the Relevant elements of the Solvency and Financial Condition Report for the Society of Lloyd's was correctly extracted from the Society of Lloyd's UK GAAP financial statements, and that adjustments were made by Lloyd's for any valuation, presentation and classification differences between UK GAAP and Solvency II, in line with the Lloyd's basis of preparation;



- checking (on a sample basis) that the financial information included in the Relevant elements of the Solvency and Financial Condition Report relating to Funds at Lloyd's was correctly extracted from the PFFS, and that adjustments were made by Lloyd's for any valuation, presentation and classification differences between the basis of preparation of the PFFS and Solvency II, in line with the basis of preparation; and
- evaluating evidence (on a sample basis) to support the completeness and accuracy of management's reconciliation of the Ancillary Own Funds in the Relevant elements of the Solvency and Financial Condition Report to the amounts approved by the PRA in its letter to Lloyd's dated 22 December 2025.

Our assurance work did not involve assessing quality of the work performed by the respective auditors of the Syndicate Insurance Reporting templates and accounts or the Society of Lloyd's UK GAAP financial statements, nor performing any audit procedures over the financial or other information of the syndicates or the Society of Lloyd's.

The responsibilities of the Council of Lloyd's and our responsibilities

The purpose of the Solvency and Financial Condition Report is to allow the Council of Lloyd's to report the solvency position of the association of underwriters known as Lloyd's in accordance with the requirements of Solvency II.

The Council of Lloyd's is responsible for the preparation of the Solvency and Financial Condition Report, including its basis of preparation, in accordance with the financial reporting provisions of the PRA rules which have been modified by the modifications, and supplemented by the approvals made by the PRA under section 138A of FSMA and the PRA Rules on which they are based, as detailed below:

- Approval of items of ancillary own funds (Market Wide Solvency disclosures only);
- Approval to classify syndicate loans to the Central Fund as restricted Tier 1 capital (Central Solvency disclosures only);
- Approval to use a full internal model (Market Wide and Central Solvency disclosures); and
- Modification of External Audit rule 4.1 for Lloyd's to obtain a reasonable assurance opinion in accordance with ISAE 3000 (Revised) (Market Wide and Central Solvency disclosures).

The Council of Lloyd's is also responsible for designing and implementing an appropriate basis of preparation for this purpose and for such internal control as they determine is necessary to enable the preparation of a Solvency and Financial Condition Report that is free from material misstatement, whether due to fraud or error.



Our responsibility is to express an opinion about whether the preparation of the Relevant elements of the Solvency and Financial Condition Report has been performed by the Council of Lloyd's on the basis set out in Lloyd's basis of preparation.

Intended users and purpose

This report including our conclusions, has been prepared solely for the Council of Lloyd's in accordance with our engagement letter dated 1 September 2025 to assist the Council of Lloyd's to comply with its obligations under External Audit rule 2.1 of the Solvency II firms Sector of the PRA Rulebook and for no other purpose.

We do not, in giving our opinion, accept or assume responsibility to anyone other than the Council of Lloyd's for our work or this report, except where terms are expressly agreed between us in writing.

The maintenance and integrity of the Lloyd's website is the responsibility of the Council of Lloyd's; the work carried out by us does not involve consideration of these matters and, accordingly, we accept no responsibility for any changes that may have occurred to the reported Subject Matter Information or Reporting Criteria when presented on the Lloyd's website.

PricewaterhouseCoopers LLP

Chartered Accountants

London

1 April 2026



Appendix A – Relevant elements of the Solvency and Financial Condition Report that are not subject to reasonable assurance

The Relevant elements of the Solvency and Financial Condition Report that are not subject to reasonable assurance comprise:

- The following elements of template IR.02.01.02:
 - Row R0550: Technical provisions - non-life (excluding health) - risk margin
 - Row R0590: Technical provisions - health (similar to non-life) - risk margin
 - Row R0640: Technical provisions - health (similar to life) - risk margin
 - Row R0680: Technical provisions - life (excluding health and index-linked and unit-linked) - risk margin
 - Row R0720: Technical provisions - Index-linked and unit-linked - risk margin

- The following elements of template IR.12.01.02:
 - Row R0100: Technical provisions calculated as a sum of BE and RM - risk margin
 - Rows R0110 to R0130 - Amount of the transitional on Technical Provisions

- The following elements of template IR.17.01.02:
 - Row R0280: Technical provisions calculated as a sum of BE and RM - risk margin
 - Rows R0290 to R0310 – Amount of the transitional on Technical Provisions

- The following elements of template IR.23.01.01:
 - Row R0580: SCR
 - Row R0740: Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds

- The following elements of Company template IR.28.02.01:
 - Row R0310: SCR

- Elements identified as 'not subject to reasonable assurance'.