EM 608 v1.0

2027 CAPITAL & PLANNING

Catastrophe Risk
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Key Contacts

Catastrophe Risk & Reinsurance Analytics

Rob Stevenson
Director of Catastrophe Risk & Reinsurance Analytics
Rob.Stevenson@lloyds.com

Lauren O'Rourke
Head of Exposure Management Oversight
Lauren.O'Rourke@lloyds.com

Luke Knowles
Head of Catastrophe Risk Analytics
Luke.Knowles@lloyds.com

Colette Jardine
Natural Catastrophe Risk Specialist
Colette.Jardine@lloyds.com

Lauren Restell
Non-Natural Catastrophe Risk Specialist
Lauren.Restell@lloyds.com

Hailie Hunt
Reporting Manager
Hailie.Hunt@lloyds.com

Colette Karakashian
Exposure Management Manager
Colette.Karakashian@lloyds.com

Jessica Clark
Exposure Management Manager
Jessica.Clark@lloyds.com

Laura Carlisle
Exposure Management Manager
Laura.Carlisle@lloyds.com

Lucy Brookes
Exposure Management Manager
Lucy.Brookes@lloyds.com

Rohan Baxter
Exposure Management Manager
Rohan.Baxter@lloyds.com

Tom Williams
Exposure Management Manager
Tom.Williams@lloyds.com

Contents

1 Introduction

The purpose of this document is to explain the catastrophe risk elements in the 2027 Capital & Planning process. Changes to the scope and reporting granularity referred to in this document will also apply to in-force reporting during 2027.

This guidance is focused on catastrophe risk only, do not rely on this document in isolation as information about any other requirements of the planning and capital setting process.

1.1 Summary of returns

Syndicates will submit information about forecast catastrophe risk in three ways:

- **within the Syndicate Business Forecast (SBF):**
  - within Form 452: AEP 1-in-30 and RDS loss-estimates
- **within the Lloyd's Capital Return (LCR):**
  - within Form 313: mean and 1-in-200 natural catastrophe loss-estimates (One-Year and Ultimate), and the split by ‘LCM5 region-perils’ and ‘All Non-LCM’
  - Form 313 also includes a split for mean and 1-in-200 non-natural catastrophe loss estimates
- **directly to Exposure Management via Secure Share:**
  - LCM Forecasts (including LCM5+)
  - LCM/LCR Analysis of Change
  - Cat Risk Sensitivity Test
  - War and NCBR forecast exposures
  - Non-Natural Catastrophe Materiality Data – first introduced in 2026, this return supports the movement to using risk-based data, as opposed to GWP data alone, in defining Non-Natural Catastrophe (NNC) materiality for 2027 onwards.
  - Forecast RDS Alt A and B narrative – new for 2027 to ensure consistent capture of the description of the Alt A and B scenarios.

This document will discuss each element in turn in sections 2 to 4.

There is a summary table of catastrophe risk reporting for 2026 CPG in section 5.

For changes to the LCM Forecasts, LCM/LCR Analysis of Change and the Catastrophe Sensitivity Test please see the LCM Forecast Returns 2027 - Guidance and Instructions EM Ref 609.

1.2 Franchise Guidelines

1.2.1 Realistic Disaster Scenarios (RDS)

For syndicates with their own internal models the projected and in-force loss estimates for RDS, except the Alternative A&B scenarios, shall not exceed:

- 80% of ECA-plus-Profit for Gross Losses
- 30% of ECA-plus-Profit for Final Net Losses

‘Profit’ for this purpose shall be defined as ‘Profit/Loss for the period’ on an Ultimate basis in the Syndicate Business Forecast (item 16 of Form 100s).

For syndicates using the Lloyd’s Standard Model (LSM) the Franchise Guidelines noted above also apply to the syndicates Alternative A&B scenarios, as they better capture the specific risks associated with the business written by these syndicates.

Please refer to the Requirements for New Entrants documentation for additional information.

1.2.2 Tail Risk

The 99.8th percentile (1-in-500 year return period) of insurance claims shall not exceed 135% of the 99.5th percentile (1-in-200 year return period) of insurance claims. Both measures refer to the total modelled insurance claims net of reinsurance on an ultimate basis as reported to Lloyd's in the LCR submission (Form 311).

For syndicates that do not have an internal model for insurance claims and do not calculate the 99.8th percentile, this does not apply. Instead, the 99.8th percentile (1-in-500 year return period) of Final Net LCM WWAP shall not exceed ECA plus Profit.

Final Net LCM WWAP metrics will be calculated by Lloyd's based on syndicates' latest approved LCM Forecast submissions.

Please note that the tail risk franchise guideline has changed this year for syndicates which do not have an internal model.

Please refer to Supplemental Requirements and Guidance for information regarding Franchise Guidelines.

1.3 Basis for Calculating Forecast 2027 RDS Losses

For the RDS, forecast losses should be consistent with your Internal Model and any scenarios used in parameterising non-natural catastrophe risk. That is, they should be a *realistic* forecast of maximum anticipated losses, rather than an absolute maximum (which in prior years may have been reported as the upper risk appetite limit, significantly above where a syndicate would anticipate actually underwriting).

1.4 Reporting details

1.4.1 Return deadlines

For 2027, the Capital and Business Planning process is again on a phased approach, with each phase having its own SBF and LCR deadline. The reporting deadlines for the elements returned directly to Exposure Management via Secure Share align to the SBF and LCR as follows:

- With SBF: LCM Forecasts, War & NCBR exposures, Alternative A & B narrative template (new – please refer to the '2.1 Changes' section for further details)
- With LCR: Cat Risk Sensitivity Test, LCM/LCR Analysis of Change, Non-Natural Catastrophe Materiality Data Return

1.4.2 Return methods

The SBF and LCR are submitted within Market Data Collection (MDC).

The returns direct to Exposure Management should be uploaded to **Secure Share/Catastrophe Risk Returns/2027 CPG**. Please do not attach any of these returns to Form 990 in the SBF or LCR.

1.5 Documentation

Return templates and Guidance & Instructions for all return elements are available here: Exposure Management - Lloyd's (lloyds.com). Copies are also available at any time from the Exposure Management team.

Please ensure that you download and use the most recent return templates to ensure that no information is omitted from your returns.

2 Syndicate Business Forecast

2.1 Changes

In addition to submitting forecast Alternative A & B scenario losses within MDC, syndicates must also complete a new separate template which collects additional information about the scenarios that syndicates have reported. This includes the scenario name, identifying whether or not the scenario is a non-natural catastrophe scenario, and any other information the syndicate would like to provide about the scenario chosen.

The purpose of collecting this additional information is to support inclusion within the new non-natural catastrophe materiality and expected maturity calculations, which will be implemented in 2027.

2.2 Requirements for the 2027 SBF

The following AEP 1-in-30 and RDS should be forecast:

1) AEP 1-in-30 for Whole World
2) AEP 1-in-30 for US windstorm
3) AEP 1-in-30 for US & Canada earthquake
4) RDS Marine (2 scenarios)
5) RDS Loss of Major Complex
6) RDS Terrorism (2 scenarios)
7) RDS Aviation collision
8) RDS Liability (2 scenarios)
9) RDS Cyber (4 scenarios)
10) RDS Alternative A & B

These catastrophe risk metrics are subject to the Franchise Guidelines as per section 1.2, except for the 1-in-30 AEPs and RDS Alternative A & B.

The scenario specifications for Alt A & B state that "*managing agents should report two further realistic events that represent the most material accumulation risks that are not already covered by compulsory or de minimis scenarios*." Natural catastrophe region/perils already covered by existing scenarios, whether included in the SBF or not, should not be used for Alt A & B.

2.3 Documentation

Guidance for completing the SBF is available in MDC.

3 Lloyd's Capital Return

3.1 Changes

There are no changes to the 2027 LCR requirements which are set out below.

3. Insurance Risk Including Catastrophe Claims

		One Year			Ultimate		
		Net Mean	Net 99.5th	Post diversified claims 99.5th	Net Mean	Net 99.5th	Post diversified claims 99.5th
		F	G	G(i)	H	I	I(i)
1	**total: Catastrophe Claims**						
1a	split: Non-Natural Catastrophe Claims						
1b	split: Natural Catastrophe Claims						
2	*split: Catastrophe Losses - LCM Region-Perils & Classes Only*						
3	*split: Catastrophe Losses - All Non-LCM*						
4	**Premium Risk Claims - Excluding Natural Catastrophe Claims**						
4a	**Premium Risk Claims - Excluding All Catastrophe**						
5	**Reserving Risk Claims**						
6	**TOTAL**						
7	**Diversified Credit - Between Risk Categories**						
8	**DIVERSIFIED TOTAL**						

3.2 Requirement for the 2027 LCR

Row 1 relates to *all* catastrophe risk. Row 1a relates to *non-natural* catastrophe risk, while rows 1b to 3 relate to *natural* catastrophe risk only.

The calculation methodologies for natural catastrophe risk are the same as for 2026.

Please see Section 4.2 for more detail on the LCM/LCR Analysis of Change and Lloyd's expectations around alignment of modelling approaches.

Please note that row 1a should be consistent with the gross losses collected in the non-natural data materiality collection as outlined in section 4.5 Non-Natural Catastrophe Materiality Data Collection.

3.3 Documentation

LCR Guidance & Instructions can be downloaded here.

4 Direct to Exposure Management

The following returns should be made directly to Exposure Management via Secure Share. The folder structure is:

Secure Share → "Catastrophe Risk Returns" → "2027 CPG"

Any questions about access to Secure Share folders should be addressed to the Catastrophe Risk Analytics team (contact details on page 2).

For changes to the LCM Forecasts, LCM/LCR Analysis of Change and the Catastrophe Sensitivity Test please see the LCM Forecast Returns 2027 - Guidance and Instructions EM Ref 609.

4.1 LCM Forecasts

This return allows Lloyd's to understand forecast natural catastrophe risk for individual syndicates and the market as a whole. It is a key input to Lloyd's Internal Model under Solvency UK, and fundamental to the Society's overall Catastrophe Risk Appetite.

The LCM 2027 forecast return (i.e. for the 2027 calendar year) consists of:

- **Forecast model output (i.e. YLT, ELT or PLT model output, split by region/peril and class of business)**
- **The 'LCM Forecasts 2027' spreadsheet, which contains summary information, LCM5, LCM5+, Rest of World, and Worldwide All Perils return period losses**

Forecast model output takes the same structure as in-force returns submitted via YLT, ELT and PLT formats, however rather than reflecting in-force exposures, forecast output must represent a calendar year view of risk, consistent with the Internal Model.

For guidance on PLT submissions, please refer to the LCM Forecast Returns 2027 EM609 Guidance and Instructions.

Where there is a material change in planned catastrophe risk for 2027 at any time after the first SBF submission, managing agents should always submit revised forecasts along with a revised SBF and (if applicable) a revised LCR. This applies throughout the 2027 year with syndicates expected to monitor 2027 in-force returns against the approved plan. Please contact your Exposure Management Manager if you have any questions relating to resubmissions including what constitutes a material change.

Please note that additional granularity of information on LCM5+ region-peril return peril loss information is once again requested for the 2027 LCM Forecast Return in order to support Lloyd's validation of syndicate LCM5+ simulation level data.

4.1.1 Documentation

Guidance & Instructions:	"LCM Forecast Returns 2027" Ref EM609 (sections 2 - 4)
Return templates:	LCM_Forecast_2027_EM610_Synd0000_v1
	ELT_2027Forecast_SY0000.csv
	YLT_2027Forecast_SY0000.csv
	PLT_2027Forecast_SY0000.csv

Please ensure the LCM validation tool is run on csv templates before submitting. The validation tool is located in Secure Share/Catastrophe Risk Returns/Guidance Notes and Template.

4.2 LCM/LCR Analysis of Change

This return allows Lloyd's to understand any differences in syndicates' forecast net 1-in-200 between the LCM Forecast and LCR Form 313 returns. The External Validator of Lloyd's Internal Model also takes this information into account.

There should be consistency of method between syndicates' catastrophe risk forecasts in the LCM Forecast and those in the LCR. The LCM/LCR Analysis of Change requires syndicates to specify the ‘starting point’ i.e. the LCM5 forecast view, and the individual components of any material differences between the LCM Forecast and the LCR.

4.2.1 Documentation

Guidance & Instructions:	“LCM Forecast Returns 2027” Ref EM609 (section 5)
Return template:	LCM_LCR_AOC_EM611_Synd0000_v1

4.3 Catastrophe Risk Sensitivity Test

Lloyd's must consider how uncertainty within syndicate models may affect the representation of catastrophe risk within Lloyd's Internal Model (LIM). The Catastrophe Risk Sensitivity Test is intended to assess the impact of greater-than-expected natural catastrophe losses on syndicates' capital positions, considering potential reinsurance recoveries and the effects of diversification in syndicates’ own Internal Models.

The US Windstorm test remains the same. As before, syndicates should also report the results of a 25% uplift for the most material region/peril other than US Windstorm.

4.3.1 Documentation

Guidance & Instructions:	“LCM Forecast Returns 2027” Ref EM 609 (sections 6-8)
Return template:	Cat_Sensitivity_2027_EM612_Synd0000_v1

4.4 War & NCBR Forecasts

Lloyd's will use the information in this return to:

- *maintain a comprehensive view of all syndicates permitted to underwrite War/NCBR*
- *understand syndicates’ aggregate exposures to War/NCBR in defined countries and regions*
- *understand the market’s overall aggregate exposures in the defined countries and regions*
- *consider approaches to exposure-based measuring of accumulation risk for these classes*

Syndicates are required to gain Lloyd's express permission in advance to underwrite War and/or NCBR[1], as part of the business-planning process. Syndicates must also provide forecast War/NCBR exposure information by defined country and region, split by class of business.

Rather than include this data in the SBF itself, there is a supplementary reporting template. Please see the relevant Guidance & Instructions for details of the return.

4.4.1 Documentation

Guidance & Instructions:	“War & NCBR 2027” Ref EM613
Return template:	2027_War_NCBR_Forecast_EM614_Synd0000_v1

4.5 Non-Natural Catastrophe Materiality Data Collection

Lloyd's have reviewed the calculations used to define syndicate-level materiality, which is used as a basis to calculate Principle 2 syndicate expected maturities for Principles Based Oversight (PBO). Updates have been implemented across NC and NNC that:

- *Aim to improve transparency so that syndicates can calculate their own expected maturities as their businesses develop,*

[1] except for ‘Exempted Classes’ – see the Guidance & Instructions

- *Better align the size and concentration metrics used across both natural and non-natural catastrophe,*
- *Ensure that the Principle 2 materiality metrics remain in line with market capability,*
- *And for NNC specifically, move from using purely GWP as a basis for calculating materiality and expected maturity, to using a more risk-based foundation.*

In order to do this work effectively for NNC, Lloyd's must continue to collect some data from syndicates in an additional return, to be completed as part of the business planning process. The return will collect the Gross and Final Net Ultimate 1-in-200 year return period Value at Risk (VaR) data for NNC (which should be consistent with the FNL perspective in Form 313 of the LCR). This is a similar request as per the PRA IMO return, which Lloyd's have attempted to use, but issues with timing, consistency and completeness now require us to ask for this data separately.

Lloyd's will also be asking for qualitative information to support the numbers submitted. Specific guidance is contained within the return template.

If a syndicate resubmits their LCR, a resubmission of this return will also be required.

4.5.1 Documentation

Guidance & Instructions:	Found in template, and "CPG 2027 – Cat Risk Reporting" Ref EM608
Return Template:	Non_Nat_Cat_Materiality_EM615_Synd0000_v1

4.6 RDS Alt A and B Scenario Narrative

The purpose of collecting this additional information is to support inclusion within the new non-natural catastrophe materiality and expected maturity calculations, which will be implemented in 2027.

In addition to submitting forecast Alternative A & B scenario losses within MDC, syndicates must also complete a new separate template which collects additional information about the scenarios that syndicates have reported. This includes the scenario name, identifying whether or not the scenario is a non-natural catastrophe scenario, and any other information the syndicate would like to provide about the scenario chosen.

4.6.1 Documentation

Return Template:	RDS_Alt_A_and_B_Forecast_Narrative_EM616_Synd0000_v1

5 Tables

5.1 Summary of Reporting Requirements for 2027 CPG

	Catastrophe risk forecast element	Submitted via	Due on	Guidance	Return template
1	AEP 1-in-30 Whole World	SBF Form 452	**Phased submission deadline**	in MDC	n/a
2	AEP 1-in-30 US Windstorm				
3	AEP 1-in-30 US & Canada Earthquake				
4	RDS Marine (two scenarios)				
5	RDS Loss of Major Complex				
6	RDS Terrorism (two scenarios)				
7	RDS Aviation Collision				
8	RDS Liability risks (two scenarios)				
9	RDS Cyber (four scenarios)				
10	RDS Alternative A & B				
11	LCM Forecasts (inc CSV templates)	Secure Share[2]	**Phased submission deadline**	EM609	EM610
12	War and NCBR forecast exposures			EM613	EM614
13	Catastrophe capital data (mean/1-in-200)	LCR Form 313	**Phased submission deadline**	Click here	In MDC
14	LCM/LCR Analysis of Change	Secure Share[2]	**Phased submission deadline**	EM609	EM611
15	Cat Risk Sensitivity Test				EM612
16	Non-Natural Catastrophe Materiality Data Collection				EM615
17	RDS Alt A and B Forecast Narrative				EM616

[2] The Secure Share folder is "*Catastrophe Risk Returns/2027 CPG*"