

LLOYD'S

A guide for Managing
Agents planning to join the
Lloyd's Japan Inc. platform



2026 Lloyd's Japan Entry Guide

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Lloyd's Japan Entry Guide

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01 Executive Summary



Executive Summary

Purpose of this Guide

This guide provides a clear overview of the Lloyd's Japan Inc. (LJI) operating model, highlights the key benefits of the platform, and outlines the entry process for Managing Agents seeking to join and leverage LJI's operational, regulatory, and market-access advantages.

Benefits of Joining the LJI Platform

LJI offers Managing Agents a ready-to-use platform that supports growth, reduces administrative complexity, and enables confident, compliant participation in the Japanese market. In particular, LJI:

- **Simplifies** local administration and strengthens Lloyd's visibility and credibility in the Japan insurance market
- **Coordinates** regulatory engagement and oversight with Japan Financial Services Agency (JFSA).
- **Provides** infrastructure and operational support that streamline market access and enhance efficiency for participating Managing Agents.

Key Steps to Join the LJI Platform

The entry process applies to both first-time participants and Managing Agents wishing to re-join the platform. The key steps, described in detail later in the guide, are:

- Prepare an initial business plan, including the proposed participation model
- Notify the President of LJI and obtain LJI's agreement.
- Obtain compliance sign-off on the Binding Authority Agreement from both LJI and the participating syndicates.
- Complete operational preparation and implementation for onboarding to the platform

Indicative Timelines

For Managing Agents opting for the **Entry Model**:

- LJI must first confirm internally whether it can accommodate the arrangement.
- Once agreed, the binder can typically be established **within two weeks** after all participating syndicate underwriters have completed their sign-off.

For Managing Agents opting for the **Platform Model**

- Timelines depend on the Managing Agent's business plan, whether certain products require a licence, and the availability of secondees for recruitment in Japan.
- In general, the full setup is expected to take **between three and six months**.



Note: The timeline provided is indicative and may vary depending on the specific circumstances of each application.

02 Overview of the LJI Platform



Overview of the LJI Platform

Lloyd's underwriters can write Japanese insurance business via LJI, a wholly owned subsidiary of Lloyd's.

LJI's Legal Status and Authority in Japan

Under Insurance Business Act (Act No. 105 of 1995), Lloyd's members are licenced to write onshore insurance (Japan direct or reinsurance non-life business) exclusively through LJI.

The Act requires LJI to conduct all business as the sole General Agent representing the interests of the Society of Lloyd's and all Lloyd's members in Japan.

To meet Japan Financial Services Agency (JFSA) requirements, LJI is treated internally in the same manner as a Lloyd's Coverholder and is fully supported directly by the relevant teams in the Corporation of Lloyd's. LJI is the only Coverholder in Japan, as the JFSA does not permit sub-delegation of LJI's authority to any other entity.

LJI's Local Product Licences

As reflected in Crystal+, LJI holds multiple local product licences that Managing Agents (MAs) may rely on when writing direct risks in Japan. [Crystal+ | Lloyds]



03 Participation Models for Managing Agents



Participation Models for Managing Agents

Managing Agents have three routes (Platform Model, Entry Model and Multinational) to participate in and grow their business on the Japan / LJI platform.

LJI provides local market intelligence, operational support and regulatory alignment, making it significantly more cost-effective than establishing a standalone insurance company in Japan.

Binding Authority Agreement (LMA 3113) :

Lloyd's syndicates can access the Japanese market by entering into LMA3113 binding authority agreements with LJI. The Binding Authority Agreement operates like a London binder, delegating authority to a coverholder to enter into contracts of insurance on behalf of Lloyd's syndicates.

This route includes two participation models: Platform Model and Entry Model.

(1.A) Platform Model

Risks are bound under a Binding Authority Agreement led by a MA. Underwriting and claims settlement decisions are performed by a dedicated Japan-resident seconded, hired by the MA and seconded to LJI under the Binder Service Agreement.

If the business grows sufficiently, the MA may consider establishing a wholly owned local legal entity (a service company) over the medium-to-long term. Under the Platform Model, the MA may choose between two sub-models:

1-A-1. Transition Model

- A dedicated local resource, employed by LJI, performs underwriting and claims handling under the delegated authority defined in the Binding Authority Agreement.
- The MA is required to transition to the Secondment Model within three years.

1-A-2. Secondment Model

- The MA hires its own local resource to perform underwriting and claims handling on its behalf under the delegated authority defined in the Binding Authority Agreement.
- This resource is seconded to LJI and operates under LJI's supervision.

Local Resource Requirements

Under the Platform Model, the type of local resource required depends on the MA's strategy and internal allocation of responsibilities. Examples include:

- Underwriting & Sales
- Sales skills only
- Local liaison support

(1.B) Entry Model

Risks are bound under a Binding Authority Agreement led by a MA, with the option for follower syndicates to participate.

Local liaison and coordination for underwriting- and claims-related activities are handled by shared-services resources provided by LJI, acting under the instructions of the lead MA (including any instructions relating to followers).

Multinational Model

This model applies when Japanese risks form part of a global or multinational programme led outside Japan.

This model does not require contracting the Binding Authority Agreement. Instead, it requires attaching three clauses to the Market Reform Contract (MRC) wording of the programme:

- Instruction to Bind Clause (LMA5194) – This clause grants LJI “one-off authority” to issue a local policy on behalf of the Lloyd’s underwriters.
- Interlocking Clause (LMA5195) – This clause links the local policy to the MRC and clarifies that no additional coverage is provided beyond what is stated in the local policy.
- Japan Endorsement (LMA3131A) – This is the standard form used by LJI to issue the local policy.

For full details, please refer to: Japan – Multinational Model (JMM)

04 Distribution Channels



Distribution Channels

In Japan, the sale of non-life insurance is strictly regulated under Insurance Business Act. Accordingly, LJI, on behalf of MAs, may distribute insurance only through locally licenced and approved intermediaries.

Licenced Brokers

LJI may work with both of the following:

- Japanese Licenced insurance brokers - These brokers are registered under Insurance Business Act.
- Licenced international brokers operating in Japan - These brokers must also hold the appropriate licence and comply with the same regulatory framework. A public list of Licenced brokers is available through the Japan Insurance Brokers Association (JIBA): www.jiba.jp

Licenced Insurance Agencies

LJI may also distribute insurance through locally Licenced insurance agencies that hold a valid contractual agreement with LJI.

This agreement—called an Agency Agreement (Itaku Keiyakusho)—authorises the agency to distribute insurance products on behalf of LJI.

If a MA wishes to work with a new agency, LJI can assess, review and approve the addition. Any new agency must:

- be fully Licenced in Japan and
- enter into an Agency Agreement with LJI

before it can distribute Lloyd's business.



05 LJI Services to the Managing Agent



LJI Services to the Managing Agent

The Lloyd's Japan platform provides a comprehensive suite of operational, financial, and regulatory support services to Managing Agents (MAs). These services ensure that all business written through the platform complies with Japanese requirements and that syndicates can operate efficiently without establishing their own legal entity in Japan. The key services offered by LJI are outlined below.

Licensing and Regulatory Support

LJI acts as the central interface with the Japanese Financial Services Agency (JFSA), overseeing all licensing-related activities and ensuring that MAs operate in full compliance with Japan's Insurance Business Law. This includes regulatory reporting obligations and ongoing adherence to local requirements. All LJI staff operating on the LJI platform are required to complete Lloyd's mandatory training.

IT and Technology Services

LJI provides essential IT support such as secure Wi-Fi access and laptop provisioning to ensure smooth day-to-day operations for secondees and staff operating in Japan.

Policy and Claims Administration

LJI delivers end-to-end administrative support for onshore policy issuance, documentation processing, and claims management under delegated authorities. This ensures full local compliance and timely service to brokers and customers.

Regulatory Reporting and Market Intelligence

LJI prepares all necessary regulatory submissions and provides Managing Agents with actionable insights into Japan's non-life insurance market. This supports strategic decision-making, product suitability, and market development.

Office Facilities

Modern office space is available upon request at the Lloyd's Japan office, providing a professional environment for secondees and visiting colleagues. The office is located at:

[Lloyd's Japan Inc. Tokyo Club Building 6F3-2-6 Kasumigaseki Chiyoda-ku, Tokyo 100-0013 Japan](#)

These facilities support effective on-the-ground operations and offer a convenient base for meetings, collaboration, and engagement with local market participants.

Finance and Cash Management

Premiums collection and claims payment

LJI operates on behalf of the participating MA. All premiums received from the broker, insurance agency, or customer are retained in LJI insurance bank account. LJI maintains a dedicated local bank account, clearly segregated, for insurance-related transactions. All monies received from or on behalf of the MA are held by LJI in a fiduciary capacity and are not commingling with LJI's general or operating accounts.

Quarterly transactional balance

LJI prepares transactional result for each syndicate on a quarterly basis, including premiums, claims paid, commissions and other relevant deductions, resulting in the quarterly transactional balance. For large claims, a cash call may be requested to MA.

Solvency and Capital Management

Quarterly solvency calculation

LJI performs a quarterly solvency calculation for each syndicate as described in Appendix 2 - LJI Solvency Guide. This calculation determines the amount of funding available for release back to the syndicate each quarter.

- If sufficient solvency funds exist, the full quarterly transactional balance is remitted to the syndicate
- If solvency funds are insufficient, the shortfall is offset against the quarterly transactional balance, and the net amount remitted.

Further details are provided in Appendix 3 - LJI QS RI Process memo.

Capital requirements

LJI confirms the funding status on behalf of the participating MAs to meet Japan's regulatory requirements at least quarterly, and more frequently when required. LJI settles the surplus to each syndicate directly through the Lloyd's Central Fund. Further details are provided in Appendix 2 - LJI Solvency Guide.

Where surplus funds arise, they may be remitted within the month following the quarterly assessment. This assessment is based on the Economic Solvency Ratio (ESR), the minimum asset requirement and the projection as described in Appendix 2 - LJI Solvency Guide.

Financial Reporting

LJI prepares financial statements on behalf of syndicates using the LJI platform.

Tax

On behalf of Lloyd's members using the Japan Platform, LJI prepares and submits Japanese tax returns and subsequently recovers the final tax liabilities from Lloyd's members through the Lloyd's central distribution process in London.

LJI supports correspondence with the National Tax Agency. However, responsibility for the tax returns rests with the Lloyd's members.

Third-Party Service Providers

Bowood

LJI engages Bowood, a third-party contractor approved by the Lloyd's procurement team, to support all binder-related administrative processes carried out in London. Bowood service costs are borne by LJI and is subject to review and amendment by Lloyd's. Bowood provides a comprehensive range of services, including:

- Preparation and amendment of binder slips
- Preparation and amendment of endorsements
- Registration of binders on Lloyd's DCOM
- Amendments on Lloyd's DCOM
- PPL upload of slips (per binder)
- PPL upload of endorsements (per endorsement)
- Submission of slips/contracts into Velonetic for FDO

Other Third-Party Service Providers

Adjusters, surveyors, lawyers or other third-party service providers may also be appointed by syndicates under the Binding Authority Agreement.

06 Cost and Fees



Cost and Fees

The cost structure of the Lloyd's Japan platform is designed to ensure that the maintenance of the licence and the operation of the platform remain sustainable while keeping charges transparent for participating Managing Agents (MAs).

Licence-related Costs

All expenses associated with maintaining, protecting, and enhancing the Lloyd's Japan licence are funded centrally by Lloyd's. This includes regulatory costs that enable the platform to operate and provide onshore market access.

Operational Costs and User-Pays Model

Operational expenses such as staffing, office facilities, local processing, and other support services are recovered directly from participating MAs. The level of cost recovery varies by participation model, with fees structured to reflect the MA's usage of LJ resources (e.g., dedicated secondees, shared services, or support under the Entry or Platform Models).

Transaction-Related Deductions

For insurance transactions, LJL deducts bank charges as well as the mandatory contribution to Japan's Policyholder Protection Corporation. This statutory fund protects policyholders in the event of a Japanese insurer's bankruptcy and applies to all qualifying insurance premiums processed through the platform.

Cost and Fee Structure across Models

Charges	Entry Model (managed by LJI)	Platform Model (Transition Model & Secondment Model)	Multinational
Personnel Cost	None as managed by LJI team	<ul style="list-style-type: none"> Underwriter [different referral authority levels] Base salary range: Depending on expected functions Social cost top-up: Approximately +16% of base salary 	NA
Binder fees		None	NA
Member Tax Preparation Fee	JPY 40,000 per member (approximately £200)		
Office Space	NA	Workstation Annual Fee (Estimate) : <ul style="list-style-type: none"> £10,000 per desk £20,000 per cabin (accommodate 1 person) 	NA
Processing Fees	None		Flat fee of USD 500 per policy issued
	Bank charges plus the mandatory contribution to Japan's Policyholder Protection Corporation (This is a collective total applied across all participating MAs. In 2025, the total charge was approximately GBP 15,000 and this was allocated across all participating MAs based on GWP.)		

Note: These are estimates and the list of costs are non-exhaustive.
 For full accuracy, please reach out to the Makiko Katsube
Makiko.Katsube@loyds.com

07 Entry process: Step-by-Step



Entry process: Step-by-Step

Before the entry process begins

Before beginning the entry process, MAs should first approach the President of LJI to express their intention to participate in the LJI platform. MAs should also ensure that their designated representative has the appropriate authority to engage in discussions with LJI.

LJI may produce, amend or update protocols concerning the operation of LJI that are applicable to MAs and/or any nominated staff (e.g., in relation to international sanctions and financial crime, business operations, and claims shared service). MAs must comply with all applicable protocols and ensure that nominated staff do the same.

The entry process is interactive, and LJI will support MAs throughout, offering guidance on how to develop plans that are suitable for the LJI platform and that enable MAs to successfully access the Japanese market.

Step 1: Establish an Initial Business Plan to Join LJI Platform

To initiate the process of joining the LJI platform, interested MAs are required to submit an initial Business Plan to LJI.

The Business Plan will be evaluated by the President of LJI and relevant parties from Lloyd's. When required, LJI will support MAs by providing guidance on how to develop plans suitable for the LJI platform. As a minimum, the initial Business Plan to join the LJI platform must include as described in

Appendix 1 - Initial Business Plan Template :

1. Information about the class(es) of business to be underwritten.
2. The gross written premium (GWP) by class of business.
3. The expected number of policies by class of business.
4. The type of business to be underwritten (e.g., reinsurance, direct, or both).
5. The expected loss ratio by class of business.
6. The GWP by distribution channel (e.g., binder, multinational programme).
7. General information about the intended operational model (e.g., Entry Model, Platform Model, etc.)

After all outstanding questions are resolved, the MA will usually receive an *In-Principle Agreement* within 14 business days at the end of this phase.

An *In-Principle Agreement* does not allow a MA to commence underwriting on the LJI platform. MAs must follow and complete Steps 2, 3 and 4 to obtain the President of LJI's final approval. Only once a MA has received the President of LJI's formal approval can it begin writing business on the LJI platform.

Step 2: Establish a Detailed Business and Resourcing Plan

Once the initial business plan has been confirmed, MAs must prepare:

- Policy wordings and endorsements – LJI will review these against licence conditions
- Participation model the MA foresees using:
 - Entry Model
 - Platform Model: Transition (3 years) / Secondment Model
- Binding Authority Agreement between the MA and LJI (using the LMA3113 template plus mandatory provisions)

Additionally, MAs opting for the Platform Model, must prepare:

- Binder Service Agreement (between LJI and the syndicates)
- Candidate details for secondment (CV, qualifications): The level of qualification, experience and number of the nominated staff must align with the syndicate's Japan business plan
- Employment Contract (between MA and the seconded)
- Secondment Agreement (between LJI and MA)
- Letter to Seconded (from LJI to the seconded)
- Details of office space and IT infrastructure required, if any

The MA will hire the seconded locally with LJI's support.

At the end of this phase, President of LJI formally approve the application.

Step 3: Legal Agreements Sign Off

Lloyd's prepares bespoke versions of the following legal agreements prepared under Step 2. for execution. These must be signed by MAs following the granting of an *In-Principle Agreement* by the President of LJI to join the LJI platform.

PDF copies of the executed legal documents will be retained by both LJI and the counterparties.

At the end of this phase, all documents listed under Step 2 will be signed by all relevant parties.

Step 4: Get Ready For Operation

The following must be completed before a syndicate can commence underwriting:

Induction and Training

For the Transition Mode

Lloyd's provides a Digital Induction for all new joiners.

All non-UK new joiners will automatically receive a notification via Workday, assigning them the required induction modules.

New joiners will receive an email containing direct links to everything they need on Day One, including:

- The New Joiner Hub with all induction materials
- Familiarise Yourself with Lloyd's – updated content from Lloyd's Academy
- A Deeper Dive into Lloyd's – bitesize videos from the Virtual International Regulators Programme, covering oversight, trading rights, capital setting, risk management, and more

In addition, Lloyd's provides mandatory training, such as:

- GDPR for Lloyd's colleagues
- Financial Crime Essentials
- Conflict of Interest
- Gifts & Hospitality
- Conduct Rules for Staff
- Whistleblowing at Lloyd's
- The Six Golden Rules of Cyber Security

For the Secondment Model

The Managing Agent (MA) provides induction for new joiners as appropriate. If the MA wishes LJI to support the provision of any necessary training listed above, **LJI will support the delivery of these trainings locally.**

Minimum Capital

Under Insurance Business Act, insurance companies are required to maintain a fixed statutory deposit. Lloyd's Corporation has funded LJI fixed statutory deposit on behalf of the MAs. New entrants are not expected to contribute to the statutory deposit upon joining the LJI platform; however, other capital requirements and insurance reserves that require funding from the MAs will be recovered from the MAs.

Bank Accounts

Opening a bank account is not required. However, should the MA wish to establish one, they are advised to contact contact LJI for guidance.

Once all requirements are met, LJI and the MA will agree an appropriate timeframe for the syndicate to formally commence underwriting on the LJI platform, within one to two weeks once all requirements are met.

At the end of this phase, MA is authorised to participate on the LJI platform from the agreed date



Frequently Asked Questions



Q1

What are the capital prerequisites regarding setting up in Japan?

New entrants are not required to contribute to the statutory deposit when joining the LJI platform. LJI confirms the funding status on behalf of the participating MAs to meet Japan's regulatory requirements at least quarterly, and when required. Further details are provided in Appendix 2 - LJI Solvency Guide.



Q2

What is the estimated timeline to obtain new licence(s) for products not covered by LJI's licence?

The expected timeframe is at least 6 months, depending on the complexity of the product and regulatory environments.



Q3

How long does the application process take?

- MAs opting for the Entry Model can expect a rapid setup. Once agreed, the binder is typically established within two weeks after all participating syndicate underwriters have completed their sign-off.
- MAs opting for the Platform Model, the setup timeline varies depending on the MA's business plan, any product-specific licence requirements, and the availability of secondees in Japan.
- Overall, the full setup typically takes between one and six months.



Q4

What documents are required by local regulators for an MA to join the LJI platform?

None. The regulators do not require MAs to submit specific documents when seeking to join the LJI platform. All regulatory correspondence shall be between LJI and the authorities.

If a particular document is required, LJI will inform the MA and work together with the MA directly.

Q5**What are the regulatory prerequisites for setting up in Japan? What if the MA has already a sister company in Japan?**

Several options may be available depending on the MA's structure. LJI is able to support this, and MAs should consult directly with LJI to determine the most appropriate approach.

Q6**What aspects of the business must be conducted in Japanese?**

All correspondence, reporting, filings, applications and submissions to Japanese authorities and regulators must be completed in Japanese.

Q7**Does the MA need to open a bank account in Japan?**

No, opening a bank account in Japan is not required. However, if an MA is considering opening one, they should be contact LJI for guidance.

Appendix

Appendix One: Initial Business Plan Template

Appendix Two: LJI - Solvency Guide

Appendix Three: LJI QS RI Process memo



Initial Business Plan Template

Appendix One

Initial Business Plan Template For Managing Agents Planning to Join LJJ

- For the purpose of this application form, Applicant means the Managing Agent.
- Please provide all monetary amounts in GBP when completing the questions below.

1. General details

1.1 Syndicate Number: _____

1.2 Syndicate Number: _____

2. Business Plan

Please provide the forecast for three years.

Class of business	GWP (GBP)	Number of Policies	Expected Loss Ratio (%)	GWP from Binder (GBP)	GWP from Multinational Programme (GBP)
Onshore Insurance Business					
Onshore Reinsurance Business					

3. Estimated Loss Ratio (L/R) _____

4. Claims Handling Procedures _____

5. MA Participation Model if application successful

- Entry Model
- Platform Model: 1. Transition Model (3 years) ; 2.Secondment

Lloyd's Japan Solvency Guide

Appendix Two

A Guide for Syndicates on the Lloyd's platform in Japan

Version 2.0 22 MAY 2025

Disclaimer

This document is intended for the use of Lloyd's Japan participants only and is not intended for use by any other party. Whilst all care has been taken to ensure the accuracy of the information Lloyd's does not accept any responsibility for any errors or omissions. In particular, this document sets out, as at the date hereof, Lloyd's and Lloyd's Japan's interpretation and understanding of certain Japanese laws and regulations, and their application by the Japan Financial Service Agency. It should be noted that such laws and regulations, and their application, are liable to change over time, and no reliance should be placed on the contents of this document in that respect.

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Overriding Principle

Lloyd's Japan (LJI) is required to confirm the Japan regulatory funding requirements at all the times: the minimum asset requirement and solvency margin ratio. The requirements are continuous, however for practical purposes, at each quarter end, LJI should demonstrate that the required solvency margin ratio is exceeded and is expected to be exceeded in the following quarter.

Whilst regulation is applied at an LJI level, each syndicate must maintain assets in Japan sufficient to cover regulatory reserving and solvency obligations in respect of the business underwritten by that syndicate. New joiners to the platform should fund their underwriting in Japan based on their business plans.

Corporation Statutory Funding deposit

The Corporation provides a central statutory funding deposit of JPY200m which ensures that LJI, as a whole, exceeds the minimum solvency requirements at all the times.

Syndicates' solvency

The solvency status of each syndicate that participates in LJI is assessed quarterly.

At the minimum regulatory solvency requirement of 100%, qualifying capital resources = capital requirement, i.e. there is no surplus. If the Economic Value-based Solvency Ratio (ESR) is less than 100%, it triggers various prompt corrective actions from the regulator. Accordingly, syndicates need to maintain ESR in Japan in excess of 100%. LJI has adopted an internal minimum ratio of 150% and syndicate solvency assessments are carried out against this internal minimum ratio.

If the projected solvency position to the next quarter end is less than 150%, no capital may be refunded. If the projected solvency position is less than 150%, then funding up to at least 150% is required. If the projected solvency position exceeds 150% then refunds may be made to reduce the projected surplus to 150% provided sufficient liquid assets are available to refund.

Quarterly Reports to syndicates

LJI will provide syndicates with a quarterly report based on the Japan fiscal year:

- First quarter: From April 1 to June 30
- Second quarter: From July 1 to September 30
- Third quarter: From October 1 to December 31
- Fourth quarter: From January 1 to March 31

LJI will provide details of the following within 3 months of each quarter end:

- the unaudited syndicate results prepared in accordance with the Japanese regulations
- the calculation of the minimum assets surplus or shortage
- the calculation of the Economic Value-based Solvency Ratio (ESR).

Remittance to / from syndicates

LJI will take the following action based upon the result of quarterly syndicate level assessments

Surplus

At the syndicate's request LJI will remit the surplus in the month following the issue of the quarterly reports indicated above, subject to sufficient liquid assets being available.

Shortage

LJI will request the syndicate to fund any shortage when LJI reports the results to syndicates as stated above. If there is enough LJI QS and LJI Cat reinsurance settlement balance to cover the shortage, LJI will reduce the shortage from the settlement balance with the syndicate. If not, LJI request to fund any shortage, and the syndicates are required to remit the amount by the end of the following month to satisfy regulatory requirements.

Requirements

Based on the participation agreement, syndicates need to maintain assets held in Japan to comply with the Japanese regulatory requirement. Both the minimum asset requirement and the Economic Value-based Solvency Ratio (ESR) must be maintained, however the two requirements need not be independently funded.

If the properly reserved minimum assets exceed the ESR at 100% (150% for LJI), then no separate funding is required for solvency. If the properly reserved minimum assets do not exceed the ESR at 100% (150% for LJI), top-up funding is required until the ESR reaches 100% (150% for LJI).

Minimum asset requirement (Insurance Business Law Article 197)

Based on the Insurance Business Law Article 197, Syndicates need to maintain assets of more than the total insurance reserves, statutory deposits and other capital in Japan. The Corporation provides the central JPY200m statutory deposit on behalf of the market. Syndicates provide the insurance reserves, comprising unearned premium reserve, outstanding claims reserve (including IBNR) and contingency reserve. The contingency reserve is built up via a levy on net premium of between 2%-4% depending on class (except nuclear [50%] and life [different calculation method]) and is used to provide additional funding specifically for catastrophe events.

Economic Value-based Solvency Ratio (ESR) (Insurance Business Law Article 228)

Under the Insurance Business Law, the Financial Services Agency (FSA) shall continuously monitor and regularly inspect all insurance companies. The FSA can request prompt corrective actions, where they believe regulations are not being met.

The solvency margin ratio (SMR) standard was initially introduced for both life and general insurance companies in 1996. From April 1st 2025, the FSA updated the standard to economic value-based solvency regulation which is a framework designed to capture the financial condition of insurance companies through the economic value-based valuation of assets and liabilities in a forward-looking manner. ESR is calculated as the ratio of qualifying capital to capital requirement.

Qualifying capital is the difference between economic value-based assets and liabilities. The estimation of economic value-based insurance liabilities is one of the most important factors in calculating the ESR. Economic value-based insurance liabilities consist of the Current Estimate and the MOCE (Margin over Current Estimate). Additionally, by reviewing the assumptions used in calculating insurance liabilities, information about their profitability and risks can be obtained.

This standard requires insurers to make adequate provision for various risk categories, including:

- Profitability: Profit breakdowns and their projections
- Insurance risks: Insurance premium and claim reserve exposure
- Catastrophe risks: natural disaster, terrorism and unusual credit crisis etc.
- Market risks: Interest rate, Exchange rate, Concentration of major credit exposures, etc.
- Credit risks: Credit exposures for receivable balance, etc.
- Operational risks: Exposure (Premiums, Insurance Reserve balance) multiplied by a risk factor.

Further details, including the exact text of the above regulations is available from LJI on request.

Solvency Calculation Method

Minimum asset requirement	
Liability reserves	a
Claims outstanding and IBNR	b
Statutory deposit	c
Surplus (including fund remittance)	d
1. Minimum asset requirement	$1 = a + b + c + d$
Cash at bank (including LJI accounts)	f
Securities	g
Deposit with the Japan Earthquake Reinsurance	h
2. Total assets actually held	$2 = f + g + h$
Minimum Assets surplus/(Shortage)	$= 2 - 1$

Solvency Calculation Method

Economic Value-based Solvency Ratio (ESR)	
A. Qualifying capital resources	A = A1 + A2 + A3 + A4 + A5
1) Statutory Deposit	LJI Corporation only
2) Price fluctuation Reserve	Per syndicate LJI balance sheet
3) Contingency Reserve	Per syndicate LJI balance sheet
4) Brought-in Capital and Capital Reserve (Surplus)	Per syndicate LJI balance
5) Adjustment to economic value-based valuation	Adjustment for insurance reserve, and margin for estimate variation
B. Capital requirement	B = B1 + B2 + B3 + B4 + B5 + B6 + B7
1) Insurance Non-Life Risks	Earned premiums and loss reserve balance, after reinsurance, by class of business multiplied by a risk factor
2) Catastrophe Risks	Since LJI Cat reinsurance is applied (*), all risks are ceded to zero.
3) Market Risks	Asset concentration risk, asset balances concentrated in a single counterparty multiplied by a risk factor
4) Credit Risks	Cash in bank balance and Reinsurance balance multiplied by a risk factor.
5) Operational Risks	Gross insurance reserve balance or GWP multiplied by a risk factor
6) Total Diversification effects	Diversification effects between above risks
7) Utilizable tax effect on capital requirement	Tax effect mainly from Contingency Reserve and revaluation of insurance liabilities to economic-value base
Solvency Margin Ratio	= A / B
Required Solvency C (at LJI minimum 150%)	C
Surplus/(Shortage) (= A-C)	

(*) Exception: Trade Credit policies prior to 2023 did not apply LJI Cat reinsurance. For the policies, net earned premium multiplied by a risk factor.

Reflecting expected losses to surplus / shortage

If fund shortages (reserve shortage, claims and etc.) are expected in the following quarters, the excess or shortfall will be recalculated taking account of the expected losses.

Other issues

LJI will consult with each syndicate to resolve any issues that may arise. In the first instance, please contact Ryuichiro Taki or Keisuke Sano (details below) to discuss.

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LJI QS RI Process memo

Appendix Three

LJI QS RI Process memo

Introduction and Overview

Lloyd's Japan (LJI) operates two local reinsurance treaties:

- **the Lloyd's Japan Quota Share Reinsurance (LJI Q/S) Treaty**
- **the Lloyd's Japan Catastrophe Reinsurance (LJI Cat R/I) Treaty**

These treaties have been designed to provide further flexibility for syndicates writing business through LJI. By reducing the net retained risk in Japan, these support the writing of larger gross lines and allow for a reduction in local funding requirements.

Both the LJI Q/S and LJI Cat R/I treaties are the annual contracts agreed by each syndicate. Syndicates are reinsuring the original shares that syndicate wrote through LJI on each applicable original policy.

This memo is to explain the process of these reinsurances and the settlements.

LJI Q/S Scope of Application

The LJI Q/S applies to all business written through LJI, other than "Japan - Multinational Model" and "JMM" business, the process for which is detailed in a separate memo available on the Japan page of Lloyds.com (<https://www.lloyds.com/en-jp/lloyds-around-the-world/open-market-model/>).

The cession percentage applicable to business under the LJI Q/S varies in accordance with the characteristics of the business as follows:

Primary business category	LJI Q/S Cession
1. Local inwards reinsurance	100%
2. All retail and affinity policies issued to individual customers*	50%
3. All other policies	80%

* LJI does not currently write retail or affinity policies to individual customers.

LJI Cat R/I Scope of Application

For policies providing natural catastrophe coverage, the LJI Cat R/I operates on net balances following application of the LJI Q/S.

Accordingly,

For category 1 risks, the catastrophe risk is fully ceded under the LJI Q/S and no LJI Cat R/I cession is applicable.

For category 2 risks, the premium for the LJI Cat R/I cession is calculated at 58% of the retained 50% and the claims are fully recovered.

For category 3 risks, the premium for the LJI Cat R/I cession is calculated at 58% of the retained 20% and the claims are fully recovered.

Accounting Overview

Application of these two reinsurance treaties divide business written at LJI into three segments, as follows:

- i. Cessions under the LJI Q/S
- ii. Cessions under the LJI Cat R/I
- iii. Net retained risk in Japan

Only segment iii requires regulatory funds to be held in Japan, subject to the syndicate's overall Japan solvency position being adequate.

LJI accounts the transactional result (including claims paid, commission and other relevant deductions) of each segment to the syndicate on a quarterly basis. Segments i and ii are reported on quarterly reinsurance bordereaux and segment iii are reported on a quarterly retained risk report. Totalling the transactional result of each segment gives the **quarterly transactional balance**.

Separately, LJI completes a quarterly solvency calculation for the syndicate (please refer to the LJI Solvency Guide for details). This calculation determines, after satisfying solvency requirements, how much funding is available for release back to the syndicate each quarter. If sufficient solvency funds exist, the full quarterly transactional balance is remitted to the syndicate. If insufficient solvency funds exist, then the solvency shortfall is recovered* from the quarterly transactional balance and the net amount remitted to the syndicate.

All premium received from the broker/customer are retained in LJI's insurance bank account.

The amount available for release after solvency shortfall adjustment is the **quarterly remittable balance**. LJI remits this balance via the Lloyd's Central Accounting (STFO).

* Should the quarterly transactional balance be insufficient to cover the solvency shortfall, LJI will make a separate cash call on the syndicate. When large losses occur, LJI may need to make an immediate cash call on the syndicate.

Process Flow

Article 1 – Original Risk Recording & Reporting

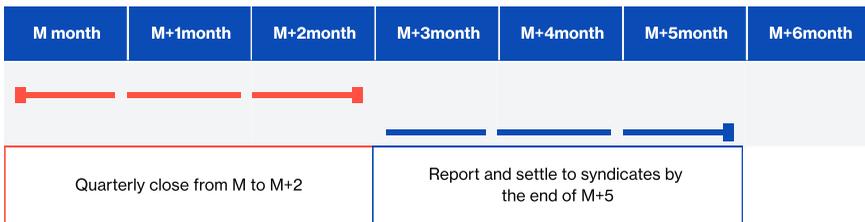
1.1

When risks are bound, LJI captures policy details, original gross premiums, deductions and all other relevant policy data in the LJI FirstGen system. The LJI Q/S primary business category is also recorded in FirstGen at this stage, defining the cession percentage applicable to that policy.

1.2

LJI reports the original gross premium to Velonetic each month by LPAN **as a noncash transaction**.

Article 2 – Quarterly Transactional Reporting



2.1

Within three months of the end of each quarter, LJI produces a LJI Q/S bordereau by syndicate to record all relevant transactional data during the subject quarter. This bordereau lists all relevant policies, together with ceded risk percentage/premium amount, SND, claims paid, commission, other deductions and other relevant data. LJI sends this report directly (and only) to nominated syndicate staff. A sample bordereau format is attached as Appendix 1.

2.2

Within three months of the end of each quarter, LJI produces a LJI Cat R/I bordereau by syndicate to record all relevant transactional data during the subject quarter. For policies providing natural catastrophe coverage, the LJI Cat R/I operates on net balances following application of the LJI Q/S. This bordereau lists all relevant policies, together with ceded risk percentage/premium amount, SND, claims paid, commission, other deductions and other relevant data. LJI sends this report directly (and only) to nominated syndicate staff. A sample bordereau format is attached as Appendix 2.

2.3

Within three months of the end of each quarter, LJI produces a retained risk report by syndicate to record all relevant transactional data during the subject quarter. This report lists all relevant policies, together with retained risk percentage/premium amount, SND, claims paid, commission, other deductions and other relevant data. LJI sends this report directly (and only) to nominated syndicate staff. A sample report format is attached as Appendix 3.

Article 3 – Reconciliation and Remittance of Cash Balances

3.1

The SND in each of the quarterly transactional reports listed in 2.1, 2.2 and 2.3 above allows the syndicate to match combined cessions and retentions at a policy level against the original monthly LPAN reports to Velonetic. Any reconciliation queries should be raised directly with LJI (ryuichiro.taki@lloyds.com) at this stage.

3.2

Within three months of the end of each quarter, LJI produces a quarterly solvency summary report. This report identifies any applicable solvency shortfall adjustment to be made against the quarterly transactional balance. A sample report format is attached as Appendix 4.

3.3

As operation of the subject two reinsurance treaties significantly reduce the amount of regulatory assets to be held in Japan, it is expected that large and potentially even medium sized claim payments require a cash call. In this eventuality, LJI will request the 100% amount of the loss as a cash call to each syndicate immediately upon the loss payment being authorised by the syndicate.

The received cash call will be recognised as a recovery in the quarterly LJI Q/S and LJI Cat R/I bordereaux, in accordance with the original policy cession, with any retained balance being recognised as part of the regulatory funds held in Japan.

Syndicates can match paid losses in the LJI quarterly transactional report against the gross loss payment reports submitted by LJI to Velonetic by LCCF.

3.4

For ease of reference, at the time of reporting, LJI includes a quarterly transaction summary sheet. This summarises the data reported in 2.1, 2.2, 2.3, 3.2 and clearly show the resultant **quarterly remittable balance** due to or from the syndicate. A sample quarterly transaction summary sheet is attached as Appendix 5.



LJI Reinsurance Process Appendices

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Appendix 1

LJI Q/S R/I Sample Quarterly Bordereau

From Lloyd's Japan Inc.(Broker code: 388)

										a	b	c	d	e=b+c+d	f=a-e	g	h	1=a*h	2=e*h	3=1-2	4=g*h	5=3-4
Under Writing Year	Unique Market Reference (UMR)	SN&D	Policy Number	Class	LJI Syndicate Share Pattern	Treaty Type	Currency	F / X Rate	Acc Year & Month	Gross Premium	Agt/Broker Com	Other expenses	LJI Fee	Expense paid in Japan	Gross Net Premium balance	Gross Loss paid	LJI Q/S R/I share	LJI QS R/I Premium	Expense recovery	Net LJI Q/S R/I Premium balance	LJI Q/S R/I Loss recovery	Net LJI Q/S R/I balance
2025	B0388***	12345	PY125*****	Property	25PYB5****	Direct	JPY	1.00	202508	1,000,000	150,000	10,000	0	160,000	840,000	0	80%	800,000	128,000	672,000	0	672,000
2025	B0388***	12340	PY125*****	Property	25PYB5****	Direct	JPY	1.00	202508	0	0	0	0	0	0	5,000	80%	0	0	0	4,000	-4,000
2025	B0388***	12343	PY125*****	Property	25PYB5****	Direct	JPY	1.00	202508	0	0	0	0	0	0	5,000	80%	0	0	0	4,000	-4,000
2025 YOA total										1,000,000	150,000	10,000	0	160,000	840,000	10,000		800,000	128,000	672,000	8,000	664,000
2026	B0388***	11003	PY125*****	Property	26PYB5****	Direct	JPY	1.00	202608	1,000,000	150,000	10,000	0	160,000	840,000	0	80%	800,000	128,000	672,000	0	672,000
2026 YOA total										1,000,000	150,000	10,000	0	160,000	840,000	0		800,000	128,000	672,000	0	672,000
Total										2,000,000	300,000	20,000	0	320,000	1,680,000	10,000		1,600,000	256,000	1,344,000	8,000	1,336,000

Note:

- LJI Q/S R/I is calculated by the gross premium multiply with the Q/S R/I share.
- The expense recovery is the total expense paid in Japan multiply with the Q/S share.
- This includes broker fee, agent commission and consulting fee and LJI Fee paid in Japan.
- Q/S Loss recovery is calculated by the gross loss paid multiply with the Q/S share.

Appendix 3 LJI Sample Quarterly Retained Risk Report

From Lloyd's Japan Inc.(Broker code: 388)

Under Writing Year	Unique Market Reference (UMR)	SN&D	Policy Number	Class	LJI Syndicate Share Pattern	Treaty Type	Currency	F / X Rate	Acc Year & Month	1 Gross Premium	2 LJI QS R/I Premium	3 LJI Cat R/I Premium	4 3rd party R/I Premium	5=1-2-3-4 Net Retained Premium	5 Expense paid in Japan	6 Expense recovery	7 LJI Cat R/I Commission	8 3rd party R/I Commission / Other Expense	9=5-6-7-8 Net Retained Expense	10 Gross Loss paid	11 LJI Q/S R/I Loss recovery	12 LJI Cat R/I Loss recovery	13 3rd party Loss recovery	14=10-11-12-13 Net Loss paid	15=5-9-14 Net Retained Risk balance
2025	B0388***	12345	PY125*****	Property	25PYB5****	Direct	JPY	1.00	202508	10,000	800,000	116,000	0	84,000	16,000	128,000	18,560	0	13,440	0	0	0	0	0	70,560
2025	B0388***	12340	PY125*****	Property	25PYB5****	Direct	JPY	1.00	202508	0	0	0	0	0	0	0	0	0	0	5,000	4,000	0	0	10,000	-10,000
2025	B0388***	12343	PY125*****	Property	25PYB5****	Direct	JPY	1.00	202508	0	0	0	0	0	0	0	0	0	0	5,000	4,000	1,000	0	0	0
2026 YOA total										10,000	800,000	116,000	0	84,000	16,000	128,000	18,560	0	13,440	10,000	8,000	1,000	0	1,000	69,560
2026	B0388***	11003	PY125*****	Property	26PYB5****	Direct	JPY	1.00	202608	10,000	800,000	116,000	0	84,000	16,000	128,000	18,560	0	13,440	0	0	0	0	0	70,560
2026 YOA total										10,000	800,000	116,000	0	84,000	16,000	128,000	18,560	0	13,440	0	0	0	0	0	70,560
Total										20,000	1,600,000	232,000	0	168,000	32,000	256,000	37,120	0	26,880	10,000	8,000	1,000	0	1,000	140,120
										(Apdx 1-a)	(Apdx 1-1)	(Apdx 2-1)			(Apdx 1-e)	(Apdx 1-2)	(Apdx 2-2)			(Apdx 1-g)	(Apdx 1-4)	(Apdx 2-4)			

Appendix 4

LJI Quarterly Solvency Summary Report

From Lloyd's Japan Inc.(Broker code: 388)

Under Writing Year		JPY
Minimum Assets surplus/(Shortage)	A	0
Required Solvency balance	B	3,000,000
Assets required in Japan (larger of A or B)	C	3,000,000
Assets held in Japan	D	2,000,000
Surplus/(Shortage)	D-C=	(1,000,000)

Note:

- Lloyd's Japan is required to meet the minimum regulatory funding requirements.For both the minimum asset requirement and solvency margin ratio.
- For the further details, please refer to the Lloyd's Japan Solvency Guide.

Appendix 5

LJI Sample Quarterly Transaction Summary Report

From Lloyd's Japan Inc.(Broker code: 388)

LJI Gross transaction

	Gross Premium	Expense paid in Japan	Gross Net Premium balance	Gross Loss paid	Gross balance
	Apdx 1-a	Apdx 1-e	Apdx 1-f	Apdx 1-g	(Apdx 1-f) - (Apdx 1-g)
Total	2,000,000	320,000	1,680,000	10,000	1,670,000 (A)

LJI Q/S R/I transaction

	Q/S R/I Premium	Q/S R/I Expense recovery	Q/S R/I Premium Balance	Q/S R/I Loss recovery	Q/S R/I balance
	Apdx 1-1	Apdx 1-2	Apdx 1-3	Apdx 1-4	Apdx 1-5
Total	1,600,000	256,000	1,344,000	8,000	1,336,000 (B)

LJI Cat R/I transaction

	Cat R/I Premium	Cat R/I Expense recovery	Cat R/I Premium Balance	Cat R/I Loss recovery	Cat R/I balance
	Apdx 2-1	Apdx 2-2	Apdx 2-3	Apdx 2-4	Apdx 2-5
Total	232,000	37,120	194,880	1,000	193,880 (C)

3rd party R/I transaction

	3rd party R/I Premium	3rd party R/I Expense recovery	3rd party R/I Premium Balance	3rd party R/I Loss recovery	3rd party R/I balance
	Apdx 3-4	Apdx 3-8	(Apdx 3-4) - (Apdx 3-8)	Apdx 3-13	(Apdx 3-4) - (Apdx 3-8)+(Apdx 3-13)
Total	0	0	0	0	0 (D)

LJI Retained Risk

	Retained Premium	Retained Expense	Retained Premium balance	Retained Loss	Retained Risk balance
	Apdx 3-5	Apdx 3-9	(Apdx 3-5) - (Apdx 3-9)	Apdx 3-14	Apdx 3-15
Total (A)-(B)-(C)-(D)=	168,000	26,880	141,120	1,000	140,120 (E)
Quarterly Transaction Balance		(B)+(C)+(E)=			1,670,000 (F)=(A)-(D)

Appendix 5

LJI Sample Quarterly Transaction Summary Report

From Lloyd's Japan Inc.(Broker code: 388)

(Note) Result of the solvency calculation

Surplus/(Shortage)	Apdx 4-1	-1,000,000	(G)
Quarterly Transaction Balance	(F)=	1,670,000	(H)
Quarterly Remittable Balance		670,000	
Balance after the settlement *	(G)-(H)=	0	(I)

Note:

- If you confirm that the balance after the settlement (I) should additionally be remitted to the syndicate, we will refund the surplus to you.

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