

# Lloyd's Principles Based Oversight Framework

Materiality Measures for setting  
Expected Maturity

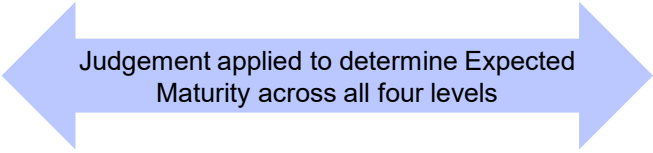
January 2026

# Materiality Measures for setting Expected Maturity

---

- The guidance supporting Lloyd's Principles for Doing Business is expressed across four levels of maturity. These levels are Foundational, Intermediate, Established and Advanced.
- The Expected Maturity level for each syndicate or managing agent is determined by materiality metrics, which are specific to each Principle (or Dimension).
- The following slides provide high-level detail of the materiality metrics and their thresholds.
- Materiality metrics drive expected maturity in most cases. However, Lloyd's may also, in exceptional circumstances, choose to override the data-led expected maturity, where the risk for a specific syndicate is not adequately captured by this.

# Materiality measures and thresholds (1 of 5)

Principle	Materiality measure	Foundational	Intermediate	Established	Advanced
Principle 1: Underwriting Profitability	<i>Metric to determine overall Principle-level materiality:</i>	< £100m	>= £100m	>= £500m	> £1bn
	<ul style="list-style-type: none"> <li>Gross Written Premium (current year SBF)</li> </ul>				
	<i>Sub-principle 6, Pricing: Criteria to determine differentiated materiality:*</i> <ul style="list-style-type: none"> <li>The starting point for expected maturity is GWP as per the above thresholds. Judgement is applied by Lloyd's Pricing team, considering a range of factors to determine the final sub-principle materiality</li> </ul>	Less sophisticated <ul style="list-style-type: none"> <li>Low frequency classes</li> <li>Limited exposure data</li> <li>Low policy volumes</li> <li>Heterogeneous risks</li> <li>Portfolio rating</li> </ul>	 Judgement applied to determine Expected Maturity across all four levels		More sophisticated <ul style="list-style-type: none"> <li>High frequency classes</li> <li>High volume of exposure data</li> <li>High policy volumes</li> <li>Homogeneous risks</li> <li>Individual risk rating</li> </ul>
	<i>Sub-principle 8, Sustainability: Criteria to determine differentiated materiality:*</i> <ul style="list-style-type: none"> <li>Strategic intent</li> </ul>	<ul style="list-style-type: none"> <li>No business written relating to transition and sustainability.</li> <li>No business written that may be at risk in the future due to transition difficulties</li> <li>TCX class not within the SBF.</li> </ul>	<ul style="list-style-type: none"> <li>Some business written by the syndicate relating to transition and sustainability.</li> <li>Minor risk to the syndicate from business written that may be at risk in the future due to transition difficulties</li> <li>Unlikely to have dedicated staff.</li> </ul>	<ul style="list-style-type: none"> <li>Transition and sustainability are a material / important part of the business the syndicate writes.</li> <li>Medium to significant risk to the syndicate from business written that may be at risk in the future due to transition difficulties</li> <li>Likely to have dedicated staff.</li> </ul>	<ul style="list-style-type: none"> <li>Primary strategic intent relates to transition and sustainability.</li> </ul>

\* Differentiated Expected Maturity at sub-principle level is described within the commentary on the Syndicate on a Page (SOAP) for Underwriting Profitability. Where this is not described, the Expected Maturity for those sub-principles remains as per the overall Expected Maturity for Underwriting Profitability.

# Materiality measures and thresholds (2 of 5)

Principle	Materiality measure	Foundational	Intermediate	Established	Advanced
<b>Principle 1a: Legacy Reinsurance Underwriting Profitability</b> <i>(Applies to RITC syndicates only)</i>	Gross Booked Reserves (Technical Provisions)	<= £1bn	N/A	> £1bn	> £2bn
<b>Principle 2a: Catastrophe Exposure - Natural Catastrophe</b>	<i>Maximum of</i> <ul style="list-style-type: none"> <li>Level of the Gross Catastrophe Risk (Gross WW All Perils TVaR 1:200)</li> </ul>	>= 2,000,000	>= 100,000,000	>= 300,000,000	>= 800,000,000
	<ul style="list-style-type: none"> <li>Catastrophe Risk Concentration (Final Net WW All Perils VaR 1:200/ ECA+Profit)</li> </ul>	<25%	>=25%	>=45%	>=65%
<b>Principle 2b: Catastrophe Exposure – Non-Natural Catastrophe</b>	<i>Either / Or:</i> <ul style="list-style-type: none"> <li>Exposure to non-nat cat exposed classes of business in absolute terms (GWP)</li> </ul>	< £50m	>= £50m	>= £250m	> £1bn
	<ul style="list-style-type: none"> <li>Proportion of non-nat cat exposed business written relative to total business written (GWP) / Materiality to syndicate</li> </ul>	-	-	-	> 99.5% AND GWP > £100m
	<ul style="list-style-type: none"> <li>Exposure to potential major non-nat cat losses (RDS analysis)</li> </ul>	-	-	-	> £500m
<b>Principle 3: Outwards Reinsurance</b>	<ul style="list-style-type: none"> <li>YOA Gross RI Premium (£m)</li> </ul>	< £90m	>= £90m	>= £225m	>= £600m
	<ul style="list-style-type: none"> <li>YOA Gross RI Premium as % of GWP</li> </ul>	<30%	>=30%	N/A	N/A
	<ul style="list-style-type: none"> <li>LCM5 1:200 AEP RI Recovery (£m)</li> </ul>	< £180m	>= 180m	>= £450m	>= £1,200m
	<ul style="list-style-type: none"> <li>Balance Sheet RI Recoverables (£m)</li> </ul>	< £200m	>= £200m	>= £400m	>= £900m
	<ul style="list-style-type: none"> <li>Balance Sheet RI Recoverables as % of ECA</li> </ul>	<100%	>=100%	N/A	N/A

# Materiality measures and thresholds (3 of 5)

Principle	Materiality measure	Foundational	Intermediate	Established	Advanced
<b>Principle 4: Claims Management</b>	<i>First three metrics aggregated to form an average to determine overall Principle-level materiality. 'Volume of open claims – lead' is double weighted:</i>	<4,000	>= 4,000	>= 9,000	> 24,000
	• Volume of open claims – lead (Absolute number)				
	• Proportion of delegated lead claims (%)	< 31%	>= 31%	>= 45%	> 60%
	• Proportion of lead vs follow claims (%)	< 20%	>= 20%	>= 30%	> 40%
	<i>Sub-principle 5, (relating to third-party management): Criteria to determine differentiated materiality: Expected Maturity follows Principle-level unless meeting threshold for Advanced:</i>	N/A	N/A	N/A	>100
<b>Principle 5: Customer Outcomes</b>	<i>Metric to determine overall materiality:</i>				
	• Applicable Policyholders (Absolute number)	0	<= 250,000	N/A	>250,000
	Applicable Policyholders is the number of Eligible Complainants reported to Lloyd's by the managing agent for the FCA Eligible Complainant Return; and the number of beneficiaries reported to Lloyd's by the managing agent on the Lloyd's Master Policy Return.				
	<i>Metric to determine materiality of Sub-principle 5 only (relating to delegated authority business): Expected Maturity follows Principle-level unless meeting threshold for Advanced:</i>	N/A	N/A	N/A	>100
	• Active Lead Binders (Absolute number)				

# Materiality measures and thresholds (4 of 5)

Principle	Materiality measure	Foundational	Intermediate	Established	Advanced
<b>Principle 6: Reserving</b>	<i>Combination of:</i>				
	<ul style="list-style-type: none"> <li>Syndicate Net Best Estimate Reserves</li> </ul>	< £200m	>= £200m	>= £1bn	> £2bn
	<ul style="list-style-type: none"> <li>Casualty classes as % of Syndicate Net Best Estimate Reserve Total (subject to minimum £100m net casualty reserve threshold)</li> </ul>	< 40%	>= 40%	>= 70%	> 90%
<b>Principle 7: Capital</b>	<ul style="list-style-type: none"> <li>Ultimate SCR (latest approved current year, excluding RICB)</li> </ul>	<ul style="list-style-type: none"> <li>&lt; £100m</li> </ul>	<ul style="list-style-type: none"> <li>&gt;= £100m</li> </ul>	<ul style="list-style-type: none"> <li>&gt;= £250m &amp; &lt;10%</li> </ul>	<ul style="list-style-type: none"> <li>&gt; £500m or uSCR &gt;£250m &amp; Syndicate Tail Risk &gt;10%</li> </ul>
	<ul style="list-style-type: none"> <li>Syndicate Tail Risk - 99.8 % to 99.5% Claims Ratio Thresholds (subject to minimum £250m uSCR materiality threshold)</li> </ul>	<ul style="list-style-type: none"> <li>N/A</li> </ul>	<ul style="list-style-type: none"> <li>N/A</li> </ul>		
<b>Principle 8: Investments</b>	<i>Asset allocation:</i> <ul style="list-style-type: none"> <li>Allocation to cash and investment grade government bonds; and/or</li> <li>Allocation to alternative assets</li> </ul>	<ul style="list-style-type: none"> <li>&gt; 90%; and 0%</li> </ul>	N/A	<ul style="list-style-type: none"> <li>&lt; 90%; or &gt;0%</li> </ul>	<ul style="list-style-type: none"> <li>&lt; 90%; and &gt;10%</li> </ul>
<b>Principle 9: Liquidity</b>	Not Applicable – Expected Maturity for all syndicates set to Foundational				
<b>Principle 10: Governance, Risk Management and Reporting</b>	<i>Metrics to determine overall materiality for all managing agents except those with only RITC syndicates:</i>	< £250m	>= £250m	>= £750m	> £1.5bn
	<ul style="list-style-type: none"> <li>Gross Written Premium (current year SBF)</li> </ul>				
	<i>Metrics to determine overall materiality for managing agents with only RITC syndicates:</i>	< £200m	>= £200m	>= £1bn	> £2bn
	<ul style="list-style-type: none"> <li>Total Size of Net Reserves</li> </ul>				

# Materiality measures and thresholds (5 of 5)

Principle	Materiality measure	Foundational	Intermediate	Established	Advanced
<b>Principle 11: Regulatory and Financial Crime</b>  <i>Metrics considered both for business written and forecasted business in next year of account</i>	<i>Metrics to determine overall materiality for all managing agents except those with only RITC syndicates: Either / Or:</i>	<40%	>=40%	>=60%	>70%
	<ul style="list-style-type: none"> <li>Amount of premium from high-risk territories</li> <li>Amount of premium from sanctioned territories</li> </ul>	<0.5%	>=0.5%	>=1%	>=2%
	<ul style="list-style-type: none"> <li>Method of placement - number of coverholders domiciled in high-risk territories</li> <li>Method of placement - number of coverholders domiciled in sanctioned territories</li> </ul>	<40%	>=40%	>=60%	>70%
		<0.5%	>=0.5%	>=1%	>=2%
	<ul style="list-style-type: none"> <li>Amount of premium in high-risk classes of business</li> </ul>	<10%	>=10%	>=20%	>30%
	<i>Metrics to determine overall materiality for managing agents with only RITC syndicates: Either / Or</i>	<=£50m	N/A	>£50m	>£100m
<b>Principle 12: Operational Resilience</b>	<ul style="list-style-type: none"> <li>Overall syndicate claims reserves arising from higher risk codes (class of business)</li> </ul>				
	<ul style="list-style-type: none"> <li>Overall syndicate claims reserves arising from high-risk territories (including sanctioned)</li> </ul>	<=£50m	N/A	>£50m	>£100m
	<i>Either / Or:</i>	<100,000	>=100,000	>=250,000	>750,000
<b>Principle 13: Culture</b>	<ul style="list-style-type: none"> <li>Number of eligible complainants</li> </ul>				
	<ul style="list-style-type: none"> <li>Total Size of Net Reserves</li> </ul>	<£750m	>= £750m	>= £1.5bn	>£2.5bn
<b>Principle 13: Culture</b>	<ul style="list-style-type: none"> <li>Total Workforce</li> </ul>	<100	>=100	>=500	N/A