LONDON MARKET GROUP

LLOYD'S LIIBA lma IUA OF LONDON

PLAN FOR THE → FUTURE

WHY THE LONDON MARKET MATTERS

Specialty insurance is a cornerstone of the UK economy and a critical supporter of other economies around the world. It provides the financial resilience that enables businesses and communities to thrive.

By transferring risk and offering protection against unforeseen events, insurance fosters confidence in investment, innovation, and long-term planning.

This stability is essential for economic growth: it allows entrepreneurs to take calculated risks, supports infrastructure development, and underpins the functioning of critical sectors such as housing, transport and energy.

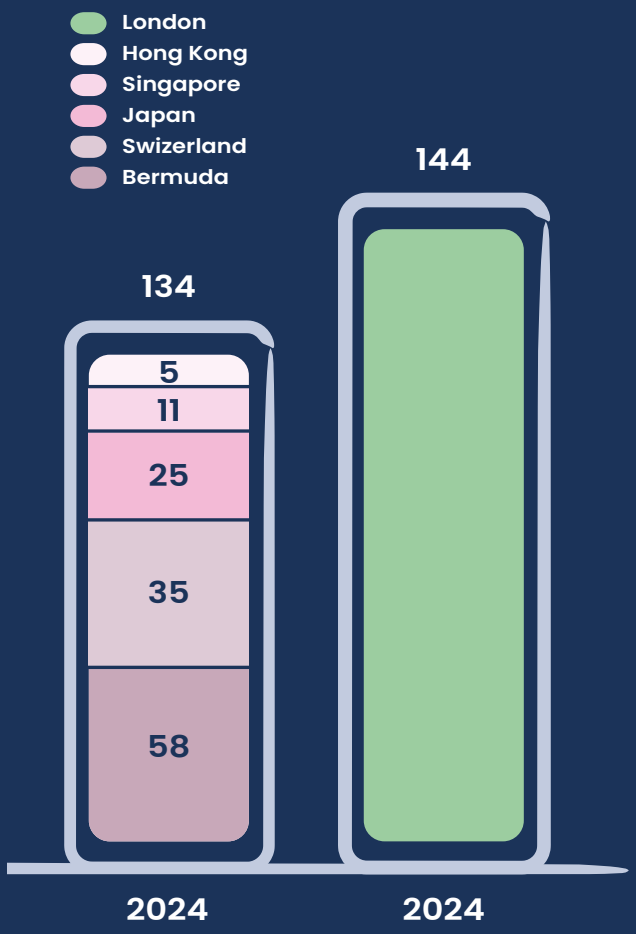
The London re/insurance market is also a jewel in the crown of the UK's financial services sector and the wider economy. It is a genuine global leader and remains larger than its closest competitors combined. It is a significant exporter with nearly 70% of its earnings coming from overseas.

The London Market is a critical driver of growth for the UK and worldwide economies.

Our latest data shows:

- **Income at the end of 2024 stood at £144 billion**, up 17% since 2022 and more than double the 2015 figure.
- **69% of that comes from overseas** – making it a significant export industry.
- **It contributes £61 billion to UK GDP**, an increase from £49 billion in 2020. This accounts for around 2.1% of the UK economy – or equal to the UK defence budget for 2025.
- **It employs 61,000 people**, two thirds of whom are based in London, with a third spread across the UK.
- **The UK's percentage of global (re)insurance market has grown over the last five years**, from 7.6% in 2020 to 8.7% in 2024.

THE LONDON MARKET IS LARGER THAN ITS FIVE CLOSEST COMPETITORS COMBINED



PROGRESS

Since the London Market Group's last Plan for the Future in 2024, significant progress has been made and there is a clear opportunity to build on this momentum:

- *The Government has published its first ever **Financial Services Growth and Competitiveness Strategy**, which identified the London Market as a priority growth sector.*
- *The **package of Leeds Reforms**, announced at Mansion House in July 2025, propose a raft of significant changes which, if implemented, would deliver significant benefits for London market firms.*
- *The Government announced the **creation of a UK captive regime**, following a long-standing LMG campaign, alongside further reforms to the Insurance Linked Securities (ILS) regime.*
- *The Government responded to the LMG's call for a dedicated structure to welcome international investors by **establishing the Office for Investment: Financial Services** in October 2025.*

The next year will be pivotal. Recent efforts have helped policymakers understand the market's value, and the next 12 months will be about turning that understanding into action, delivering key priorities and driving measurable improvements in regulatory performance.

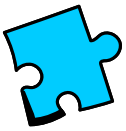
IN 2026, THE LONDON MARKET GROUP WILL FOCUS ON PROGRESSING THE FOLLOWING AREAS:

SIMPLIFICATION OF REGULATION AND INCREASING THE SPEED OF CHANGE

COMPLETING THE TOOL KIT

SECURING THE MARKET'S REPUTATION AS A WORLD-LEADING HUB FOR INNOVATION

ENSURING THE MARKET HAS ACCESS TO THE SKILLS IT NEEDS



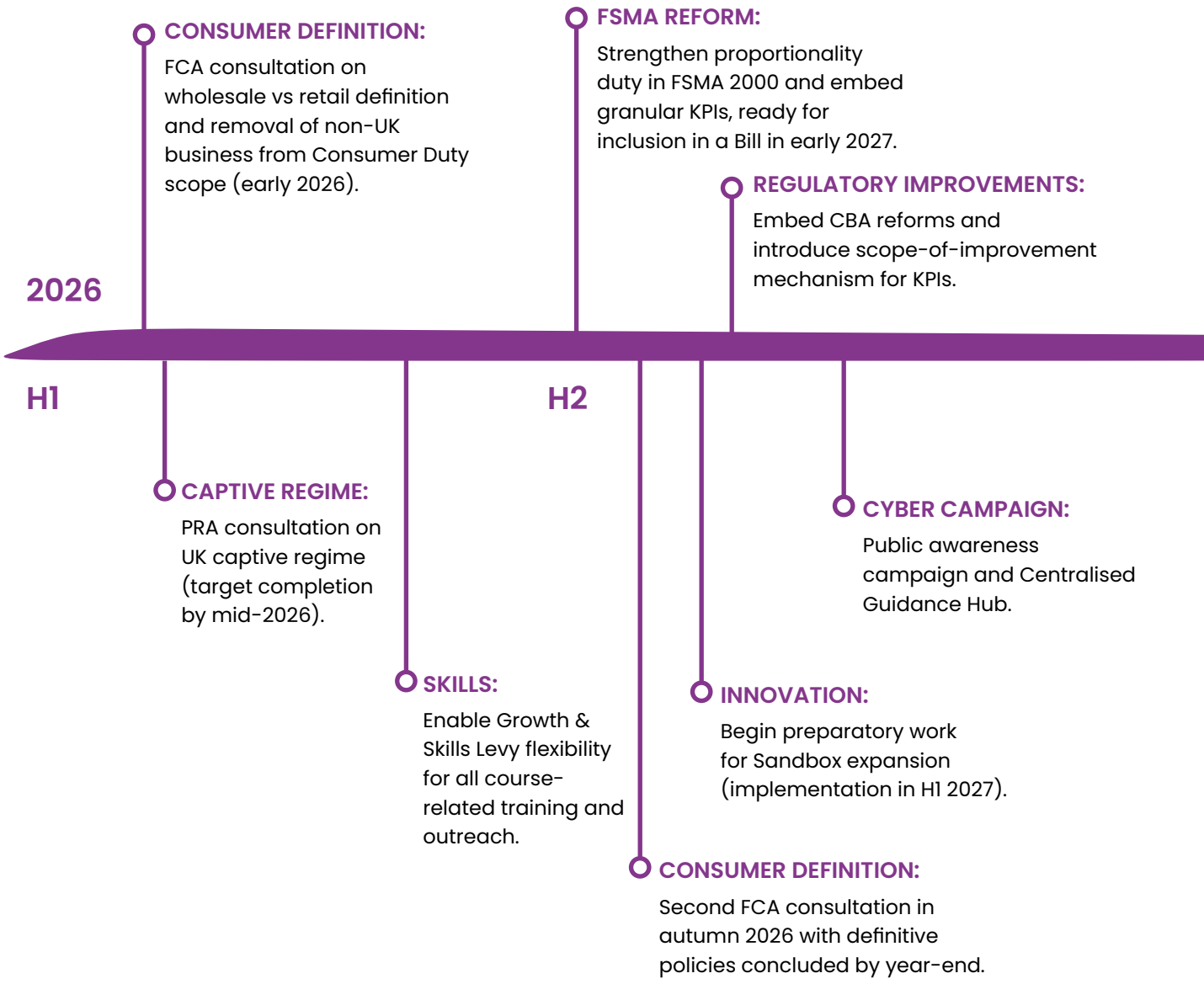
ENCOURAGING ECONOMIC RESILIENCE AND GROWTH THROUGH THE UPTAKE OF CYBER INSURANCE

DELIVERY TIMELINE 2026–2027

This timeline highlights the major regulatory reforms, market initiatives, and strategic campaigns that the market wants to see underpin the implementation of the Government's Financial Services Growth Strategy, to ensure that the London Market remains globally competitive.

Each half-year period focuses on delivering specific milestones to maintain momentum and achieve measurable progress. We believe that these ambitions are practical and represent manageable timeframes for the Government and regulators to deliver.

The LMG is ready to work collaboratively with them to help achieve these goals.



2027

H1

SOLVENCY II:
PRA should consult on Solvency II reporting reductions and removal of EU-specific rules.

INNOVATION:
Expand Sandbox approach for PRA-regulated activities.

CAPTIVE REGIME:
HM Treasury to pass secondary legislation for captives and PCCs; commence branding and promotional work.

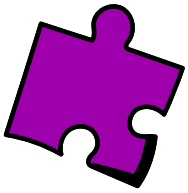
H2

SKILLS:
Adjust levy funding bands in line with inflation; expand Financial Services Skills Compact beyond current members.

CYBER CAMPAIGN:
Early Warning System.

CAPTIVE REGIME:
Full regime launch by end of 2027.

SIMPLIFICATION OF REGULATION AND INCREASING THE SPEED OF CHANGE



EMBEDDING GROWTH IN THE REGULATORY SYSTEM

The Government and the Chancellor have made clear that cutting bureaucracy to drive growth[1] is a key priority, and central to the success of its other missions for government. Industry is keen to see quick and decisive action that delivers on the Government's intent of radical reform and simplification. We welcome that the Government has set new deadlines for determining applications to drive quicker decisions for firms seeking to set up or grow in the UK.

Indicative timelines suggest that the legislative changes needed for the Senior Managers & Certification Regime (SM&CR) are expected in late 2026 through updates to the Financial Services and Markets Act 2000.

This legislation provides a key opportunity to further embed growth as a key regulatory consideration, including through a more proportionate approach to wholesale insurance, more granular and defined KPIs and greater focus on regulatory burdens and costs.

WHAT ARE THE SOLUTIONS?

The Government should consider wider amendments to FSMA 2000 beyond its commitment to reform the SM&CR. The LMG places particular importance on:

- **The proportionality duty in FSMA 2000 should be strengthened** to specifically take into account the nature of wholesale markets
- **Embed more ambitious and granular KPIs.** We believe there could be more transparency over how the regulators are reporting their operational efficiency if more granular metrics were used to measure their performance.

  Generating this level of detail on the regulators' operational efficiency through more granular metrics would provide Parliament and the Government greater insights into the operational effectiveness of the regulators.
- **Introduce a regular 'scope-of-improvement mechanism'** that automatically makes targets more ambitious once KPIs have been achieved, to ensure a culture of continuous improvement.

  We would like to see the Government give consideration towards how it can incentivise further improvements to regulators' KPIs, for instance, the overall target date being reduced over time.

1. Leeds Reforms to rewire financial system, boost investment and create skilled jobs across UK - GOV.UK

- **Embed CBA reforms**, including those set out by the FCA's CBA panel in its Interim Annual Report[2]. We believe that the Panels and their expertise, if fully utilised, could make an important contribution to understanding the true nature and cost of regulatory burdens.

  We particularly agree with the Panel's recommendation to expand CBA use to earlier stages of policy development, post-implementation review to assess real-world impact and cumulative impact assessments, rather than simply a rule-by-rule approach.

- **Introduce a statutory requirement to periodically review regulations.** The US 'Economic Growth and Regulatory Paperwork Reduction Act' requires the federal banking agencies to review their regulations at least once every 10 years. A similar requirement brought into the UK statute book would help tackle the current patchwork of information, which increases the compliance burden and can be difficult to navigate especially for smaller firms with limited resources.

MAKE SECTION 166 REVIEWS MORE TRANSPARENT AND ACCOUNTABLE

The rising numbers of Skilled Persons Reviews, Section 166s, suggest an aspect of supervisory activities which may be having a negative effect on the competitiveness of the UK. The number of FCA Section 166 reviews has fluctuated since 2015 but shows a clear upward trend. There are concerns in the market that these reviews are often used for information-gathering purposes rather than to address serious regulatory concerns.

A Freedom of Information (FOI) request revealed[3] that insurers and insurance intermediaries paid a total of £2.7 million for FCA-mandated skilled persons reviews in the financial year to 31 March 2024.

WHAT ARE THE SOLUTIONS?

Subject to an independent review by HM Treasury investigating the use of Section 166 Reviews, we would like to see:

- The legislation should be updated to require the regulators to show that there is 'a material risk of serious detriment' to regulatory outcomes before initiating Skilled Persons Reviews.

- Regulators should be required to publish more granular data on the number of reviews carried out affecting each sub-sector, and the costs of those reviews to the firms involved.

2. CBA Panel Annual Report, FCA, 2024
https://www.fca.org.uk/panels/cost-benefit-analysis-panel/publication/cba-panel-annual-report-2024.pdf

3. Insurance firms foot £2.7 million bill for section 166 reviews, Sicsic Advisory, December 2024

FURTHER OPPORTUNITIES FOR SOLVENCY II REPORTING REDUCTIONS SHOULD BE IDENTIFIED, ALONGSIDE REMOVAL OF SUPERFLUOUS EU RULES TO REDUCE REGULATORY BURDEN.

Despite progress being made to reudce the Solvency II burden, as far as possible, we would ask the Treasury to prioritise identifying which requirements can be completely removed from the reporting process. This should be done in partnership with market bodies, in order to scale requirements back to what is actually important to clients, supervisors and firms.

WHAT ARE THE SOLUTIONS?

The PRA should undertake a further review to understand which reporting requirements can be removed for wholesale insurers. This could include:

- Reducing reporting by 50% to half yearly returns, consistent with the way that insurers prepare their financial statements.
- Removing reporting requirements that were previously needed by the EU regulators.
- Withdrawing the additional national specific templates and removing the annual Regulatory Supervisory Report (RSR), simplifying and streamlining the Solvency and Financial Condition Report.
- Simplifying and streamlining the Solvency and Financial Condition Report to better meet its original objective of informing policyholders.

AGREEING A CLEAR DEFINITION OF 'CONSUMER'

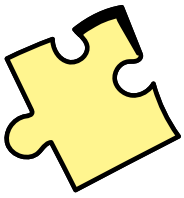
The London Market has been encouraging the FCA to take a simplified approach to the definition of consumer (creating a clear differentiation between wholesale and retail buyers) for a number of years, as well the removal of business with non-UK customers from the remit of the UK regulators.

This is a long-standing issue that must be resolved by the end of 2026. Defining what constitutes a consumer is the foundation for ensuring proportionate regulation and making the Government's growth ambitions a reality.

WHAT ARE THE SOLUTIONS?

- Ensure that any interim decisions on the definition of a wholesale customer do not have a detrimental impact of creating confusion for London Market firms.
- Remove business with non-UK customers from the scope of the Consumer Duty.
- Consult with businesses on changes to rules on the application and requirements of the Duty, including through distribution chains. Draw a clearer line when it doesn't apply on business-to-business activities which should not be captured.

COMPLETING THE TOOL KIT



INTRODUCING A COMPETITIVE UK CAPTIVE REGIME

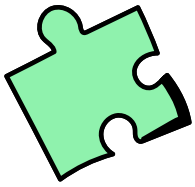
The announcement at Mansion House that the Government will be introducing a captive insurance regime is the culmination of a number of years' campaigning from the LMG. This is most welcome, and has generated significant interest from the sector in establishing/redomiciling captives within a UK framework.

The LMG welcomes the constructive engagement from the PRA and HM Treasury as they allocate additional resources to the development of the new regime. We strongly encourage all stakeholders to accelerate progress in order to capitalise on the current momentum and heightened market interest in UK captives.

WHAT ARE THE SOLUTIONS?

- The PRA should aim to conclude its consultation on the proposed regime within the first half of 2026 and target a full regime launch by spring 2027.
- In parallel HM Treasury must bring forward the necessary captive and Protected Cell Company (PCC) secondary legislation at the earliest opportunity.
- Learn from global leaders how to promote UK Captive regime – Vermont and others have dedicated teams to continuously promote their jurisdictions.
- Commence work on the branding of UK Captive regime. We think the OFI:FS is best placed to lead in making the UK an attractive captive domicile and act as a promotional arm for the regime.

SECURING THE MARKET'S REPUTATION AS A WORLD-LEADING HUB FOR INNOVATION



WORKING IN PARTNERSHIP TO FACILITATE INNOVATION

London has the agility to respond to a wide range of emerging risks through innovation.

CYBER

There is growing demand for cyber insurance, driven by a 23% increase in the number of global cyber breaches since 2021. The London Market can help customers navigate this uncertainty as it is the largest cyber insurance market in Europe, with >$5bn in GWP and 77 Lloyd's insurers offering cyber liability.

ENERGY SECURITY

Record levels of energy investment will be required to maintain energy security; the London Market is well placed to support this due to its scale and influence, ability to pool risk, a culture of innovation and market-wide specialisation and expertise.

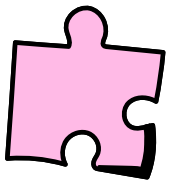
AI

The London Market can become an innovator in underwriting AI related risks, such as AI enabled crime and AI system failures. The insurance industry can respond by amending existing liability policies to include AI-specific provisions ('carve-ins') or by developing entirely new products and coverage solutions.

WHAT ARE THE SOLUTIONS?

- **A pathway for international investors:** Through the Office for Investment: Financial Services, a regulatory 'one-stop shop' should be created. This would offer firms easily available, logically organised information, and be navigable according to firm type for all regulatory information and documentation.
- **Annual investor summit with the Chancellor:** In November 2025, the LMG, senior London Market business leaders and the Chancellor of the Exchequer held an investor summit at No.11. We would urge HM Treasury to make this meeting an annual event, showing that the Chancellor recognises the importance of the London Market to the UK economy.
- **Expanding the Sandbox approach:** As part of the Government's reforms to the Sandbox infrastructure, we would like to see the expansion of the Sandbox approach to regulated activities by the PRA to encourage more innovative products and services to be developed in the UK.

ENSURING THE MARKET HAS ACCESS TO THE SKILLS IT NEEDS



ATTRACTING YOUNG TALENT TO THE LONDON MARKET

The London Market is a rapidly ageing industry, with more employees over the age of 50 than under 30. Attraction and retention of talent is vital to secure the future of the market, with the average age of the London Market expected to increase to 46 in 2034.

If current trends persist, the industry faces an annual shortfall of approximately 400 roles. A 50% increase in graduate and entry-level hiring would address this gap. The London Market is committed to doing its part by actively attracting and developing new talent to ensure a sustainable pipeline for the future, but the Government must continue removing barriers to hiring apprentices as part of this effort.

The Government's reform to the Growth and Skills Levy are a welcome start in making it more usable for firms, in particular SMEs who have previously warned the previous Apprenticeship Levy was too bureaucratic and complex to make it worthwhile. We particularly welcome the removal of the 5% co-investment rate for SMEs, meaning that training costs for all eligible apprentices under 25 are fully funded.

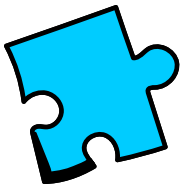
A reformed apprenticeship system is imperative not just for the London Market to thrive, but also for supporting the Government's ambition to get thousands of young people into well paid and fulfilling careers.

WHAT ARE THE SOLUTIONS?

- **Enable the Growth and Skills Levy to be spent on all course-related training, including soft skills and ongoing support** for staff. It should also be more flexible in the skills and qualifications that it support – for example data analytics or AI.
- **Adjust levy funding in line with inflation.** Levy funding bands have not kept pace with increasing training provider costs and charges (the extent of this was noted to vary from provider to provider), and have not been reviewed for a number of years, leaving companies to top up on Levy funding despite sending large sums back to HM Treasury every month. Funding bands should be reviewed and adjusted so that businesses - particularly SMEs - no longer need to top up beyond the Levy.
- **Expand the Financial Services Skills Compact work beyond members of the Financial Services Skills Commission.** The FSSC Compact[4] was a welcome announcement in the Treasury's Financial Services Growth and Competitiveness Strategy. The LMG would like to be involved in the development of the Compact to ensure the perspectives of the commercial insurance sector are taken into account.

4. Skills compact for financial services - FSSC

ENCOURAGING THE UPTAKE OF CYBER INSURANCE



WORKING WITH GOVERNMENT TO BUILD GREATER PROTECTIONS

Cyber insurance is one of the best risk mitigation strategies against a breach available, yet c.50% of large UK businesses reported having no cyber insurance. Take up of Cyber Insurance is around 10%.

Government and the insurance industry can work together to change this – for example, raising the awareness of the cyber threats SMEs face through a public awareness campaign.

Equally, it could harmonise and centralise the range of guidance available, including cyber security education, materials on cyber threats, and mitigants and insurance options.

WHAT IS THE SOLUTION?

- **Harmonise and centralise the range of guidance available**, including cyber security education, materials on cyber threats, and mitigants and insurance options. This should include, for example, guidance on mitigating malware and ransomware attacks, and event response and recovery.
- **Reform certification**, the focus of the National Cyber Security Centre and Government should be on the provision of advice and guidance, rather than accreditation.
- **Government should explore creating an early warning system** that proactively distributes information on emerging cyber threats to businesses (focusing on SMEs), to enable them to take pre-emptive action to address vulnerabilities.
- **Raise the awareness of the cyber threats SMEs face through a public awareness campaign.** This would ensure that as well as the threat, the campaign would signpost SMEs to sources of help encouraging them to implement the appropriate levels of cyber hygiene.

ABOUT THE LONDON MARKET GROUP

The London Market Group is the only body which speaks collectively for all practitioners in this significant market, representing the views of insurance brokers, those insurers and reinsurers operating within Lloyd's, and branches of overseas insurers and reinsurers operating in London – reflecting the full extent of the Market.

This plan reflects the perspectives of the International Underwriting Association of London (IUA), the Lloyd's Market Association (LMA) and the London & International Insurance Brokers' Association (LIIBA) and Lloyd's of London.

FOR FURTHER INFORMATION CONTACT

lmg@luther.co.uk

www.lmg.london

LONDON MARKET GROUP | LLOYD'S | LIIBA | lma | IUA OF LONDON