



A.M. Best Assigns Credit Ratings to Lloyd's Insurance Company S.A.; Affirms Credit Ratings of Lloyd's

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AMB#	Company Name
085202	Lloyd's
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095926	Lloyd's Insurance Company S.A.
051215	Society of Lloyd's

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FOR IMMEDIATE RELEASE

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A.M. Best has assigned a Financial Strength Rating (FSR) of A (Excellent) and a Long-Term Issuer Credit Rating (Long-Term ICR) of "a+" to **Lloyd's Insurance Company S.A.** (Lloyd's Brussels) (Belgium). The outlook assigned to these Credit Ratings (ratings) is stable. At the same time, A.M. Best has affirmed the FSR of A (Excellent) and the Long-Term ICR of "a+" of **Lloyd's** (United Kingdom) and **Lloyd's Insurance Company (China) Limited** (LICCL) (China). Additionally, A.M. Best has affirmed the Long-Term ICR of "a" of **Society of Lloyd's** (the Society) (United Kingdom) and the Long-Term Issue Credit Ratings of "a-" on the GBP 500 million 4.750% subordinated loan notes maturing 30 October 2024 and on the GBP 300 million 4.875% subordinated notes maturing in 2047. The outlook of these Credit Ratings (ratings) remains stable.

The ratings reflect Lloyd's balance sheet strength, which A.M. Best categorises as very strong, as well as its strong operating performance, favourable business profile and appropriate enterprise risk management.

The Lloyd's market benefits from its risk-adjusted capitalisation being at the strongest level, as measured by Best's Capital Adequacy Ratio (BCAR). Capital adequacy is supported by a robust risk-based approach to setting member-level capital and a strong Central Fund, which is available to meet the policyholder obligations of all Lloyd's members. A.M. Best's assessment of the balance sheet strength of Lloyd's takes into account the fungibility constraints of capital held at member level and the market's good financial flexibility, which is enhanced by the diversity of its capital providers.

The market's exposure to catastrophe risk is an offsetting factor. However, the requirement for members to replenish their funds at Lloyd's to meet their current underwriting liabilities, as part of the "coming into line" process, partly mitigates the potential for volatility

in risk-adjusted capitalisation due to operating losses. In spite of an overall loss of GBP 2.0 billion in 2017, risk-adjusted capitalisation was stable as member-level capital was replenished in line with expectations. Consequently, no members subsequently became reliant on the Central Fund.

The operating performance assessment reflects Lloyd's long-term record of strong technical performance. The five-year average combined ratio for the Lloyd's market is 96% (2013-2017), which includes an elevated combined ratio of 114% for 2017. Catastrophe losses added 18.5 points to the combined ratio in 2017 but this was not outside A.M. Best's expectations given the size of catastrophe events during the year. The technical result also was affected by an increase in the accident-year attritional loss ratio and a reduction in the level of reserve releases. A.M. Best expects the market's attritional loss ratio to improve in 2018 and 2019, supported by actions to improve performance taken by the market's central oversight function and by individual managing agents.

The favourable business profile assessment reflects the strong position of Lloyd's in its core markets, as a leading writer of reinsurance and specialty property and casualty insurance. Lloyd's has an excellent brand in these markets but an increasingly difficult operating environment poses challenges to Lloyd's competitive position. The market's business mix is well-diversified but with some geographical bias towards North America and product bias towards moderate to high-risk commercial specialty lines products.

Lloyd's Brussels is a wholly owned subsidiary of the Society that was established in 2017 to ensure that Lloyd's syndicates can continue to write insurance business in European Union (EU) countries subsequent to the U.K.'s exit from the EU. The ratings of Lloyd's Brussels reflect strong reinsurance support from Lloyd's in the form of 100% quota share contracts between Lloyd's Brussels and Lloyd's syndicates that participate on the new Brussels platform.

The ratings of LICCL likewise reflect reinsurance support from Lloyd's in the form of quota share contracts between LICCL and syndicates participating on Lloyd's China platform.

The rating of the Society is notched from the rating of the Lloyd's market, reflecting the unique relationship between the Society and the Lloyd's market, which means that the ability of the Society to meet its obligations is inextricably linked to the ability of Lloyd's to meet its obligations.

This press release relates to Credit Ratings that have been published on A.M. Best's website. For all rating information relating to the release and pertinent disclosures, including details of the office responsible for issuing each of the individual ratings referenced in this release, please see A.M. Best's Recent Rating Activity web page. For additional information regarding the use and limitations of Credit Rating opinions, please view Understanding Best's Credit Ratings. For information on the proper media use of Best's Credit Ratings and A.M. Best press releases, please view Guide for Media - Proper Use of Best's Credit Ratings and A.M. Best Rating Action Press Releases.

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