KBRA Affirms Ratings for Lloyd's of London and Lloyd's Insurance Company S.A.

Dublin (10 June 2025)

KBRA Europe (KBRA) affirms the AA- insurance financial strength ratings of Lloyd's of London and Lloyd's Insurance Company S.A., collectively referred to as Lloyd's. The Outlook for both ratings is Stable.

Key Credit Considerations

The ratings reflect Lloyd's very strong risk-adjusted capitalisation, multi-faceted capital structure, strong reserve position, conservative liquid investment portfolio, globally dominant market position, and a mature embedded risk management framework. In 2024, Lloyd's reported a Market-wide Solvency Capital Ratio of 205% (2023: 207%) and a Central Solvency Capital Ratio (CSCR) of 435% (2023: 503%), both of which were well above targets and peer benchmarks. The decrease in the CSCR was driven by an increase in required capital due to growth of the Lloyd's market and a decrease in available capital due to the repayment of the first tranche of syndicate loans and the subordinated debt that matured in October 2024. Lloyd's layered capital structure responds severally, then mutually to policyholder claims. Lloyd's has a proven track record of accessing both internal and external capital sources to supplement, if needed, the capital structure's loss-absorption capacity. At the end of 2024, the margin in the syndicate held reserves increased to 8.6% (2023: 8.0%). Adding the Central Reserve Margin of £500 million (2023: £480 million) increased the overall reserve margin to 9.4% (2023: 8.7%). As of the end of 2024, KBRA considers Lloyd's investment portfolio to be conservative and liquid with 82% in cash, government bonds and investment grade public corporate bonds. In addition, assets are well matched to liabilities. Lloyd's global market position drove 2024 earnings, which remained robust with a profit before tax of £9.6 billion (2023: £10.7 billion) and a combined ratio of 86.9% (2023: 84.0%). 2024 marked the fourth consecutive year that Lloyd's reported a combined ratio below 100%, reflective of the market's continued underwriting discipline. Lloyd's maintains a robust, appetite-driven enterprise-wide risk management framework that is tightly woven into its governance structure. Risk management is embedded in day-to-day operations as well as strategic decision-making, with quarterly risk and control assessments and routine scenario testing to ensure solvency ratios stay well above targets even under severe stresses.

Offsetting these strengths are a moderating pricing environment, Significant exposure to catastrophe/ event risk and execution risk on large transformation initiatives. Pricing continues to moderate in 2025 as the industry enters a softer phase of the cycle. The manner in which Lloyd's underwriters respond to the softening environment will drive the market's profitability over the medium term. To maintain underwriting discipline Lloyd's intends to dynamically and strategically manage the market through its Principles Based Oversight (PBO) framework. In 2024, Lloyd's major claims ratio increased to 7.8% (2023: 3.5%), driven by hurricanes and large losses such as the Dali Baltimore Bridge collision. KBRA expects Lloyd's to continue to provide meaningful cover for peak perils. At the end of 2024, Lloyd's peak catastrophe risks remained well within risk appetite and budget; however, over the recent past, KBRA notes that the main driver of catastrophe accumulation has been non-peak perils, particularly US severe convective storms. In KBRA's opinion, Lloyd's ability to assess and successfully mitigate the market's accumulation exposure to these additional perils may impact future profitability. Lloyd's faces execution risk on the successful delivery of Blueprint Two as well as reporting simplification and new reserving oversight models.

Rating Sensitivities

Combined ratios below 100% through the soft part of the market cycle, a demonstrable reduction in peak and non-peak catastrophes relative to its capital base, a meaningful reduction in its expense ratio as the benefits of Blueprint Two emerge and maintaining solvency ratios above targets even with planned market growth could result in positive rating action. One-off catastrophe or market-loss events that drive solvency ratios below targets, multiple years of combined ratios over 100%, inability to access needed capital after a stress event or significant operational missteps with Blueprint Two or PBO could result in negative rating action.

To access ratings and relevant documents, click here.

Methodologies

- Insurance: Insurer & Insurance Holding Company Global Rating Methodology
- ESG Global Rating Methodology

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Disclosures

A description of all substantially material sources that were used to prepare the credit rating and information on the methodology(ies) (inclusive of any material models and sensitivity analyses of the relevant key rating assumptions, as applicable) used in determining the credit rating is available in the Information Disclosure Form(s) located here.

Information on the meaning of each rating category can be located here.

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