S&P Global
Ratings

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Society of Lloyd's

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This report does not constitute a rating action.

Primary contact

Robert J Greensted
London
44-20-7176-7095
robert.greensted
@spglobal.com

Secondary contact

Charles-Marie Delpuech
London
44-20-7176-7967
charles-marie.delpuech
@spglobal.com

Business risk: **Very strong**

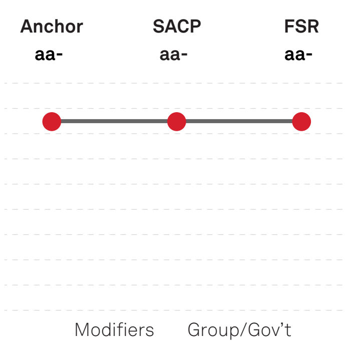
Excellent — Vulnerable

Competitive position: Very strong
IICRA: Intermediate risk

Financial risk: **Strong**

Excellent — Vulnerable

Capital and earnings: Excellent
Risk exposure: High
Funding structure: Neutral



Financial strength rating
AA-/Stable/--
Holding company ICR
AA-/Stable/--

FSR--Financial strength rating. ICR--Issuer credit rating. IICRA--Insurance industry and country risk assessment. SACP--Stand-alone credit profile.

Credit Highlights

Overview

Key strengths	Key risks
The Society of Lloyd's (Lloyd's or the market) has a unique brand and reputation, based on its position at the center of underwriting specialist risks.	Lloyd's is more exposed to catastrophe risk than most of its peers in the wider insurance sector.
The market's robust risk-based capital exceeds the capital requirement for an extreme stress scenario, that is, at the 99.99% level.	Management is undertaking a large modernization program, which carries execution risks.

Overview

Key strengths	Key risks
Strong underwriting oversight of the market is paying dividends, with a robust underwriting results over 2021-24	

We expect Lloyd's management to maintain excellent capital and earnings. Our base-case assumption is that Lloyd's risk-based capital (measured using our model) will have sufficient capital to meet the requirements for an extreme stress scenario (99.99% confidence level) over 2025-2026. We forecast Lloyd's total adjusted capital (TAC) will be more than 10% above the capital requirements for the 99.99% confidence level in that time. This will be supported by both strong earnings and capital calls on the syndicates if needed. We forecast a combined ratio of 90%-95% for 2025-2026 (these figures are based on local U.K. generally accepted accounting principles [GAAP] accounting). This is considering annual major losses of 10-12 percentage points (ppts) in terms of the combined ratio, which is more than the wider insurance sector but similar to that of reinsurance peers. Considering the material rate rises over 2020-2023 (an average of 10% per year), we think rates will either stay at the same level or fall slightly over 2025.

Lloyd's has a unique brand and position in the insurance industry, with a well-diversified premium base by geography and business line. It enjoys worldwide recognition and is considered a leading center for the writing of specialist insurance risks. We expect the market will continue to attract business and loyalty from brokers due to the depth of its underwriting expertise and face-to-face culture. The Lloyd's market's premium is generated worldwide, albeit with a significant portion of the exposure emanating from the U.S. market. Lloyd's writes many of the commercial business lines in property/casualty (P/C) insurance (accounting for 67% of premiums at year-end 2023) and reinsurance business (33%).

We think the main challenge the new leadership team at Lloyd’s faces will be the modernizing the market. Lloyd's introduced Blueprint Two in 2020, a key program that builds on its "Future at Lloyd's" plans to digitize the Lloyd's market. The scheduled target date of October 2024 for phase one of the rollout has been delayed. We think that Lloyd’s new leadership team, including chairman Sir Charles Roxburgh, CFO Alexandra Cliff, and a CEO yet to be announced, will see the program as a key target early in its tenure because the initiative carries significant execution risk. However, we expect the leadership team will maintain strong underwriting discipline in the market regardless.

Outlook

The stable outlook reflects our view that over the next two years, management will maintain a disciplined underwriting culture at Lloyd’s and continue to execute its expense-reduction strategy. Furthermore, we expect the market will maintain its capitalization above our 99.99% confidence level.

Downside scenario

We could take a negative rating action over the next 24 months if Lloyd's does not maintain profitability in line with that of its closest peers, or if we think its capital levels will not comfortably withstand extreme stress. This could occur if management:

- Does not maintain strong oversight over the syndicates, particularly if the pricing conditions deteriorate from current favorable rates;
- Compromises underwriting discipline through top-line growth; and
- Does not maintain the same level of close oversight over capital protection that helped it navigate the challenges of the COVID-19 pandemic, the start of the Russia-Ukraine conflict, and rising inflation.

Upside scenario

We are unlikely to take a positive rating action over the next 24 months.

Assumptions

- We expect growth of 1.9% in GDP in the U.S. and 0.9% in the eurozone in 2025. Growth in 2026 will remain constrained (1.9% for the U.S. and 1.4% for the eurozone).
- The policy rate-cutting cycle continues among major central banks, with widening divergence. The U.S. Federal Reserve is in the middle of the pack and has taken a wait-and-see approach as the effects of heightened U.S. policy uncertainty on growth, inflation, and employment play out. As we have forecast, almost all policy rate cuts have been 25 basis points, and we expect this to continue as long as demand and price changes remain moderate.
- Reinsurers benefit from favorable pricing, supported by terms and conditions in short-tail lines, overall underwriting discipline, and increasing reinsurance demand. In addition, the industry continues to gain from strong investment income due to high bond yields.
- (Re)insurers could see impacts on both sides of the balance sheet from financial market volatility and geopolitical tensions, coupled with a relatively high cost of capital.

Society of Lloyd's--Key Metrics

	2026f	2025f	2024	2023	2022
S&P Global Ratings capital adequacy	99.99%	99.99%	99.99%	99.99%	AAA*
Gross premium written (mil. €)	~64,000	~59,000	55,546	52,149	46,705
Net income (mil. €)	~6,500	~6,500	9,626	10,663	(769)
Return on shareholders' equity (%)	~13	~13	21	25.3	(2)
Financial leverage ratio (%)	~1.5	~1.5	1.6	2.3	2.5
EBITDA fixed-charge coverage (x)	>100	>100	187.5	182.9	35.7
Net combined ratio (non-life, %)	~92%	~90%	86.9	84	91.9

*Reflects criteria nomenclature pre-2023. f--S&P Global Ratings forecast.

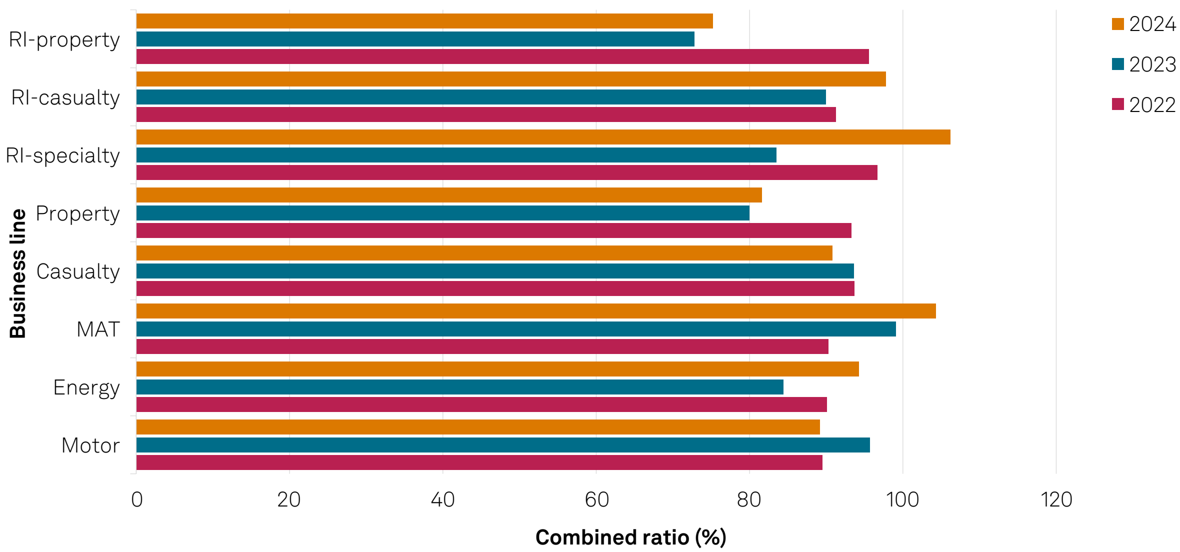
Business Risk Profile

In our opinion, Lloyd's benefits from its unique brand. It is the world's largest subscription market and has a broad geographic presence from which it distributes its wide product offering. We think the market's brand and reputation will continue to be key differentiators for the rating. The availability of one-stop shopping for niche and standard products, Lloyd’s global licensing, and the expertise of Lloyd's market underwriters will continue to attract policyholder and broker loyalty. We view this as a competitive strength.

We expect Lloyd's will continue to enjoy a leading position in the global specialty and reinsurance market. It consistently ranks among the top five global reinsurers--alongside peers Munich Re, Swiss Re, Hannover Re, and Scor--and among U.S. primary insurers like AIG and Chubb. Lloyd's has been the leading excess and surplus writer in the U.S. since 2011 and we expect it to retain this position. The market has also established itself as a key cyber risk writer over the past decade and is the leading (re)insurer for global marine and aviation business. Most of its revenue (about 65%) comes from the U.S., Canada, and the U.K.

2024 underwriting result across most business lines remains strong

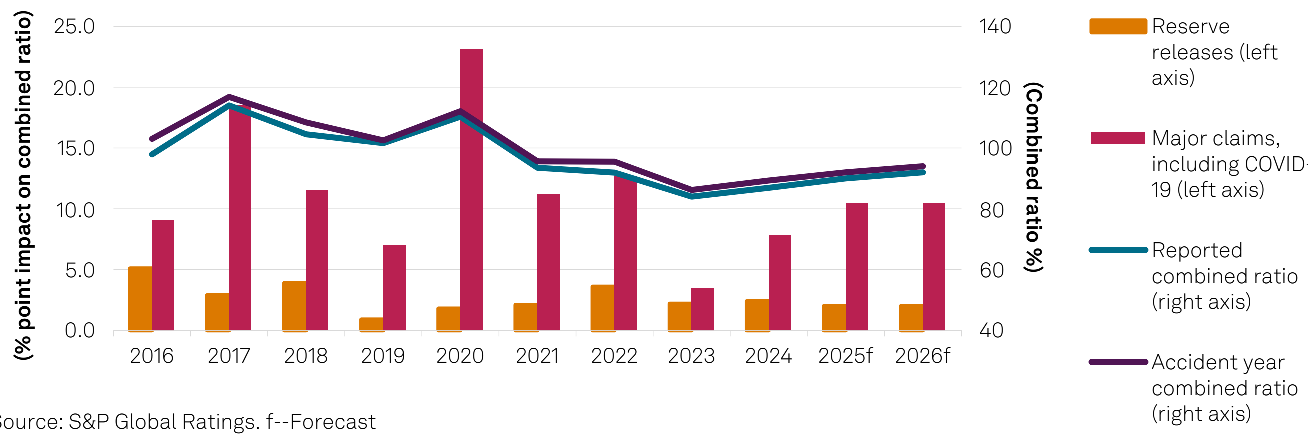
Property lines remain key factors in strong profits



Source: S&P Global Ratings. RI--Reinsurance, MAT--Marine, aviation, and transport.

We expect Lloyd's will sustain profitable underwriting in 2025 and 2026 with a net combined ratio below 95% considering its strong book of business, underwriting discipline, and still-favorable pricing conditions. We consider annual major losses of close to 10-12 ppts in the combined ratio, which is above that of the wider insurance sector. Lloyd's reported a net combined ratio of 86.9% in 2024, down from 84% the year before but still well above peer average. Major claims contributed 7.8% to the combined ratio, with significant losses mainly stemming from Hurricane Milton (£1.2 billion) and Hurricane Helene (£0.9 billion). The $2.3 billion loss estimated for the California wildfires in January 2025 will use up a significant portion of the market’s catastrophe budget, but we expect a more normal experience in the remainder of the year will allow it to record a combined ratio of close to 90%.

We expect Lloyd's underwriting performance to remain robust



Source: S&P Global Ratings. f--Forecast

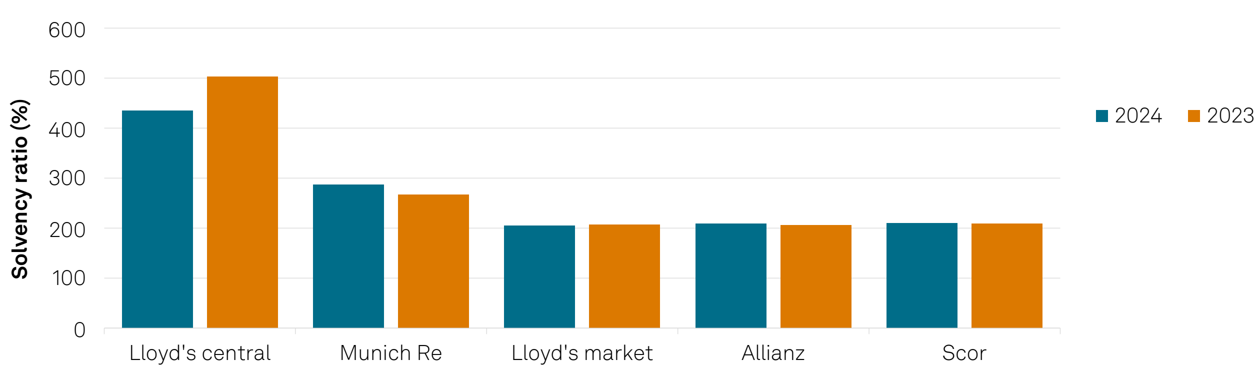
Lloyd's underwriting performance compares well with that of European reinsurance peers, emphasizing strong oversight over syndicate performance and benign major loss experience during the year.

Financial Risk Profile

We expect Lloyd's to maintain robust capital levels exceeding requirement in extreme stress, that is, above the 99.99% level as measured by our risk-based capital model through 2025-2026. We use consolidated accounts for Society of Lloyd's to calculate TAC, which includes member's funds, funds at Lloyd's, and central fund assets as per the consolidated accounts. We also recognize Lloyd's reserve surplus (syndicate view) in TAC.

In regulatory terms, Lloyd's continued to hold comfortable capital surpluses in both its 2024 marketwide regulatory solvency ratio of 205% and its central solvency ratio of 435%.

Lloyd's marketwide solvency ratio is comparable with that of peers, while central solvency remains stronger



Source: S&P Global Ratings.

In recent years, Lloyd's has acted quickly to address large claims events by accelerating capital collection from members. Should another significant claims event occur--like the 2017 hurricanes or the COVID-19 pandemic--we expect management will again seek to quickly address any capital shortfalls. Lloyd's has renewed its multiyear reinsurance cover of $812.5 million to protect its central funds against adverse events. We expect earnings will also translate into building capital levels to the extent needed. Furthermore, Lloyd's has substantially reduced its reliance on letters of credit during the past few years (15% of marketwide own funds in 2024) and we do not expect the corporation to materially increase its reliance on them.

Not all capital held by Lloyd's is fungible--only the central fund and corporation assets are available to pay all claims. However, its strong history of managing capital appropriately at the syndicate level offsets this risk. The most recent central fund loss was from the 2007 year of account. Lloyd's has also proven its ability to ask the market to recapitalize, as demonstrated in 2017 and 2020.

Lloyd's has a fairly conservative approach to investment, so we expect returns to increase marginally, reflecting increasing interest rates. According to our base-case scenario, Lloyd's will see net investment income of about 3.0% over the next two years. Its recently launched investment platform with Schroders Solutions could provide an opportunity to reduce investment expense and increase returns. Lloyd's strong investment return of £4.9 billion in 2024 reflects higher yields and the unwinding of unrealized losses on the bond portfolio incurred in recent years.

Fixed charge coverage remains strong due to positive earnings, and will likely remain comfortably above 100x. Lloyd's minimal levels of financial leverage will likely stay below 2%.

Other Credit Considerations

Governance

Our positive view of the market's governance reflects the significant expertise and experience of Lloyd's managing agents and the market's overall governance. Under the guidance of chairman Bruce Carnegie-Brown, management has made a positive impact. It has demonstrated its willingness to address Lloyd's key challenges, such as with strong underwriting performance in 2021-2023. We think the new chairman and CEO will continue to ensure underwriting discipline remains a key strength of the market.

We view positively the corporation's robust strategic planning process, which directorates relating to performance management and finance have established and improved in recent years. Initiatives such as stringent business planning process and benchmarking exercises have significantly improved performance standards and measurement. In particular, Lloyd's introduced Blueprint Two in 2020 and partnered with Schroders Solutions on a new investment platform in March 2022. These initiatives are in addition to the reinsurance cover purchased to protect the central fund.

Liquidity

Lloyd's premium income flow provides readily available liquidity and has a highly liquid asset portfolio. Furthermore, the market's ability to call on members for capital injections throughout the year and withhold profits to ensure claims are paid is a positive factor for its liquidity assessment.

Group support

We consider Lloyd's Insurance Co. S.A., Lloyd's Insurance Co. (China) Ltd., Lloyd's Kentucky Inc., and Lloyd's Illinois Inc. as core to Society of Lloyd's.

Environmental, social, and governance

In our view, Lloyd's is more exposed to environmental risks than the insurance industry average because it writes significant amounts of catastrophe exposed property reinsurance and insurance. Still, we recognize the market, just like its peers, can reprice its catastrophe contracts annually or cede the risks to help it absorb a gradual increase in claims.

Accounting considerations

Although the Lloyd's market itself is not a legal entity, the corporation provides an audited pro forma set of financial statements that combine the financial results of the Lloyd's syndicates, members' funds at Lloyd's, and the results of the Society of Lloyd's. This allows comparison with other insurance companies. Where practicable, these accounts will continue to adhere to U.K. GAAP. We view the market's financial communication and disclosure as sound and transparent. We use the consolidated accounts as a starting point for our analysis of the market.

Rating Component Scores

Business Risk Profile	**Very Strong**
Competitive position	Very strong
IICRA	Intermediate risk
Financial Risk Profile	**Strong**
Capital and earnings	Excellent
Risk exposure	High
Funding structure	Neutral
Anchor	**aa-**
Modifiers	
Governance	Neutral
Liquidity	Adequate
Comparable rating analysis	0
Current Credit Rating	
Local currency financial strength rating	AA-/Stable/--
Foreign currency financial strength rating	--
Local currency issuer credit rating	AA-/Stable/--
Foreign currency issuer credit rating	--

Related Criteria

- Criteria | Insurance | General: Insurer Risk-Based Capital Adequacy--Methodology And Assumptions, Nov. 15, 2023
- General Criteria: Hybrid Capital: Methodology And Assumptions, March 2, 2022

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Insurance | General: Insurers Rating Methodology, July 1, 2019
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

Ratings Detail (as of May 07, 2025)*	
Society of Lloyd's (The)	
Financial Strength Rating	
Local Currency	AA-/Stable/--
Issuer Credit Rating	
Local Currency	AA-/Stable/--
Junior Subordinated	A
Related Entities	
Lloyd's Insurance Co. (China) Ltd.	
Financial Strength Rating	
Local Currency	AA-/Stable/--
Lloyd's Insurance Co. S.A.	
Financial Strength Rating	
Local Currency	AA-/Stable/--
Underwriters at Lloyds of London, Illinois	
Financial Strength Rating	
Local Currency	AA-/Stable/--
Underwriters at Lloyds of London, Kentucky	
Financial Strength Rating	
Local Currency	AA-/Stable/--
Domicile	United Kingdom

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.