Best's Credit Rating Effective Date
August 06, 2026

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Information

Best's Credit Rating Methodology

Guide to Best's Credit Ratings

Market Segment Outlooks

Financial Data Presented

The financial data in this report reflects the most current data available to the Analytical Team at the time of the rating. Updates to the financial exhibits in this report are available here: Best's Financial Report.

Lloyd's

AMB #: 085202 | **AIIN #:** AA-1122000
Ultimate Parent: AMB # 051215 - Society of Lloyd's

Best's Credit Ratings - for the Rating Unit Members

Financial Strength Rating (FSR)	Issuer Credit Rating (ICR)
A+	**aa-**
Superior	**Superior**
Outlook: **Stable**	Outlook: **Stable**
Action: **Affirmed**	Action: **Affirmed**

Assessment Descriptors

Balance Sheet Strength	**Very Strong**
Operating Performance	**Strong**
Business Profile	**Very Favorable**
Enterprise Risk Management	**Appropriate**

Rating Unit - Members

Rating Unit: Lloyd's | AMB #: 085202

AMB #	Rating Unit Members	AMB #	Rating Unit Members
078649	Lloyd's Ins Co (China) Ltd	095926	Lloyd's Insurance Co. S.A.

Rating Rationale

Balance Sheet Strength: Very Strong

- The market has the strongest level of risk-adjusted capitalisation, as measured by Best's Capital Adequacy Ratio (BCAR).
- A robust capital-setting regime, which incorporates a risk-based approach to setting member-level capital and helps protect risk-adjusted capitalisation from volatility.
- Member-level capital is subject to fungibility constraints as it is held on a several rather than joint basis.
- Balance sheet strength is underpinned by a strong Central Fund that is available, at the discretion of the Council of Lloyd's, to meet the policyholder obligations of all Lloyd's members.
- The market has significant exposure to catastrophe risk and is dependent on reinsurance to manage this risk.

Operating Performance: Strong

- Lloyd's is expected to report strong operating performance across the underwriting cycle, taking into account potential volatility due to its catastrophe exposure.
- Strong pricing conditions and favorable large loss experience materialised in excellent underwriting performance in recent years. However, competitive conditions continue to soften across most lines of business in 2026, which is likely to strain underwriting performance.
- The market's expense ratio has historically been considered relatively high compared to that of peers. However, this has stablised in recent years as a result of specific actions taken by the Corporation and syndicates to reduce costs.
- The market's consolidated operating performance cannot be viewed as a leading indicator of its future balance sheet strength to the same extent as it is for other insurers. Earnings generated by the market do not directly build or erode Lloyd's capital base, as profits and losses are distributed to the market's capital providers when a year of account is closed. Lloyd's continues to demonstrate that it is able to retain and attract capital to the market.

Business Profile: Very Favorable

- Lloyd's has an excellent position in the global general insurance and reinsurance markets as a leading writer of specialty property and casualty risks. Although Lloyd's syndicates operate as individual businesses, the collective size of the market allows them to compete with international groups under the Lloyd's brand.
- Unique business proposition given the market’s ability to provide access to insurance business globally through its multitude of reinsurance and direct insurance licences.
- The market's business is well diversified by geography and lines.
- Product risk is moderate to high; however, it is mitigated through robust underwriting expertise and good exposure management practices. Higher-risk lines include reinsurance, aviation, some marine business and a high proportion of the casualty and property business written.

Enterprise Risk Management: Appropriate

- Lloyd’s enterprise risk management framework is well developed and appropriate for the size and complexity of the market.
- Risk management capabilities are aligned with the market's risk profile.
- The Corporation's risk management function works closely across other functional areas of the Corporation to provide the market additional oversight.
- An internal capital model is used to calculate the solvency capital requirement under the Solvency II regime as well as to stress test the market's risk-adjusted capitalisation. In AM Best's opinion, the internal capital model strongly supports the Corporation's ability to assess the capital adequacy of the market.

Outlook

- The stable outlooks reflect AM Best's expectation that risk-adjusted capitalisation will remain at the strongest level, supported by Lloyd's capital and catastrophe management strategy, the continued availability of the Central Fund insurance, and the requirement for members to replenish their Funds at Lloyd's following losses. Operating performance is expected to remain strong over the underwriting cycle given the ongoing oversight.

Rating Drivers

- Negative rating actions could arise should Lloyd's fail to maintain underlying performance in line with expectations.
- Negative rating actions could arise following a material deterioration in the market's risk-adjusted capitalisation, for instance, due to a substantial loss to the Central Fund or a reduction in member-level capital requirements set by Lloyd's.
- Although unlikely over the near term, positive rating pressure could arise following material improvements in the market's balance sheet fundamentals.

Key Financial Indicators

AM Best may recategorize company-reported data to reflect broader international reporting standards and increase global comparability.

Best's Capital Adequacy Ratio (BCAR) Scores (%)

Confidence Level	95.0	99.0	99.5	99.6
BCAR Score	75.3	62.9	57.3	55.3

Source: Best's Capital Adequacy Ratio Model - Global

Key Financial Indicators	2025 GBP (000)	2024 GBP (000)	2023 GBP (000)	2022 GBP (000)	2021 GBP (000)
Net Premiums Written:					
Non-Life	43,829,000	42,541,000	39,351,000	34,570,000	28,439,000
Composite	43,829,000	42,541,000	39,351,000	34,570,000	28,439,000
Net Income	10,594,000	9,626,000	10,663,000	-769,000	2,277,000
Total Assets	181,271,000	176,517,000	165,095,000	161,530,000	138,155,000
Total Capital and Surplus	49,527,000	46,851,000	44,665,000	39,602,000	35,757,000

Source: BestLink® - Best's Financial Suite

Key Financial Indicators & Ratios	2025 GBP (000)	2024 GBP (000)	2023 GBP (000)	2022 GBP (000)	2021 GBP (000)	Weighted 5-Year Average
Profitability:						
Balance on Non-Life Technical Account	5,208,000	5,314,000	5,910,000	2,641,000	1,741,000	...
Net Income Return on Revenue (%)	22.9	21.6	26.2	-2.4	8.1	16.9
Net Income Return on Capital and Surplus (%)	22.0	21.0	25.3	-2.0	6.6	15.6
Non-Life Combined Ratio (%)	87.6	86.9	84.0	91.9	93.5	88.3
Net Investment Yield (%)	4.1	4.0	3.9	-0.5	1.8	2.8
Leverage:						
Net Premiums Written to Capital and Surplus (%)	88.5	90.8	88.1	87.3	79.5	...

Source: BestLink® - Best's Financial Suite

Credit Analysis

Balance Sheet Strength

Lloyd's very strong balance sheet strength assessment is underpinned by risk-adjusted capitalisation at the strongest level, as measured by Best's Capital Adequacy Ratio (BCAR), as well as its strong financial flexibility. The market has significant exposure to potential catastrophe losses and is dependent on reinsurance to manage this risk. However, a robust market-wide capital-setting regime, which incorporates a risk-based approach to setting member-level capital, and the requirement for members to replenish their Funds at Lloyd's (FAL) after a loss, helps protect risk-adjusted capitalisation against volatility.

Lloyd’s balance sheet strength is supported by a strong Central Fund that is available, at the discretion of the Council of Lloyd's, to meet the policyholder obligations of all Lloyd's members. It is the existence of this partially mutualising link that is the basis for a market-level rating. The protection afforded to members through the Central Fund is enhanced by Central Fund insurance, which was renewed in 2024 for a period of five years.

Balance Sheet Strength (Continued...)

The market's member-level capital is held on a several rather than joint basis and is only available to meet the liabilities of the providing member. The resulting fungibility constraints on capital is considered an offsetting factor for the balance sheet strength assessment.

Capitalisation

The BCAR scores shown in this report are based on the pro forma financial statements for year-end 2025, published in Lloyd's annual report. The pro forma financial statements include the aggregate of syndicate annual accounts, members' FAL and the Society of Lloyd's (referred to in this report as the Society or the Corporation) financial statements.

Lloyd's benefits from risk-adjusted capitalisation at the strongest level, as measured by BCAR. This assessment takes into account capital resources available at member level, in the form of Members' FAL, and centrally in the form of the Central Fund and net assets of the Corporation. Capital credit is given in BCAR for FAL provided through letters of credit (LOCs), as if drawn, these LOCs will turn into Tier 1 capital for Lloyd's. Nonetheless, the use of LOCs as FAL, reduces somewhat the quality of available capital. AM Best does not give explicit credit for contingent capital in the 'callable layer', which is the ability of the Corporation to supplement central assets by calling funds from members of up to 5% of their overall premium limits.

Any assessment of Lloyd's capital strength is complicated by the compartmentalisation of capital at member level. Member-level capital in the form of FAL and members' balances are held on a several rather than joint basis, meaning that any member needs to meet only its share of claims. However, Lloyd's central assets are available, at the discretion of the Council of Lloyd's, to meet policyholder liabilities that any member is unable to meet in full. This link in the Chain of Security comprises of the Central Fund and other central assets, as well as subordinated debt. These central assets can be supplemented by the 'callable layer'. It is the existence of this partially mutualising third link, and the high liquidity of the Central Fund in particular, that is the basis for a market-level rating.

The Central Fund is secured through a five-year, multi-layered insurance cover, which was renewed in 2024 for another five years. The Central Fund insurance provides protection to the Central Fund, and therefore the market, against severe tail events. The cover will reimburse aggregate payments from the Central Fund that are in excess of USD 1.2 billion and is provided by international banks and reinsurers of excellent credit quality.

Lloyd's Internal Model (LIM) captures Lloyd's unique capital structure and takes into account fungibility constraints on member-level capital and the mutual nature of central assets. If a severe market loss led to the exhaustion of some members' FAL, central assets would be exposed to any further losses faced by these members. The model captures this mutualised exposure, so that, at different return periods, the exposure of both member-level capital and central capital is demonstrated.

Lloyd's is subject to the Solvency II regulatory regime. As agreed with the UK regulator, the Prudential Regulation Authority (PRA), Lloyd's uses its LIM to calculate two separate Solvency Capital Requirements (SCRs) and two separate SCR coverage ratios: a market-wide SCR (MWSCR) and a central SCR (CSCR). The MWSCR calculates the total capital required at a 99.5% value at risk (VaR) confidence level over a one-year period for the Lloyd's market as a whole (including the exposure of both member-level and central assets).

The CSCR is calculated at a 99.5% VaR confidence level over a one-year period in respect of the risks facing the Society and its Central Fund. It captures the risk of an event where members do not have sufficient funds to meet their losses, and central assets would need to be used to meet policyholder liabilities. Calculating a CSCR addresses the risk that a 1-in-200 year loss to central assets could be bigger than the loss to central assets in a 1-in-200 year market loss event. By calculating both figures, Lloyd's has a better view of the likelihood that central and market level assets are sufficient.

Lloyd's has approval from the PRA to use existing LOCs, in the form that they are provided as FAL, as Tier 2 capital for Solvency II purposes. However, any new LOCs provided as FAL need to be individually approved. Under Solvency II, at least 50% of the solvency capital requirement must be met by Tier 1 capital.

Since 2018 Lloyd's has implemented a phased reduction in the proportion of FAL that can be provided via LOCs, and, since December 2020 members' Tier 2 capital is not allowed to exceed 50% of their economic capital assessment (ECA) in order to minimise assets ineligible for regulatory capital credit. As at 31 December 2025, LOCs accounted for approximately 27% of total FAL and all Lloyd's Tier 2 assets were eligible to meet the MWSCR.

The MWSCR coverage ratio of 200% at year-end 2025, declined as compared with 205% at year-end 2024 largely due to an increase in underwriting risk with market growth from new entrants and changes in market conditions that have reduced modelled profitability.

Balance Sheet Strength (Continued...)

However, the CSCR of 496% at year-end 2025 improved as compared with 435% at year-end 2024 reflecting a reduction in central solvency capital requirement, in part following improvements to modelling of extreme syndicate loss risk to the central fund. In addition, there has been an increase in the Society's Own Funds with the repayment of 2020 tranches of syndicate loans. Lloyd's risk appetite for the MWSCR coverage is a minimum of 140% and the CSCR coverage is a minimum of 200%. The MWSCR target is low relative to peers, but this should be seen in light of Lloyd's good financial flexibility and the market’s capital-setting process.

Lloyd's employs strict capital-setting criteria both at member level and centrally. Individual syndicates are required to calculate a SCR at a 99.5% confidence level over both a one-year and an ultimate horizon for each underwriting year. The ultimate basis drives the determination of member level capital. A 35% uplift is applied to the ultimate SCR to arrive at the FAL requirement. The stability in the market's solvency levels over the long term, as a result of the capital-setting process, is considered to be a strength for the balance sheet assessment.

Lloyd's members are required to replenish their FAL to meet their current underwriting liabilities as part of the "coming into line" process each year. However, Lloyd's can require a member to recapitalise outside of this process if deemed necessary. Most members underwrite with limited liability. However, if FAL are eroded due to losses, affected members will have to provide additional funds to support any outstanding underwriting obligations if they wish to continue to underwrite at Lloyd's. This requirement in effect provides the market with access to funds beyond those reflected in its capital structure.

Member contributions to the Central Fund are currently calculated as 0.35% of gross written premiums per annum. The contribution rate can be increased to strengthen the Central Fund at any time.

Lloyd's good financial flexibility is enhanced by the diversity of its capital providers, which include corporate and individual investors. Traditional Lloyd's businesses remain committed to the market. In addition, Lloyd's continues to attract new investors, drawn by its capital efficient structure and global licences. As the capital to support underwriting at Lloyd's is supplied by members on an annual basis, an important factor in AM Best's analysis of the market is its ability to retain and attract the capital required for continued trading.

In 2021, Lloyd's sponsored the multi-Insurance Special Purpose Vehicle, London Bridge Risk PCC Ltd., to act as a reinsurance risk transformation vehicle onshore in the UK and facilitate the participation of institutional investors. Lloyd's sponsored a second transformation vehicle in 2022, London Bridge 2 PCC Ltd (LB2), which allows the issuance of both preference and/or debt securities to fund reinsurance obligations. By the end of 2025, the London Bridge vehicles had established 34 cells, through which around USD 3 billion of capital had been deployed.

Liquidity Analysis (%)	2025	2024	2023	2022	2021
Liquid Assets to Total Liabilities	74.3	73.5	73.2	68.1	69.8
Total Investments to Total Liabilities	82.9	81.1	83.6	78.6	82.0

Source: BestLink® - Best's Financial Suite

Asset Liability Management - Investments

The majority of Lloyd's investments are managed independently by the individual syndicates' managing agents, while the assets in the Lloyd's Central Fund are managed centrally by the Corporation. Although syndicates are able to define their own investment strategy, asset risk is generally low, with more than three quarters of the market's total investments held in bonds and cash/deposits.

In AM Best's opinion, Lloyd's maintains good overall liquidity. Managing agents are responsible for the investment of syndicate premium trust funds, although Lloyd's monitors liquidity levels at individual syndicates as part of its capital adequacy review. Overall, these funds exhibit a high level of liquidity, as most syndicate investment portfolios tend to consist primarily of cash and high-quality fixed-income securities of relatively short duration. Lloyd's also monitors projected liquidity for its central assets, which are tailored to meet the disbursement requirements of the Central Fund and the Corporation (including its debt obligations).

An investment platform to pool assets across the market was launched in the second half of 2022. Over GBP 1.6 billion in assets had already been invested/committed to the platform by mid-2026. Should participation in the investment platform be in line with the Corporation's expectations this could lead to some meaningful enhancements in non-technical returns for members, particularly smaller managing agents.

Balance Sheet Strength (Continued...)

Composition of Cash and Invested Assets	2025 GBP (000)	2024 GBP (000)	2023 GBP (000)	2022 GBP (000)	2021 GBP (000)
Total Cash and Invested Assets	109,201,000	105,201,000	100,682,000	95,872,000	83,998,000
Cash (%)	11.0	11.4	11.2	12.8	13.0
Bonds (%)	66.2	68.1	65.9	63.7	60.6
Equity Securities (%)	12.4	11.1	10.5	10.1	11.4
Real Estate, Mortgages and Loans (%)	4.2	5.0	8.8	10.3	11.0
Other Invested Assets (%)	6.2	4.4	3.6	3.1	3.9
Total Cash and Unaffiliated Invested Assets (%)	100.0	100.0	100.0	100.0	100.0
Total Cash and Invested Assets (%)	100.0	100.0	100.0	100.0	100.0

Source: BestLink® - Best's Financial Suite

Reserve Adequacy

Robust oversight of reserves is provided by the Corporation. In AM Best's opinion, reserving in the Lloyd's market tends to be prudent, with the majority of market participants incorporating an explicit margin in reserves above actuarial best estimates. Reserve surpluses, which are not fungible across the market, vary significantly between syndicates.

Total prior-year reserve releases benefitted the combined ratio by 1.7 percentage points in 2025, compared to a benefit of 2.4 percentage points in the previous year. Releases were reported across all lines of business for 2025 other than aviation, which was strengthened following judgements and settlements on Ukraine losses and, casualty, due to adverse experience in general liability, cyber and D&O lines for business written prior to 2019.

Lloyd’s exposure to open run-off years has significantly reduced over the past decade, principally due to better management of these years. At the beginning of 2025, there were five syndicates whose 2018, 2021 or 2022 underwriting years remained open, unchanged since the beginning of 2024. These run-off years reported an aggregate loss, including investment return, of GBP 8 million (2024: loss of GBP 48 million). There were five syndicates whose 2018/2021/2022 underwriting years remained open post 31 December 2025. The total number of open underwriting years at 1 January 2026 is five.

Operating Performance

Lloyd's is expected to report strong operating performance across the underwriting cycle, taking into account potential volatility due to its catastrophe exposure.

For 2025, the market reported a net profit of GBP 10.6 billion driven by an underwriting profit of GBP 5.2 billion and investment profit of GBP 6 billion. These results translated into a robust return-on-equity ratio of 22%, which significantly exceeded the market’s 10-year weighted average return-on-equity ratio of 9%.

The market's operating performance assessment is based on analysis of the overall consolidated performance of Lloyd's, considering the stability, diversity, and sustainability of the market's sources of earnings. The assessment also incorporates analysis of the performance of individual syndicates, including the spread between the strongest and worst performers, with a particular focus on the potential exposure of central capital resources to losses from individual members.

The Lloyd’s market's consolidated operating performance cannot be viewed as a leading indicator of its future balance sheet strength to the same extent as it is for other insurers. Earnings generated by the market do not directly build or erode Lloyd's capital base. The capital to support underwriting at Lloyd's is instead supplied by capital providers. Therefore, AM Best considers the impact of the market's results on its ability to retain and attract the capital required for continued trading.

Despite historical volatility in performance, the market has continued to attract new capital, with several new participants in 2025.

Underwriting Performance:

Over recent years, robust performance oversight by the Corporation, strong pricing conditions and favourable large loss experience, have supported excellent underwriting performance. For 2025, Lloyd’s reported an overall combined ratio was 87.6% (2024: 86.9%), in line with the five-year weighted average (2021-2025) combined ratio of 88.3%.

Operating Performance (Continued...)

Underwriting performance is subject to volatility due to the nature of business underwritten; however, for 2024 and 2025, natural catastrophe claims remained within budget as reflected by major claims contribution to the combined ratio of 7.8% and 5.8% respectively. 2025 was largely a benign catastrophe year with the California Wildfires being the only major event for the year. 2024 was impacted by several events such as Hurricanes Milton, Helene and Beryl.

The attritional loss ratio deteriorated slightly to 47.9% for 2025 (2024: 47.1%) driven by the softening rate environment; however, underwriting discipline appears to have largely been maintained in the market. Prior year reserve releases benefitted the combined ratio by 1.7 percentage points for 2025 (2024: 2.4 percentage points).

An increase in combined ratios was observed across a few segments in 2025 and most notably for the marine, aviation and energy segment which reported a combined ratio of 103.5%, largely due to strengthening of Ukraine conflict related loss estimates. The casualty segment reported a combined ratio of 100.8% driven by deterioration in the 2025 accident year combined ratio and adverse development of business written prior to 2019. For the property insurance and reinsurance segments, performance in 2025 remained supported by adequate rate and prior year reserve releases resulting in solid combined ratios of 75.4% and 86.6%, respectively.

The market's operating expense ratio is high compared to that of conventional re/insurance groups that could be considered as peers, often in the mid-to-high 30% range (2025: 35.6%). Actions continue to be taken to reduce the cost of placing business at Lloyd’s.

After experiencing strong consecutive rate increases in previous years, softening pressures emerged in 2025 and have intensified in 2026. The market is expected to remain focused on cycle management; however, prospective underwriting performance is likely to be strained. In addition, a prolonged conflict in the Middle East with insured infrastructure being targeted is likely to result in losses for the Lloyd’s market, given it is the key reinsurer for the region and a lead reinsurer for marine war risks. The 2026 outlook provided by the Corporation indicates a net combined ratio expectation of 90-95% subject to large claims falling within allowance.

Performance on a Year of Account (YOA) Basis:

The 2023 YOA closed at the end of 2025 with an overall profit of GBP 8.7 billion (2022: GBP 4.9 billion). The 2023 YOA was impacted by major claims events such as wildfires in Hawaii, Türkiye-Syria earthquake, Hurricane Idalia and tropical cyclone Gabrielle.

Investment Performance:

Investment returns (including gains/losses) for the market were on average 2.8% in the period 2021-2025, ranging from -3.5% (2022) and 5.6% (2025). In 2025, the market reported significant investment returns, driven by the strong performance of the fixed income portfolio in a higher-interest rate environment.

Financial Performance Summary	2025 GBP (000)	2024 GBP (000)	2023 GBP (000)	2022 GBP (000)	2021 GBP (000)
Pre-Tax Income	10,594,000	9,626,000	10,663,000	-769,000	2,277,000
Net Income after Non-Controlling Interests	10,594,000	9,626,000	10,663,000	-769,000	2,277,000

Source: BestLink® - Best's Financial Suite

Operating and Performance Ratios (%)	2025	2024	2023	2022	2021
Overall Performance:					
Return on Assets	5.9	5.6	6.5	-0.5	1.7
Return on Capital and Surplus	22.0	21.0	25.3	-2.0	6.6
Non-Life Performance:					
Loss and LAE Ratio	52.0	52.5	49.6	57.5	57.9
Expense Ratio	35.6	34.4	34.4	34.4	35.5
Non-Life Combined Ratio	87.6	86.9	84.0	91.9	93.5

Source: BestLink® - Best's Financial Suite

Business Profile

Lloyd's very favourable business profile assessment reflects its excellent position in the global general insurance and reinsurance markets as a leading writer of specialty property and casualty risks. The market’s ability to provide access to insurance business

Business Profile (Continued...)

globally through its multitude of reinsurance and direct insurance licences is a key competitive strength. In addition, the growing size of the market demonstrates its ability to attract and retain investors due to its unique business proposition that offers a capital efficient structure.

Market Position:

Lloyd's occupies an excellent position in the global general insurance and reinsurance markets as a leading writer of specialty property and casualty risks and is a market leader in a number of business lines. Recent new entrants to the market include prominent insurance groups such as Allianz, Coface and Convex.

Although Lloyd's syndicates operate as individual businesses, the collective size of the market allows them to compete with major international groups under the Lloyd's brand. The market's competitive strength stems from its strong brand, licences, and reputation for innovative and flexible underwriting, supported by the pool of underwriting expertise in London.

Product Diversification and Product Risk:

Total gross written premium (GWP) grew by 4.2% in 2025 to GBP 57.9 billion (2024: GBP 55.5 billion) mainly due to volume growth by existing and new syndicates, in part offset by negative price impacts and foreign exchange changes. Insurance business accounted for 65% of premium revenue in 2025 and reinsurance for the balance. This split has been relatively stable in recent years.

The market is well diversified by line of business with a focus towards commercial lines over personal lines.

Product risk is moderate-to-high, as the business that comes to Lloyd's is predominantly specialty business that requires expert underwriting. High product risk lines include reinsurance, energy, aviation, most marine business, and a high proportion of the casualty and property business written.

Reinsurance is the market's largest segment and accounted for 35% of GWP in 2025. Reinsurance business comprises of property, casualty and specialty reinsurance (primarily marine, aviation and energy reinsurance).

Casualty business was Lloyd's second largest segment and accounted for 25% of GWP in 2025. The main products written are long-tail general liability, financial and professional, workers compensation/employer’s liability and medical malpractice. Accident & health and cyber business is also accounted for within this segment.

Property insurance business is Lloyd's third largest segment and accounted for 23% of GWP in 2025. Property consists of a broad range of risks written worldwide, made up of predominantly excess and surplus lines business. Delegated authority arrangements such as coverholder frameworks represent a high proportion of the distribution mix for this class.

The remaining segments of marine, aviation, and energy (12%), political risk and credit risk (6%), and life (<0.1%) together accounted for approximately 18% of GWP in 2025.

Geographical Diversification:

Lloyd's writes a global portfolio of risk, albeit with some bias to North America which accounted for nearly half of GWP in 2025. The remainder was split across the rest of Europe, UK, Australia and other markets.

Lloyd’s has an extensive licensing network comprising of approximately 200 reinsurance licenses and 75 direct licenses which is also viewed to be its key competitive strength. There are over 3,300 coverholder office locations connected to Lloyd’s with a local presence in 200 territories. The market's network of licences provides syndicates with access to a wide international client base, which is of benefit in particular to the syndicates that are not part of global insurance groups.

Distribution Channels:

The distribution of Lloyd's business is dominated by insurance brokers, and in particular by the top three largest global brokers. Lloyd's brokers play an active part in the placement of risks and in providing access to regional markets. In recent years, Lloyd’s syndicates have materially increased capacity provided to broker facilities.

Business Profile (Continued...)

In addition, a significant part of Lloyd's business is distributed via coverholders (accounting for circa 40% of GWP), which write business on behalf of syndicates under the terms of a binding authority. Coverholders are important in bringing regional business to Lloyd's and providing the market with access to small and medium-sized risks.

The Lloyd's distribution model is expensive, with business often passing through several distribution links before arriving at Lloyd's. The market's reliance on brokers also makes it vulnerable to price-based competition. Although in overall terms, Lloyd's is important to the large global brokers (as well as to the specialised London market brokers), the importance of individual syndicates is less so.

Enterprise Risk Management

The enterprise risk management (ERM) of Lloyd's is assessed as appropriate. The market's enterprise risk framework is considered to be developed, and risk management capabilities are aligned to its risk profile.

Lloyd's ERM is designed to manage risks arising from the market and the Society. It provides an extra layer of oversight over the market's risks that are also managed through the risk functions of individual managing agents. Nonetheless, the ability of the Corporation to actively manage the market's risks is limited as it is supervising individual and competing syndicates, each with their own risk appetites and commercial strategies.

Under the Lloyd's Act 1982, the Council of Lloyd's (the Council) is responsible for the management and supervision of the market as the governing body of the Society. The key committees of the Council are the Nominations and Governance Committee, Audit Committee, Risk Committee and Remuneration Committee. The Risk Committee is responsible for the identification and management of Lloyd's key risks.

The Council manages risks by setting and monitoring the risk appetite framework. The risk appetites are reviewed on a regular basis and may be updated as required. The framework includes key risks and a number of underlying monitoring metrics. The risk appetites are structured under the three risk objective pillars of sustainability, solvency, and operational.

Over the past several years, there has been a much tougher tone and more active approach taken by the Corporation's oversight functions to managing under-performing syndicates as well as the under-performing lines. The enhanced oversight has led to some syndicates being put into run-off as well as others exiting certain loss-making lines of business. This additional scrutiny has led to meaningful improvements in underlying performance over the last several years.

The Council is gradually strengthening culture and governance at Lloyd's to ensure accountability of the executive team. Policies and processes are being improved in light of the investigation held on the previous CEO for alleged misconduct. Code of Conduct policies are also being refreshed after Lloyd's investigation concluded that the previous CEO breached compliance rules around disclosure of perceived conflict of interest. The recent shelving of the market's key transformation project, Blueprint 2, has highlighted that technology projects are another area where approval and oversight processes need strengthening to manage operational risks effectively.

The Society and its managing agents are regulated by The Bank of England, acting through the PRA, as well as by the Financial Conduct Authority (FCA). Lloyd's remains subject to the Solvency II regulatory and capital regime. It applies to the "association of underwriters known as Lloyd's" as a collective entity.

Lloyd's uses an internal capital model to calculate its SCR and SCR coverage ratios, with approval from the PRA. An internal model has been in use since 2012, although the current model has undergone material changes since then. In AM Best's opinion, the Corporation's ability to assess the capital adequacy of the market has been strongly improved by its capital modelling work.

Lloyd's recognises that one of the greatest risks to the Central Fund is the market's exposure to natural catastrophes, albeit risks from non-natural catastrophe losses, such as cyber and liability, are growing. The catastrophe model component of the LIM allows the Corporation to assess catastrophe risk across return periods and, in AM Best's opinion, has improved its ability to monitor the market's aggregate catastrophe exposure against a defined risk appetite. The Catastrophe Risk Oversight Framework enables Lloyd's to apply more stringent minimum capital requirements to exposure growth in syndicates with poor performance track records and catastrophe risk management capabilities. Recognizing the increased frequency of secondary perils, Lloyd's requires syndicates with material exposures for such perils to report more granular data, ensuring they are appropriately captured in the syndicates' models and in the Lloyd's Catastrophe Model.

Enterprise Risk Management (Continued...)

Moreover, Lloyd's Realistic Disaster Scenarios (RDSs) continue to play a critical role in exposure management at Lloyd's, both as benchmark stress tests validating the internal model output and as a source of data. The scenarios are defined in detail annually by Lloyd's and are used to evaluate aggregate market exposures as well as the exposure of each syndicate to certain major events. Syndicate-level scenarios are prepared by each managing agent, reflecting the particular characteristics of the business that each syndicate writes. In addition, Lloyd's asks for syndicates' aggregate exceedance probability loss at a 1-in-30-year and 1-in-200 return period for various regional perils. As the Lloyd's RDSs represent different return periods for different syndicates, collecting this additional data helps to ensure a uniform treatment of syndicates' exposure to large losses.

Reinsurance Summary

Lloyd's has moderate dependence on reinsurance. This is due to the nature of the market, which consists of small-to-medium sized business that independently purchase reinsurance. The market as a whole ceded approximately 25% of its GWP in 2025. This amount includes reinsurance from syndicates to their related groups as well as reinsurance between individual Lloyd's syndicates.

Lloyd's oversight function monitors individual syndicates' reinsurance placements to ensure the appropriateness and credit quality of the market's overall use of reinsurance.

Environmental, Social & Governance

As a writer of global commercial property policies, Lloyd's is exposed to the impacts of changing climate trends, namely the increased severity and frequency of natural catastrophe losses. In AM Best’s view the market uses reinsurance to manage climate risk and has applied more stringent minimum capital requirements for syndicates approved to write catastrophe-exposed business (based on their past performance). Catastrophe modelling and accumulations are managed to ensure that the market’s exposure to natural catastrophes is maintained within its risk appetite.

Lloyd's has a large book of US casualty business that is susceptible to adverse social inflation trends. AM Best defines social inflation as the rise in cost of current and future claims caused by higher court awards and legislated rises in claims payments driven by changing social behaviour. This has contributed to reserve strengthening of casualty provisions over several years and has been an area of additional oversight and focus by the Corporation's actuarial team.

Financial Statements

Balance Sheet	12/31/2025 GBP (000)	%	12/31/2025 USD (000)
Cash and Short Term Investments	12,061,000	6.7	16,274,179
Bonds	72,308,000	39.9	97,566,814
Equity Securities	13,520,000	7.5	18,242,841
Other Invested Assets	11,312,000	6.2	15,263,537
Total Cash and Invested Assets	109,201,000	60.2	147,347,371
Reinsurers' Share of Reserves	31,835,000	17.6	42,955,683
Debtors / Amounts Receivable	29,398,000	16.2	39,667,384
Other Assets	10,837,000	6.0	14,622,608
Total Assets	181,271,000	100.0	244,593,046
Unearned Premiums	28,808,000	15.9	38,871,284
Non-Life - Outstanding Claims	84,643,000	46.7	114,210,708
Insurance Contract Liabilities, Net of Assets:			
Total Gross Technical Reserves	113,451,000	62.6	153,081,992
Debt / Borrowings	4,731,000	2.6	6,383,645
Other Liabilities	13,562,000	7.5	18,299,512
Total Liabilities	131,744,000	72.7	177,765,149
Retained Earnings	15,981,000	8.8	21,563,524
Other Capital and Surplus	33,546,000	18.5	45,264,374
Total Capital and Surplus	49,527,000	27.3	66,827,897
Total Liabilities and Surplus	181,271,000	100.0	244,593,046

Source: BestLink® - Best's Financial Suite

Income Statement	Non-Life GBP (000)	Life GBP (000)	Other GBP (000)	12/31/2025 Total GBP (000)	12/31/2025 Total USD (000)
Gross Premiums Written	57,870,000	...	...	57,870,000	78,085,295
Net Premiums Earned	41,994,000	...	...	41,994,000	56,663,451
Net Investment Income	...	...	4,354,000	4,354,000	5,874,950
Realized capital gains/(losses)	...	...	521,000	521,000	702,997
Unrealized capital gains/(losses)	...	...	1,135,000	1,135,000	1,531,481
Total Revenue	41,994,000	...	6,010,000	48,004,000	64,772,879
Benefits And Claims	21,847,000	...	...	21,847,000	29,478,650
Net Operating And Other Expenses	14,939,000	...	624,000	15,563,000	20,999,507
Total Benefits, Claims And Expenses	36,786,000	...	624,000	37,410,000	50,478,156
Pre-Tax Income	5,208,000	...	5,386,000	10,594,000	14,294,723
Net Income before Non-Controlling Interests	...	...	...	10,594,000	14,294,723

Source: BestLink® - Best's Financial Suite

Related Methodology and Criteria

Best's Credit Rating Methodology, 08/29/2024

Catastrophe Analysis in AM Best Ratings, 02/27/2026

Available Capital and Insurance Holding Company Analysis, 09/18/2025

Rating Lloyd's Operations, 03/21/2024

Scoring and Assessing Innovation, 02/20/2025

Understanding Global BCAR, 07/16/2026