Best's Credit Rating Effective Date
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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.
- Improved market conditions, as well as the robust performance oversight by the Corporation, materialised in measurable improvements in underwriting performance in recent years, as evidenced by combined ratios of 87% and 84% for 2024 and 2023, respectively.
- The market's expense ratio has historically been considered relatively high compared to that of peers. However, this has decreased, and stablised in the more 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, energy, aviation, some marine business and a high proportion of the casualty and property business written. The majority of small commercial and consumer business, as well as some of the business written through coverholders, is typically of lower risk.

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	74.9	62.1	56.4	54.5

Source: Best's Capital Adequacy Ratio Model - Global

Key Financial Indicators	2024 GBP (000)	2023 GBP (000)	2022 GBP (000)	2021 GBP (000)	2020 GBP (000)
Net Premiums Written:					
Non-Life	42,541,000	39,351,000	34,570,000	28,439,000	25,826,000
Composite	42,541,000	39,351,000	34,570,000	28,439,000	25,826,000
Net Income	9,626,000	10,663,000	-769,000	2,277,000	-887,000
Total Assets	176,517,000	165,095,000	161,530,000	138,155,000	128,304,000
Total Capital and Surplus	46,851,000	44,665,000	39,602,000	35,757,000	33,146,000

Source: BestLink® - Best's Financial Suite

Key Financial Indicators & Ratios	2024 GBP (000)	2023 GBP (000)	2022 GBP (000)	2021 GBP (000)	2020 GBP (000)	Weighted 5-Year Average
Profitability:						
Balance on Non-Life Technical Account	5,314,000	5,910,000	2,641,000	1,741,000	-2,676,000	...
Net Income Return on Revenue (%)	21.6	26.2	-2.4	8.1	-3.2	12.1
Net Income Return on Capital and Surplus (%)	21.0	25.3	-2.0	6.6	-2.8	10.9
Non-Life Combined Ratio (%)	86.9	84.0	91.9	93.5	110.3	92.0
Net Investment Yield (%)	4.0	3.9	-0.5	1.8	2.2	2.4
Leverage:						
Net Premiums Written to Capital and Surplus (%)	90.8	88.1	87.3	79.5	77.9	...

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 potential exposure to 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

Balance Sheet Strength (Continued...)

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.

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 2024 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.

The Society was formed in 1871, when the then existing association of underwriters at Lloyd's was incorporated by the Lloyd's Act. The Society produces consolidated financial statements that cover Lloyd's activities outside the underwriting market and Lloyd's central resources (the Central Fund).

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 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 funds called from members of up to 5% of their overall premium limits. 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 1.1 billion and is provided by international 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 calculates 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.

Balance Sheet Strength (Continued...)

Since 2018 Lloyd's has been implementing 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 2024, LOCs accounted for approximately 18% of total FAL and all Lloyd's Tier 2 assets were eligible to meet the MWSCR.

The MWSCR coverage ratio stood at 205% at year-end 2024 (2023: 207%), while the CSCR coverage ratio stood at 435% (2023: 503%). Both ratios decreased at year-end 2024, compared with year-end 2023, in part driven by growth in the market. In addition, the CSCR reduction was driven by repayment of the first tranche of syndicate loans and the subordinated debt that matured in October 2024. Lloyd's risk appetite for 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 reduced in 2016 to 0.35% of gross written premiums (from 0.50% of capacity) 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.

To this end, as detailed in the Future at Lloyd's prospectus, one of the objectives of Lloyd's is to improve the ease of doing business and, specifically, make it easier for capital to enter the marketplace. This included reinventing the way that capital comes into the market and making it flexible to access a diverse set of insurance risks on the Lloyd's platform.

In 2021, Lloyd's sponsored a new 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 2024, the London Bridge vehicles had established 19 cells, through which USD 1.9 billion of capital had been deployed.

Liquidity Analysis (%)	2024	2023	2022	2021	2020
Liquid Assets to Total Liabilities	73.5	73.2	68.1	69.8	70.7
Total Investments to Total Liabilities	83.2	83.6	78.6	82.0	84.0

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. Exposure to shares and other variable yield securities accounted for circa 10% of invested assets in 2024.

Balance Sheet Strength (Continued...)

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 billion in assets has already been invested/committed to the platform. 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.

Composition of Cash and Invested Assets	2024 GBP (000)	2023 GBP (000)	2022 GBP (000)	2021 GBP (000)	2020 GBP (000)
Total Cash and Invested Assets	107,890,000	100,682,000	95,872,000	83,998,000	79,951,000
Cash (%)	11.2	11.2	12.8	13.0	13.1
Bonds (%)	66.4	65.9	63.7	60.6	59.7
Equity Securities (%)	10.8	10.5	10.1	11.4	11.3
Real Estate, Mortgages and Loans (%)	7.4	8.8	10.3	11.0	12.1
Other Invested Assets (%)	4.3	3.6	3.1	3.9	3.8
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 benefited the combined ratio by 2.4 percentage points in 2024, compared to a benefit of 2.2 percentage points in the previous year. Releases were reported across all lines of business for 2024 except for casually reinsurance segment, which reported strengthening for business written prior to 2019, and aviation, due to strengthening of loss estimates pertaining to the Russia/Ukraine conflict.

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 2024, there were five syndicates whose 2018, 2020 or 2021 underwriting years remained open compared to seven syndicates at the beginning of 2023. These run-off years reported an aggregate loss, including investment return, of GBP 48 million (2023: loss of GBP 7 million). There were five syndicates whose 2018, 2020 and 2021 underwriting years remained open post 31 December 2024. The total number of open underwriting years at 1 January 2025 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.

In 2024, the market reported a net profit of GBP 9.6 billion. This resulted from an underwriting profit of GBP 5.3 billion and investment profit of GBP 4.9 billion. These results translated into a robust return-on-equity ratio of 21%, which significantly exceeded the market’s 10-year weighted average return-on-equity ratio of 7%.

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.

Operating Performance (Continued...)

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 volatility in performance over the longer term, the market has continued to attract new capital, with several new participants in 2024. AM Best notes that there have also been a number of syndicate closures since 2018, coinciding with the Lloyd's Decile 10 review and the winnowing out of weaker performing syndicates from the market as part of the Corporation's Performance Management Directorate (PMD) strategy.

Underwriting Performance

Over the past few years, remedial work undertaken across the market and robust performance oversight by the Corporation, as well as improved market conditions in more recent years, have supported measurable improvements in underlying performance. The accident-year combined ratio (excluding major claims) has fallen in each year since 2017. In 2024, the overall combined ratio was 86.9% (2023: 84%), resulting in a 5-year average (2020-2024) combined ratio of 92%.

Underwriting performance is subject to volatility due to the nature of business underwritten; however, for 2024, natural catastrophe claims remained within budget as compared to a more benign experience in 2023. As a result, major claims contribution to the combined ratio increased to 7.8% for 2024 as compared with 3.5% for 2023. Major claims for 2024 comprised natural catastrophe losses such as Hurricanes Milton, Helene and Beryl. The 2024 events were more severe as compared to 2023 events such as Hurricane Idalia, Maui Wildfire, Hurricane Otis and the Middle East Earthquake.

The attritional loss ratio improved to 47.1% for 2024 (2023: 48.3%) and is reflective of the positive rate environment and emphasis on underwriting discipline across the market. Prior year reserve releases benefitted the combined ratio by 2.4 percentage points for 2024 (2023: 2.2 percentage points).

In terms of line of business performance, property outperformed the rest in 2024 with a combined ratio of 75.2% for the property reinsurance segment and 81.6% for the direct property insurance segment. This was largely driven by a strong rating environment and favourable prior year movement. Moderation in combined ratios was observed across many lines of business in 2024. Specialty reinsurance and MAT (marine, aviation and transport) were the only unprofitable segments for 2024, with both segments experiencing material loss activity, including the collision of the vessel Dali with the Francis Scott Key Bridge in Baltimore. In addition, adverse prior year development was reported, particularly in the Aviation line due to strengthening of Ukraine conflict related loss estimates.

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. However, the ratio has decreased from 39.2% in 2018 to 34.4% in 2024, in part due to a change in business mix. Actions are being taken through the Future at Lloyd’s initiative to reduce the cost of placing business at Lloyd’s, although any benefits will likely take time to materialise.

After experiencing strong rates in 2023 and majority of 2024, softening pressures emerged towards end of 2024 and have continued in 2025. Despite moderate rate reduction, Lloyd’s expects rate adequacy to persist, with the market continuing to focus on prudent risk selection. Lloyd’s underwriting performance for 2025 will be impacted by estimated losses of GBP 1.7 billion (USD 2.3 billion) from the California wildfires, which consumed a third of the market's annual catastrophe allowance.

Performance on a Year of Account (YOA) Basis:

The 2022 YOA closed at the end of 2024 with an overall profit of GBP 4.9 billion (2021: GBP 2.8 billion). The 2022 YOA was impacted by major claims events such as conflict in Ukraine, Hurricane Ian, Hurricane Fiona and the Australian floods. In addition, the 2022 pure underwriting YOA was impacted by strengthening from 2021 and prior years, which were reinsured to close at the end of 2023.

Investment Performance

Investment returns (including gains/losses) for the market were on average 2.2% in the period 2020-2024, ranging from -3.5% (2022) and 5.4% (2023). In 2024, the market reported significant investment profit of GBP 4.9 billion, driven by the strong performance of the fixed income portfolio in a higher-interest rate environment and the unwind of unrealised fair value losses on the bond portfolio that were reported in 2022.

Operating Performance (Continued...)

Financial Performance Summary	2024 GBP (000)	2023 GBP (000)	2022 GBP (000)	2021 GBP (000)	2020 GBP (000)
Pre-Tax Income	9,626,000	10,663,000	-769,000	2,277,000	-887,000
Net Income after Non-Controlling Interests	9,626,000	10,663,000	-769,000	2,277,000	-887,000

Source: BestLink® - Best's Financial Suite

Operating and Performance Ratios (%)	2024	2023	2022	2021	2020
Overall Performance:					
Return on Assets	5.6	6.5	-0.5	1.7	-0.7
Return on Capital and Surplus	21.0	25.3	-2.0	6.6	-2.8
Non-Life Performance:					
Loss and LAE Ratio	52.5	49.6	57.5	57.9	73.2
Expense Ratio	34.4	34.4	34.4	35.5	37.2
Non-Life Combined Ratio	86.9	84.0	91.9	93.5	110.3

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 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 market include Aviva, Fidelis 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 GWP grew by 6.5% in 2024 to GBP 55.5 billion (2023: GBP 52 billion) due to a combination of risk-adjusted rate change and exposure growth, with growth driven by the better performing syndicates. Insurance business accounted for 66% of premium revenue in 2024 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 business 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 (although some of the property and casualty business written through coverholders is lower risk).

Reinsurance is the market's largest segment and accounted for 34% of GWP in 2024. Reinsurance business comprises of property, casualty and specialty reinsurance (primarily marine, aviation and energy reinsurance).

Property insurance business is Lloyd's second largest segment and accounted for 29% of GWP in 2024. Although the property book is global, it has some concentration towards US excess and surplus lines business. There is also a bias towards commercial risks with residential risks written being mainly non-standard risks. The book also includes terrorism, power generation, engineering and nuclear risks.

Business Profile (Continued...)

Casualty business is Lloyd's third largest segment and in 2024 accounted for 24% of GWP. The book has a focus towards the US, but the UK, Canada, and Australia are also significant markets. The main products written are general liability and professional indemnity. Accident and health business is also accounted for within this segment.

The remaining lines of MAT (8%), energy (4%), motor (2%), and life (<0.1%) together accounted for approximately 13% of GWP in 2024. Lloyd's writes a diversified marine book, including cargo, hull, marine liability, specie and fine art. The energy book consists of onshore and offshore property and liability risks. The motor book is concentrated in the UK, covering commercial and personal motor business, with a focus on niche personal risks. An international book is also written, with a focus on North America. Aviation business includes airlines, general aviation, space and war.

Geographical Diversification:

Lloyd's writes a global portfolio, albeit with some bias to North America, which accounted for nearly half of GWP in 2024. The remainder was split across the rest of Europe, UK, Central Asia and Asia Pacific, Other Americas and rest of the world.

Over the past 20 years, Lloyd's has built out its licence network considerably, and is able to write insurance and/or reinsurance business in Brazil, Mexico, Colombia, Dubai, China, Singapore, and India, as well as a number of smaller markets. This work was undertaken in response to the growth of local and regional (re)insurance hubs and the preference of clients to place business locally. 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 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.

Modernisation Programme:

In May 2019, Lloyd’s management team unveiled a modernisation plan called the Future at Lloyd's. The proposed reforms include plans to radically reduce the cost of doing business and creating new digital platforms for placing insurance risk and streamlining claims services. If the plan is successfully implemented, cost reductions are likely to support profitability. In AM Best's view, the Future at Lloyd’s programme is making important progress towards modernising the market's operations. However, it has faced significant delays.

The latest areas of focus highlighted in Blueprint Two sets out a vision for the end-to-end modernisation of business models, practices, and systems within Lloyd's - this is to overhaul paper-based processes and implement a more digital, data-led and automated approach.

Some of the Blueprint's features are the use of a core data record (CDR) for consistent data standards and an intelligent market reform contract (IMRC). Moreover, the recently established London Market Data Council agreed the scope and approach of the CDR and IMRC to standardise the data used across the Lloyd’s market. Successful delivery of these much-needed modernisation initiatives should support the market to become better-equipped to meet evolving customer needs and realise future cost savings.

Failure to deliver these successfully could reduce the confidence and support of the market in the Corporation's wider Future at Lloyd's ambitions.

Corporate Overview:

Lloyd's is the London-based market where approximately 100 individual syndicates underwrite all types of insurance and reinsurance business, apart from long term life insurance. Each syndicate is formed by one or more members of Lloyd's, who join together to

Business Profile (Continued...)

provide capital and accept insurance risks. Lloyd's members are mainly corporate members although a small proportion of Lloyd's underwriting capacity continues to be provided by private individuals.

In 1871, the then existing association of underwriters at Lloyd's was incorporated by the Lloyd's Act as the Society and Corporation of Lloyd's (referred to in this report as the Society or the Corporation), making the Society the legal entity which oversees the Lloyd's market. Its purpose is to facilitate the underwriting of insurance business by Lloyd's members, to protect members' interests in this context and to maintain Lloyd's Central Fund. The Society is also the holding company for Lloyd's Insurance Company S.A. and Lloyd's Insurance Company (China) Limited.

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 the 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, there are limitations on the ability of the Corporation to actively manage the market's risks, 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 Audit Committee, the Market Supervision and Review Committee and the Risk Committee. The Risk Committee is responsible for the identification and management of Lloyd's key risks.

The Council manages risks by setting and monitoring a 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 of generally well performing syndicates. 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 Society of Lloyd's 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, which came into force on 1 January 2016. 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 radical change 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.

In July 2025, the PRA, FCA and the Society of Lloyd’s agreed to changes that streamline the process of regulatory approval for managing agents, intended to reduce the time frame for authorisation. Under the changes, the PRA and FCA will retain their statutory decision-making roles but will make increased use of the assessment work already carried out by Lloyd’s. This will shorten the process, while maintaining high standards of entry.

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 Lloyd's internal capital model 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. An enhancement noted in 2020 was the introduction of the Catastrophe Risk Oversight Framework, now a Principle within the Principles Based Oversight framework, which 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. In 2024, recognizing the increased frequency of secondary perils, Lloyd’s began requiring 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. Due to the nature of business written, Lloyd's has significant exposure to catastrophe losses, making this aspect of risk management particularly important.

Enterprise Risk Management (Continued...)

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 (AEP) 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 2024. 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.

Furthermore, to actively support the transition to a low carbon economy, the Corporation published guidance to the market on how they can manage the risks of transition alongside the growth opportunities spurred on by new economic activities. This guidance provided information on how Lloyd’s will engage with the market on reviewing their own sustainability strategies, as well as toolkits for use by the market in setting transition plans. In addition, Lloyd’s in collaboration with Moody’s has developed a proof of concept solution to measure insurance-associated carbon emissions across the market.

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.

In terms of investment strategy, Lloyd’s currently allocates 5% of Central Fund assets to impact investments and has committed to increasing this to 10% by 2025. Impact investments are made with an aim of generating positive, measurable social and environmental impact alongside a financial return.

In recent years, Lloyd's has strengthened its position in the sector in terms of ESG leadership by becoming the leader of the SMI Insurance Task Force. The Corporation also established the Sustainability Committee, which is responsible for driving action and providing robust challenge across its environmental and social priorities and commitments.

Financial Statements

Balance Sheet	12/31/2024 GBP (000)	%	12/31/2024 USD (000)
Cash and Short Term Investments	12,039,000	6.8	15,127,124
Bonds	71,616,000	40.6	89,986,220
Equity Securities	11,667,000	6.6	14,659,702
Other Invested Assets	12,568,000	7.1	15,791,818
Total Cash and Invested Assets	107,890,000	61.1	135,564,864
Reinsurers' Share of Reserves	33,198,000	18.8	41,713,619
Debtors / Amounts Receivable	27,782,000	15.7	34,908,361
Other Assets	7,647,000	4.3	9,608,532
Total Assets	176,517,000	100.0	221,795,376
Unearned Premiums	27,651,000	15.7	34,743,758
Non-Life - Outstanding Claims	85,395,000	48.4	107,299,671
Insurance Contract Liabilities, Net of Assets:			
Total Gross Technical Reserves	113,046,000	64.0	142,043,429
Debt / Borrowings	601,000	0.3	755,163
Other Liabilities	16,019,000	9.1	20,128,034
Total Liabilities	129,666,000	73.5	162,926,626
Retained Earnings	13,533,000	7.7	17,004,350
Other Capital and Surplus	33,318,000	18.9	41,864,400
Total Capital and Surplus	46,851,000	26.5	58,868,750
Total Liabilities and Surplus	176,517,000	100.0	221,795,376

Source: BestLink® - Best's Financial Suite

Income Statement	Non-Life GBP (000)	Life GBP (000)	Other GBP (000)	12/31/2024 Total GBP (000)	12/31/2024 Total USD (000)
Gross Premiums Written	55,546,000	...	...	55,546,000	69,794,104
Net Premiums Earned	40,424,000	...	...	40,424,000	50,793,160
Net Investment Income	...	...	4,152,000	4,152,000	5,217,030
Realized capital gains/(losses)	...	...	451,000	451,000	566,686
Unrealized capital gains/(losses)	...	...	311,000	311,000	390,775
Total Revenue	40,424,000	...	4,914,000	45,338,000	56,967,650
Benefits And Claims	21,222,000	...	...	21,222,000	26,665,655
Net Operating And Other Expenses	13,888,000	...	602,000	14,490,000	18,206,830
Total Benefits, Claims And Expenses	35,110,000	...	602,000	35,712,000	44,872,485
Pre-Tax Income	5,314,000	...	4,312,000	9,626,000	12,095,165
Net Income before Non-Controlling Interests	...	...	...	9,626,000	12,095,165

Source: BestLink® - Best's Financial Suite

Related Methodology and Criteria

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

Catastrophe Analysis in AM Best Ratings, 02/08/2024

Available Capital and Insurance Holding Company Analysis, 08/15/2024

Rating Lloyd's Operations, 03/21/2024

Scoring and Assessing Innovation, 02/20/2025

Understanding Global BCAR, 08/01/2024