
KBRA Assigns an AA- Insurance Financial Strength Rating to Lloyd's Insurance Company S.A.

DUBLIN (29 March 2023) – KBRA Europe (KBRA) assigns an insurance financial strength rating (IFSR) of AA- to Lloyd's Insurance Company S.A. (Lloyd's Europe). Lloyd's Europe is one of the leading insurers in the European Economic Area (EEA) and provides customers a way to access the underwriting expertise of the Lloyd's market for risks located in the EEA. The Outlook for the rating is Stable.

Key Credit Considerations

The rating reflects the very strong financial commitment to Lloyd's Europe by the Society of Lloyd's (the Society) as well as the low-risk business model, strong risk-based capitalisation, well-diversified investment and underwriting portfolios, strong financial flexibility, and strong market position of Lloyd's Europe. From the company's formation on 5 October 2017 to end-2021, the Society made four capital contributions to Lloyd's Europe totaling nearly EUR 556 million. KBRA expects the Society to provide ongoing support to Lloyd's Europe, as needed. Lloyd's Europe reinsures 100% of its business to syndicates operating in the Lloyd's market via back-to-back transactions thereby essentially eliminating both underwriting and liquidity risks. KBRA views the risk-based capitalisation of Lloyd's Europe as strong and expects it to remain well above the company's target Solvency II capital requirement over the near term. KBRA believes that the underwriting portfolio of Lloyd's Europe is well-diversified across the EEA both by class of business and geographically by country. Under the company's current investment strategy, assets are spread across an array of financial instruments denominated in EUR, GBP and USD and are well-matched to liabilities. KBRA views the demonstrated financial commitment of the Society, access to the Lloyd's chain of security and the credit facility maintained by Lloyd's Europe as providing robust access to capital. As a wholly owned subsidiary of the Society, the expertise in specialty underwriting, brand recognition, reputation, and financial strength of the Lloyd's market inures to the benefit of the market position of Lloyd's Europe.

Balancing these strengths are execution risk and concentrated counterparty credit risk. Lloyd's Europe is a relatively new insurer with an ambitious strategy for growing the presence of the Lloyd's market in Europe. To operationalise the company, initial efforts had been focused on developing and implementing appropriate processes, procedures, and controls to write and manage business in full compliance with European regulations and to meet the expectations of various Lloyd's stakeholders. As operations have stabilised, Lloyd's Europe is now able to focus on executing its organic growth strategy and to commence its market and product development strategies. KBRA believes that further development of the risk management function will be necessary to mitigate risks arising from Lloyd's Europe's execution of its commercial business strategy. Lloyd's Europe cedes all underwriting liabilities to a single counterparty, thereby making counterparty default risk the most material risk for the company. Any change in the credit profile of the Lloyd's market would likely have a direct impact on KBRA's credit rating of Lloyd's Europe.

Rating Sensitivities

Material improvement in the credit profile of the Lloyd's market, successful execution of organic growth in core products over the medium term and stabilisation of earnings over the medium term could result in positive rating action. A negative rating action could occur from material deterioration in the credit profile of the Lloyd's market, material regulatory issues or a change in risk profile.


To access ratings and relevant documents, click [here](#).

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Disclosures

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

Information on the meaning of each rating category can be located [here](#).

This credit rating is endorsed by Kroll Bond Rating Agency UK Limited for use in the UK. Information on a credit rating's endorsement status is available on its rating page at KBRA.com.

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