
KBRA Affirms the AA- Insurance Financial Strength Rating of Lloyd's of London

DUBLIN (1 July 2021) – Following Lloyd's recent announcement regarding its execution of a £650 million five-year aggregate cover for the Central Fund, Kroll Bond Rating Agency Europe Limited (KBRA) affirms the AA- insurance financial strength rating (IFSR) of Lloyd's of London, the world's leading insurance and reinsurance marketplace. The Outlook for the rating is Stable.

Key Credit Considerations

The affirmation reflects KBRA's view that the new Central Fund cover further enhances Lloyd's unique capital structure that KBRA previously recognised as a significant credit strength in its initial rating assignment. The new multi-layered cover will reimburse aggregate payments from the Central Fund in excess of £600 million up to £1.25 billion. The Lloyd's Central Fund is the ultimate backstop for maintaining the market's viability. KBRA believes that the new Central Fund cover is a cost-effective way for Lloyd's to enhance its claims paying resources for customers while also strengthening the market's ability to achieve long-term sustainable growth. The structure, with a collateralised first layer and top layers from high-credit quality reinsurers, presents limited additional counterparty credit risk to Lloyd's. KBRA still believes that Lloyd's exposure to event risk remains a material credit constraint but believes that the new Central Fund cover further mitigates the market's exposure to extreme event tail risk beyond the mitigation strategies already in place.

Rating Sensitivities

Meaningful reduction in the number of syndicates subject to increased oversight, consistent net attritional underwriting performance over the medium term and successful execution of the Future at Lloyd's programme could result in a positive rating action.

Continued unfavourable, or inconsistent, underlying underwriting performance over the medium term, meaningful reduction in capital or a drop in Solvency II ratios below Lloyd's minimum targets could result in a negative rating action.

ESG Management

In December 2020 Lloyd's published its first ESG Report, reflecting its commitment to address ESG factors that are important to various stakeholders. As Lloyd's makes progress in fulfilling its commitments to its ESG targets, the insurance financial strength rating may be influenced over the medium to longer term.

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

Related Publications

- [Lloyd's of London Rating Report](#)

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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.

Further disclosures relating to this rating action are available in the Information Disclosure Form(s) referenced above. Additional information regarding KBRA policies, methodologies, rating scales and disclosures are available at www.kbra.com.

About KBRA Europe

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