LLOYD'S

Sharing risk to create a braver world

Aggregate Accounts 2024

Aggregate Accounts 2024

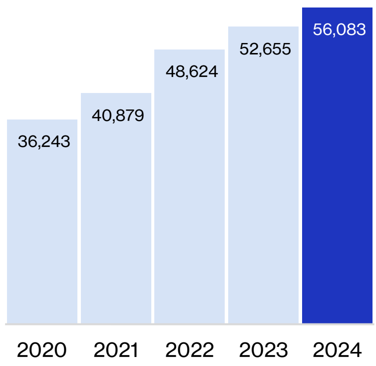
Contents

Our performance at a glance

Financial key performance indicators

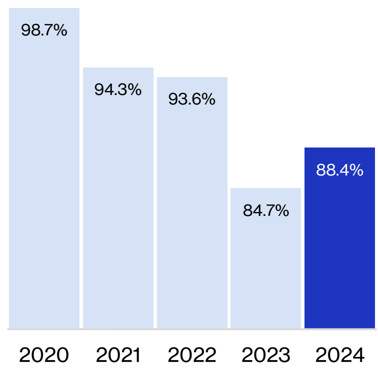
Gross written premium (£m)

£56,083m



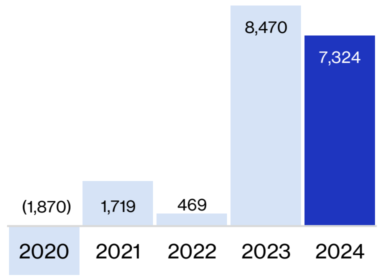
Combined ratio

88.4%



Profit before tax (£m)

£7,324m



Expense ratio

36.0%

(2023 Restated: 37.0%)

Underwriting result

£4,683m

(2023: £5,535m)

Underlying combined ratio

80.6%

(2023 Restated: 81.1%)

Attritional loss ratio

47.1%

(2023 Restated: 44.1%)

Market-wide solvency coverage ratio

205%

(2023: 207%)

Return on investment

£2,794m

(2023: £2,938m)

The above metrics include alternative performance measures, (APMs). See page 166 to 167 of the 2024 Annual Report for definitions.

Non-financial highlights

£22bn

claims paid to global customers in the wake of disasters in 2024

£158m

premium written in the Lloyd's market by Lloyd's Lab alumni

9,500

hours of volunteering across the market

Market performance

Market results

In 2024, the Lloyd's market delivered a strong performance driving a combined ratio of 88.4% (2023: 84.7%). The underwriting result is a profit of £4,683m (2023: £5,535m) demonstrating the maintenance of sustained underwriting discipline despite an increase in major claims experience in the 12 month period. The robust underwriting performance was further supported by an investment return of £2,794m (2023: £2,938m).

Foreign exchange movements resulted in a £167m loss (2023: £16m loss) and net non-technical income remained relatively flat at £14m (2023: £13m), resulting in an overall profit before tax of £7,324m (2023: £8,470m).

Underwriting result

In 2024, market gross written premium increased by 6.5% to £56,083m (2023 Restated: £52,655m), primarily driven by an 8.5% volume growth (7.6% growth from existing syndicates and 0.9% from new syndicates), reflecting Lloyd's and the market's commitment to attracting new business and retaining existing customers while maintaining quality underwriting.

The market saw continued risk-adjusted price increases on renewal business across most classes, marking the 28th consecutive quarter of positive price movement in Q4. However, momentum slowed, with price changes contributing only 0.3% to the 6.5% premium growth. The positive impact of rate and volume was partially offset in the period by adverse foreign exchange movements of (2.3)%.

The market reported an underwriting result of £4,683m (2023: £5,535m), driven by the continued realisation of benefits from the market's strong underwriting action, led by the Property and Reinsurance segments in particular, partially offset by less attractive conditions in some areas of Casualty and Aviation. Although this represents a 15.4% decrease year on year, 2023 was an exceptional year with minimal catastrophe exposures.

The combined ratio deteriorated by 3.7 percentage points (pp) to 88.4% compared to the previous year. Prior year releases[1] benefited the combined ratio by 2.5% (2023: 0.0%), with releases reported across most lines of business.

The major claims ratio increased to 7.8% (2023 restated: 3.6%), due to significant events including Hurricane Milton, Hurricane Helene and the Dali Baltimore Bridge collision, resulting in major losses of £3,169m (2023: £1,283m). Excluding major claims and catastrophe events, our underlying combined ratio[1] improved by 0.5pp at 80.6% (2023 restated: 81.1%).

The expense ratio[1] has decreased to 36.0% (2023 restated: 37.0%), due to the restatement of net earned premium, increasing the 2023 ratio by 2 percentage points. Excluding the restatement, there is an increase in the expense ratio in 2024 largely attributable to higher profit commissions driven by continued strong underwriting performance.

1. The accident year ratio, underlying combined ratio, attritional loss ratio, prior year release ratio, major claims ratio and expense ratio are metrics that are consistently used to analyse financial performance in the Lloyd's market results. These metrics (wherever used in the Aggregate Accounts) are alternative performance measures (APMs), with further information available in the 2024 Lloyd's Annual Report (pages 166 and 167).

Investment review

The market reported net investment gains of £2,794m in 2024 representing a positive return on investment of 4.3% (2023: £2,938m, 5.1%), with the portfolio benefiting from another year of higher interest rates.

Returns across asset classes were mostly positive in 2024, supported by numerous major developed market central banks cutting their policy rates over the year. However, the path to lower base rates began later than expected in the year and the magnitude of cuts was lower than expected at the start of the year. Economic growth was better than expected in the US but differed across geography. Geopolitical events remained high on the agenda, including a slew of elections globally, rising tensions in the Middle East and political uncertainty in Europe. This meant that the journey of investment returns during the year was not smooth, exhibiting numerous ups and downs.

Global equities were the stand-out asset class, producing back-to-back years of strong returns. In the US, the S&P index generated a high return of 25%, propelled by mega cap technology companies and ongoing optimism surrounding artificial intelligence, plus the possibility of deregulation following the US election. The US dollar's performance was also strong, surging in the last quarter of the year, as US exceptionalism gathered momentum following the change in administration; as well as both rates and growth remaining high. This resulted in the dollar index returning 7.1% in 2024. Credit, particularly High Yield, benefited from spread reductions (driving price increases for assets already in the portfolio), with levels moving to decade lows within developed markets. This was helped by improved investor risk appetite and attractive all-in yields. However, sovereign returns were both volatile and muted in 2024, particularly for longer duration bonds. This was despite central banks cutting their policy rates, as inflation, although lower, appeared sticky by the year end. Fiscal concerns also remain a key concern, resulting in the number of rate-cuts in 2025 being scaled back.

Balance sheet strength

The Lloyd's market continues to be strongly capitalised.

The market-wide solvency ratio has decreased from 207% at 31 December 2023 to 205% at 31 December 2024. This is due to an increase in the market-wide Solvency Capital Requirement ("SCR") partially offset by an increase in members' balances, driven by continued strong profitability.

The increase in overall market-wide SCR is driven by growth in the market and underlying US dollar movements against Sterling during the year.

Market Performance continued

2024 Performance

Premium

As in previous years, syndicates which have a proven track record of producing sustainable profit are given greater business plan flexibility, including to grow their business.

Gross written premium increased by £3,428m to £56,083m (2023: £52,655m). Reinsurance and Property remained the primary drivers of premium growth, with increases of £691m and £829m, respectively, though most lines of business experienced growth during 2024.

US dollar-denominated business continues to account for the majority of business written in the Lloyd's market. However, a relatively weaker average rate over the year resulted in foreign exchange having an adverse impact on premiums year on year of (2.3)%.

Attritional loss ratio

The attritional loss ratio[1] increased to 47.1% (2023 restated: 44.1%), due to the restatement of net earned premium, increasing the 2023 ratio by 3.0 percentage points. Excluding the restatement, the attritional loss ratio has remained relatively flat reflecting continued underwriting discipline across the market.

Prior year development

The market reported prior year releases[1] in the current year amounting to 2.5% (2023: 0.0%).

Direct Casualty lines benefited from favourable prior year developments in classes such as Cyber and Directors & Officers. While Reinsurance lines released overall, Casualty related reinsurance experienced strengthening, primarily driven by adverse claims developments and strengthening of reserving assumptions.

Lloyd's will continue to monitor reserves closely and act to ensure that adequate market discipline is being maintained – particularly focusing on the adequacy of casualty reserves, including allowance for social inflation and changes in the macroeconomic environment.

Major claims

Major claims for the market were £3,169m in 2024 (2023: £1,283m), net of reinsurance and including reinstatements payable and receivable.

Major losses arising from events such as Hurricane Milton, Hurricane Helene and Hurricane Beryl and the Dali Baltimore Bridge collision drove the major claims[1] for 2024 up to 7.8% from 3.5% in the prior year.

While uncertainty remains in respect of losses from Ukraine, overall this continues to be a manageable event for the market. Since the end of 2023, there have been significant increases in the allowance for the Ukraine conflict in reserves, primarily driven by ultimate loss estimate increases for Aviation losses, partially offset by decreases in Marine and Political Risk classes due to expiry of risk. The increases in Aviation estimates are driven by revised assumptions around the best estimate, informed by recent settlements. The claims incurred but not reported (IBNR) component represents 73% of the loss (2023: 78%). Lloyd's will continue to monitor this loss throughout 2025.

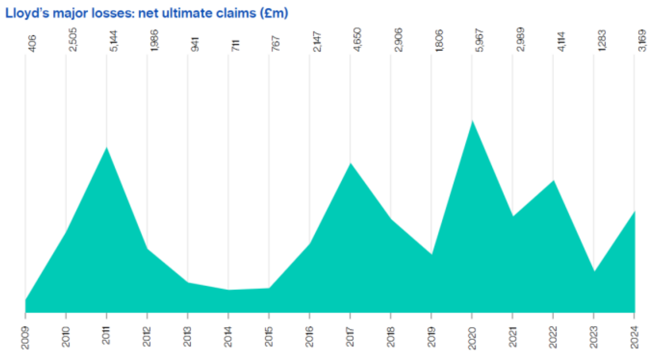
Major claims and underlying combined ratio

Major claims[1]	% of net earned premium
2020	23.0
2021	10.9
2022	12.3
2023	3.6
2024	**7.8**
Five year average	10.6
Ten year average	10.4

Underlying combined ratio[1]	%
2020	89.0
2021	83.4
2022	81.3
2023	81.1
2024	**80.6**
Five year average	84.3
Ten year average	89.9

1. The underlying combined ratio, attritional loss ratio, prior year release ratio and expense ratio are metrics that are consistently used to analyse financial performance in the Lloyd's market results. These metrics (wherever used in the Aggregate Accounts) are alternative performance measures (APMs), with further information available in the 2024 Lloyd's Annual Report (pages 166 and 167).

Lloyd's major losses: net ultimate claims (£m)



Five-year average: £3,939m; 15 year average: £3,281m. Indexed for inflation to 2024. Claims in foreign currency translated at the exchange rates prevailing at the date of loss.

Prior year reserve movement[1]	% of net earned premium
2020	(1.8)
2021	(2.0)
2022	(1.5)
2023	0.0
2024	**(2.5)**

Years of account in run-off	Number of years
2020	9
2021	9
2022	9
2023	5
2024	**5**

Market Performance continued

Reinsurance protection

The credit quality of the Lloyd's market's reinsurance protection remains extremely high, with 99% (2023: 99%) of all balance sheet reinsurance recoverables and reinsurance premium ceded being with reinsurers rated A- and above or supported by high-quality collateral assets.

Reinsurers' share of claims outstanding remains a material consideration for Lloyd's, equivalent to 50.1% of gross written premium (2023: 50.1%). The overall reinsurance recoverable asset continues to be lower than the position two years ago, reflecting lower levels of catastrophe losses to reinsurance programmes in 2023 and 2024 compared to 2022. The broadly stable position over the last 12 months reflects increases in some gross and ceded reserves for Ukraine losses, offset by a broader trend of reserve reduction and settlement of outstanding claims on other prior year losses. No negative settlement trends have been witnessed to date.

2024 saw a transition from a reinsurance market that was generally still rising or flat at the start of the year to one that was broadly falling overall by the end of the year, and the marginal reduction in spend reflects some continued focus on core needs, tail risk and capital protection in order to offset the cost of reinsurance rate increases in 2023 and to a lesser degree at 1 January 2024. In general, structural changes were fairly modest in 2024 and the level of reinsurance transfer remains within risk appetite.

Result for the closed year and run-off years of account

Under Lloyd's three-year accounting policy for final distribution of each underwriting year of account, the 2022 underwriting year of account reached closure at 31 December 2024. The 2022 pure underwriting year suffered losses from the conflict in Ukraine as well as a number of natural catastrophic events, including Hurricane Ian, Hurricane Fiona and the Australian floods.

Despite these major claim events, the 2022 pure underwriting year of account reported an underwriting result of £6,731m that was partially offset by strengthening from 2021 and prior years, which were reinsured to close at the end of 2023, amounting to £357m. Net expenses of £3,468m were partially offset by strong investment gains of £2,027m on the 2022 underwriting year, and the total result was an overall profit of £4,933m (2021 underwriting year profit: £2,783m).

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

Council

The following were members of the Council of Lloyd's during 2024:

Chair	Bruce Carnegie-Brown[1]
Nominated members[2]	Angela Crawford-Ingle
	Joe Hurd[3]
	Fiona Luck
	Neil Maidment[4]
	Lord Mark Sedwill
External members	Dominick Hoare[5]
	Marcus Johnson
	Sean McGovern
Working members	Andrew Brooks
	Victoria Carter
	Richard Dudley
Executive directors of the Council	Burkhard Keese[6]
	John Neal
	Patrick Tiernan

1 On 19 September 2024, Sir Charles Roxburgh KCB was confirmed as the next Chair of Lloyd's with effect from 1 May 2025, subject to regulatory approval.

2 For the purposes of the UK Corporate Governance Code the nominated members listed above are considered to be independent. Jane Warren was appointed as an external member of the Council with effect from 1 February 2025.

3 Joe Hurd was appointed as Culture Champion with effect from 4 September 2024.

4 Neil Maidment ceased as a member of the Council with effect from 31 January 2025, due to completion of a full nine-year term. On 7 January 2025, Alexander Baugh was appointed as a nominated member of the Council, subject to regulatory approval.

5 Dominick Hoare ceased as a member of the Council with effect from 31 January 2025.

6 Burkhard Keese shall cease as a member of the Council on 30 April 2025. On 29 January 2025, Alexandra Cliff was appointed as CFO, effective 1 May 2025, subject to regulatory approval.

Statement as to disclosure of information to auditors

Having made enquiries of fellow Council members and of the Society's auditors, the Council of Lloyd's confirms that:

— To the best of each Council member's knowledge and belief there is no information relevant to the preparation of the Aggregate Accounts of which the auditors are unaware; and

— Each Council member has taken all the steps they might reasonably be expected to have taken to be aware of relevant audit information and to establish that the auditors are aware of that information.

Statement of Council's responsibilities

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, as amended by The Statutory Auditors and Third Country Auditors Regulations 2018 ('the Regulations') require the Council of Lloyd's to prepare Aggregate Accounts in respect of the financial year by totalling all the syndicate annual accounts prepared in accordance with Part 3 of the Regulations.

The maintenance and integrity of the Lloyd's website is the responsibility of the Council of Lloyd's; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Annual Report

The Annual Report required under the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, as amended by The Statutory Auditors and Third Country Auditors Regulations 2017, comprising the Our performance at a Glance, Market Performance and Council sections on pages 1 to 5, was approved by the Council of Lloyd's on 19 March 2025.

Bruce Carnegie-Brown
Chairman

Independent Reasonable Assurance Report of PricewaterhouseCoopers LLP to the Council of Lloyd's on the preparation of the 2024 Lloyd's Aggregate Accounts

Opinion

In our opinion:

- the Aggregate Accounts ("the "Aggregate Accounts") for the financial year ended 31 December 2024 have, in all material respects, been properly prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, as amended by the Statutory Auditors and Third Country Auditors Regulations 2017 (together the "Regulations") and the basis set out in note 1 (the "basis of preparation"), and have been correctly aggregated; and
- the information given in the Annual Report of the Council of Lloyd's as defined in the Regulations and set out on pages 1 to 5 for the financial year ended 31 December 2024 is, in all material respects, consistent with the Aggregate Accounts for the same financial year and has been prepared in accordance with the requirements of the Regulations.

In addition, in light of the knowledge and understanding of the syndicates and their environment obtained in the course of performing our assurance procedures, we are required to report if we have identified material misstatements in the Annual Report of the Council of Lloyd's prior to the date of this assurance report. We have nothing to report in this respect.

Our opinion is to be read in the context of what we say in the remainder of this report.

What we have assured

The Aggregate Accounts, which are prepared by the Council of Lloyd's, comprise: the Aggregate Balance Sheet as at 31 December 2024; the Aggregate Profit and Loss Account, the Aggregate Statement of Comprehensive Income, the Aggregate Statement of Changes in Members' Balances and the Aggregate Statement of Cash Flows for the year then ended; and the notes to the Aggregate Accounts.

The financial reporting framework that has been applied in the preparation is the Regulations and the basis of preparation set out in note 1.

Our assurance does not extend to information in respect of earlier periods.

Professional standards applied and level of assurance

We performed a reasonable assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) – 'Assurance Engagements other than Audits or Reviews of Historical Financial Information', issued by the International Auditing and Assurance Standards Board.

Our Independence and Quality Control

We complied with the Institute of Chartered Accountants in England and Wales (ICAEW) Code of Ethics, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour, that are at least as demanding as the applicable provisions of the International Ethics Standards Board for Accountants (IESBA)'s International Code of Ethics for Professional Accountants (including International Independence Standards).

We apply International Standard on Quality Management (UK) 1 and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Work performed

The Aggregate Accounts have been compiled from aggregating the financial information extracted from the corresponding information included in the syndicate annual returns and accounts by the managing agent of each syndicate, which have been submitted to the Council of Lloyd's and on which the auditors of each syndicate have reported.

Our work did not involve assessing the quality of those audits or performing any audit procedures over the financial or other information of the syndicates or provided by the managing agents of the syndicates

Our procedures consisted principally of:

- obtaining an understanding of how the Council of Lloyd's has compiled the Aggregate Accounts from the audited syndicate annual returns and accounts;
- checking on a sample basis that the financial information included in the Aggregate Accounts was correctly extracted from the syndicate annual returns and accounts and evaluating the evidence supporting any adjustments made;
- obtaining evidence as to how the Council of Lloyd's has ensured that the Aggregate Accounts have been prepared in accordance with the requirements of the Regulations; and
- reading the Annual Report, on pages 1 to 5, for consistency with the Aggregate Accounts.

In addition we obtained an understanding of how the Council of Lloyd's ensured that the Annual Report and the Aggregate Accounts are prepared in accordance with the Regulations and how they ensured the consistency of the Annual Report with the Aggregate Accounts.

The responsibilities of the Council of Lloyd's and our responsibilities

As described in the Statement of Council's Responsibilities, the Council of Lloyd's is responsible for the preparation and approval of the Aggregate Accounts and the Annual Report in accordance with the Regulations and the basis of preparation, and for ensuring that the Annual Report is consistent with the Aggregate Accounts for the same financial year.

We are responsible for:

- examining the preparation of the Aggregate Accounts and reporting whether the Aggregate Accounts have been properly prepared and correctly aggregated in accordance with the Regulations and the basis of preparation;
- reporting to you whether the information given in the Annual Report of the Council of Lloyd's is, in all material respects, consistent with the Aggregate Accounts for the same financial year and has been prepared in accordance with the requirements of the Regulations;
- reading the Annual Report and considering whether it is consistent with the Aggregate Accounts; and
- considering the implications for our report if we become aware of any misstatements or material inconsistencies with the Aggregate Accounts.

Independent Reasonable Assurance Report of PricewaterhouseCoopers LLP to the Council of Lloyd's on the preparation of the 2024 Lloyd's Aggregate Accounts continued

Intended users and purpose

This report, including our conclusion, has been prepared solely for the Council of Lloyd's in accordance with the Regulations and our engagement letter dated 2 September 2024. Our examination has been undertaken so that we might state to the Council of Lloyd's those matters which we are required to state in this report in accordance with the Regulations and our engagement letter and for no other purpose. To the fullest extent permitted by law we do not, in giving our opinion, accept or assume responsibility to anyone other than the Council of Lloyd's for our work or this report, except where terms are expressly agreed between us in writing.

Other required reporting

Under the Regulations, we are required to report if we have failed to obtain all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of this independent reasonable assurance report. We have no exceptions to report arising from this responsibility.

Paul Pannell
(Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants
London
19 March 2025

Aggregate Profit and Loss Account

(For the year ended 31 December 2024)

	Note	2024		2023 (Restated)	
		£m	**£m**	£m	£m
Technical account					
Gross written premiums	4	56,083		52,655	
Outward reinsurance premiums		(13,542)		(14,133)	
Net written premiums			42,541		38,522
Change in the gross provision for unearned premiums		(2,665)		(2,598)	
Change in the provision for unearned premiums, reinsurers' share		548		171	
Change in net provision for unearned premiums			(2,117)		(2,427)
Earned premiums, net of reinsurance			40,424		36,095
Allocated investment return transferred from the non–technical account			2,653		2,730
Other technical income			20		38
Gross claims paid		(22,435)		(23,247)	
Claims paid, reinsurers' share		6,722		7,332	
Net claims paid			(15,713)		(15,915)
Change in provision for gross claims		(6,256)		587	
Change in provision for claims, reinsurers' share		767		(1,931)	
Change in net provision for claims			(5,489)		(1,344)
Claims incurred, net of reinsurance			(21,202)		(17,259)
Net operating expenses	7		(14,559)		(13,339)
Balance on the technical account for general business			**7,336**		**8,265**
Non–technical account					
Balance on the technical account for general business			7,336		8,265
Investment income	8	2,651		1,751	
Net realised gains / (losses) on investments and investment expenses	8	(87)		(302)	
Unrealised gains on investment	8	230		1,489	
Investment return	8		2,794		2,938
Allocated investment return transferred to the technical account			(2,653)		(2,730)
Loss on foreign exchange			(167)		(16)
Other non-technical income			14		13
Result for the financial year before tax			**7,324**		**8,470**

All operations relate to continuing activities.

Comparative values for the year ended 31 December 2023 have been restated – refer to note 1(d) for details of the restatements.

Aggregate Statement of Comprehensive Income

(For the year ended 31 December 2024)

	2024 £m	2023 £m
Result for the financial year before tax	7,324	8,470
Currency translation differences	103	(268)
Other recognised gains per syndicate annual accounts	13	21
Total comprehensive income for the year	**7,440**	**8,223**

Aggregate Statement of Changes in Members' Balances

(For the year ended 31 December 2024)

	2024 £m	2023 £m
Members' balances brought forward at 1 January	10,327	3,013
Result for the financial year before tax	7,324	8,470
Net distributions made to members' personal reserve	(3,358)	(534)
Capital transferred out of syndicate premium trust funds	(809)	(338)
Foreign exchange gains/(losses)	108	(259)
Other movements	14	(25)
Members' balances carried forward at 31 December	**13,606**	**10,327**

Aggregate Balance Sheet

(As at 31 December 2024)

	Note	2024 £m	2024 £m	2023 (Restated) £m	2023 (Restated) £m
Financial investments	9		66,987		58,192
Deposits with ceding undertakings			362		668
Reinsurers' share of technical provisions					
Provision for unearned premiums	12	5,757		5,188	
Claims outstanding	12	28,104		27,314	
			33,861		32,502
Debtors					
Debtors arising out of direct insurance operations	10	14,731		13,318	
Debtors arising out of reinsurance operations	11	12,870		11,970	
Other debtors		1,614		1,671	
			29,215		26,959
Other assets					
Cash at bank and in hand	16	2,950		2,929	
Other		2,884		3,227	
			5,834		6,156
Prepayments and accrued income					
Accrued interest and rent		268		221	
Deferred acquisition costs	12	6,538		5,896	
Other prepayments and accrued income		364		274	
			7,170		6,391
Total assets			**143,429**		**130,868**
Capital and reserves					
Members' balances			13,606		10,327
Technical provisions					
Provision for unearned premiums	12	27,838		25,217	
Claims outstanding	12	85,371		78,840	
			113,209		104,057
Deposits received from reinsurers			1,128		1,387
Creditors					
Creditors arising out of direct insurance operations	14	1,232		1,055	
Creditors arising out of reinsurance operations	15	10,043		10,030	
Other creditors		2,617		2,522	
			13,892		13,607
Accruals and deferred income			1,594		1,490
Total capital, reserves and liabilities			**143,429**		**130,868**

Comparative values for the year ended 31 December 2023 have been restated – refer to note 1(d) for details of the restatements. The adjustment does not impact total capital and reserves reported in prior periods.

The financial statements on pages 8 to 30 were approved by the Council of Lloyd's on 19 March 2025 and signed on its behalf by:

Bruce Carnegie-Brown
Chairman

John Neal
Chief Executive Officer

Aggregate Statement of Cash Flows

(For the year ended 31 December 2024)

	Note	2024 £m	2023 (Restated) £m
Result for the year before tax		7,324	8,470
Increase in gross technical provisions		9,033	642
(Increase)/decrease in reinsurers' share of technical provisions		(1,266)	1,832
Increase in debtors		(2,247)	(1,427)
Increase/(decrease) in creditors		176	(815)
Movement in other assets/liabilities		244	(228)
Investment return		(2,794)	(2,938)
Foreign exchange		217	485
Other		82	(5)
Net cash inflows from operating activities		**10,769**	**6,016**
Investing activities			
Purchase of equity and debt instruments		(54,295)	(44,747)
Sale of equity and debt instruments		45,643	38,359
Purchase of derivatives		(100)	(208)
Sale of derivatives		121	234
Investment income received		2,325	1,515
Other		97	(70)
Net cash outflows from investing activities		**(6,209)**	**(4,917)**
Financing activities			
Net distributions made to members		(3,358)	(534)
Net capital transferred out of syndicate premium trust funds		(809)	(338)
Other		5	(167)
Net cash outflow from financing activities		**(4,162)**	**(1,039)**
Net increase in cash and cash equivalents		**398**	**60**
Cash and cash equivalents at 1 January		5,280	5,344
Foreign exchange differences on cash and cash equivalents		(41)	(124)
Cash and cash equivalents at 31 December	16	**5,637**	**5,280**

Comparative values for the year ended 31 December 2023 have been restated – refer to note 1(d) for details of the restatements.

Notes to the Aggregate Accounts

(For the year ended 31 December 2024)

1. Basis of preparation

The Aggregate Accounts as at 31 December 2024 have been prepared by aggregating audited financial information reported in syndicate returns and the annual accounts of the syndicates reporting as at 31 December 2024. The Aggregate Accounts report the audited results for calendar year 2024 and the financial position as at 31 December 2024 for all life and non-life syndicates that transacted business during the year. The results and total capital and reserves for life syndicates are not material and have not been separately disclosed in the profit and loss account and balance sheet. The results for life business are reported in the segmental analysis (note 4).

Having assessed the principal risks, the Council considered it appropriate to adopt the going concern basis of accounting in preparing the Aggregate Accounts.

The Aggregate Accounts have been prepared in compliance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, as amended by the Statutory Auditors and Third Country Auditors Regulations 2017, and where practicable in accordance with United Kingdom Accounting Standards (UK Generally Accepted Accounting Practice (UK GAAP)), including Financial Reporting Standard 102 (FRS 102) and the applicable Accounting Standard on insurance contracts Financial Reporting Standard 103 (FRS 103). Application of UK GAAP is not practicable for the following items:

— Aggregation;

— Taxation;

— Related party transactions; and

— Restatements.

The approach taken in preparing the Aggregate Accounts is outlined in (a) to (d):

(a) Aggregation

The Aggregate Accounts have not been prepared in accordance with full consolidation principles and do not present a consolidated view of the results of the Lloyd's business taken as a single entity, due to some of the reasons outlined further below.

The syndicates' financial information included in the Aggregate Accounts has been prepared in accordance with the recognition and measurement requirements of UK accounting standards by reference to the accounting policies that are deemed most appropriate by the managing agents. Where different accounting policies have been selected by managing agents in preparing syndicate annual accounts, no adjustments are made to align the bases of recognition and measurement in the Aggregate Accounts. In addition, no adjustments are made to eliminate inter-syndicate transactions and balances.

(b) Taxation

The Aggregate Accounts report the combined syndicates' result before tax. Members are responsible for tax payable on their syndicate results.

(c) Related party transactions

Individual syndicates or their members do not disclose details of insurance and/or reinsurance transactions with other (non-related) syndicates or members within the market. Therefore, analysis and/or disclosure of these transactions within the Lloyd's market in the Aggregate Accounts is not possible. The annual accounts of each syndicate or member provide, where appropriate, the required disclosures on related parties.

(d) Restatements (other)

In addition to the restatements outlined in the note below, a number of syndicates made restatements to the comparative figures for 2023 within their syndicate returns and annual accounts and the Aggregate Accounts have been restated accordingly. The full financial effect and the nature of these restatements have not been disclosed as required by FRS 102 as it is not practicable to provide additional details in respect of these restatements.

Restatements

Reclassification changes

During 2024, Lloyd's introduced changes to the syndicate accounts process to rationalise and standardise financial reporting across the market. As a result, certain comparative information has been restated by a number of syndicates to ensure consistency with current year presentation. The principal change is the reclassification of overseas deposits, previously shown as part of cash at bank and in hand to financial investments. The comparative balances in the Aggregate Balance Sheet, the Aggregate Statement of Cash Flows and affected notes, have also been represented to align with the current period presentation.

The comparative Aggregate Balance Sheet has been restated as follows: financial investments increased by £352m, cash at bank and in hand decreased by £167m, and other decreased by £189m. The reclassifications have been applied retrospectively and had no impact on the previously reported result for the financial period, total comprehensive income for the financial period, total assets, or total capital, reserves and liabilities.

Restatement due to change in accounting policy

During 2024, a syndicate elected to change its accounting policy for the treatment of retroactive Quota Share ("QS") reinsurance contracts. The 2023 comparative figures have been restated to show the effect of this change in accounting policy. The comparative balances in the Aggregate Profit and Loss Account and the affected notes have been restated under the new policy. There is no impact to the Aggregate Balance Sheet, or to the Aggregate Statement of Comprehensive Income. The figures before and after the restatement can be seen in the table below:

£m	Previously reported	Restated	Movement
Gross written premium	54,535	52,655	(1,880)
Outward reinsurance premium	(14,135)	(14,133)	2
Net written premium	40,400	38,522	(1,878)
Earned premiums, net of reinsurance	37,973	36,095	(1,878)
Change in provision for gross claims	(2,013)	587	2,600
Change in provision for claims, reinsurers' share	(1,209)	(1,931)	(722)
Change in net provision for claims	(3,222)	(1,344)	1,878
Claims incurred, net of reinsurance	(19,137)	(17,259)	1,878

Under the new policy the syndicate will treat a retroactive QS contract as a portfolio transfer in accordance with the FRS 103 definition of a portfolio transfer, directly to the balance sheet. Only premium related to unexpired risks will be recognised as written premium. The treatment more meaningfully reflects in the profit and loss account the economic substance of the transaction and the nature of the risks undertaken through retroactive reinsurance contracts. Except for the change in the presentation of the profit and loss account, the new accounting policy does not result in any change in how the risks undertaken by the syndicate are measured at initial recognition or subsequently.

(For the year ended 31 December 2024)

2. Accounting policies

General

Under the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, as amended by the Statutory Auditors and Third Country Auditors Regulations 2017, managing agents must prepare the syndicate annual accounts under FRS 102. However, where FRS 102 permits different accounting treatments, each managing agent is able to adopt the accounting policies it considers most appropriate to its syndicate. The following are, therefore, an overview of the sources of significant accounting judgements and estimation uncertainty and other accounting policies of all syndicates.

Sources of significant accounting judgements and estimation uncertainty

The preparation of the individual annual accounts of the syndicates requires managing agents to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The resulting accounting estimates will, by definition, seldom equal the related actual result.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about the estimates and assumptions that have a significant risk of a material change to the carrying value of assets and liabilities recognised in the Aggregate Accounts within the next financial year are described below:

- Claims provisions and related recoveries are the most significant accounting estimate in preparing the Aggregate Accounts, in particular for claims incurred but not reported (IBNR). Variances between the estimated and actual cost of settling claims impact claims incurred, net of reinsurance and the balance on the technical account for general insurance. Total gross outstanding claims at 31 December 2024 is £85,371m (2023: £78,840m). The total estimate as at 31 December 2024, net of reinsurers' share, is £57,267m (2023: £51,526m) and is included within the aggregate balance sheet (see note 2 and note 12 (c));
- Estimated premium income, in particular estimates for premiums written under delegated authority agreements, is a significant estimate. Variances between the estimated premium income and actual received impact gross written premiums and provisions for unearned premium (see below and note 4);
- Valuation of investments: the fair value of financial instruments that are not traded in an active market (Level 3) is determined by using valuation techniques which require significant judgement. The valuation techniques used to establish the fair value of the underlying investments may incorporate discounted cash flow models or a more market-based approach, whilst the main inputs might include discount rates, fundamental pricing multiples, recent transaction prices, or comparable market information to create a benchmark multiple. The estimation uncertainty impacts the carrying value of financial investments, which is the largest asset class, however, a relatively small proportion is valued at Level 3 of the fair value hierarchy (see note 2 and note 9).

Premiums written

Premiums written represent premiums on business incepting during the year, together with adjustments for premiums written in previous accounting periods. Premiums written are stated before deduction of commissions but net of taxes, duties levied on premiums and other deductions.

Unearned premiums

Written premiums are recognised as earned according to the risk profile of the policy. Unearned premiums represent the proportion of premiums written in the year that relate to unexpired terms of policies in force at the balance sheet date, calculated on the basis of established earnings patterns or time apportioned as appropriate.

Outward reinsurance premiums

Outward reinsurance premiums comprise the cost of reinsurance arrangements placed and are accounted for in the same accounting period as the related insurance contracts. The provision for reinsurers' share of unearned premiums represents that part of reinsurance premium ceded that is estimated to be earned in the following financial years.

Claims provisions and related recoveries

Gross claims incurred comprise the estimated cost of all claims occurring during the year, whether reported or not, including related direct and indirect claims handling costs and adjustments to claims outstanding from previous years.

The provision for claims outstanding is assessed on an individual case basis and is based on the estimated ultimate cost of all claims notified but not settled by the balance sheet date, together with the provision for related claims handling costs. The provision also includes the estimated cost of claims incurred but not reported (IBNR) at the balance sheet date based on statistical methods.

These methods generally involve projecting from past experience of the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of the business accepted and assessments of underwriting conditions. The amount of salvage and subrogation recoveries is separately identified and, where material, reported as an asset.

The reinsurers' share of provisions for claims is based on the amounts of outstanding claims and projections for IBNR, net of estimated irrecoverable amounts, having regard to the reinsurance programme in place for the line of business, the claims experience for the year and the current security rating of the reinsurers involved. Statistical techniques are used to assist in making these estimates. The two most critical assumptions as regards claims provisions are that the past is a reasonable predictor of the likely level of future claims development and that the rating and other models used for current business are fair reflections of the likely level of ultimate claims to be incurred.

The directors of each syndicate's managing agent consider that the provisions for gross claims and related reinsurance recoveries are fairly stated on the basis of the information currently available to them. However, the ultimate liability will vary as a result of subsequent information and events, which may result in significant adjustments to the amounts provided. Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly.

Additional information on insurance risk is included in note 3.

2. Accounting policies continued

Discounted claims provisions

Due to the delay between the date of an incurred claim and the final settlement of the claim, the outstanding claims provisions are discounted to take account of the expected investment income receivable between claim event and settlement dates on the assets held to cover the provisions. This is only applicable to the syndicates that discount their claims provisions.

Unexpired risks provision

A provision for unexpired risks is made where claims and related expenses arising after the end of the financial period in respect of contracts concluded before that date, are expected to exceed the unearned premiums under these contracts, after the deduction of any acquisition costs deferred.

The provision for unexpired risks is calculated at syndicate level by reference to lines of business that are managed together and may take into account relevant investment return.

Acquisition costs

Acquisition costs, comprising commission and other costs related to the acquisition of new insurance contracts are deferred to the extent that they are attributable to premiums unearned at the balance sheet date.

Foreign currencies

The Council considers that the functional and presentational currency of the Aggregate Accounts is pounds sterling. In the context of the Aggregate Accounts, the Council views this to be the equivalent of a group which has different operating units with a mix of functional currencies.

Foreign currency transactions are recorded at the exchange rate prevailing on the date of the transaction, or an average rate for the period in which it was recorded when this is a reasonable approximation.

At each period end foreign currency monetary items are translated using the closing rate. For this purpose all assets and liabilities arising from insurance contracts (including unearned premiums, deferred acquisition costs and unexpired risks provisions) are monetary items.

Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end rates of monetary assets and liabilities denominated in foreign currencies are recognised in the non-technical account in the Aggregate profit and loss account.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of non-monetary assets and liabilities denominated in foreign currencies are recognised in other comprehensive income for those items where the gain is required to be recognised within other comprehensive income, and in the non-technical account where the gain is required to be recognised within profit or loss.

Translation of overseas operations

On aggregation, the results and financial position of overseas subsidiaries and branches are translated into pounds sterling from their functional currencies as follows:

(i) Assets and liabilities are translated at the closing rate at the reporting date;

(ii) Income and expenses are translated at the average exchange rate for the year; and

(iii) Any resulting exchange differences are recognised in the Aggregate statement of comprehensive income.

Investments

Investments are stated at fair value at the balance sheet date. For this purpose, listed investments are stated at their bid price market value, and deposits with credit institutions and overseas deposits are stated at cost, less any provision for impairment.

Unlisted investments for which a market exists are stated at the average price at which they are traded on the balance sheet date or the last trading day before that date.

Investment return

Investment return comprises all investment income, realised investment gains and losses and movements in unrealised gains and losses, net of investment expenses, charges and interest.

Realised gains and losses on investments carried at market value are calculated as the difference between sale proceeds and purchase price. Unrealised gains and losses on investments represent the difference between the valuation at the balance sheet date and the valuation at the previous balance sheet date, or purchase price, if acquired during the year, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

Investment return is initially recorded in the non-technical account. A transfer is made from the non-technical account to the general business technical account where the investments generating the return relate to insurance business.

Taxation

The Aggregate Accounts report the market's result before tax because it is the members rather than the syndicates that are responsible for tax payable on their syndicate results. No provision has therefore been made in the Aggregate Accounts for income tax payable by members. Any payments on account of members' tax liabilities made on their behalf by a syndicate during the year are included in the balance sheet within other debtors or other creditors.

Operating expenses

Operating expenses have been charged to the syndicates in accordance with the policies adopted by the managing agents.

Profit commission

Where profit commission is charged by the managing agent, it will normally be fully paid once the appropriate year of account closes, normally at 36 months. The profit commission is generally accrued in the profit and loss account in accordance with the earned profit.

Managing agents may make payments on account of their anticipated profit commission from the syndicate premiums trust funds prior to the closure of a year of account where they have transferred open year surpluses (interim profits) from the syndicate level premiums trust funds to the members' personal reserve fund. Any payments on account of such commission are restricted to the profit commission expensed in the profit and loss account in striking the level of interim profits declared and subsequently released.

Cash and cash equivalents

Cash and cash equivalents includes cash at bank and in hand (which includes deposits held at call with banks), other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts, when applicable, are shown within other creditors.

3. Risk management

Governance framework

The following governance structure relates to the Society as a whole, as the preparer of the Aggregate Accounts. Individual syndicates will report, in their syndicate annual accounts, the governance structure applied to them by their managing agents.

An Act of Parliament, the Lloyd's Act 1982, defines the governance structure and rules under which Lloyd's operates. Under the Act, the Council of Lloyd's is responsible for the management and supervision of the market. Lloyd's is regulated by the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA) under the Financial Services and Markets Act 2000.

The Council currently has three working, three external and six nominated members. The working and external members are elected by Lloyd's members. The Chairman and Deputy Chairs are elected annually by the Council from among its members. Refer to the Governance section of the Society Report for further information.

The Council can discharge some of its functions directly by making decisions and issuing resolutions, requirements, rules and byelaws. Other decisions are delegated to associated committees. Further details are set out in the Council Responsibilities section in the Society Report,

The Council is responsible for the day-to-day management of the Lloyd's market. It lays down guidelines for all syndicates and operates a business planning and monitoring process to safeguard high standards of underwriting and risk management, thereby improving sustainable profitability and enhancing the financial strength of the market.

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Capital management objectives, policies and approach

Capital framework at Lloyd's

The Society is a regulated undertaking and subject to the supervision of the PRA under the Financial Services and Markets Act 2000. Within this supervisory framework, the Society applies capital requirements at member level and centrally to ensure that Lloyd's complies with Solvency II, and beyond that to meet its own financial strength, licence and ratings objectives.

Although, as described below, Lloyd's capital setting processes use a capital requirement set at syndicate level as a starting point, Solvency II and Lloyd's capital requirements apply at an overall and member level only, not at a syndicate level. Accordingly, the capital requirements in respect of individual syndicates are not disclosed in these financial statements.

Lloyd's capital setting process

In order to meet Lloyd's requirements, each syndicate is required to calculate its Solvency Capital Requirement (SCR) for the prospective underwriting year. This amount must be sufficient to cover a 1 in 200 year loss, reflecting uncertainty in the ultimate run-off of underwriting liabilities (SCR 'to ultimate'). This differs from the Solvency II regulatory one-year SCR which captures the risk that emerges over the next 12 months while the ultimate measure captures the adverse development until all liabilities have been paid. The SCRs of each syndicate are subject to review by the Society and approval by the Lloyd's Capital and Planning Group.

A syndicate may comprise one or more underwriting members of Lloyd's. Each member is liable for its own share of underwriting liabilities on the syndicate(s) on which it is participating but not other members' shares. Accordingly, the capital requirement that Lloyd's sets for each member operates on a several basis. Each member's SCR shall thus be determined by the sum of the member's share of the syndicate SCR 'to ultimate'.

Where a member participates on more than one syndicate, a credit for diversification is provided to reflect the spread of risk, but consistent with determining an SCR that reflects the capital requirement to cover a 1 in 200 year loss 'to ultimate' for that member. Over and above this, the Society applies a capital uplift to the member's capital requirement to determine the Economic Capital Assessment (ECA). The capital uplift applied for 2024 was 35% (2023: 35%) of the member's SCR 'to ultimate'. The purpose of setting capital on an ultimate basis, rather than a one year basis, and the ECA uplift, which are a Lloyd's not a Solvency II requirement, is to meet Lloyd's financial strength, licence and ratings objectives.

Solvency Capital Requirement (Solvency II basis)

The Solvency II SCR represents the amount of capital required to withstand a 1 in 200 year loss event over a one year horizon. Given Lloyd's unique structure the Lloyd's market-wide SCR (MWSCR) is calculated to cover all of the risks of 'the association of underwriters known as Lloyd's', i.e. those arising on syndicate activity, members' capital provided at Lloyd's and the Society taken together, at a 99.5% confidence level over a one year time horizon as provided for in Solvency II legislation. All of the capital of the component parts of the market taken together are available to meet the MWSCR.

Individual syndicates are also required to calculate a SCR, at a 99.5% confidence level over a one year horizon, for each underwriting year; this drives the determination of member level SCRs. Each member's SCR is derived as the sum of the member's share of the syndicate's one year SCR. Where a member participates on more than one syndicate, a credit for diversification is provided to reflect the spread of risk.

The MWSCR is derived from the Lloyd's Internal Model (LIM), which has been approved by the PRA. Individual syndicates also derive SCRs from their own internal models that are subject to approval by the Society's Capital and Planning Group. The appropriateness of each syndicate's internal model, including changes thereto and the reasonableness of the key assumptions, are assessed as part of the Society's oversight of the Lloyd's market.

The Lloyd's Internal Model

The LIM is a purpose-built model designed to calculate the MWSCR as required under Solvency II. It covers all risk types and all material risks for the aggregation of syndicates as well as for the Society, allowing for the unique capital structure of Lloyd's. The LIM consists of three main components: the Lloyd's Investment Risk Model (LIRM), which simulates economic variables and total assets returns; the Lloyd's Catastrophe Model (LCM), which models catastrophe risk using syndicates' views of risk; and the Capital Calculation Kernel (CCK), which is the main element of the LIM where all other risks are simulated, and all risks are combined.

Syndicates calculate their own SCR. However, the market-wide capital requirements are derived from the Society's parameterisation at a whole market level to build a view of total market capital requirements from the ground up using market level assumptions. The LIM uses a methodology whereby losses from insurance and other risks are simulated by line of business, allocated to syndicates and through to members to assess the level of capital required by the market to meet 1 in 200 year losses over the one year time horizon.

Syndicates are the source of the majority of risks. They source all of the insurance business; manage the bulk of the asset portfolios; hold the majority of the counterparty exposures; and conduct most of the day-to-day operational activity. The syndicate risks include: insurance risk (underwriting, reserving and catastrophe risk); market risk on syndicate assets (including credit risk on Premiums Trust Funds (PTF)); reinsurance and other credit risk; and syndicate operational risk.

Details of the major risk components are set out below.

3. Risk management continued

The Lloyd's Internal Model continued

Insurance risk

The dominant category of risk faced by Lloyd's syndicates is insurance risk. This is the risk arising from the inherent uncertainties as to the occurrence, amount and timing of insurance liabilities. In practice, insurance risk can be subdivided into:

(i) underwriting risk;
(ii) reserving risk;
(iii) credit risk; and
(iv) catastrophe risk.

Underwriting risk

This includes the risk that a policy will be written for too low a premium, provide inappropriate cover, or that the frequency or severity of insured events will be higher than expected.

Underwriting strategy is agreed by the board of each managing agent and set out in the syndicate business plan that is submitted to the Society for agreement each year. Agreement of business plans – and setting the capital requirements needed to support these plans – is the key control the Society uses to manage underwriting risk.

The Society reviews each syndicate business plan to ensure it meets Lloyd's standards and is consistent with the capabilities of the managing agent. Once a plan is agreed, the Society uses performance management data to identify whether each syndicate's business performance is progressing in line with the business plan or that variations are understood and accepted.

The managing agents' underwriting controls should ensure that underwriting is aligned with their strategy, agreed business plan and underwriting policy.

Managing agents are expected to have controls in place to ensure that regulatory requirements and the scope of Lloyd's market licences are clearly understood and that risks are written within those requirements.

Managing agents need to have clear processes for pricing business and an audit trail to show how pricing will deliver the projected results within the approved business plan and how pricing will be managed over the relevant underwriting cycle.

Reserving risk

Reserving risk arises where the reserves established in the balance sheet are not adequate to meet eventual claims arising. The level of uncertainty varies significantly across lines of business but can arise from inadequate reserves for known or incurred but not reported (IBNR) claims. These shortfalls can arise from inadequate reserving processes or from the naturally uncertain progress of insurance events.

Lloyd's current level of aggregate market reserves remains robust, and the continued level of overall reserve releases is supported by underlying claims experience being more favourable than expected. This will not necessarily translate to all syndicates. There are currently specific reserving issues, and the main perceived risks relate to macro influences resulting in heightened inflation, interest rate environment, impact of recession, geopolitical uncertainty, climate change and cyber business. The Society analyses reserve developments at line of business and syndicate levels quarterly; and briefs the market on issues it considers need to be taken into account.

Case-specific claim reserves should make financial provision at reported loss levels, without prejudice to coverage. Legal advisers', underwriters' and loss adjusters' judgement are used to set the estimated case reserves.

Reserving processes use a variety of statistical analyses such as projections of historical loss development patterns, with results adjusted for expert judgement. Lloyd's syndicates have significant exposure to volatile lines of business that carry material inherent risk that the ultimate claims settlement will vary from previous assessments of reserves.

Syndicates' reserves are annually subject to a formal independent actuarial opinion and are monitored by the Society. The actuarial opinions are covered by a combination of formal Actuarial Professional Standards and specific Lloyd's guidance and rules.

Credit risk

The market's principal credit risk is that the reinsurance purchased to protect the syndicates' gross losses does not respond as expected. This can occur because the reinsurer is unable to settle its liabilities. Managing agents are expected to have a clear and comprehensive plan for the reinsurance of each syndicate. This takes into account risk appetite for retained insurance risk and the potential for the accumulation of risk.

The managing agent should monitor and assess the security of, and exposure to, each reinsurer and intermediary. Reinsurance credit risk is subject to quarterly review by Lloyd's.

Catastrophe risk

Catastrophe risk is the risk of loss occurring across all lines of business from worldwide natural catastrophe events. Managing agents may use catastrophe modelling software, where appropriate, to monitor aggregate exposure to catastrophe losses. The Society has developed a suite of Realistic Disaster Scenarios to measure syndicate level and aggregate market exposure to both catastrophes and man-made losses. These are monitored frequently and syndicates supply projected probabilistic exceedance forecasts for Lloyd's key exposures with their capital and business plans. Further enhancements to the monitoring and oversight of aggregate market catastrophe risk exposure have been implemented within the approved internal model under Solvency II.

Solvency Capital Requirement coverage

Coverage of the MWSCR is an ongoing and continuous requirement and the Society reports the results of its solvency test – i.e. the amount of the MWSCR, eligible assets to cover it and the solvency ratio – on a quarterly basis to the PRA. In addition to the quarterly reporting to the PRA, internal risk appetites have been set to monitor the coverage of the MWSCR as part of the risk management framework in place at the Society of Lloyd's. During 2024, the solvency coverage ratio was in excess of the internal risk appetite and regulatory requirements.

The Society aims to hold market capital sufficient to provide financial security to policyholders and capital efficiency to members. Members are required to put up funds to meet their ECA, which is set as their SCR (on an ultimate view of risk) plus an uplift of 35%. The Society does not require excess capital to be held above this level and considers that the risk appetite of 140% of SCR gives an appropriate buffer following diversification benefits. In the event that the capital put up by a member falls below their ECA through losses incurred or an increase in their risk profile, additional funds must be deposited. If members do not recapitalise, their authority to continue to trade is restricted to the level of their available capital or ultimately fully withdrawn and they cease trading. Such action would then reduce their risk and the aggregate MWSCR.

Assets eligible for solvency

The assets of the syndicates contribute towards coverage of the MWSCR, after adjustments to value items in accordance with Solvency II valuation principles. Members' assets are however not fungible. The eligibility of assets to cover the SCR under Solvency II is determined by a tiering test. Tier 1 assets are fully available to cover the SCR while Tier 2 and Tier 3 assets in aggregate can cover up to 50% of the SCR. The majority of the assets available to cover the MWSCR are Tier 1.

A proportion of members' FAL is provided in the form of letters of credit, which are classed as Tier 2 assets, restricting their ability to cover the MWSCR. However, given the total value of these instruments at 31 December 2024 is less than 50% of the SCR, there are no unrestricted assets.

3. Risk management continued

Claims development table

The tables below illustrate the development of the estimates of earned ultimate cumulative claims for syndicates in aggregate after the end of the underwriting year, illustrating how amounts estimated have changed from the first estimates made. Non-sterling balances have been converted using 2024 year end exchange rates to aid comparability. As these tables are on an underwriting year basis, there is an apparent jump from figures for the end of the underwriting year to one year later as a large proportion of premiums are earned in the year of account's second year of development.

Gross

Estimate of incurred claims	2015 £m	2016 £m	2017 £m	2018 £m	2019 £m	2020 £m	2021 £m	2022 £m	2023 £m	**2024 £m**	Total £m
At end of underwriting year	7,396	8,872	17,199	13,954	10,593	12,211	15,184	15,366	12,376	15,963	
One year later	15,064	19,638	27,525	25,240	23,338	22,157	27,365	25,706	23,045	-	
Two years later	16,101	21,240	29,498	27,606	24,011	22,939	27,742	26,317	-	-	
Three years later	17,110	21,943	29,626	28,052	23,653	22,481	29,067	-	-	-	
Four years later	17,316	22,195	30,221	28,590	23,727	22,415	-	-	-	-	
Five years later	17,507	22,474	30,379	28,927	23,947	-	-	-	-	-	
Six years later	17,447	22,670	30,637	29,208	-	-	-	-	-	-	
Seven years later	17,559	22,935	30,922	-	-	-	-	-	-	-	
Eight years later	17,699	23,019	-	-	-	-	-	-	-	-	
Nine years later	17,646	-	-	-	-	-	-	-	-	-	
Estimate of gross claims reserve	17,646	23,019	30,922	29,208	23,947	22,415	29,067	26,317	23,045	15,963	241,549
Provision in respect of older years											4,619
Less: gross claims paid	(16,273)	(20,784)	(27,763)	(24,780)	(18,916)	(15,896)	(16,824)	(12,663)	(5,570)	(1,328)	(160,797)
Estimated gross claims reserves	1,373	2,235	3,159	4,428	5,031	6,519	12,243	13,654	17,475	14,635	85,371

Net

Estimate of incurred claims	2015 £m	2016 £m	2017 £m	2018 £m	2019 £m	2020 £m	2021 £m	2022 £m	2023 £m	**2024 £m**	Total £m
At end of underwriting year	5,856	6,828	9,690	9,006	7,547	8,570	11,079	10,390	9,698	12,142	
One year later	11,942	14,654	16,975	16,706	16,419	15,180	19,231	18,770	18,272	-	
Two years later	12,661	15,616	18,376	18,179	16,253	15,686	19,647	19,257	-	-	
Three years later	13,564	16,168	18,525	18,259	15,816	15,506	20,112	-	-	-	
Four years later	13,456	16,094	18,601	18,300	15,647	15,370	-	-	-	-	
Five years later	13,521	16,116	18,613	18,499	15,723	-	-	-	-	-	
Six years later	13,312	16,178	18,772	18,580	-	-	-	-	-	-	
Seven years later	13,398	16,232	18,911	-	-	-	-	-	-	-	
Eight years later	13,431	16,367	-	-	-	-	-	-	-	-	
Nine years later	13,528	-	-	-	-	-	-	-	-	-	
Estimate of net claims reserve	13,528	16,367	18,911	18,580	15,723	15,370	20,112	19,257	18,272	12,142	168,262
Provision in respect of older years											2,654
Less: net claims paid	(12,800)	(15,218)	(17,202)	(16,121)	(12,711)	(11,093)	(12,730)	(9,769)	(4,852)	(1,153)	(113,649)
Estimated net claims reserves	728	1,149	1,709	2,459	3,012	4,277	7,382	9,488	13,420	10,989	57,267

3. Risk management continued

Financial risk – credit risk

Credit risk is the exposure to loss if a counterparty fails to perform its contractual obligations.

The market's principal credit risk is that the reinsurance purchased to protect the syndicates' gross losses does not respond as expected. Syndicates are also exposed to credit risk in their premium debtors. Credit risk in respect of premium debt is controlled through broker approval and regular monitoring of premium settlement performance. Syndicates and members are also exposed to credit risks in their investment portfolios. PRA and Lloyd's investment guidelines are designed to mitigate credit risk by ensuring diversification of holdings.

The carrying amount of financial assets and reinsurance assets represents the maximum credit risk exposure.

The table below shows the maximum exposure to credit risk for the components of the balance sheet. The maximum exposure is shown gross before the effect of mitigation through collateral agreements and the use of credit derivatives.

2024	**Neither past due nor impaired assets £m**	**Past due but not impaired £m**	**Impaired £m**	**Total £m**
Debt securities	53,893	-	-	53,893
Participation in investment pools	1,563	-	-	1,563
Loans with credit institutions	51	-	-	51
Deposits with credit institutions	4,209	-	-	4,209
Derivative assets	69	-	-	69
Other investments	187	-	-	187
Deposits with ceding undertakings	362	-	-	362
Reinsurers' share of claims outstanding	28,109	2	(7)	28,104
Cash at bank and in hand	2,950	-	-	2,950
Total credit risk	**91,393**	**2**	**(7)**	**91,388**

2023 (Restated)	Neither past due nor impaired assets £m	Past due but not impaired £m	Impaired £m	Total £m
Debt securities	46,753	-	-	46,753
Participation in investment pools	879	-	-	879
Loans with credit institutions	49	-	-	49
Deposits with credit institutions	4,740	-	-	4,740
Derivative assets	29	-	-	29
Other investments	177	-	-	177
Deposits with ceding undertakings	668	-	-	668
Reinsurers' share of claims outstanding	27,321	-	(7)	27,314
Cash at bank and in hand	2,929	-	-	2,929
Total credit risk	83,545	-	(7)	83,538

In aggregate, there were no material financial assets that would be past due or impaired whose terms have been renegotiated, held by syndicates in the current or prior period.

In aggregate, there were no material debt and fixed income assets held that were past due or impaired beyond their reported fair values, either for the current or prior periods under review or on a cumulative basis. For the current period and prior period, in aggregate, there were no material defaults on debt securities.

Assets held as collateral comprise cash and debt securities, received as collateral against reinsurance assets transferred from syndicate reinsurers.

3. Risk management continued

Financial risk – credit risk continued

The table below provides information regarding the credit risk exposure at 31 December 2024 and 31 December 2023 by classifying assets according to the credit ratings of the counterparties. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB are classified as other. Debtors, other than amounts due from reinsurers, have been excluded from the table as these are not rated. This table is the sum of assets neither past due nor impaired.

2024	**Rated AAA £m**	**Rated AA £m**	**Rated A £m**	**Rated BBB £m**	**Other £m**	**Total £m**
Debt securities	12,675	18,075	15,302	6,736	1,105	53,893
Participation in investment pools	331	84	341	554	253	1,563
Loans with credit institutions	-	-	7	-	44	51
Deposits with credit institutions	1,693	479	918	292	827	4,209
Derivative assets	-	-	19	-	50	69
Other investments	28	8	6	3	142	187
Deposits with ceding undertakings	6	10	245	4	97	362
Reinsurers' share of claims outstanding	282	10,135	16,043	41	1,608	28,109
Cash at bank and in hand	194	245	2,481	1	29	2,950
Total credit risk	**15,209**	**29,036**	**35,362**	**7,631**	**4,155**	**91,393**

2023 (Restated)	Rated AAA £m	Rated AA £m	Rated A £m	Rated BBB £m	Other £m	Total £m
Debt securities	12,911	14,874	12,699	5,438	831	46,753
Participation in investment pools	176	129	197	260	117	879
Loans with credit institutions	-	-	3	-	46	49
Deposits with credit institutions	2,205	588	769	294	884	4,740
Derivative assets	-	-	10	-	19	29
Other investments	-	1	51	-	125	177
Deposits with ceding undertakings	9	6	532	-	121	668
Reinsurers' share of claims outstanding	344	8,882	15,923	42	2,130	27,321
Cash at bank and in hand	124	176	2,577	14	58	2,929
Total credit risk	15,769	24,656	32,741	6,048	4,331	83,545

3. Risk management continued

Financial risk – liquidity risk

Liquidity risk arises where there are insufficient funds to meet liabilities, particularly claims. Managing agents are expected to manage the cash needs of their syndicates on an ongoing basis and to avoid becoming forced sellers of assets. Generally, syndicates have a high concentration of liquid assets, namely cash and government securities.

The Society centrally monitors syndicate liquidity and conducts stress tests to monitor the impact on liquidity of significant claims events.

The table below summarises the maturity profile of the financial liabilities for the market.

2024	No stated maturity £m	0-1yr £m	1-3yrs £m	3-5yrs £m	>5yrs £m	Total £m
Claims outstanding	-	26,861	30,797	13,786	13,927	85,371
Derivative liabilities	-	44	-	-	-	44
Deposits received from reinsurers	312	243	203	99	271	1,128
Creditors	730	11,155	1,676	199	88	13,848
Other liabilities	218	204	32	-	-	454
Total	**1,260**	**38,507**	**32,708**	**14,084**	**14,286**	**100,845**

2023	No stated maturity £m	0-1yr £m	1-3yrs £m	3-5yrs £m	>5yrs £m	Total £m
Claims outstanding	-	25,070	28,253	12,426	13,091	78,840
Derivative liabilities	-	26	-	-	-	26
Deposits received from reinsurers	398	213	330	128	318	1,387
Creditors	1,043	10,377	1,710	165	286	13,581
Other liabilities	202	158	21	-	-	381
Total	1,643	35,844	30,314	12,719	13,695	94,215

Financial risk – market risk – overview

Market risk is the risk of loss, or of adverse change in financial situation resulting from fluctuations in the level of the market prices of assets and liabilities arising from exposure to economic variables and market forces such as inflation, interest rates and rates of foreign exchange.

Syndicate assets are held in premium trust funds and are subject to the asset rules contained in the PRA's handbook and must comply with Lloyd's Membership & Underwriting Requirements. Managing agents manage asset risk through their investment strategy.

Oversight of market risk includes the monitoring of investment management. The Society monitors assets across the full chain of security to ensure the asset disposition of the market and Society remains appropriate, closely monitoring global economic and market trends.

The potential financial impact of changes in market value is additionally monitored through the capital setting process, and asset mix must be reported to the Society on a quarterly basis, including credit rating analysis of fixed income portfolios.

Market risk comprises three types of risk:

(a) currency risk;
(b) interest rate risk; and
(c) equity price risk.

3. Risk management continued

Financial risk – currency risk

Managing agents must identify the main currencies in which each syndicate transacts its business. For the market overall, the US dollar is the largest currency exposure. Assets are then held in each of those currencies to match the relevant liabilities. Managing agents must ensure that assets match liabilities and take corrective action where a mismatch arises. The Society also reviews the matching of assets to liabilities at the syndicate level as well as at the market level. In addition, many members seek to match their capital disposition by currency against their peak exposures.

The profile of the aggregate of syndicate assets and liabilities, categorised by currency at their translated carrying amounts was as follows:

2024	**Sterling £m**	**US dollar £m**	**Euro £m**	**Canadian dollar £m**	**Australian dollar £m**	**Other £m**	**Total £m**
Financial investments	7,726	47,099	3,266	7,415	1,125	356	66,987
Reinsurers' share of technical provisions	4,180	26,040	1,504	1,308	775	54	33,861
Insurance and reinsurance receivables	3,935	20,668	1,256	760	617	365	27,601
Cash at bank and in hand	501	1,522	387	141	224	175	2,950
Other assets	1,723	6,444	716	1,145	1,537	465	12,030
Total assets	**18,065**	**101,773**	**7,129**	**10,769**	**4,278**	**1,415**	**143,429**
Technical provisions	(16,869)	(79,968)	(6,213)	(6,289)	(3,203)	(667)	(113,209)
Insurance and reinsurance payables	(1,109)	(8,911)	(493)	(401)	(293)	(68)	(11,275)
Other creditors	(1,730)	(2,937)	(249)	(332)	(19)	(72)	(5,339)
Total liabilities	**(19,708)**	**(91,816)**	**(6,955)**	**(7,022)**	**(3,515)**	**(807)**	**(129,823)**
Total capital and reserves	**(1,643)**	**9,957**	**174**	**3,747**	**763**	**608**	**13,606**

2023 (Restated)	Sterling £m	US dollar £m	Euro £m	Canadian dollar £m	Australian dollar £m	Other £m	Total £m
Financial investments	7,115	39,635	2,913	7,400	722	407	58,192
Reinsurers' share of technical provisions	4,506	24,538	1,563	1,338	512	45	32,502
Insurance and reinsurance receivables	3,871	18,737	962	734	652	332	25,288
Cash at bank and in hand	689	1,225	388	126	272	229	2,929
Other assets	2,312	5,595	647	1,322	1,480	601	11,957
Total assets	18,493	89,730	6,473	10,920	3,638	1,614	130,868
Technical provisions	(16,765)	(71,163)	(6,196)	(6,409)	(2,857)	(667)	(104,057)
Insurance and reinsurance payables	(1,479)	(8,427)	(463)	(401)	(245)	(70)	(11,085)
Other creditors	(1,401)	(3,037)	(313)	(444)	(55)	(149)	(5,399)
Total liabilities	(19,645)	(82,627)	(6,972)	(7,254)	(3,157)	(886)	(120,541)
Total capital and reserves	(1,152)	7,103	(499)	3,666	481	728	10,327

3. Risk management continued

Sensitivity analysis

A 10% strengthening or weakening of the puound sterling against the following currencies at 31 December would have increased/(decreased) the result before tax and members' balances for the financial year by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

2024	**Impact on result before tax £m**	**Impact on members' balances £m**
Strengthening of US dollar	219	219
Weakening of US dollar	(179)	(179)
Strengthening of euro	19	19
Weakening of euro	(16)	(16)

2023	Impact on result before tax £m	Impact on members' balances £m
Strengthening of US dollar	253	253
Weakening of US dollar	(207)	(207)
Strengthening of euro	(55)	(55)
Weakening of euro	45	45

Financial risk – interest rate risk

Interest rate risk is the risk that the value and future cash flows of a financial instrument will fluctuate because of changes in interest rates. Lloyd's syndicates operate a generally conservative investment strategy with material cash and short-dated bond portfolios, which reduces the interest rate risk exposure.

The analysis below is performed for reasonably possible movements in interest rates with all other variables held constant, showing the impact on the result before tax and equity of the effects of changes in interest rates.

2024	**Impact on result before tax £m**	**Impact on members' balances £m**
+ 50 basis points shift in yield curves	(726)	(726)
– 50 basis points shift in yield curves	733	733

2023	Impact on result before tax £m	Impact on members' balances £m
+ 50 basis points shift in yield curves	(604)	(604)
– 50 basis points shift in yield curves	610	610

3. Risk management continued

Financial risk – equity price risk

Equity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Syndicates' equity price risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices, principally investment securities.

Syndicates manage such risks by setting and monitoring objectives and constraints on investments, diversification plans, and limits on investments in each sector and market.

For syndicates, in aggregate there is no significant concentration of equity price risk.

The analysis below is performed for reasonably possible movements in market indices on financial instruments with all other variables held constant, showing the impact on the result before tax due to changes in fair value of financial assets and liabilities (whose fair values are recorded in the profit and loss account) and members' balances (that reflects adjustments to the result before tax and changes in fair value of available for sale financial assets that are equity instruments).

2024	**Impact on result before tax £m**	**Impact on members' balances £m**
5% increase in equity prices	185	185
5% decrease in equity prices	(185)	(185)

2023	Impact on result before tax £m	Impact on members' balances £m
5% increase in equity prices	144	144
5% decrease in equity prices	(144)	(144)

Concentration risk

The Society closely monitors concentrations of risk across the market and tests risk exposure against clearly defined risk appetites as established by the Council. Specialist supervisory teams across the Society monitor concentrations across the following areas: region perils, line of business, geographical location, method of distribution in insurance and investment counterparties, among others.

While syndicates define the type of business that they write, at the market level the Society seeks to avoid an inappropriate concentration of premium sources, monitoring concentration of business in poorly performing lines, material sources of premium by method of placement as well as coverholder concentration, which feature in metrics reported quarterly to the Council. Managing agents controlling more than 10% of overall market gross written premium are also subject to Council review. Any reported metrics outside of appetite are reported to and discussed by the Risk Committee and the Council. Specific and targeted actions can then be agreed, which will be discussed with specific managing agents or the market as a whole, as appropriate. These actions can vary considerably depending on the nature of the risk or the line of business impacted, with different levels of the requirements placed on syndicates, which forms part of the Society's oversight role of the market.

Further analysis of premiums, claims, expenses and underwriting result by line of business is included within note 4.

Regulatory risk

Regulatory risk is the risk of loss owing to a breach of regulatory requirements or failure to respond to regulatory change. Managing agents monitor regulatory developments to ensure ongoing compliance and any impact on claims reserves. Additionally, given current developments in the global regulatory landscape, the Society closely monitors changes that may adversely impact the global licence network. The Society is actively working with the market to assist and adapt to the changes in the UK regulatory architecture and managing agents are now expected to deliver against the Principles for doing business at Lloyd's. Similarly, the Society monitors global political trends and is taking action at both a market and Society level in response to a growing geopolitical risk facing companies operating around the world.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. Managing agents manage these risks through internal compliance monitoring and the use of detailed procedure manuals. The Society applies a principles-based oversight framework to agents and monitors delivery against these.

3. Risk management continued

Group risk

Group risk is the risk of loss resulting from risk events arising within a related entity. While Lloyd's is not a group, the Society monitors potential risks that could affect Lloyd's, for example arising from the activities of a parent company of a syndicate or managing agent. While, by its nature, group risk is difficult to control, the Society mitigates its potential impact through the implementation of controls, including the Principles for doing business at Lloyd's, limiting any material impairment to Lloyd's brand, reputation or strategic priorities.

4. Segmental analysis

The following segmental analysis is derived from the equivalent notes in the syndicate annual accounts. The syndicate annual accounts report the material direct lines of business and aggregates all other lines as 'other'. Consequently, aggregation of those figures is not meaningful. Syndicates have provided returns to Lloyd's, including segmental analysis and syndicate auditors have given audited opinions confirming that those returns have been prepared in accordance with instructions issued by Lloyd's and that they are consistent with the syndicate annual accounts. Those figures have been aggregated to provide the following tables:

2024	**Gross written premiums £m**	**Gross premiums earned £m**	**Gross claims incurred £m**	**Operating expenses £m**	**Reinsurance balance* £m**	**Under-writing result £m**
Accident and health	954	899	(390)	(383)	(52)	74
Motor (third-party liability)	361	495	(213)	(118)	(100)	64
Motor (other lines)	656	513	(286)	(179)	(25)	23
Marine, aviation and transport	6,463	6,135	(4,397)	(1,840)	171	69
Fire and other damage to property	13,952	13,168	(5,262)	(3,684)	(2,324)	1,898
Third-party liability	12,448	12,070	(6,989)	(3,541)	(817)	723
Pecuniary loss	1,916	1,707	(807)	(540)	(219)	141
Life	40	40	(8)	(19)	(6)	7
Other	27	20	(9)	(7)	-	4
Total direct insurance	**36,817**	**35,047**	**(18,361)**	**(10,311)**	**(3,372)**	**3,003**
Reinsurance acceptances	19,266	18,371	(10,330)	(4,228)	(2,133)	1,680
Total from syndicate operations	**56,083**	**53,418**	**(28,691)**	**(14,539)**	**(5,505)**	**4,683**
Allocated investment return transferred from the non-technical account						2,653
Balance on the technical account for general business						**7,336**

2023 (Restated)	Gross written premiums £m	Gross premiums earned £m	Gross claims incurred £m	Operating expenses £m	Reinsurance balance* £m	Under-writing result £m
Accident and health	938	910	(430)	(394)	(69)	17
Motor (third-party liability)	205	199	(106)	(38)	(31)	24
Motor (other lines)	675	668	(353)	(212)	(96)	7
Marine, aviation and transport	6,156	5,794	(3,142)	(1,655)	(546)	451
Fire and other damage to property	12,947	11,817	(4,233)	(3,286)	(2,641)	1,657
Third-party liability	11,999	11,679	(6,171)	(3,308)	(1,640)	560
Pecuniary loss	1,753	1,559	(411)	(459)	(424)	265
Life	54	54	(32)	(16)	(3)	3
Other	21	21	(6)	(13)	(1)	1
Total direct insurance	34,748	32,701	(14,884)	(9,381)	(5,451)	2,985
Reinsurance acceptances	17,907	17,356	(7,776)	(3,920)	(3,110)	2,550
Total from syndicate operations	52,655	50,057	(22,660)	(13,301)	(8,561)	5,535
Allocated investment return transferred from the non-technical account						2,730
Balance on the technical account for general business						**8,265**

* The reinsurance balance does not include certain reinsurance items, such as reinsurance commissions and profit participations £2,010m (2023: £1,750m) (refer to note 7), as it is impracticable to allocate them to the individual lines of business.

4. Segmental analysis continued

The syndicate returns to the Society provide additional information in respect of the lines of business which has been used to reconcile the balance on the technical account for general business to the additional analysis and market commentary disclosed in the 2024 Lloyd's Annual Report (pages 31 to 34). This reconciliation is disclosed in note 9 to the Pro Forma Financial Statements in the 2024 Lloyd's Annual Report (page 59).

The geographical analysis of gross direct insurance premiums by location of where contracts were concluded is as follows:

	2024 £m	2023 (Restated) £m
United Kingdom	35,494	34,083
EU member states	114	5
Rest of the world	1,209	660
Total	**36,817**	34,748

5. Life business

The Aggregate Accounts include the results of all life and non-life syndicates transacting business during 2024. The results and net assets for life syndicates are not material and have not been separately disclosed in the profit and loss account and balance sheet. The results for life business are reported in the segmental analysis (note 4).

6. Prior year development

The aggregate of the prior year surpluses/deficiencies is a net surplus of £1,006m (2023: deficiency of £5m), reflecting favourable claims development compared with projections. Surpluses have been reported across all lines of business except Marine, Aviation and Transport, where the reserve deterioration is predominantly caused by the increase in Ukraine loss estimates.

7. Net operating expenses

	2024 £m	2023 £m
Acquisition costs	13,023	11,989
Change in deferred acquisition costs	(654)	(650)
Administrative expenses	4,200	3,750
Reinsurance commissions and profit participations	(2,010)	(1,750)
Total	**14,559**	13,339

Total commissions for direct insurance accounted for in the year amounted to £8,321m (2023: £7,732m).

Schedule 2 of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, as amended by the Statutory Auditors and Third Country Auditors Regulations 2017, requires the disclosure of the remuneration receivable by the auditors of the Aggregate Accounts. This remuneration is not reflected in the profit and loss account of these Aggregate Accounts, all these amounts are borne by the Society of Lloyd's and its subsidiaries and are reported in the Society's accounts.

The proportion of remuneration payable by the Society to its auditors in respect of the audit of the Aggregate Accounts is set out below:

	2024 £000	2023 £000
Audit-related assurance services in respect of the Aggregate Accounts	245	144
Total	**245**	144

8. Investment return

	2024 £m	2023 £m
Income from financial instruments designated as at fair value through profit or loss	1,919	1,354
Income from available for sale investments	27	93
Dividend income	34	20
Net realised gains on investments	392	-
Interest on cash at bank	223	227
Other interest and similar income	56	57
Total investment income	**2,651**	1,751
Investment expenses	(87)	(71)
Net realised losses on investments	-	(225)
Other relevant losses	-	(6)
Total investment expenses	**(87)**	(302)
Unrealised gains on investments	230	1,489
Total investment return	**2,794**	2,938

9. Financial investments

	2024 £m	2023 (Restated) £m
Shares and other variable yield securities	9,873	8,908
Debt securities and other fixed-income securities	53,893	46,753
Participation in investment pools	1,563	879
Loans and deposits with credit institutions	1,402	1,446
Other investments	256	206
Total	**66,987**	58,192

Disclosures of fair values in accordance with the fair value hierarchy

Fair value measurements have been classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The fair value hierarchy includes the following classifications:

— Level 1 – quoted prices (unadjusted) in active markets for identical assets. An active market is one in which transactions for the asset occur with sufficient frequency and volume to provide readily and regularly available quoted prices;

— Level 2 – inputs to a valuation model other than quoted prices included within Level 1 that are observable for the asset, either directly (i.e. as prices) or indirectly (derived from prices); and

— Level 3 – inputs to a valuation model for the asset that are not based on observable market data (unobservable inputs) and are significant to the overall fair value measurement. Unobservable inputs may have been used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset at the measurement date (or market information for the inputs to any valuation models). As such, unobservable inputs reflect the assumptions it is considered that market participants would use in pricing the asset.

9. Financial investments continued

Disclosures of fair values in accordance with the fair value hierarchy continued

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement. The significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is categorised at Level 3. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset.

2024	**Level 1 £m**	**Level 2 £m**	**Level 3 £m**	**Sub-total fair value £m**	**Assets held at amortised cost £m**	**Total £m**
Shares and other variable yield securities	4,310	3,784	1,779	9,873	-	9,873
Debt and other fixed income securities	15,117	38,637	57	53,811	82	53,893
Participation in investment pools	846	716	1	1,563	-	1,563
Loans and deposits with credit institutions	711	583	70	1,364	38	1,402
Other investments	67	55	134	256	-	256
Total investments	**21,051**	**43,775**	**2,041**	**66,867**	**120**	**66,987**
Derivative liabilities	(15)	(23)	(6)	(44)	-	(44)
Borrowings	(13)	-	-	(13)	(2)	(15)
Total liabilities	**(28)**	**(23)**	**(6)**	**(57)**	**(2)**	**(59)**

2023 (Restated)	Level 1 £m	Level 2 £m	Level 3 £m	Sub-total fair value £m	Assets held at amortised cost £m	Total £m
Shares and other variable yield securities	3,790	3,324	1,794	8,908	-	8,908
Debt and other fixed income securities	14,257	32,487	9	46,753	-	46,753
Participation in investment pools	283	595	1	879	-	879
Loans and deposits with credit institutions	651	726	69	1,446	-	1,446
Other investments	54	21	131	206	-	206
Total investments	19,035	37,153	2,004	58,192	-	58,192
Derivative liabilities	(6)	(15)	(5)	(26)	-	(26)
Total liabilities	(6)	(15)	(5)	(26)	-	(26)

10. Debtors arising out of direct insurance operations

	2024 £m	2023 £m
Due within one year	14,528	13,093
Due after one year	203	225
Total	**14,731**	13,318

11. Debtors arising out of reinsurance operations

	2024 £m	2023 £m
Due within one year	11,779	11,007
Due after one year	1,091	963
Total	**12,870**	11,970

12. Technical provisions and deferred acquisition costs

a) Provisions for unearned premiums

2024	**Gross £m**	**Reinsurers' share £m**	**Net £m**
At 1 January	25,217	(5,188)	20,029
Premiums written in the year	56,083	(13,542)	42,541
Premiums earned in the year	(53,418)	12,994	(40,424)
Exchange/other movements	(44)	(21)	(65)
At 31 December	**27,838**	**(5,757)**	**22,081**

2023 (Restated)	Gross £m	Reinsurers' share £m	Net £m
At 1 January	23,624	(5,243)	18,381
Premiums written in the year	52,655	(14,133)	38,522
Premiums earned in the year	(50,057)	13,962	(36,095)
Exchange/other movements	(1,005)	226	(779)
At 31 December	25,217	(5,188)	20,029

b) Deferred acquisition costs

	2024 £m	2023 £m
At 1 January	5,896	5,438
Change in deferred acquisition costs	654	650
Exchange movements	(3)	(192)
Other	(9)	-
At 31 December	**6,538**	5,896

c) Claims outstanding

2024	**Gross £m**	**Reinsurers' share £m**	**Net £m**
At 1 January	78,840	(27,314)	51,526
Claims paid during the year	(22,435)	6,722	(15,713)
Claims incurred during the year	28,691	(7,489)	21,202
Exchange movements	144	(31)	113
Other	131	8	139
At 31 December	**85,371**	**(28,104)**	**57,267**

2023 (Restated)	Gross £m	Reinsurers' share £m	Net £m
At 1 January	81,889	(30,658)	51,231
Claims paid during the year	(23,247)	7,332	(15,915)
Claims incurred during the year	22,660	(5,401)	17,259
Exchange movements	(3,324)	1,295	(2,029)
Other	862	118	980
At 31 December	78,840	(27,314)	51,526

13. Discounted claims

Discounting may be applied to claims provisions where there are individual claims with structured settlements that have annuity-like characteristics or for books of business with mean term payment greater than four years. Certain syndicates have elected to discount their claims provisions.

The claims have been discounted as follows:

	Average discounted rates		Average mean term of liabilities	
Line of business	**2024 %**	2023 (Restated) %	**2024 years**	2023 years (Restated)
Motor (third-party liability)	3.22	2.90	23.62	23.05
Motor (other lines)	3.00	3.00	32.00	33.00
Third-party liability	4.23	3.80	24.00	23.57

Comparatives for 2023 have been restated as a result of the identification and correction of an error and a change in accounting policy, reported in syndicate submissions. The restatement has no impact on the balance sheet.

The period that will elapse before claims are settled is determined using impaired life mortality rates.

The claims provisions before discounting are as follows:

	Before discounting		Effect of discounting		Discounted provision	
	2024 £m	2023 (Restated) £m	**2024 £m**	2023 (Restated) £m	**2024 £m**	2023 (Restated) £m
Total claims provisions	1,254	1,301	(612)	(590)	**642**	711
Reinsurers' share of total claims	(752)	(825)	325	332	**(427)**	(493)

Comparatives for 2023 have been restated as a result of the identification and correction of an error and a change in accounting policy, reported in syndicate submissions. The restatement has no impact on the balance sheet.

14. Creditors arising out of direct insurance operations

	2024 £m	2023 £m
Due within one year	1,222	1,047
Due after one year	10	8
Total	**1,232**	1,055

15. Creditors arising out of reinsurance operations

	2024 £m	2023 £m
Due within one year	8,376	8,193
Due after one year	1,667	1,837
Total	**10,043**	10,030

16. Note to the statement of cash flows

	2024 £m	2023 (As restated) £m
Cash at bank and in hand	2,950	2,929
Short-term deposits with credit institutions	2,984	2,689
Overdrafts	(297)	(338)
Total	**5,637**	5,280

Of the cash and cash equivalents, £268m (2023 Restated: £201m) is held in regulated bank accounts in overseas jurisdictions and is not available for immediate use other than to pay claims in those jurisdictions.

17. Related party transactions

The annual accounts of each syndicate provide, where appropriate, the required disclosures on related parties. Syndicate level disclosures are specific to that syndicate and its managing agent. For 2024, there were no material related party transactions conducted outside normal market conditions reported in the syndicate annual accounts requiring disclosure in the Aggregate Accounts.

18. Off-balance sheet arrangements

Schedule 3 of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, as amended by the Statutory Auditors and Third Country Auditors Regulations 2017, requires the disclosure of off-balance sheet arrangements where they have been disclosed in the syndicate annual accounts and where the information is necessary for enabling the financial position of the Lloyd's market to be assessed. No such off-balance sheet arrangements were reported in the 2024 syndicate annual accounts.

19. Members' funds at Lloyd's

Every member is required to hold capital at Lloyd's to support their underwriting, which until mid-2007 was all held in trust as members' funds at Lloyd's (FAL). In 2007, a rule change permitted any members that only participate on one syndicate to hold the capital supporting their underwriting in their syndicate's premium trust funds. These funds are known as funds in syndicate (FIS). At 31 December 2024, there was £2,567m (2023: £3,225m) of FIS within members' balances. Capital held in the syndicate premium trust funds is not reported as FAL.

The level of FAL/capital that Lloyd's requires a member to maintain is determined in accordance with Lloyd's capital setting framework. FAL are not dedicated to any specific syndicate year of account participation for any member and are not therefore reported in the Aggregate Accounts.

20. Events after the reporting period

In January 2025, a series of wildfires spread across California, resulting in significant damage to property and infrastructure. Based on the information currently available, we estimate the net loss to the market for the Californian wildfires to be approximately US$2.3 billion.