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JULY 15, 2022 09:39 AM (EDT)

## AM Best Affirms Credit Ratings of Lloyd's

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### FOR IMMEDIATE RELEASE

LONDON - JULY 15, 2022 09:39 AM (EDT)

**AM Best** has affirmed the Financial Strength Rating of A (Excellent) and the Long-Term Issuer Credit Ratings (Long-Term ICR) of “a+” (Excellent) of Lloyd’s (United Kingdom), Lloyd’s Insurance Company (China) Limited (Lloyd’s China) (China), and Lloyd’s Insurance Company S.A. (Lloyd’s Europe) (Belgium). Concurrently, AM Best has affirmed the Long-Term ICR of “a” (Excellent) of Society of Lloyd’s (the Society) (United Kingdom) and the Long-Term Issue Credit Ratings of “a-” (Excellent) on the GBP 500 million 4.750%

subordinated loan notes maturing 30 October 2024 and on the GBP 300 million 4.875% subordinated notes maturing 7 February 2047. The outlook of these Credit Ratings (ratings) is stable.

The ratings reflect Lloyd's balance sheet strength, which AM Best assesses as very strong, as well as its strong operating performance, favourable business profile and appropriate enterprise risk management.

The Lloyd's market (the market) benefits from risk-adjusted capitalisation being at the strongest level, as measured by Best's Capital Adequacy Ratio (BCAR). Capital adequacy is supported by a robust risk-based approach to setting member-level capital and Lloyd's Central Fund, which is available at the discretion of the Council of Lloyd's to meet the policyholder obligations of all Lloyd's members. The protection afforded to members through the Central Fund was enhanced in 2021 following the purchase of Central Fund insurance by the Corporation of Lloyd's (the Corporation). AM Best's assessment of Lloyd's balance sheet strength takes into account the fungibility constraints of capital held at the member level and the market's good financial flexibility, which is enhanced by the diversity of its capital providers.

The market's exposure to catastrophe risk is an offsetting factor. However, the requirement for members to replenish their Funds at Lloyd's to meet their underwriting liabilities, as part of the "coming into line" process, together with the Corporation's enhanced oversight of accumulation risk, partly mitigates the potential for volatility in risk-adjusted capitalisation due to operating losses.

The operating performance assessment reflects AM Best's expectation that Lloyd's will produce strong technical performance over the underwriting cycle and that capital will continue to be attracted to the market. Recent underwriting performance has been below AM Best's expectations for the strong assessment level, as demonstrated by a five year (2017-2021) combined ratio of 104.9%. However, improving pricing conditions, as well as the robust performance oversight by the Corporation, has started to materialise in measurable improvements in underwriting performance, as demonstrated by the year-end 2021 combined ratio of 93.5%. Nonetheless, the market's expense ratio continues to be higher than its peers. Actions are being taken through the Future at Lloyd's initiative to reduce the cost of placing business at Lloyd's, the benefit of which should start to be realised over the short-term.

The business profile assessment reflects the strong position of Lloyd's in its core markets, as a leading writer of reinsurance and specialist property/casualty insurance. Lloyd's has an excellent brand in these markets, which are experiencing improving pricing conditions. The market's business mix is well-diversified but with some geographical bias toward North America and product bias toward moderate-to-high risk commercial specialty lines.

The ratings of Lloyd's China and Lloyd's Europe reflect reinsurance support from Lloyd's in the form of quota share contracts between Lloyd's and the syndicates that are active on its China and Europe platforms.

The rating of the Society is notched from the rating of Lloyd's, reflecting the unique relationships between the Society and Lloyd's, which means that the ability of the Society to meet its obligations is inextricably linked to the ability of Lloyd's to meet its obligations.

**This press release relates to Credit Ratings that have been published on AM Best's website. For all rating information relating to the release and pertinent disclosures, including details of the office responsible for issuing each of the individual ratings referenced in this release, please see AM Best's [Recent Rating Activity](#) web page. For additional information regarding the use and limitations of Credit Rating opinions, please view [Guide to Best's Credit Ratings](#). For information on the proper use of Best's Credit Ratings, Best's Performance Assessments, Best's Preliminary Credit Assessments and AM Best press releases, please view [Guide to Proper Use of Best's Ratings & Assessments](#).**

**AM Best is a global credit rating agency, news publisher and data analytics provider specialising in the insurance industry. Headquartered in the United States, the company does business in over 100 countries with regional offices in London, Amsterdam, Dubai, Hong Kong, Singapore and Mexico City.**

## Related Companies

For information about each company, including the Best's Credit Reports, group members (where applicable) and news stories, click on the company name. An additional purchase may be required.

### AMB# Company Name

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078649 [Lloyd's Insurance Company\\_\(China\)\\_Ltd](#)

095926 [Lloyd's Insurance Company\\_S.A.](#)

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