FitchRatings

Insurance
Non-Life Insurers
United Kingdom

Lloyd's of London

Ratings

Lloyd's of London

Insurer Financial Strength	AA-

Outlooks

Insurer Financial Strength	Stable

See additional ratings on page 9.

Financial Data

Lloyd's of London

(GBPm)	End-2023	End-2022
Total assets	133,291	127,275
Total equity and reserves	44,665	39,602
Total gross written premiums	52,149	46,705
Net income	10,663	-769

Note: Reported on a yearly basis.
Source: Fitch Ratings, Lloyd's of London

Applicable Criteria

Insurance Rating Criteria (March 2024)

Related Research

UK Non-Life Insurance Outlook 2024 (November 2023)

Analysts

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Key Rating Drivers

Very Strong Company Profile: Fitch Ratings ranks Lloyd's of London's business profile as 'Favourable' compared with that of global insurance and reinsurance companies. The ranking is driven by the market's strong franchise, large operating scale and significant diversification within property and casualty insurance and reinsurance. Lloyd's is one of a small group of global (re)insurance providers capable of attracting high-quality and specialised business.

Very Strong Capital Position: Lloyd's central solvency coverage ratio was very strong at 503% at end-2023 (end-2022: 412%). This is comfortably in excess of the company's risk appetite. The market-wide solvency ratio was also very strong at 207% (181%).

Unique Recapitalisation Process: The company uses a unique annual 'coming into line' process, which ensures a certain capital level is maintained and that all members have sufficient eligible assets to meet their underwriting liabilities. In the longer term, this resilience relies on the willingness and ability of members to recapitalise following significant losses. A failure to recapitalise would result in the member being unable to continue underwriting through Lloyd's.

Underwriting Drives Strong Financial Performance: Fitch's assessment of Lloyd's financial performance is driven by the level and volatility of the underwriting results. We expect Lloyd's to maintain the improvements in its underlying underwriting performance, but the overall results are likely to remain volatile, given its exposure to catastrophe-exposed lines. Lloyd's underwriting performance was very strong in 2023, the combined ratio improved to 84.0% from 91.9% in 2022, helped by lower major loss activity.

Record Profit in 2023: Lloyd's reported an underwriting profit of GBP5.9 billion in 2023 (2022: GBP2.6 billion), benefiting from lower natural catastrophe claims, although the underlying combined ratio (excluding major claims) was broadly flat at 80.5% (79.2%). Investment returns were strong, with a total return of GBP5.3 billion (GBP3.1 billion loss) driven by higher interest rates and the unwind of previously booked mark-to-market losses on the bond portfolio. These factors contributed to record profits in 2023 of GBP10.7 billion.

Favourable Pricing Conditions: In 2023, Lloyd's reported strong growth in gross written premiums of 11.6%. The strong growth was supported by favourable pricing conditions, with reported rate rises of 7.2%, and volume growth of 4.3%. Fitch expects pricing conditions to remain favourable in 2024, although any further pricing improvements should be moderate. We expect market conditions to support Lloyd's strong underwriting profitability and capital generation in 2024.

Strong Reserve Adequacy: We view Lloyd's reserve adequacy as strong, supported by stable market-level surplus in the held reserves and continued reserve releases. This level of surplus reported by the market is reinforced by an independent review and also by the level of surplus estimated by Lloyd's. Our favourable view of reserve adequacy is further supported by robust market oversight of reserving practices, which is increasingly important, given the impact of inflation and, in particular, US social inflation.

Rating Sensitivities

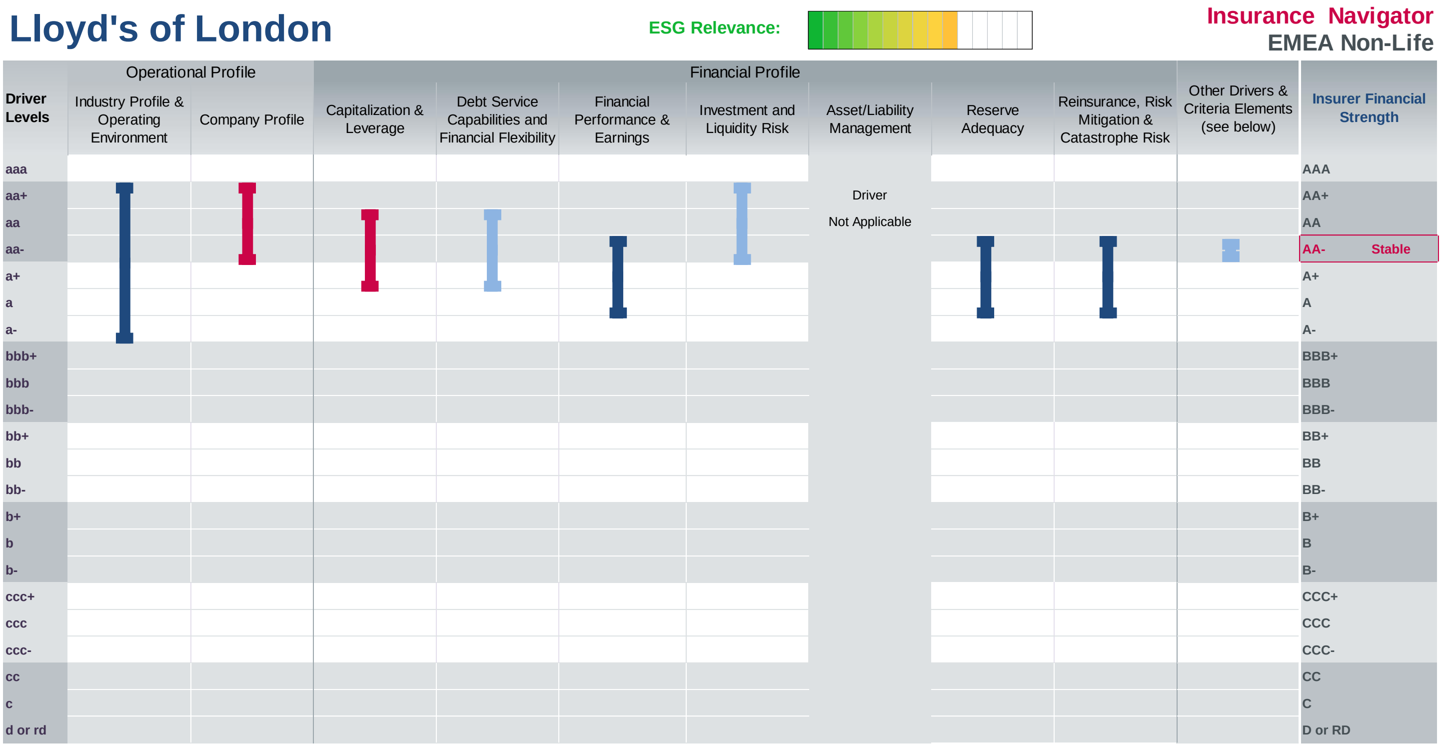
Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

- Increasing diversification away from US catastrophe risk exposure while maintaining a favourable competitive position.

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

- A five-year average combined ratio above 104% (reported five-year average to 2023: 96.4%) on a sustained basis or the underlying annual combined ratio, before major losses, weakening to above 92% on a sustained basis.
- Inability to recapitalise after a large loss event as part of the market's 'coming into line' process.

Key Rating Drivers – Scoring Summary



Other Drivers & Criteria Elements				
Provisional Insurer Financial Strength Rating				**AA-**
Non-Insurance Attributes	Positive	**Neutral**	Negative	+0
Ownership / Group Support	Positive	**Neutral**	Negative	+0
Transfer & Convertibility / Country Ceiling	Yes	**No**	AAA	+0
Insurer Financial Strength Rating			Final:	**AA-**
IFS Recovery Assumption	**Good**			-1
Issuer Default Rating (IDR)			Final:	**A+**

Bar Chart Legend:	
Vertical Bars = Range of Driver	
Bar Colors = Relative Importance	
■	Higher Influence
■	Moderate Influence
■	Lower Influence
Bar Arrows = Driver Outlook	
⇧	Positive
⇩	Negative
⇳	Evolving
☐	Stable

Company Profile

Very Strong Company Profile

Fitch ranks Lloyd's business profile as 'Favourable' compared to that of global insurance and reinsurance companies. This is driven by the company's strong franchise, large operating scale and significant diversification within P&C (re)insurance. Lloyd's is one of a small group of global (re)insurance providers capable of attracting high-quality and specialised business. Fitch takes a positive view of the presence of a detailed and defined business strategy executed by the executive team of the Corporation of Lloyd's (see *Appendix D*). Given this ranking, Fitch scores Lloyd's business profile at 'aa' under its credit factor scoring guidelines.

Lloyd's is a global insurance and reinsurance market comprising 93 syndicates managed by 51 managing agents at end-2023. It writes business from more than 200 countries and territories, and reported 2023 GWP of GBP52.1 billion (2022: GBP46.7 billion).

Product distribution at Lloyd's is primarily carried out through brokers and cover holders, with some business placed directly with service companies (see *Appendix D*) owned by managing agents. Most business is placed into the market by brokers.

Business written by syndicates focuses on seven classes. The main class of business at Lloyd's – reinsurance – covers both short- and long-tail lines, offering a variety of placement types including facultative, proportional treaties and non-proportional excess-of-loss placements.

The US is the main geographical region for the second major class, property, which includes commercial and private property. The other main class, casualty, includes professional indemnity, medical malpractice, accident and health, directors' and officers' liability, financial institutions, general liability and employers' liability. Business is mostly spread across the US, the UK and the rest of Europe.

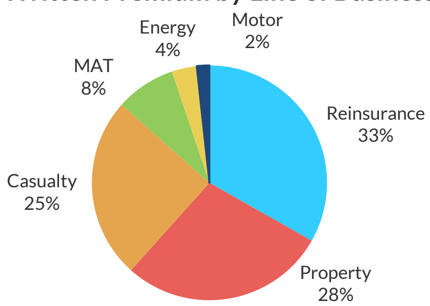
Company Profile Scoring

Business profile assessment	Favourable
Business profile sub-factor score	aa
Corporate governance assessment	Neutral
Corporate governance impact (notches)	0
Company profile factor score	aa

Source: Fitch Ratings

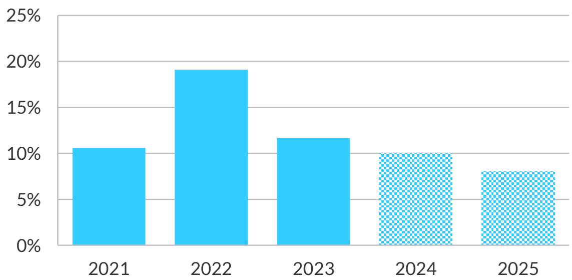
Gross Written Premium by Line of Business

2023



Source: Fitch Ratings, company data

Change in Gross Written Premiums (Non-Life)



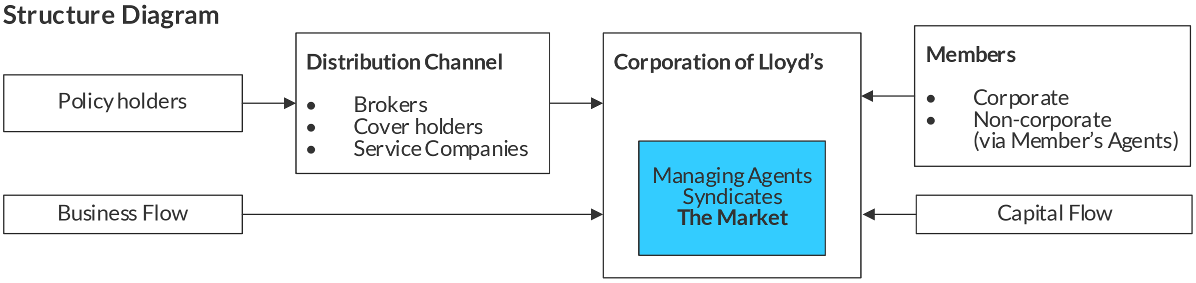
Source: Fitch Ratings

Ownership

Market Structure Supports Ratings

The market structure of Lloyd's supports its ratings in comparison with the structure of traditional corporate insurers or reinsurers. This view accounts for the 'chain of security', which provides a mixture of several and mutual claims-paying capital.

Structure Diagram



Source: Fitch Ratings

Capitalisation and Leverage

Very Strong Capitalisation and Leverage

Fitch views Lloyd's capitalisation and leverage as very strong and supportive of its rating level. This view is supported by very strong regulatory solvency ratios, 'Strong' Prism Global model score, very low financial leverage and total financing commitment (TFC) ratios. Lloyd's employs a unique annual 'coming into line' process, which keeps capital level constant and ensures that all members have sufficient eligible assets to meet their current and future underwriting liabilities.

Lloyd's reports its Solvency II coverage on both a central and market-wide basis. The market-wide solvency capital ratio (SCR) reflects the aggregation of all eligible market-wide assets, and Lloyd's reported a ratio of 207% at end-2023 (end-2022: 181%) – comfortably above its risk appetite On a central basis, reflecting the vulnerability of the central fund, the Lloyd's central SCR coverage remains very strong at 503% at end-2023 (end-2022: 412%), partly due to the benefit from the central fund reinsurance protection which gives a significant boost to the coverage ratio.

Implemented in 2021, Lloyd's cancelled and rewrote the facility in 2024. The revised cover is now denominated in US dollars with a starting attachment point of USD1 billion, with a reset index methodology based on changes to claims exposure and SCRs. There has been no change in the structure of the panel or the ability to cancel and rewrite annually.

The Fitch-calculated financial leverage ratio for Lloyd's was a very low 3% at end-2023 (end-2022: 2%).

Financial Highlights

	End-2023	End-2022
TFC/total equity (x)	0	0
Net leverage (x)	2.5	2.6
Gross leverage (x)	3.5	3.8
Net written premium/equity (x)	0.9	0.9
Net financial leverage (%)	2.6	2.4

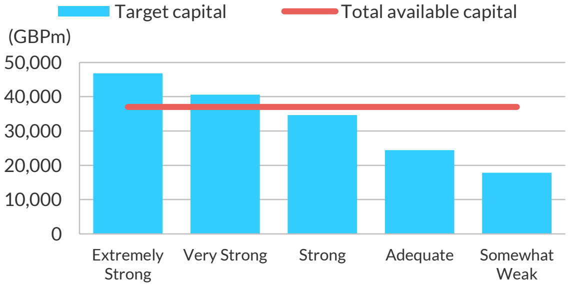
Note: Reported on a yearly basis.
Source: Fitch Ratings, Lloyd's of London

Fitch's Expectations

- Capitalisation to remain very strong given Lloyd's unique recapitalisation mechanism as well as the central fund cover available.
- Regulatory solvency ratios to be resilient following the implementation of the central fund cover which aims to reduce the volatility of the central SCR coverage.
- No significant change in financial leverage over the next two years.

Capitalisation Adequacy

Prism



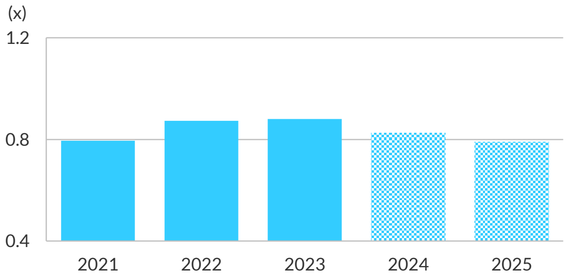
Source: Fitch Ratings

Financial Highlights

	2023	2022
Prism score	Strong	Strong
Prism total AC (GBPm)	37,032	40,795
Prism AC/TC at Prism score (%)	107	110
Prism AC/TC at higher Prism score (%)	91	92

AC – Available capital. TC – Target capital
Note: Reported on a yearly basis.
Source: Fitch Ratings, Lloyd's of London

Net Premium Written/Surplus (Non-Life)



Source: Fitch Ratings, company data

Debt Service Capabilities and Financial Flexibility

Very Strong Financial Flexibility

Lloyd's maintains very strong financial flexibility, with various options available to raise capital when required including member calls, central fund contributions, the requirement of additional capital on top of the economic capital assessment (ECA), charging a premium levy, and raising additional subordinated debt.

Fitch also expects Lloyd's to maintain a strong ability to cover its debt servicing requirements in the medium term. The fixed-charge coverage including unrealised gains and losses was 263x in 2023 as a result of the strong underwriting and investment returns (2022: -20x). The negative coverage ratio in 2022 was due to unrealised losses on the investment portfolio and we expect the ratio to remain at a very strong level in 2024 and 2025.

In a going-concern scenario, Lloyd's has several options available for the repayment of principal and interest, as it has complete discretion on the use of the central fund. If necessary, Lloyd's could increase members' contributions, impose a premium levy (as it has in the past), or use the callable layer. All these mechanisms could be used to pay the interest on the debt.

Financial Highlights

(x)	End-2023	End-2022
Fixed-charge coverage ratio (including gains and losses)	263	-20
Fixed-charge coverage ratio (excluding gains and losses)	228	38

Note: Reported on a yearly basis.
Source: Fitch Ratings, Lloyd's of London

Fitch's Expectations

- Lloyd's ability to service its low cost of debt obligations to remain strong, driven by consistent operating profits.

Financial Performance and Earnings

Underwriting Drives Strong Financial Performance

Lloyd's reported a profit of GPB10.7 billion in 2023 (2022: GBP0.8 billion loss). The result was driven by both a strong underwriting performance and investment returns.

Underwriting performance continued to improve. Lloyd's reported underwriting profit of GBP5.9 billion in 2023 (2022: GBP2.6 billion), supported by low levels of major losses, favourable pricing conditions and performance remediation work since 2018. The combined ratio improved to 84% in 2023 (2022: 91.9%; 2021: 93.5%) with major losses contributing just 3.5% to the combined ratio (12.7%; 11.2%).

The oversight of market participants by the Markets business area (previously the performance management division) has played a key role in improving the overall technical performance of the Lloyd's market, in Fitch's view. Since Markets was established in 2003, processes including business plan reviews and syndicate benchmarking have helped Markets and its syndicates improve aspects of underwriting, including pricing, reserving, claims management, risk-adjusted capital setting and catastrophe-modelling techniques.

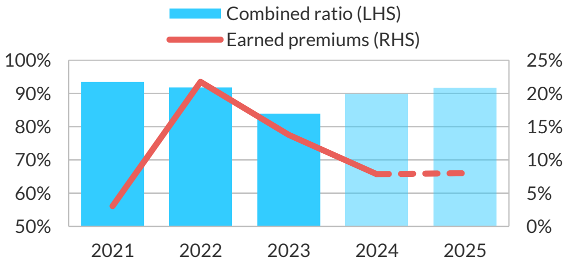
Lloyd's reported overall risk-adjusted price rises in 2023 of 7.2% (2022: 7.7%; 2021: 10.9%; 2020: 10.8%; 2019: 5.4%). We believe favourable market conditions will continue to support the company's strong underwriting performance in 2024 despite macroeconomic and geopolitical uncertainties.

Financial Highlights

(%)	End-2023	End-2022
Net income (GBPm)	10,663	-769
Net income return on equity	25.3	-2.0
Net combined ratio	84.0	91.9
Net loss ratio	49.6	57.5
Operating ratio	73.6	93.2
Change in GWP	11.7	19.1

Source: Fitch Ratings

Combined Ratio & Growth in Net Earned Premium (Non-Life)



Source: Fitch Ratings, company data

Fitch's Expectations

- Lloyd's to report strong underwriting results in 2024 as reflected in a combined ratio of low 90s due to favourable pricing conditions, performance improvement work and focus on expense reduction.
- Growth in premiums to moderate given slowing down momentum in rates rises.
- Investment returns to remain strong in 2024 due to favourable reinvestment yields on core portfolio.

Investment and Asset Risk

Low Investment and Asset Risk

Fitch views Lloyd's investment and asset risk as low and liquidity as 'Strong'. The investment portfolio remains stable and low-risk being made up of high-quality, short-duration assets, mainly bonds and cash. Lloyd's takes moderately more risk with central fund assets and is gradually re-risking the portfolio, following the substantial de-risking of the central fund in 2020.

Premium trust funds are the first resource for paying policyholder claims from a syndicate. Investments are held in liquid, short-duration, high-quality assets, with 97% of assets invested in bonds or cash.

Funds at Lloyd's represent the second layer of capital provided by members to support their underwriting. The capital is held in trusts as readily realisable assets. Letters of credit (LOCs) remain a significant proportion of assets within funds at Lloyd's but the proportion has decreased in recent years. Fitch considers the pool of banks providing LOCs to Lloyd's as well diversified with strong ratings.

Central fund assets are the third level of security at Lloyd's and are available at the discretion of the Council of Lloyd's to meet any valid claim that cannot be met by the resources of any member.

Financial Highlights

(%)	End-2023	End-2022
Risky assets/capital (total)	33	42
Unaffiliated shares/capital (total)	31	31
Non-investment-grade bonds/capital (total)	2	11
Investments in affiliates/capital (total)	0	0
Total liquid assets/non-life loss reserves	191	177

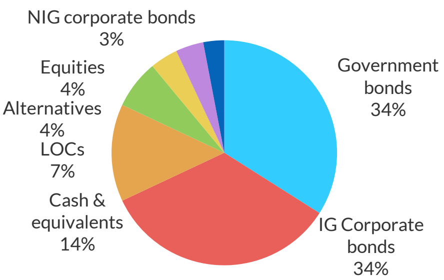
Note: Reported on a yearly basis.
Source: Fitch Ratings, Lloyd's of London

Fitch's Expectations

- The investment profile and strategy to remain stable and conservative in the near term.

Investment Split

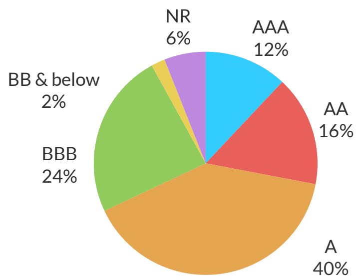
2023



Source: Fitch Ratings, company data

Corporate Bond Portfolio Credit Quality

2023



Source: Fitch Ratings, company data

Reserve Adequacy

Strong Reserve Adequacy

Fitch considers the market's reserving practices to be prudent and supportive of the rating. For any large losses Lloyd's employs a probability-weighted approach, allowing it to recognise the uncertainty early in the process. Prudent reserving practices are supported by continued reserve releases and stable market-level surplus in the held reserves over the best estimate increased to 8.0% at end-2023 (end-2022: 6.9%), with a further central reserve margin increasing the overall margin held to 8.9%. The level of surplus reported by the market is reinforced by an independent review of reserves and also by the level of surplus estimated by Lloyd's.

In 2023, Lloyd's reported reserve releases of 2.2% (2022: 3.6%) driven by favourable experience across most lines of business partially offset by strengthening in Aviation due to losses arising from the Russia-Ukraine war. Fitch expects Lloyd's to continue to benefit from favourable reserve development and syndicates have incorporated appropriate increases to net reserve positions to allow for inflation volatility. We assess the sustainability of reserve releases across all lines of business, particularly for more recent years and casualty lines in light of the rising inflation.

Reserving is an important credit factor for Lloyd's, given its reserve leverage with a net loss reserves to incurred losses ratio of 2.8x in 2023 (2022: 2.5x). Fitch monitors reserve and related exposure growth by checking the ratio of paid to incurred losses and the change in loss reserves relative to earned premium growth. Loss reserves have grown in line with underwriting exposures in most years.

Financial Highlights

(%)	End-2023	End-2022
Reserve development/prior-year capital	-2.1	-3.3
Net technical reserves/net written premiums	183	202
Net loss reserves/incurred losses (x)	2.8	2.5

Note: Reported on a yearly basis.
Source: Fitch Ratings, Lloyd's of London

Fitch's Expectations

- Reserves of prior underwriting years to develop favourably and the absolute amount of reserve releases to be broadly maintained.

Reinsurance, Risk Mitigation and Catastrophe Risk

High but Manageable Exposure to Catastrophe Risk

Fitch considers Lloyd's to have high exposure to catastrophe risk, particularly in relation to US and cyber risks, despite reduction of catastrophe risk appetite since 2018. Strong oversight provided by Lloyd's helps to mitigate these risks. We assess the development of the risk-adjusted catastrophe-exposure levels compared to its stated risk appetite and to its peers.

The unique structure at Lloyd's assists in overseeing and managing risks at the corporation level in addition to establishing guidelines, control functions and monitoring at the market level. Lloyd's has two key governance forums: the executive risk and the council risk committees. The exposure management function at Lloyd's is part of Markets and has grown significantly in recent years. It is responsible for the modelling and monitoring of market and corporation exposure to catastrophe risks. Catastrophe risk is modelled at the member and society level, with analysis supplemented by a set of deterministic scenarios, which relate to specific catastrophe-event scenarios. Syndicates are required to consider additional scenarios, should the Lloyd's realistic disaster scenarios be inappropriate for their specific business profile.

Reinsurance recoverables on Lloyd's balance sheet are of good credit quality, with most rated 'A' or above at end-2023. Reinsurance recoverables as a percentage of equity was moderate and supportive of the rating.

Financial Highlights

(%)	End-2023	End-2022
Reinsurance recoverables/ capital	71	86
Net written premiums/gross written premiums	76	74
Reinsurers' share of earned premiums	26	27

Note: Reported on a yearly basis.
Source: Fitch Ratings, Lloyd's of London

Fitch's Expectations

- Lloyd's to maintain its well-established exposure management function and good-quality reinsurance counterparties.
- Catastrophe risk to remain high relative to peers.

Appendix A: Peer Analysis

Peer Comparison

Click here for a report that shows a comparative peer analysis of key rating driver scoring.

Appendix B: Industry Profile and Operating Environment

Industry Profile and Operating Environment (IPOE)

Click here for a link to a report that summarises the main factors driving the above IPOE score.

Appendix C: Other Rating Considerations

Below is a summary of additional ratings considerations that are part of Fitch's *Insurance Rating Criteria*.

Group Insurance Financial Strength (IFS) Rating Approach

The Lloyd's insurance entities listed below are rated on a group approach, with all entities considered 'Core'.

Name	Type	Rating	Outlook
Lloyd's Insurance Company SA	IFS	AA-	Stable
Lloyd's Insurance Company (China) Ltd	IFS	AA-	Stable
The Society of Lloyd's	Long-Term IDR	A+	Stable
Subordinated debt	Long-Term Rating	A-	

Source: Fitch Ratings, Lloyd's of London

Notching

For notching purposes, Fitch assesses the UK regulatory environment as being 'Effective' and classified as following a group solvency approach.

The unique corporate structure of Lloyd's, as a market place rather than a corporation, makes reference to operating and holding companies inappropriate. A description of how the respective ratings of Lloyd's entities were reached is provided below.

Notching Summary

IFS Ratings

Due to the existence of policyholder priority, a baseline recovery assumption of 'Good' applies to the IFS rating, and Fitch used standard notching from the implied IDR. The insurance policies issued by Lloyd's are supported by a chain of security that includes Lloyd's premium trust funds, members' funds at Lloyd's and the central fund. The central fund and central assets of The Society of Lloyd's, a legal entity distinct from the members of Lloyd's, provide partial mutuality to the Lloyd's market. It is this mutuality that enables Fitch to assign an IFS rating to Lloyd's rather than to individual syndicates.

IDR Ratings

The Society of Lloyd's IDR is linked to the IFS rating assigned to Lloyd's. It has no legal liability for the insurance liabilities of members other than where it has issued an undertaking. Undertakings are liabilities of the society, and constitute unsecured obligations ranking pari passu with other senior unsecured liabilities. Fitch has therefore aligned The Society of Lloyd's IDR with the implied IDR of Lloyd's. Standard notching was applied between the implied insurance operating company and holding company IDRs for a group solvency regulatory environment.

Hybrids

For subordinated debt ratings of The Society of Lloyd's, a baseline recovery assumption of 'Below Average' and a non-performance risk assessment of Moderate were used. Notching of minus 2 was applied relative to the IDR, which was based on minus 1 for recovery and minus 1 for non-performance risk.

IFS – Issuer Financial Strength. IDR – Issuer Default Rating
Source: Fitch Ratings

Short-Term Ratings

Not applicable.

Hybrids Treatment

Hybrid	Amount	CAR Fitch (%)	CAR reg. override (%)	FLR debt (%)
The Society of Lloyd's				
XS1130913558	GBP500m	0	100	100
XS1558089261	GBP300m	0	100	100

CAR – Capitalisation ratio. FLR – Financial leverage ratio.
For CAR, % shows portion of hybrid value included as available capital, both before (Fitch %) and the regulatory override. For FLR, % shows portion of hybrid value included as debt in numerator of leverage ratio.
Source: Fitch Ratings

Recovery Analysis and Recovery Ratings

Not applicable.

Transfer and Convertibility Risk (Country Ceiling)

None.

Criteria Variations

None.

Appendix D: Glossary

Central Fund

The fund financed by (among other things) contributions from Lloyd's members, and administered by the council primarily as a fund for the protection of policyholders.

Corporation of Lloyd's

This comprises the executive of the Council of Lloyd's, the Lloyd's franchise board and their respective committees. The corporation does not underwrite insurance or reinsurance itself, but provides the licences and other facilities that enable business to be underwritten worldwide by managing agents acting on behalf of members.

Cover Holder

A company or partnership authorised by a managing agent to enter into a contract or contracts of insurance to be underwritten by the members of a syndicate managed by it, in accordance with the terms of a binding authority.

Members' Agent

An underwriting agent that has permission from Lloyd's to be appointed by a member to provide services and perform duties of the same kind and nature as those set out in the standard members' agent agreement. These services and duties include advising the member on which syndicates he should participate in, the level of participation in such syndicates, and liaising with the member's managing agents.

Underwriting Syndicates

Syndicates are the vehicles used to underwrite insurance. They are not legal entities, and are unique to the Lloyd's insurance market. Syndicates can be made up of a number of members or – as is becoming more common – just one corporate member.

Syndicates are run by managing agents, which are authorised and regulated legal entities. Managing agents' responsibilities are wide-ranging; they create and implement the syndicate's business plan, employ the underwriters that write the business, and process claims. Managing agents are required to report financial results quarterly for their syndicates to Lloyd's and to submit business plans annually, or more regularly if they change.

Risk-Based Approach to Setting Member and Central Capital

The Lloyd's ECA at the member level is set at 135% of the syndicates' solvency capital requirement with an ultimate time limit. This percentage has not changed since 2006. Lloyd's reviews each syndicate's solvency capital requirement in detail, and requires additional capital loading if it considers that the syndicate's business plan exposes the central fund to additional risk.

All members are required to recapitalise, should the ECA that is available to any individual member fall below its required level due to a change in the underlying risk profile or an erosion of funds due to losses. This process ensures that no member poses a significant threat to the central capital of Lloyd's at any given time. In cases where Lloyd's deems business underwritten within the market as too risky, it can request from the sponsoring parent (or the member) a full financial guarantee. In these cases, should losses exceed the ECA held, the additional capital required to make good the losses is taken directly from the capital provider, while the central fund remains untouched.

Appendix D: Environmental, Social and Governance Considerations

FitchRatings **Lloyd's of London**

Insurance Ratings Navigator
EMEA Non-Life

Credit-Relevant ESG Derivation

Lloyd's of London has 1 ESG rating driver and 6 ESG potential rating drivers

- Lloyd's of London has exposure to underwriting/reserving exposed to environmental and natural catastrophe risks; impact of catastrophes on own operations or asset quality; credit concentrations which, in combination with other factors, impacts the rating.
- Lloyd's of London has exposure to compliance risk; treating customers fairly; pricing transparency; privacy/data security; legal/regulatory fines; exposure to insured and own cyber risk but this has very low impact on the rating.
- Lloyd's of London has exposure to social responsibility and its effect on brand strength; increased vulnerability due to credit concentrations but this has very low impact on the rating.
- Governance is minimally relevant to the rating and is not currently a driver.

			Overall ESG Scale
key driver	0	issues	5
driver	1	issues	4
potential driver	6	issues	3
not a rating driver	2	issues	2
	5	issues	1

Environmental (E)

General Issues	E Score	Sector-Specific Issues	Reference	E Scale
GHG Emissions & Air Quality	1	n.a.	n.a.	5
Energy Management	1	n.a.	n.a.	4
Water & Wastewater Management	1	n.a.	n.a.	3
Waste & Hazardous Materials Management; Ecological Impacts	2	Underwriting/reserving exposed to asbestos/hazardous materials risks	Capitalization & Leverage; Financial Performance & Earnings; Reserve Adequacy; Reinsurance, Risk Mitigation & Catastrophe Risk	2
Exposure to Environmental Impacts	4	Underwriting/reserving exposed to environmental and natural catastrophe risks; impact of catastrophes on own operations or asset quality; credit concentrations	Capitalization & Leverage; Financial Performance & Earnings; Reserve Adequacy; Reinsurance, Risk Mitigation & Catastrophe Risk; Investment & Asset Risk	1

Social (S)

General Issues	S Score	Sector-Specific Issues	Reference	S Scale
Human Rights, Community Relations, Access & Affordability	1	n.a.	n.a.	5
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Compliance risk; treating customers fairly; pricing transparency; privacy/data security; legal/regulatory fines; exposure to insured and own cyber risk	Industry Profile & Operating Environment; Business Profile; Reserve Adequacy	4
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Corporate Governance & Management	3
Employee Wellbeing	1	n.a.	n.a.	2
Exposure to Social Impacts	3	Social responsibility and its effect on brand strength; increased vulnerability due to credit concentrations	Business Profile; Investment & Asset Risk; Financial Performance & Earnings; Reinsurance, Risk Mitigation & Catastrophe Risk	1

Governance (G)

General Issues	G Score	Sector-Specific Issues	Reference	G Scale
Management Strategy	3	Operational implementation of strategy	Corporate Governance & Management; Business Profile	5
Governance Structure	3	Board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal /compliance risks; business continuity; key person risk; related party transactions	Corporate Governance & Management	4
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Corporate Governance & Management; Ownership	3
Financial Transparency	3	Quality and timing of financial reporting and auditing processes	Corporate Governance & Management	2
				1

How to Read This Page
ESG scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the individual components of the scale. The right-hand box shows the aggregate E, S, or G score. General Issues are relevant across all markets with Sector-Specific Issues unique to a particular industry group. Scores are assigned to each sector-specific issue. These scores signify the credit-relevance of the sector-specific issues to the issuing entity's overall credit rating. The Reference box highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.

The Credit-Relevant ESG Derivation table shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far left identifies some of the main ESG issues that are drivers or potential drivers of the issuing entity's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the score.

Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Priniciples for Responsible Investing (PRI) and the Sustainability Accounting Standards Board(SASB).

Sector references in the scale definitions below refer to Sector as displayed in the Sector Details box on page 1 of the navigator.

CREDIT-RELEVANT ESG SCALE
How relevant are E, S and G issues to the overall credit rating?

5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

ESG Considerations

Lloyd's has an ESG Relevance Score of '4' for Exposure to Environmental Impacts due to underwriting/reserving exposed to natural catastrophe risks, with its property business representing 42% of 2022 gross premiums written. This has a negative impact on the credit profile, and is relevant to the ratings in conjunction with other factors.

Except for the matters discussed above, the highest level of ESG credit relevance, if present, is a score of '3'. This means ESG issues are credit neutral or have only a minimal credit impact on the entity(ies), either due to their nature or to the way in which they are being managed by the entity(ies). Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg.

SOLICITATION & PARTICIPATION STATUS

For information on the solicitation status of the ratings included within this report, please refer to the solicitation status shown in the relevant entity's summary page of the Fitch Ratings website.

For information on the participation status in the rating process of an issuer listed in this report, please refer to the most recent rating action commentary for the relevant issuer, available on the Fitch Ratings website.

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