

RATING ACTION COMMENTARY

Fitch Affirms Lloyd's at IFS 'AA-'; Outlook Stable

Fri 16 May, 2025 - 11:42 AM ET

Fitch Ratings - London - 16 May 2025: Fitch Ratings has affirmed Lloyd's of London's (Lloyd's), Lloyd's Insurance Company (China) Limited's and Lloyd's Insurance Company SA's Insurer Financial Strength (IFS) Ratings at 'AA-' (Very Strong). The Outlooks are Stable. A full list of rating actions is below.

The affirmation reflects Lloyd's very strong company profile and capitalisation and leverage. The ratings also reflect strong and improved financial performance and earnings, as well as strong reserve adequacy.

KEY RATING DRIVERS

Very Strong Company Profile: Lloyd's writes business from more than 200 countries and territories, and reported 2024 gross written premiums of GBP55.5 billion (2023: GBP52.1 billion). Lloyd's has a strong franchise, large operating scale and significant diversification within property and casualty (P&C) insurance and reinsurance. It 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 remained very strong at 435% at end-2024 (end-2023: 503%). This is comfortably in excess of the company's risk appetite. The market-wide solvency ratio was also very strong at 205% at end-2024 (end-2023: 207%).

Unique Recapitalisation Process: Lloyd's employs a unique to the market annual 'coming into line' process, which ensures it maintains a certain capital level 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.

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 2024. The combined ratio deteriorated slightly to 86.9% (2023: 84.0%), on higher major loss activity.

Strong Profitability: Lloyd's reported an underwriting profit of GBP5.3 billion in 2024 (2023: GBP5.9 billion), benefiting from limited natural catastrophe claims during the year. The underlying combined ratio (excluding major claims) remained broadly flat at 79.1% (2023: 80.5%). Investment returns were strong with a total return of GBP4.9 billion in 2024 (2023: GBP5.3 billion) driven by higher interest rates and the unwind of previously booked mark to market losses on the bond portfolio. These factors contributed to very strong profit in 2024 of GBP9.6 billion (2023: GBP10.7 billion).

Favourable Pricing Conditions: Lloyd's reported strong growth in gross written premiums in 2024 of 6.5%. This was despite flat pricing conditions, with reported risk-adjusted rate rises of 0.3% in 2024 (2023: 7.2%). We believe pricing conditions will remain favourable in 2025, despite our expectation of a moderate fall in risk-adjusted pricing across most lines of business. We expect market conditions to support Lloyd's strong underwriting profitability and capital generation in 2025.

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 is reinforced by an independent review of reserves, which confirmed the market 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 Negative Rating Action/Downgrade

-- A five-year average combined ratio above 104% (reported five-year average to 2024: 93.3%) 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.

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

-- A significant improvement in Lloyd's general competitive position. However, we view this as unlikely in the medium term.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

ESG CONSIDERATIONS

Lloyd's has an ESG Relevance Score of '4' for Exposure to Environmental Impacts due to underwriting/reserving being exposed to natural catastrophe risks, with its reinsurance and property business segments representing 63% of 2024 gross written premiums.

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. 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 <https://www.fitchratings.com/topics/esg/products#esg-relevance-scores>.

RATING ACTIONS

ENTITY / DEBT ⚡	RATING ⚡			PRIOR ⚡
Lloyd's Insurance Company SA	LT IFS	AA-	Affirmed	AA-
Lloyd's Insurance Company (China) Limited	LT IFS	AA-	Affirmed	AA-
Lloyd's of London	LT IFS	AA-	Affirmed	AA-
The Society of Lloyd's	LT IDR	A+	Affirmed	A+

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Additional information is available on www.fitchratings.com

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APPLICABLE CRITERIA

[Insurance Rating Criteria \(pub. 04 Mar 2024\) \(including rating assumption sensitivity\)](#)

APPLICABLE MODELS

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

Prism Global (ex-U.S.) Model, v1.8.1 (1)

ADDITIONAL DISCLOSURES

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ENDORSEMENT STATUS

Lloyd's Insurance Company (China) Limited

UK Issued, EU Endorsed

Lloyd's Insurance Company SA

UK Issued, EU Endorsed

Lloyd's of London

UK Issued, EU Endorsed

The Society of Lloyd's

UK Issued, EU Endorsed

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