Trends and Insights: **Lloyd's**

INSURANCE INFORMATION INSTITUTE
Affiliated with The Institutes

A Nearly 350-Year Evolution of Global Risk Management

Contrary to common belief, Lloyd's (aka in the U.S. as Lloyd's of London) isn't a single insurance company. It's a marketplace of more than one hundred independent, yet collaborative insurance businesses, with a core idea: to bring people together in a trusted setting to connect capital and risk. With roots dating back to marine insurance networks in the 1600s, Lloyd's insurance marketplace brings centuries of expertise in insuring complex or volatile risks that might otherwise be uninsurable.

Lloyd's has evolved into a global institution, providing a platform for connecting capital with insurance risks and offering clients secure policies backed by a unique capital structure in the 200+ territories for which Lloyd's has licenses to write (re)insurance. This marketplace joins thousands of investors and market participants and serves millions of customers worldwide.

For more than 125 years, Lloyd's has been a steady partner to growth and risk management in the U.S. economy and, currently, provides the nations largest source of Excess and Surplus (E&S) insurance capacity. An AA-rated balance sheet, flexible marketplace model, and respected regulatory framework enable Lloyd's to support U.S. businesses with innovative solutions for complex risks – from natural catastrophes to emerging cyber threats.

A Framework for Innovation

Traditional insurers operate as integrated entities, with governance and operations, the balance sheet, income statement, and capital all incorporated into a single corporate structure. In comparison, Lloyd's is a modular marketplace, separating capital provision from underwriting, claims and other technical capabilities, all underpinned by a pool of mutual assets. This flexibility allows market participants to engage only where they feel most comfortable and speeds up development of innovative (re) insurance structures for customers.

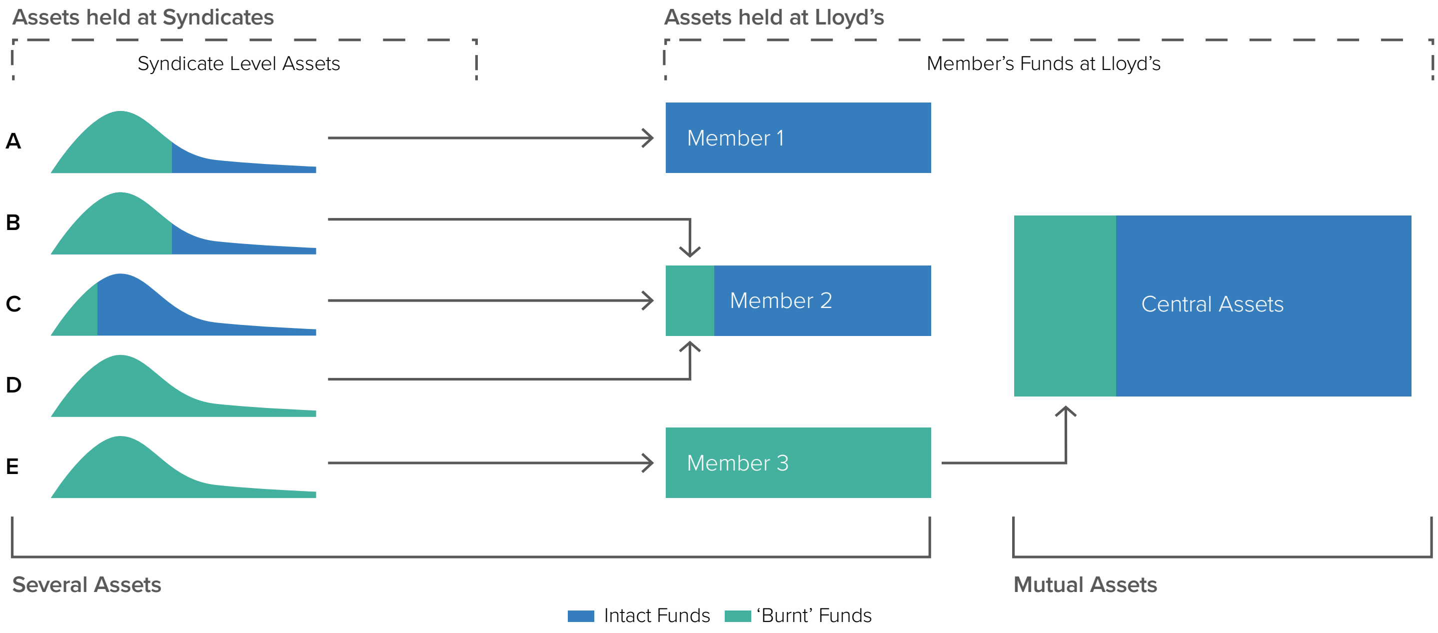
There are three core groups within the Lloyd's marketplace:

- **Members:** Persons or corporate entities which provide the capital that funds a syndicate.
- **Syndicates:** An accounting construct with assets, liabilities, and Profit and Loss (P&L) statement and segregated from those of other syndicates operating at Lloyd's.
- **Managing Agents:** Entities appointed by the members of a syndicate to handle the underwriting and claims activities, as well as overseeing the governance and operations on behalf of the syndicates.

Key Elements of Lloyd's Operating Model

This setup enables managing agents to collectively underwrite complex, high-value, or unusual risks that often exceed the capacity of individual insurers. These three groups can be combined in different ways depending on their business objectives. Currently, some businesses provide their own capital and manage their own operations on behalf of their own syndicate. Other participants act solely as capital providers. A few entities act exclusively as managing agents on behalf of syndicates.

How the Chain of Security Supports in a Major Loss Event



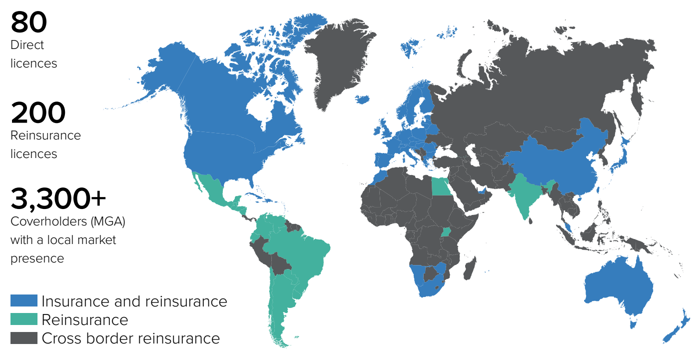
The capital structure of Lloyd's marketplace, typically called the Chain of Security, provides the financial backing for all insurance policies written at Lloyd's. The Chain of Security includes the common security, or assets, that underpins the market's strong ratings and global license network. Through oversight of the capital planning process, Lloyd's ensures all syndicates maintain ample capital to ensure stability and protect policyholders. Accordingly, syndicates are required to replenish capital after major losses – enabling the market to adapt quickly to changing market dynamics. Lloyd's marketplace participants may refer to this process as "coming into line."

Independent rating agencies usually cite Lloyd's capital structure as their basis for applying the same Financial Strength Rating (FSR) to all Lloyd's syndicates. As of late 2025, Lloyd's held high (e.g. "very strong" or "superior") financial strength ratings from S&P Global, Fitch, AM Best, and others.

Instead of branches, subsidiaries, or fronting arrangements to cover local policyholders, Lloyd's maintains over 200 licenses worldwide, along with a network of local partners in key jurisdictions, to provide global solutions across the EU, U.S., and Asia. These licenses and partnerships are centrally managed by Lloyd's and supported by a global network of on the ground experts to enable direct and cross-border access for syndicates through:

- Streamlined authorizations facilitating the issuance of licensed policies in multiple jurisdictions
- Central underwriting and servicing teams in London or elsewhere
- Centrally managed regulatory reporting, delivered to international regulators
- Local capital, funding, and deposits are underpinned by the Chain of Security

Lloyd's Loyal Licenses



This structure enables the syndicates to access premium flow globally through Lloyd's licenses, permissions, and exemptions – 80 for direct insurance and 200 for reinsurance. One of the principal ways syndicates distribute their products at Lloyd's is through a network of over 3,300 coverholders (managing agents and wholesale brokers) with local market presence, enabling risk to be underwritten closer to the customer.

Lloyd's in the U.S.: The World's Largest Insurance Marketplace

In the U.S., insurance is regulated at the state and jurisdictional levels, with 56 regulatory bodies in total. Lloyd's syndicates are approved as eligible surplus lines insurers in all 50 states and they operate on a cross-border basis from London. As of this writing, \$32.7 billion of gross written premium – approximately 50 percent of Lloyd's total – comes from U.S. policyholders, making the U.S. its single largest market. In turn, Lloyd's pays an average of \$13 billion in U.S. claims annually, helping communities recover from insured events and disasters.

Select Highlights of Lloyd's Support for the U.S. Market

- San Francisco earthquake (1906): Lloyd's underwriter Cuthbert Heath instructed agents to "pay all claims, in full, irrespective of the terms," a decision that cost the market the equivalent of nearly $69 million today and sand became an early touchstone for the industry's commitment to policyholder trust following major disasters.
- Hurricane Katrina (2005): Lloyd's paid over $10 billion in claims, deployed thousands of adjusters, and became the first market to pay claims to the offshore energy sector.
- Hurricane Irma (2017): Lloyd's paid $4.6 billion in claims to support the repair and rebuilding of homes, hotels, and critical infrastructure.
- Hurricanes Helene, Milton, and Beryl (2024): Lloyd's has paid nearly $1.7 billion in claims, helping rebuild homes, businesses, and public facilities and supporting local economic recovery.
- California Wildfires (2025 to date): Lloyd's expects to pay $2.3 billion in claims and used McKenzie Intelligence Services (MIS) to identify severely damaged properties and trigger faster claims payments for rapid adjudication.

Excess and Surplus (E&S) premiums account for over 60 percent of Lloyd's total premiums written in the U.S., with over half of that coming from California (19 percent), Texas (18 percent), Florida (10 percent), New York (6 percent), and Illinois (4 percent). E&S coverage, offered outside the admitted (traditional) market, allows participating insurers to customize a policy to fit the unique risks of the customer, particularly when no other option for such bespoke coverage exists.

As the leading E&S lines capacity provider in the U.S., Lloyd's provided $20.8 billion in surplus lines insurance capacity, around 16 percent of the total U.S. surplus lines market in 2024. Property coverage is the largest class of Lloyd's business in the U.S., including CAT-exposed states, accounting for one-third of E&S premiums.

Reinsurance at Lloyd's

Lloyd's currently stands as a leading source of property treaty reinsurance for the U.S. The Net Combined Ratio (NCR) for its catastrophe-exposed business there averaged 84.9 percent between 2021 and 2025. Data for the classes of Lloyd's business with the largest exposures to natural catastrophes continue to meet performance expectations. Lloyd's established syndicates are expanding their reinsurance portfolio and new syndicates are entering the U.S. market.

Globally, after years of a hard market characterized by scarce capacity and steep price hikes, especially for property catastrophe covers, the reinsurance industry experienced a surge of capital into both traditional and alternative product areas.

Reinsurance operating performance for 2025 is expected to generate returns that exceed its cost of capital for a third consecutive year, according to the January 2026 AM Best market segment report which upgraded the outlook from Stable to Positive.

Insurers can use the Lloyd's marketplace to cede a portion of their risk to Lloyd's reinsurers, spreading the costs of potentially massive claims and reducing exposure to large losses. Gross written premiums (GWP) for U.S. reinsurance totaled $9.86 billion in 2024, with the marketplace ceding around $2.9 billion annually in reinsurance premiums to U.S. reinsurers.

Lloyd's reinsurance capacity provides U.S. consumer relief from government-managed and often struggling residual insurers, such as the National Flood Insurance Program, Texas Windstorm Insurance Association, and California FAIR Plans. By reinsuring these structures, Lloyd's plays a role in protecting taxpayers and maintaining the availability and growth of insurance coverage options in the disaster-prone areas of Florida, Texas, and California and other high-risk states.

Despite the growing frequency and severity of natural catastrophes in the U.S., Lloyd's reinsurance business has experienced meaningful growth in recent years. In 2024, it delivered $2.3 billion in underwriting profit and a combined ratio of 88 percent. Patrick Tiernan, the Chief Executive of Lloyd's, is looking to lead further expansion into this product area.

Evolving Capital Flows

The London Bridge 2 (LB2) platform is a strategic initiative that supports returning capital to investors. Designed to be a solution for packaging collateralized reinsurance, LB2 acts as Lloyd's version of an insurance-linked securities (ILS) vehicle, giving institutional investors a flexible and efficient means to deploy funds into the Lloyd's market.

Since LB2's 2022 launch, approximately $2.5 billion in new capital has been invested in Lloyd's via the platform, reflecting a rising demand for investment in Lloyd's syndicates and an awareness of benefits derived from LB2.Further, given underwriting returns on the specialty insurance business tend to be uncorrelated to interest rate or equity market movements, LB2 should help deliver returns when other asset classes come under pressure.

Innovation Hub: Lloyd's Lab

The Lloyd's Lab is a central space for developing new product concepts and technology solutions. In the wake of the January 2025 California Wildfires, Lloyd's firms used McKenzie Intelligence Services (MIS), which is an alumni of the Lloyd's Lab, to identify the most severely damaged properties and trigger claims payments.

Another alumni, Floodbase, refined their satellite and sensor-based flood monitoring technology through the Lab, creating AI-driven platforms with improved accuracy over leading methods and enabling automatic payouts based on measurable flood parameters. The Lab also facilitated partnerships to support Floodbase's Asian market expansion and connections that led to the launch of parametric storm surge insurance with Aon and Swiss Re for U.S. coastal areas in 2025.

Overall, the Lab has supported 48 U.S. startups, which collectively have raised $490 million to scale solutions tackling wildfire, flood, and cyber risks. Climate technology solutions in Lab cohorts have doubled from 10 percent to 20 percent – a reflection of the industry's urgent pivot to address weather-related catastrophic losses that exceed traditional modeling approaches. In addition to operating the Lab, Lloyd's invests directly in U.S. Insurtech startups, contributing to the growth of a specialty insurance industry.

Talent Development

The Lloyd's Academy, launched in April 2024, is a commercial education platform for risk professionals. The Academy offers in-person and online courses, events, business simulations, and interactive sessions designed to deepen knowledge and strengthen networks. The education platform supports the sustainable growth of the Lloyd's market by equipping professionals with the insight needed to navigate the emerging risk landscape.

Since its inception, Lloyd's Academy has:

- Hosted 43 programs with over 1,300 delegates while achieving a 91 percent satisfaction score.
- Successfully launched OnDemand globally across the U.K., Europe, APMEA, and U.S., expanding reach and accessibility.
- Delivered 38 global programs across four channels and three career paths.
- Reached 14,000+ delegates, including 80 percent of tier 1 broker firms.
- Established a community of 200+ expert faculty members from 72 market organizations.
- Achieved a 40 percent increase in delegate understanding of Lloyd's and its value.

In the U.S., Lloyd's runs Boot Camps and Academy programs in cities like Chicago, New York, Miami, and San Diego, training over 700 U.S. brokers, with 96 percent reporting increased confidence in placing complex risks. Lloyd's also partners with universities across the U.S., offering classroom instruction, experiential learning through internships, and Lloyd's Academy engagement to help develop the next generation of insurance talent.

Meeting the Future Head-On

In today's global insurance market, the risk landscape is fast evolving, with the inception of machine learning/artificial intelligence (ML/AI), increasing cyber threats, a fast-changing climate, and a volatile geopolitical environment. As a result, the insurance market will need to adapt faster than ever by investing in advanced analytics, strengthening capital resilience, and collaborating across the industry to anticipate and respond to emerging threats more effectively. AI and data analytics will become essential tools for prediction and prevention.

Managing risk and sustaining growth has been a core focus of Lloyd's. As the reinsurance industry works to close the (estimated) $1.83 trillion global protection gap, emerging perils and soaring capital demands will reshape the risk management landscape. Lloyd's marketplace remains a cornerstone of risk management, enabling businesses to navigate complexity and seize new opportunities with confidence.