BEST'S MARKET SEGMENT REPORT

Our Insight, Your Advantage®

September 2, 2026

Steering Profitability Remains Crucial for Lloyd's in a Softening Market

A number of London Bridge transactions involved the issuance of catastrophe bonds and establishing reinsurance captives, enhancing the reinsurance business proposition of the Lloyd's market.

Principal Takeaways

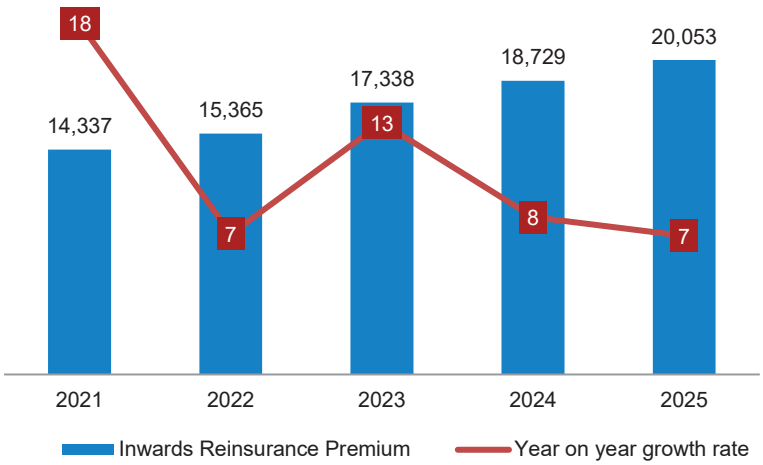
- Despite softening pressures, the pricing environment for the reinsurance segment of Lloyd's is expected to remain adequate and support positive underwriting performance in the near term.
- Performance oversight by the Corporation is expected to remain an area of importance as the market navigates the downturn in the underwriting cycle.
- The Lloyd's market remains attractive for investors, with a growing deployment of third-party capital and an influx of new syndicates.

Reinsurance is the Lloyd's market's largest segment and accounts for approximately one-third of its gross written premium (GWP), with its inwards reinsurance business well diversified between property, casualty and specialty lines. In 2025, GBP 20 billion of inwards reinsurance business was written across the Lloyd's Syndicates (see **Exhibit 1**).

Exhibit 1

Lloyd's – Reinsurance Premium by Syndicates, 2021-2025

(Premium: GBP millions. Year on year growth rate: %)



Source: AM Best data and research

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Lloyd's reinsurance business has grown strongly in recent years, with a five-year (2021-2025) compound average growth rate of 7% boosted by exceptional growth in 2021. Following several years of rate increases, softening pressures emerged in 2025 and have intensified in 2026.

Over the first half of 2026, most reinsurance lines of business (excluding US casualty) experienced a decline in risk-adjusted pricing. Pressure was most pronounced for property catastrophe business, particularly for US-exposed risks. It appears that there has also been pressure on terms and conditions in 2026. AM Best notes that although rates have declined, they have moderated from a very strong peak and are expected to remain adequate at least through 2026.

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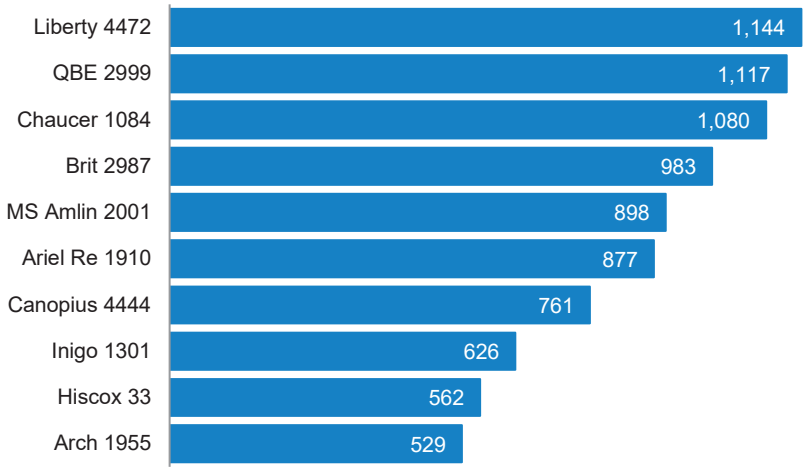
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Lloyd's continues to focus on supporting its best performing operators, with an emphasis on price adequacy. Syndicate 4472 (Liberty) reported the largest volume of reinsurance premium in 2025 (see **Exhibit 2**), closely followed by Syndicate 2999 (QBE). The market's unique proposition and recent robust returns have attracted an influx of new syndicates, with several of them offering traditional and collateralised reinsurance solutions.

Exhibit 2
Lloyd's – 10 Largest Syndicates by Inwards Reinsurance Premium, 2025
(GBP million)



Source: AM Best data and research
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In 2021, Lloyd's established its London Bridge platform to act as a reinsurance risk transformation vehicle to facilitate the participation of institutional investors. The platform allows the issuance of both preference and debt securities to fund reinsurance obligations. By the end of 2025, the London Bridge risk transformation platform reached a capital deployment of around USD 3 billion. A number of London Bridge transactions in 2025 and 2026 involved the issuance of catastrophe bonds and establishing reinsurance captives, enhancing the reinsurance business proposition of the Lloyd's market.

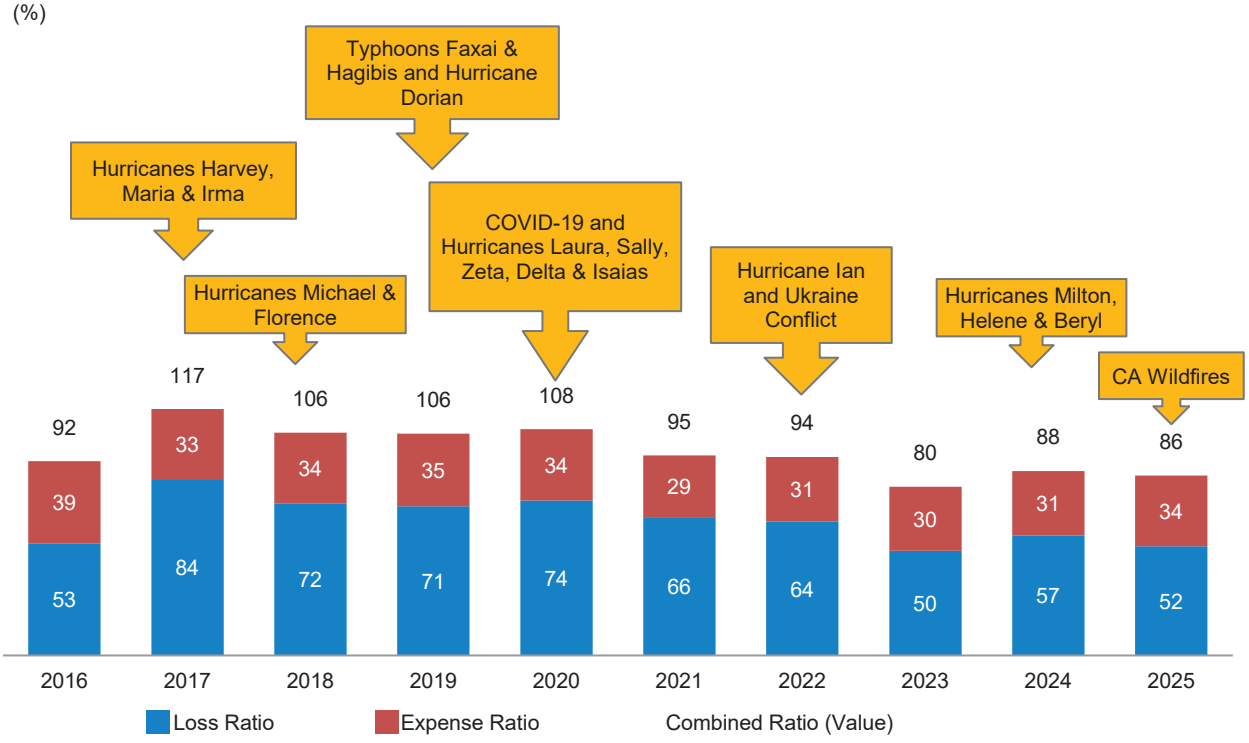
Reinsurance Performance Remains Subject to Natural Catastrophe Experience

Over the longer term, the reinsurance segment's performance has experienced significant volatility, with its net loss ratio fluctuating between 84% (2017) and 50% (2023) over the past decade. However, this is not completely unexpected, as the reinsurance segment is highly exposed to catastrophe losses through lines such as property catastrophe excess of loss.

To address a period of poor performance in 2020 and prior years, remedial work was undertaken by syndicates across the market, which was supported by oversight by the Corporation. The result of these corrective measures is reflected in the improved underwriting performance of the reinsurance segment since 2021 (see **Exhibit 3**). In addition, improved market conditions in more recent years contributed to the market's reinsurance segment reporting healthy combined ratios over the period from 2023 to 2025.

The hard pricing environment over the period between 2023 and early 2025 coincided with relatively benign natural catastrophe activity, with large claims remaining within budget for the overall Lloyd's market. In recent years, the market has reported favourable releases from several large natural catastrophe events from prior years, which has supported good results. However, some of these releases have been in part offset by reserve strengthening reported by the casualty reinsurance segment relating to business written prior to 2019. In the specialty reinsurance segment, adverse prior year development was observed for aviation business in 2024 and 2025 due to a strengthening of estimates for the Ukraine conflict following unfavourable litigation outcomes in the UK and Ireland.

Exhibit 3
Lloyd's – Reinsurance Combined Ratios and Major Events, 2016-2025
(%)



Source: AM Best data and research

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A prolonged crisis in the Middle East, particularly if insured infrastructure continues to be targeted, will likely generate further losses for the Lloyd's market, which is a key reinsurer for the region and a leading reinsurer covering marine war risks. In addition, with the hurricane season still ahead, Lloyd's reinsurance segment's profitability for 2026 will be subject to its natural catastrophe experience during the rest of the year.

The distribution of Lloyd's business is dominated by insurance brokers, and by the three largest global brokers in particular. Lloyd's brokers play an active part in the placement of risks and in providing access to regional markets.

The Lloyd's distribution model is relatively expensive, with business often passing through several distribution links before arriving at the syndicates. The market's reliance on brokers also makes it vulnerable to price-based competition. Although in overall terms, Lloyd's is important to the large global brokers (as well as to the specialised London market brokers), the importance of individual syndicates is less so.

Capital at Lloyd's

Syndicates operating at Lloyd's follow a robust market-wide capital-setting regime, which incorporates a risk-based approach to setting member-level capital, as well as a 35% capital uplift. Moreover, there is a requirement for members to replenish their Funds at Lloyd's (FAL) after a loss through the "Coming into Line" process, which helps protect risk-adjusted capitalisation against volatility. In effect, this means that capital depleted following a large catastrophic loss event is typically replenished quickly during the year, making Lloyd's risk-adjusted capitalisation less volatile than that of its peers.

Member-level capital in the form of FAL and members' balances are held on a several rather than a joint basis, meaning that any member needs to only meet its share of claims. However, Lloyd's central assets are available, at the discretion of the Council of Lloyd's, to meet policyholder liabilities that any member is unable to meet in full. This link in the Chain of Security comprises the Central Fund and other central assets. These central assets can be supplemented by funds called from members of up to 5% of their overall premium limits. Currently, Lloyd's has in place insurance for the Central Fund through a multi-year cover. This provides protection to the Central Fund, and therefore the market, against severe tail events.

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