FOR IMMEDIATE RELEASE

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A.M. Best Affirms Credit Ratings of Lloyd’s

LONDON, 20 July 2017—A.M. Best has affirmed the Financial Strength Rating of A (Excellent) and the Long-Term Issuer Credit Ratings (Long-Term ICR) of “a+” of Lloyd’s (United Kingdom) and Lloyd’s Insurance Company (China) Limited (LICCL) (China). Additionally, A.M. Best has affirmed the Long-Term ICR of “a” of Society of Lloyd’s (the Society) (United Kingdom) and the Long-Term Issue Credit Ratings of “a-” 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 in 2047. The outlook of these Credit Ratings (ratings) remains stable.

The rating affirmations reflect Lloyd’s strong and stable risk-adjusted capitalisation, excellent business profile and recent strong underwriting performance.

Lloyd’s benefits from strong and stable risk-adjusted capitalisation, supported by a robust risk-based approach to setting member level capital. The exposure of central resources to insolvent members has fallen significantly over the past 10 years and is now at a very low level. Lloyd’s financial flexibility remains good, enhanced by the diversity of its capital providers, which include corporate and non-corporate investors.

Operating performance has been good in recent years, supported by strong technical performance as demonstrated by an average five-year combined ratio of 90% (2012-2016). The combined ratio deteriorated in 2016 to 97% from 89% for 2015, primarily due to a higher major loss burden and a reduction in reserve releases.

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Major losses accounted for approximately 9 percent of net earned premium in 2016, which is in line with the market’s 10-year average. Assuming average catastrophe experience, technical performance in 2017 is expected to be in line with 2016.

Lloyd’s benefits from an excellent position in the global insurance and reinsurance markets. The collective size of the Lloyd’s market and its unique capital structure enable syndicates to compete effectively with large international insurance groups under the well-recognised Lloyd’s brand. However, an increasingly difficult operating environment poses challenges to Lloyd’s competitive position. In particular, the growth of regional (re)insurance hubs, combined with the comparatively high cost of placing business at Lloyd’s, is reducing the flow of business into the London market. There has been a proactive response by Lloyd’s to these threats. Improved access to international business is being supported by the Vision 2025 strategy and the establishment of regional platforms, and Lloyd’s continues to implement initiatives to improve efficiency and reduce operating costs. A.M. Best will continue to closely monitor Lloyd’s ability to defend its strong competitive position against the prevailing market headwinds.

A.M. Best deviates from its Insurance Holding Company and Debt Ratings methodology in its analysis of the Society. The rating of the Society is notched from the rating of the Lloyd’s market. However, the Society is not the holding company of Lloyd’s which, as a market, does not have a holding company. Mitigating the deviation is the unique relationship between the Society and the Lloyd’s market, 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 A.M. 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 A.M. Best’s

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