Market Review: Lloyd's 2027 Investment Outlook

Introduction

2 November 2026

Insurance pricing has passed its recent peak, with rates falling in several areas as competition grows. Demand for access to the global insurance marketplace, Lloyd's of London, (Lloyd's) nevertheless remains strong.

Argenta Private Capital Limited (APCL) has conducted a review of market conditions, syndicate business plans, and historical pricing trends for its clients.

APCL believes Lloyd's can continue to deliver attractive returns, supported by prudent reserves, disciplined underwriting, and investment income.



Beyond returns, investors may also value the diversification that exposure to insurance risk can bring to a wider portfolio. Across private, trade and institutional capital, Lloyd's provides a route to participate in specialist insurance risk.

Lloyd's capacity auctions began on 21 October 2026 and run for three consecutive weeks, allowing investors to purchase the right to support syndicates' underwriting for the following year. Trading volumes for 2027 have so far been high, with the first auction seeing the largest volume traded in over twenty years. However, average capacity prices have been lower than last year, partly reflecting significant trading activity in lower-valued syndicates.

Against this backdrop, selectivity becomes increasingly important. Investors should consider syndicate quality, business plans and capacity pricing alongside the role each syndicate plays within their wider portfolio. As profit margins narrow, careful syndicate selection becomes increasingly important.

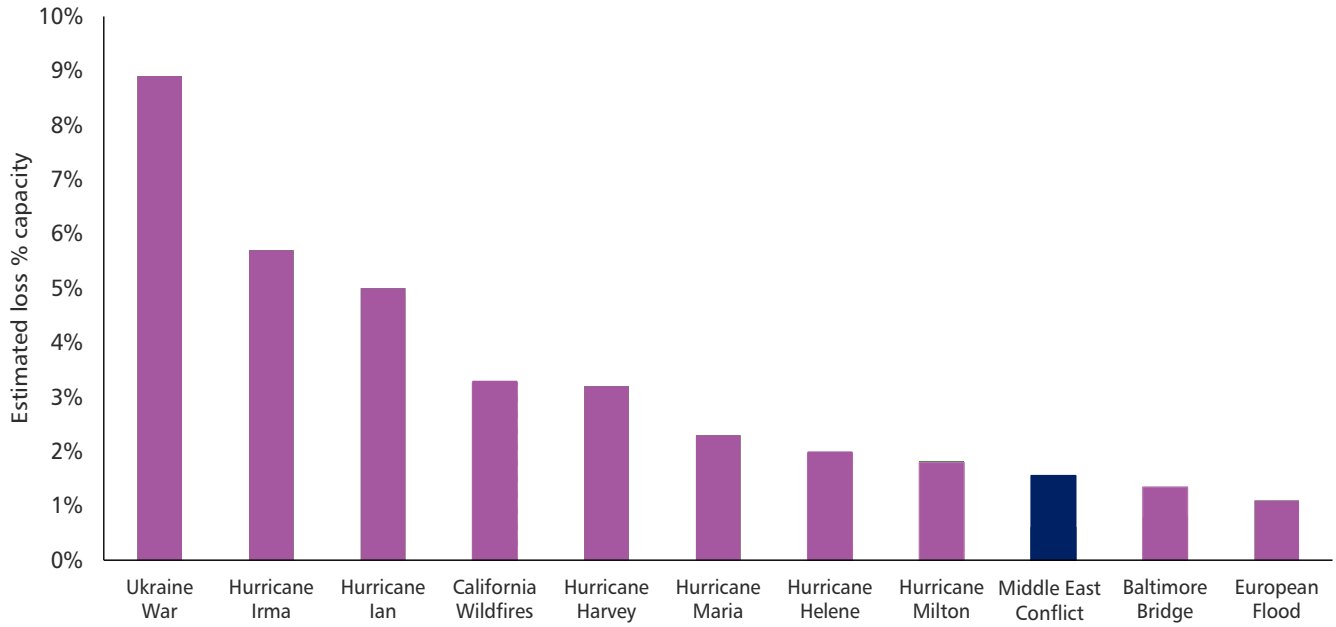
Current market position

Lloyd's reported a "solid" first half of 2026. Its combined ratio was 90.8%, compared with 92.5% in the same period of 2025. The combined ratio is the ratio of claims and expenses to premium income, so a lower figure is better. This was a positive result at a time when rates were softening and competition was increasing. Market-wide prices fell by 6.7% during the period, making careful risk selection and underwriting discipline increasingly important.[1]

Lloyd's expects the market to maintain a cross-cycle combined ratio of 95% or better, serving as a useful long-term benchmark.[2] According to APCL Research, a 95% combined ratio could support a return on capital of approximately 13%.[3]

Lloyd's currently estimates that the market could face losses of around £1.4 billion from the ongoing conflict in the Middle East. This is equal to about 3.3 percentage points on the market combined ratio. Figure 1 compares this estimate with other major market losses over the past decade.

Figure 1:
Estimated loss as a proportion of underwriting capacity in the year of the event[4]



The estimate has risen since APCL's previous review and may increase again as events develop. For now, it remains modest relative to Lloyd's overall capital base and is not expected to threaten market stability. It also covers expected claims only, without allowing for the extra premium earned for taking on these risks.

Current return outlook

At Lloyd's, each syndicate underwrites through a separate annual venture called a year of account. Each year of account remains open for a total of 36 months so that claims, especially those that take longer to settle, have time to develop before the final result is calculated and distributed to investors.

This means three years of account can be open at the same time. APCL Research is therefore monitoring current estimates for 2024, 2025 and 2026.

[1, 2] Lloyd's; Half Year Results 2026 [3] APCL Research as at Q2 2026 based on APCL advised portfolio for 2026
[4] APCL Research (2026), Q2 Syndicate Quarterly Monitoring Returns.

Expected returns have come off their 2023 peak, when APCL-advised clients achieved an average return on capital of 35%. Our current estimated return for the 2024 year of account is 24.9%, while the early estimate for 2025 is around 28%.[5] The higher 2025 figure reflects the relatively low level of catastrophe losses to date and takes into account that some 2025 polices might still be on risk.[6] Both estimates may change as claims develop and syndicates adjust the funds they hold for future claims.

Early signs for 2026 are also encouraging. APCL Research currently estimates a possible return on capital of more than 18% for APCL advised clients, supported by low catastrophe losses and the benefit of strong pricing in earlier years.

For 2027, APCL Research forms its view through detailed analysis of the business plans, formally defined as 'Syndicate Business Forecasts' (SBFs), of approximately 40 syndicates open to private capital, comparing planned assumptions with historical outcomes, alongside meetings with senior management across these syndicates.

The broad picture is clear, although conditions vary by class of business. Prices are falling, profit margins are narrowing and planned combined ratios for 2027 are the weakest since 2019. This is not a cause for alarm, but it does mean that the realism of each plan and management's ability to deliver against it warrant closer scrutiny.

What syndicate business plans tell us about 2027

To assess our confidence in relying upon the 2027 plans, APCL Research has compared planned combined ratios (i.e. the planned profitability of a syndicate), with actual results since 2014. This is shown in Figure 2, where green shows that a syndicate performed better than plan, and red shows that it performed worse.

Figure 2:
History of syndicate performance against business plans
Combined ratio (COR)



Source: APCL Research (2026), 2014-2027 SBFs, Syndicate Results 2014-2023, Managing Agents' Forecasts 2024-2025, Syndicate Quarterly Returns as at 30 June 2026

[5]APCL Research (2026), APCL-advised portfolio returns as per syndicate data as at Q2 2026.
[6]A year of account for which insurance policies remian active and expose to claims.

At first glance, the graph shows more underperformance than outperformance, but the picture needs more context.

Syndicate's planning accuracy has improved. Since 2021, Lloyd's has increased pressure on syndicates to meet their plans (or to submit plans that are more realistic in the first place). Managing agents, the firms that run Lloyd's syndicates, now have better pricing data and face closer oversight from Lloyd's. As a result, business plans are more accurate, but APCL continue to test them against past performance and underlying assumptions.

It is also worth noting that because results are measured when a year of account closes, usually after a total of 36 months, they do not include any later release of funds that were set aside for claims. These reserve releases have added less to recent results, partly because of aviation war claims arising from Russia's invasion of Ukraine. Investment income, meanwhile, has become a more important source of return.

Figure 3:
Incurred but not reported (IBNR) as a percentage of net outstanding claims[7]

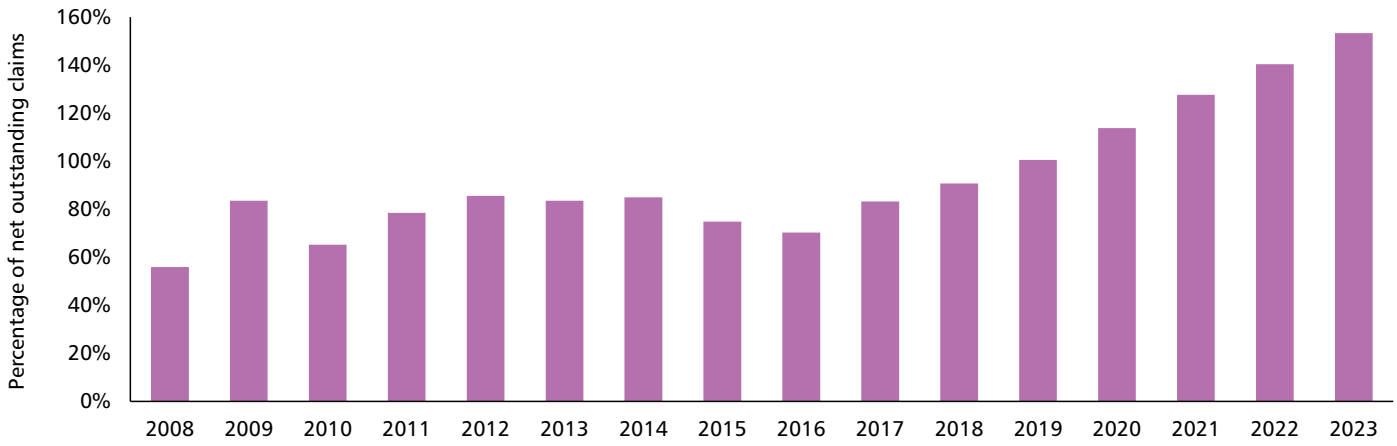


Figure 3 shows that syndicates now hold over £1.50 of additional reserve for every £1 of reported but unpaid claims.

Lloyd's has also reported a significant increase in reserve margin, with more than £6.6bn held above actuarial estimates, these being the mathematical and statistical predictions used by syndicates to calculate future financial obligations.

This reserve strength should help absorb adverse claims development and support profitability as underwriting conditions become more challenging.

Where conditions differ by class

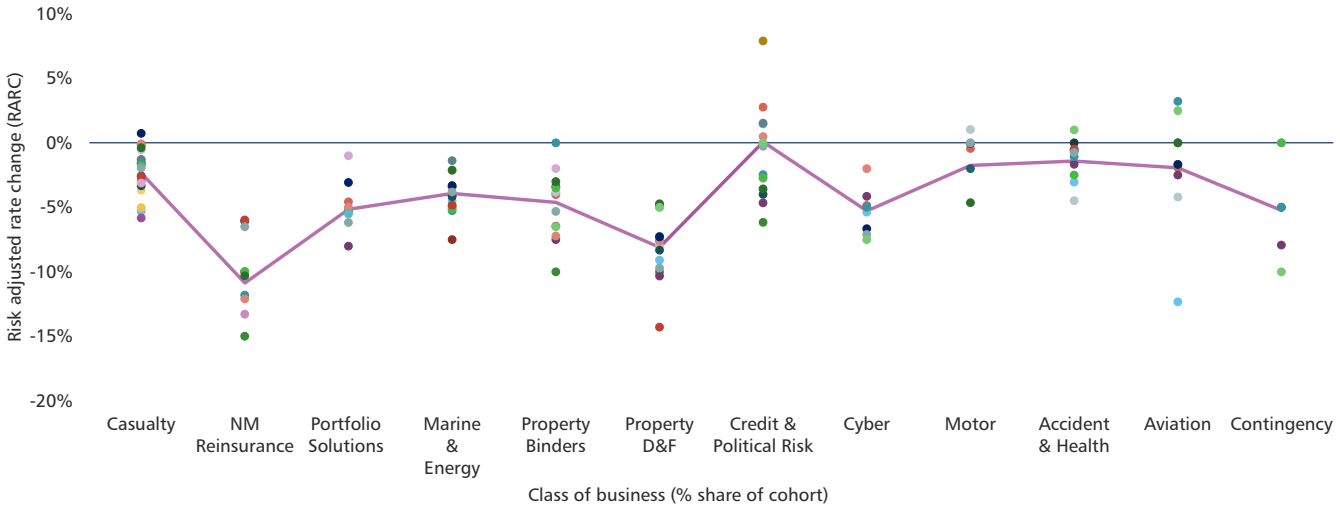
Property (re)insurance has experienced the steepest decline in pricing. In contrast, some syndicates see growth opportunities in political risk, specialist reinsurance, and delegated authority business, where approved third parties underwrite or distribute policies on behalf of the syndicate.

Some syndicates are reallocating business to areas with better risk-adjusted returns. In long-tail classes, where claims may take years to settle, rising court awards and legal costs remain concerns.

[7]APCL Research (2026), based on Quarterly Monitoring Return (Part A) (QMA) data for syndicates within APCL-advised portfolio as at 31 December 2025.

When analysing the 2027 business plans of syndicates within APCL's assessed cohort, most assume underlying prices will decline across many classes. Figure 4 presents this as the risk-adjusted rate change, which removes the effects of changes in coverage, policy limits, and claims inflation. Only a few plans expect price increases, mainly in political risk, where geopolitical uncertainty supports demand. Overall, pricing pressure is expected to persist.

Figure 4:
Planned risk-adjusted rate changes in syndicate business plans

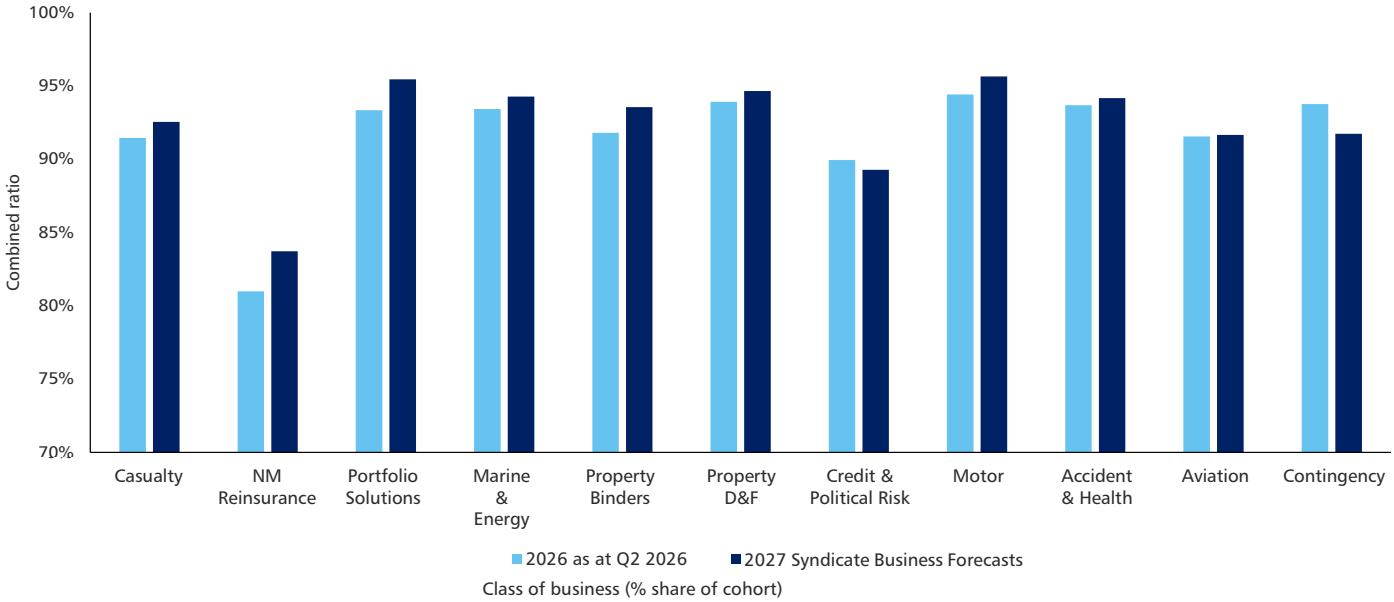


Source: APCL Research (2026), RARC analysis across syndicate cohort, 2027 SBFs. Coloured dots represent individual syndicates. Line represents the average.

Rate movement in context

Price changes must be considered in context. A small increase may not make an unprofitable class attractive, while a decrease from a high level may still leave healthy margins. The risk quality, and policy terms and conditions are all important. Figure 5 adds the planned combined ratio, comparing the 2027 business plans with the latest 2026 information received by APCL.

Figure 5:
Combined ratio movements by business class[8]



[8]APCL Research (2026), Syndicate Quarterly Returns as at 30 June 2026, 2027 SBFs across APCL syndicate cohort.

The 2027 plans point to lower profits in several areas. The clearest deterioration is in non-marine reinsurance and direct and facultative property,[9] where each risk is assessed and underwritten separately rather than as part of a wider treaty arrangement. Motor and portfolio solutions are also under pressure, with planned combined ratios above Lloyd's 95% long-term benchmark. For investors, the key message is that broad market strength is giving way to a more selective phase of the cycle.

Cyber

2027 cyber plans range from strong growth to selective participation or a complete exit from direct business.

Cyber prices are declining as more capital and new competitors enter the market. Profitability depends on the individual portfolio, policy attachment points, and the quality of modelling for events that could impact many policyholders simultaneously. The plans reflect this divide, cyber is the only area where APCL's cohort of syndicates is planning for income to be flat between 2026 and 2027, but there is a significant divide between syndicates growing their exposures and those cutting back.

Demand remains strong despite increased competition. Attacks over recent years, including those on Marks & Spencer, the Co-op, Harrods, and three major UK airports, illustrate why businesses continue to seek cover. Cyber remains strategically important, but syndicates must select risks carefully as prices soften and the exposure, coverage, and appetite evolves.

Political risk, credit and war

Political risk and credit can still offer attractive margins, though conditions are mixed. Geopolitical uncertainty supports demand, and several syndicates plan to expand in large and complex risks.

The main concern is concentration: multiple policies may be exposed to the same country, borrower, or party, so a single event can trigger several losses.

Recent civil unrest across parts of Europe also highlights the potential for accumulation across political violence and strike, riot and civil commotion (SRCC)[10] exposures, particularly where events affect multiple locations or territories.

This may support continued discipline around pricing, limits and terms, even as some plans anticipate price declines in trade credit and political risk.

War-related insurance is more exposed to individual events. The conflicts in the Middle East and Ukraine have prompted insurers to tighten geographical limits, exclusions, and sanctions screening across marine war, aviation war, and political violence. While conflict can create opportunities to write new business at higher prices, the risk of multiple losses from a single event will influence the amount of exposure that syndicates are willing to take on.



[9] Reinsurance of individual property risks that are separately underwritten and accepted by both the insurer and reinsurer.
[10] Cover for damage arising from civil unrest, closely related to political violence cover.

Implications for portfolio construction

In this more competitive market, our clients' portfolios must balance quality, price, and diversification. APCL's syndicate ratings assess underwriting discipline, management quality, financial strength, market position, and alignment of management interests with investors.

Higher-rated syndicates generally have taken a more cautious approach in their 2027 plans, relying less on new business and assuming lower investment returns. Some lower-rated syndicates depend on stronger growth and more ambitious profit forecasts. While cautious planning does not guarantee better results, it may offer more protection if prices fall faster than expected, investment returns are lower, or claims increase.

APCL therefore scrutinises the more optimistic plans, especially those relying on significant amounts of new business or low claims estimates. Figure 7 (next page) illustrates how key 2027 planning measures differ by APCL rating. As expected, the table evidences that better rated syndicates are more cautious in nearly every aspect of their business plan, while the opposite is true for the poorer rated syndicates.

A full review and analysis of each syndicate's business plan for 2027 is available upon request for APCL clients and prospective investors.

Figure 7:
2027 syndicate planning measure; APCL rating system[11]

Planning measure	A+ and A rated	B+ and B rated	C+ and C rated
Net combined ratio	93.3% Most cautious	92.2% Moderately cautious	91.4% Least cautious
Return on capacity	9.4% Most cautious	10.5% Least cautious	10.5% Least cautious
Rate change	-5.0% Moderately cautious	-5.2% Most cautious	-4.3% Least cautious
New business	15.7% Most cautious	24.5% Moderately cautious	40.9% Least cautious
Implied investment return	3.1% Most cautious	3.4% Moderately cautious	6.7% Least cautious

Note: *Implied investment return calculated as 2027 business plan estimated investment return as proportion of syndicate cash and investments as at 31 December 2025.*

Capacity auctions

Lloyd's capacity auctions are the main annual market for buying and selling freehold capacity. The auctions are mainly used by private investors and represents a small amount of total market capacity (less than 1%).[12]

Larger players, including trade and institutional capital, tend to prefer the less capital-intensive limited tenancy (leasehold) syndicates. This refers to syndicate capacity that is leased to members for a defined period rather than permanently owned. Investors will share in the syndicate result for the leased period. APCL offers access to both types of capacity.

[11]APCL Research (2026)
[12]Lloyd's Results, 2025 Full Year Results, 2021 to 2025; Lloyd's Auction Statistics, 2021 to 2025

The auctions provide access to many syndicates and often form the foundation of a private capital portfolio. However, opportunities vary in quality and quantity, and investors may not always be successful in their bids. Investors should therefore compare capacity pricing against factors including syndicate quality, capacity availability, and the realism of the syndicate's business plan.

Against expectation, the 2027 auction is shaping up to be quite lively, including large trading activity in some of the core syndicates.

Conclusion

Competition is stronger than in recent years, but falling rates do not eliminate the investment case for Lloyd's. Prudent reserves, disciplined underwriting, and investment income can still support attractive returns where plans are realistic, and management teams execute them effectively.

The key change is increased differentiation. Variations in syndicate results are, in our opinion, likely to depend less on overall market strength and more on the quality of each syndicate and the realism of its plan. A strong rating remains valuable, but it should always be considered alongside price and portfolio fit.

APCL's approach for 2027 is therefore selective. We favour syndicates with credible assumptions, disciplined management, and a clear role within a diversified portfolio, while remaining alert to relative value in capacity auctions and carefully selected new opportunities.

Learn more:

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Glossary of common Lloyd's market terms

Capacity:
The maximum amount of premium a syndicate is permitted to underwrite in a given year.

Casualty insurance:
Insurance covering liability risks, where the insured may be responsible for injury, damage, or financial loss to another party. Examples include general liability and professional liability.

Catastrophe / cat loss:
A major loss event, usually natural or man-made, that causes significant insured losses. Examples include wildfires, hurricanes, floods, or earthquakes.

Combined ratio:
A measure of underwriting profitability, calculated as the sum of claims and expenses (net of reinsurance) divided by earned premiums (net of reinsurance). A ratio below 100% indicates underwriting profit.

Delegated authority:
An arrangement where an insurer or Lloyd's syndicate gives another party authority to underwrite business on its behalf, usually within agreed limits.

Hard Market:
A phase in the insurance cycle characterised by high premiums, reduced capacity, and stricter underwriting standards. This typically delivers strong returns for investors/capital providers.

Long-tail liability:
Insurance where claims may take many years to be reported, assessed, and settled. Casualty business is often long-tail, which makes reserving more complex.

Managing Agent:
A company authorised by Lloyd's to manage one or more syndicates, responsible for underwriting, operations, and compliance.

Managing General Agent (MGA):
A specialist underwriting business that writes insurance on behalf of insurers or syndicates. MGAs often provide access to niche markets, specialist expertise, or specific distribution channels.

Marine insurance:
Insurance covering ships, cargo, ports, offshore energy assets, and related liabilities. It can be exposed to geopolitical risks, sanctions, piracy, and war-related disruptions.

Political violence:
Insurance covering losses from politically motivated violence, such as terrorism, civil unrest, insurrection, coup, or war-related events, depending on the policy wording.

Premium:
The amount paid by a policyholder to an insurer for coverage under an insurance contract.

Soft Market:
A phase in the insurance cycle marked by lower premiums, increased competition, and broader coverage terms. This typically delivers lower returns to investors/capital providers.

Syndicate:
A group of underwriting members who come together to write insurance business under the management of a managing agent.

Rates:
The pricing applied to insurance policies, often expressed as a percentage of the insured value or as a flat premium.

Reinsurance:
Insurance purchased by insurers to protect themselves against large losses. It allows risk to be spread across multiple parties.

Reserves:
Funds set aside by insurers to pay for future claims, including those incurred but not yet reported.

Underwriting:
The process of evaluating risk and determining the terms and pricing of insurance coverage.

Three Year Accounting System:
A method used at Lloyd's where each year of account remains open for three years to allow for the development of claims and accurate profit/loss assessment.

Source: Lloyd's glossary and acronyms

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