

Lloyd's Market Review

Q4 2025

The Lloyd's market has gone from strength to strength in recent years. While growth opportunities exist, particularly in reinsurance and emerging syndicates, success will depend on disciplined underwriting, strategic capital deployment, and careful syndicate selection. The outlook for 2026 is positive but more nuanced, requiring a balance between growth and profitability in a softening market.

Overview of Recent Results and Market Performance

In September, the Lloyd's market reported a profit of £4.2 billion for the 2025 half-year, and a combined ratio of 92.5%, indicating a 7.5% underwriting profit margin. A combined ratio measures insurance claims and expenses relative to premium income, with values below 100% an indicator of profitability.

£32.5bn

Gross written premium

Despite a 3.5% rate reduction on renewals due to increased competition, the market remains robust, supported by rate strengthening over the past five years. At its core, Lloyd's exists to pay valid claims, paying out an average of £100 million in claims every working day, including £1.7 billion related to the California wildfires. The market's healthy claims-paying ability and balance sheet strength provide insulation from cyclical fluctuations, particularly as rates begin to trend downwards.

£4.2bn

H1 profit before tax

Lloyd's' outlook for 2025 and 2026 targets a combined ratio between 90-95%. For capital providers (investors) at Lloyd's, this results in an expected return on capital between 16% and 28%. This range is subject to the level of investment return that arises on the premiums and reserves generated.

92.5%

Combined ratio

While the forward-looking investor might remain focused on 2025 and 2026 forecasts, we must recall that the 2023 and 2024 year-of-account ("YOA") remain open and subject to change. This is due to Lloyd's three-year-accounting system, which allows for the development of claims and accurate profit/loss assessment to flow through the system. Let's take a closer look.

7.5%

Underwriting profit margin



Forecasts and underwriting year updates

The 2023 and 2024 underwriting years are expected to generate strong profits, with forecasts showing potential to improve despite currency fluctuations.

Reserve releases, which boost profits by releasing surplus reserves from prior years, were absent for YOA 2022 but a modest release is anticipated when YOA 2023 closes.

The 2024 year reflects a return to normal catastrophe loss levels, impacted notably by

events such as hurricanes and cyber incidents, and the Los Angeles wildfires contribute significantly to the 2024 loss ratio.

The 2025 underwriting year shows promising premium growth, exceeding 20% year-on-year among a cohort of syndicates, although this is partly due to new and merged syndicates.

The catastrophe loss impact for 2025 is currently smaller compared to 2024, but the year remains at risk of potential major losses.

Figure 1:
Forecast returns on open years-of-account

	Net Combined Ratio	Return on Capacity	Return on Capital
2023	84.0%	18.5%	33.7%
2024	90.0%	12.8%	25.6%
2025	90.5%	10.7%	21.7%
2026	91.5%	10.7%	19.6%

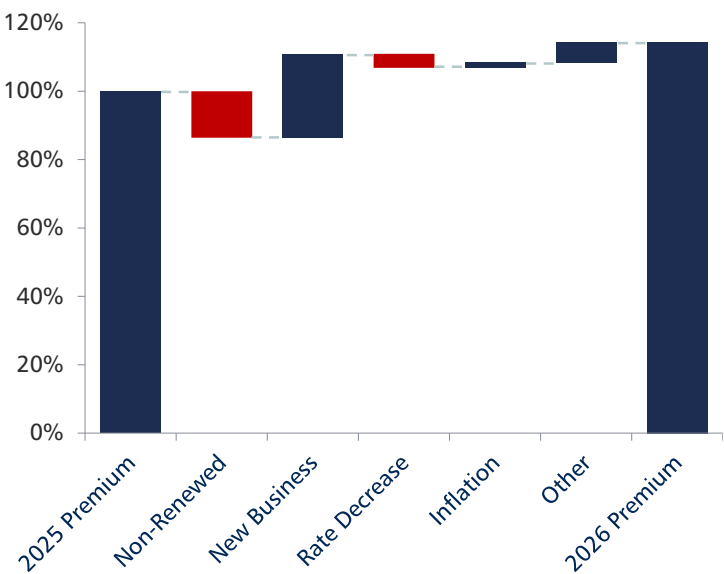
Growth and market dynamics for 2026

Syndicates plan to continue growing in 2026, although indicating a 4.5% reduction in premium rate levels. Many syndicates are forecasting increased premium volumes despite a more competitive environment.

Analysis shows that any non-renewed business, is more than compensated for by new business, with price reductions on renewals partially offset by increased policy limits because of inflation.

The US excess and surplus (E&S) lines market is highlighted as a key driver of growth, having doubled in size since 2017 and growing consistently at double-digit rates. The E&S market is representative of policies that are considered too ‘high-risk’ or ‘unusual’ to be written by standard insurance carriers.

Figure 2:
Drivers of Growth in Premium for 2025 - 2026



Source: Returns are based on APCL Research Forecasts as at Q2 2025; aggregate APCL client participations 2023-2025 and on syndicate Q2 2025 quarterly returns. Drivers in growth based on syndicate busienss plans for the 2026 year-of-account.

How should syndicates approach a softening market?

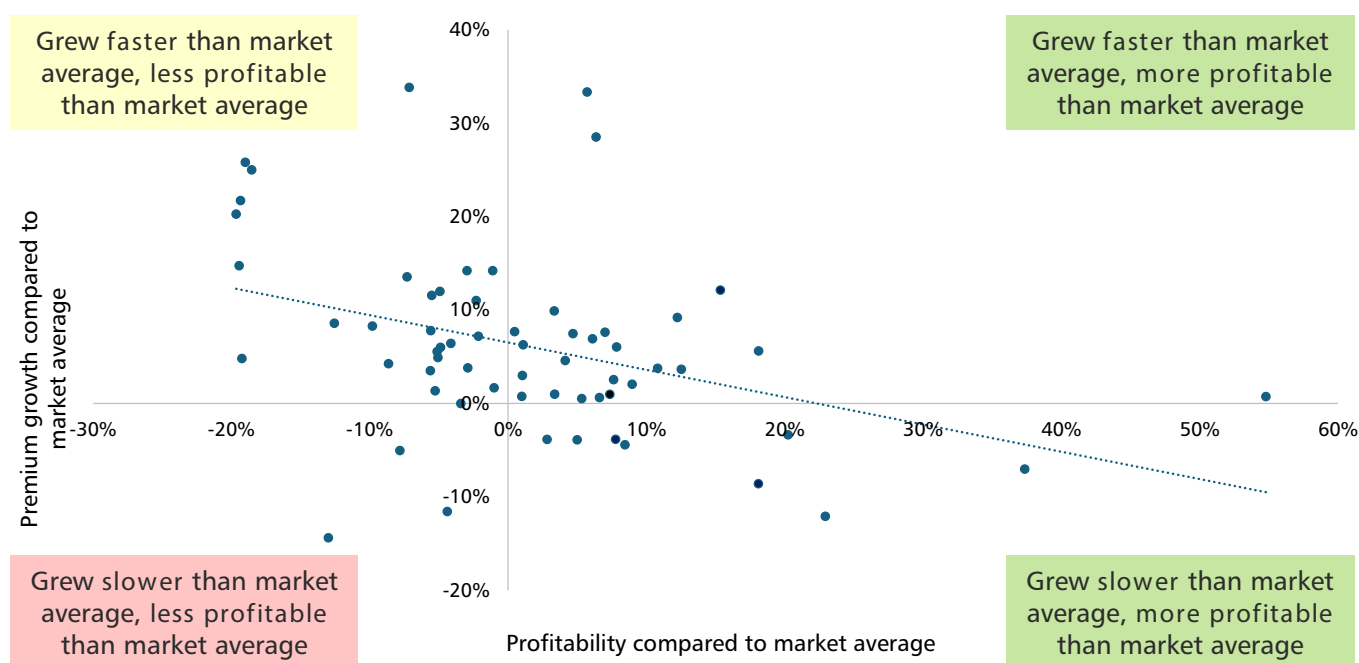
Historical data from the soft market period (2012-2018) indicates that syndicates with slower growth tended to outperform those with faster growth.

Alternatively, in the hard market period (2019-2024), the faster-growing syndicates outperformed, indicating a favour for syndicates to ebb and flow with the market cycle.

The syndicates that combine disciplined underwriting with targeted growth and strong distribution capabilities are likely to be market winners.

The current set of A-rated syndicates (our highest ranked recommendations) have generally grown faster than the market average in recent years, while sustaining above-average profitability, highlighting disciplined underwriting as a key driver of their success.

Figure 3:
Spread of syndicate growth trends in soft market (2012 - 2018)



Reinsurance market opportunities

Reinsurance remains a core business class at Lloyd's, with strong syndicate offerings coming from the likes of Hiscox and others.

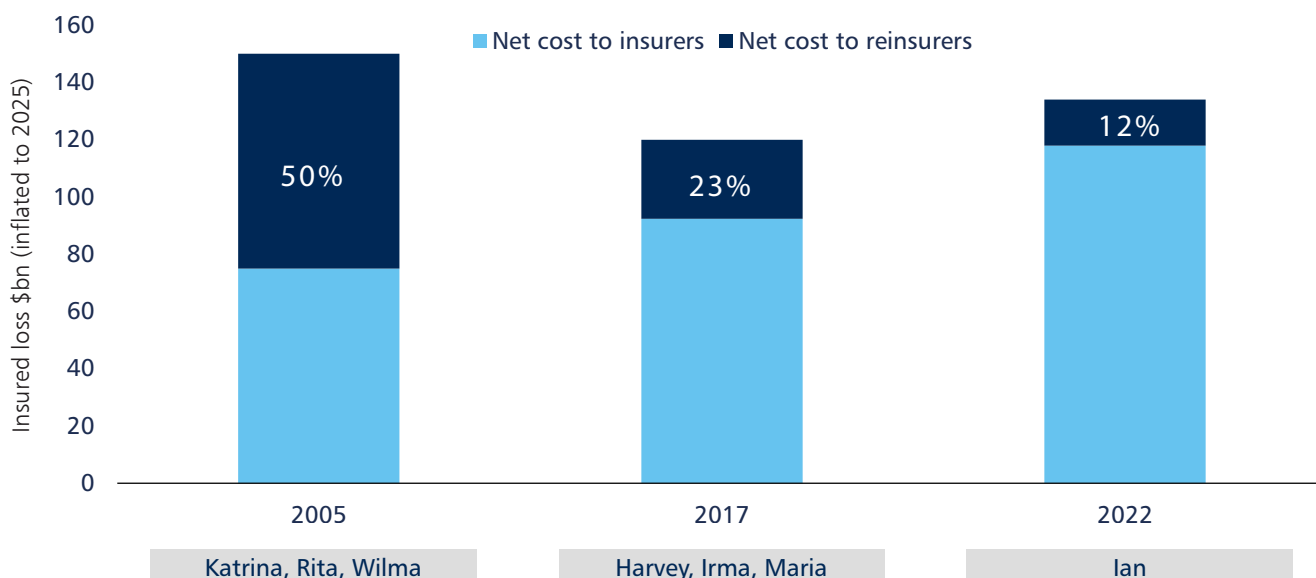
The 'rate-on-line', a key pricing metric, continues to hold at elevated levels for reinsurance, even as price reductions are anticipated in 2026.

This resilience is particularly notable when compared to historical lows. The reinsurance market has undergone structural changes since

major hurricane events of the past, and more recent shifts include reduced interest from investors in insurance-linked security (ILS) investments, and a cautious return of capital primarily around the market fringes.

Given these factors, expanding exposure to reinsurance could be advantageous for those with appropriate risk appetite, as pricing is unlikely to revert to the low levels seen a decade ago.

Figure 4:
Reinsurers' share of major losses has reduced over time; net cost of major disasters



Auction season and capacity considerations

The 2025/26 auction season (happening across late October, early November) is expected to see tight capacity on high-quality syndicates, with limited increases and pre-emptions.

There is a likely movement towards quality among investors, although overall auction prices have risen significantly over the past twenty years, potentially making this an expensive exercise.

In today's environment, there are various non-auction opportunities such as new syndicates offering evergreen capacity, and offerings such as the ALPs or Helios MAPAs, or Argenta Starter Homes, are able to meet capital demands for good quality capacity.

Figure 5 shows significant growth in capacity value over time—a result that has been positive for Argenta's clients. Due to this growth, purchase of capacity can be expensive, as demand can

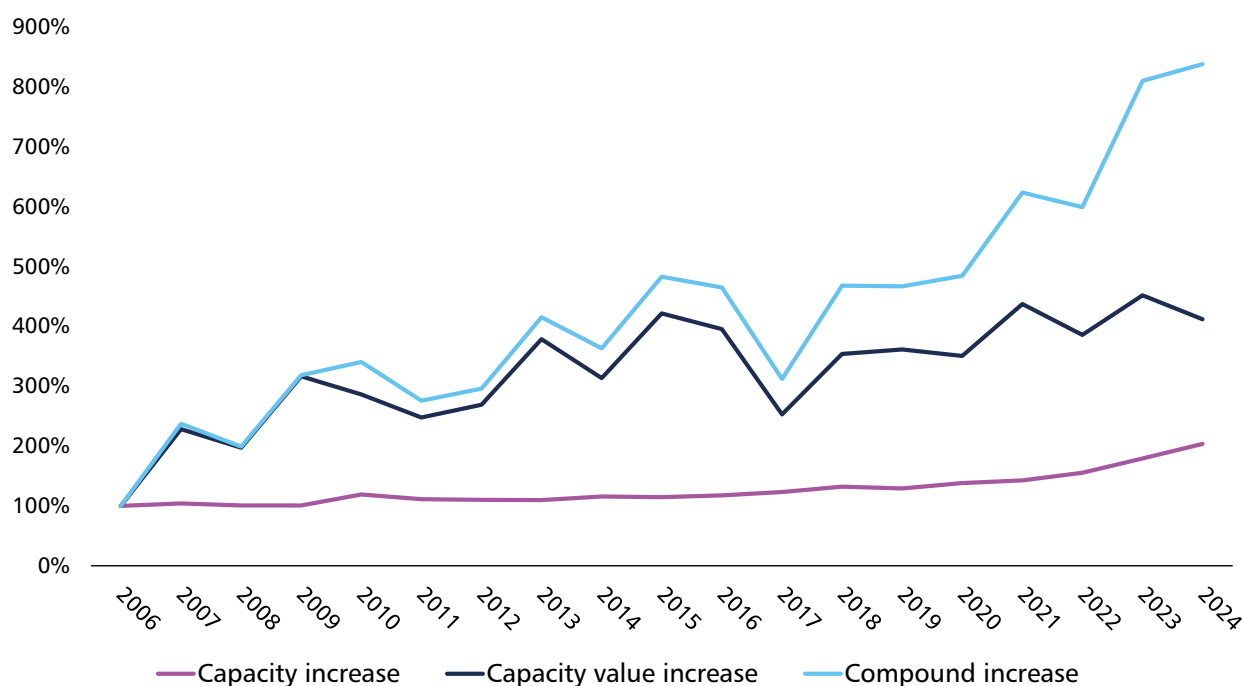
outweigh supply. This means alternative Lloyd's participation routes, such as leasehold capacity, can be attractive for investors looking to grow.

Also, on offer are modified freehold syndicates such as Fidelis 3123, Convex 1984, and Oak 2843. These are expected to attract significant interest, with pre-emption offers exceeding total auction volume in 2024.

Members are required to decide on participation ahead of full underwriting information, which is necessary for these syndicates to raise capital effectively. This advanced consent mechanism is a critical element of their capital strategy.

Several syndicates are planning to launch spin-off syndicates for 2026 YOA which could attract strong investor interest and offer diversification opportunities.

Figure 5:
Cumulative capacity growth of APCL clients continuously underwriting 2006-2024



Outlook for 2026

Syndicate business plans for 2026 are broadly profitable, though less so than the previous four years, reflecting the beginnings of a softening market.

Normalised combined ratios (i.e. assuming a typical level of large loss events) show syndicates are generally meeting or exceeding their business plans from 2021 to 2024.

Major losses vary year by year, with severe years doubling the average loss ratio. To understand the potential impact of catastrophic losses, analysis is conducted to stress test this against current market performance.

Stress scenarios for 2025 and 2026 (modelling doubled catastrophe losses) project combined ratios near breakeven, highlighting the importance of disciplined underwriting and capital management.

The open year results are encouraging with strong profit prospects, as well as potential for prior year reserve releases. Reinsurance also remains a strategic avenue for expansion, especially for those willing to accept catastrophe risk.

Most of our members are well-positioned with their portfolio, reducing the need for significant auction purchases, although non-auction opportunities and new syndicate developments remain important for capital deployment.

Looking ahead, 2026 continues to offer attractive returns on capital despite growing market competition and a softening pricing environment.

As the market continues to evolve, growth should be approached cautiously, with close attention to syndicates' motivations and underwriting discipline.

Whether you're an existing Lloyd's investor or exploring new investment opportunities, our team is here to help.

Find out more: Contact.Us@argentagroup.com

Glossary

Auction:

A process at Lloyd's where members can buy or sell capacity on syndicates. It allows for the redistribution of underwriting capacity among members.

Capacity:

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

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.

De-emption:

The reduction in a syndicate's capacity available, typically initiated by the managing agent and approved by Lloyd's.

Freehold Capacity:

A permanent right to underwrite on a syndicate, which can be bought, sold, or traded in Lloyd's auctions.

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.

Leasehold Capacity:

A temporary right to underwrite on a syndicate, granted by the managing agent, typically for a committed time period, and not tradable in auctions.

Managing Agent:

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

MAPA (Members' Agent Pooling Arrangement):

A structure that pools the capacity of multiple syndicates into a single investment vehicle for Lloyd's members, managed by a members' agent.

Member:

An individual or corporate entity that provides capital to underwrite insurance at Lloyd's, participating in syndicates and sharing in profits and losses.

Members' Agent:

A firm, like Argenta Private Capital, that advises and manages the affairs of Lloyd's members (capital providers), including research analysis, syndicate selection, and regulatory compliance.

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.

Pre-emption:

An increase in a syndicate's capacity, typically offered to existing members before being made available to others.

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.

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