

Lloyd's books first-half underwriting gain, despite Ukraine-related losses

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Lloyd's late last week reported an improved H1 underwriting result, notwithstanding the impact of the invasion of Ukraine, natural catastrophes and inflation. However, IFRS-revaluations of unrealized investment losses meant that the market fell to an overall loss after investment revaluations.

The result included £1.1bn reserved, net of reinsurance, as a result of the conflict in Ukraine. Lloyd's said that this was an approach in line with the "early and realistic" action that the market had taken on Covid-19. The majority of Ukraine-related losses are currently incurred but not reported (IBNR).

Gross written premiums rose to £24bn for H1, from £20.5bn in the same period last year. Net Earned Premium increased by 14.4% to £14.1bn (HY 2021: £12.4bn). Underwriting profit increased to £1.2bn, from £960m for the same period last year. The combined operating ratio improved 0.8pp to misinformation 91.4%.

The attritional loss ratio improved to 48.9% (HY 2021: 50.5%), while the expense ratio showed a 0.4pp improvement to 35.4% (HY 2021: 35.8%).

However, the overall pre-tax loss was £1.8bn, compared to a profit of £1.4bn in H1 2021. Lloyd's CEO John Neal noted that "rising interest rates, while prompting an unrealized investment loss on paper at the half year, will be good news for insurers in the long term as returns on assets strengthen in 2023 and beyond".

"As investment maturities are short dated, the market will begin to benefit from higher interest rates in 2023 and therefore improved investment returns", the market said.

Referring to the effects of the Ukraine war, Neal said that Lloyd's had "taken proactive steps to protect our customers from the fallout while ensuring we can support them – and continue driving sustainable performance – through the uncertain times ahead."

The market reported a 7.7% increase in prices, continuing a trend of five consecutive years of positive rate movement. GWP rose by 17.4% to £24bn, backed by a growth in volume.

The major net losses included the Ukraine impact and £200m for the floods in Eastern Australia.

Lloyd's anticipated that expenses would continue to fall as it delivered "sustainable performance" and invested in digitalization through its Blueprint Two programme to drive improved efficiency.

Net resources declined a fraction to £36.5bn (FY 2021: £36.6bn), with a central solvency ratio of 395% and a market solvency ratio of 179% (FY 2021: 388% and 177%).

- The key figures reported in Lloyd's 2022 half year results are:
- Gross written premiums of £24bn (HY 2021: £20.5bn)
- Underwriting profit of £1.2bn (HY 2021: £0.96bn)
- Combined ratio of 91.4% (HY 2021: 92.2%)
- Underlying combined ratio of 81.5% (HY 2021: 85.4%)
- Attritional loss ratio of 48.9% (HY 2021: 50.5%)
- Net investment loss of £3.1bn (HY 2021: income of £0.6bn)
- Loss before tax of £1.8bn (HY 2021: profit of £1.4bn)
- Net resources of £36.5bn (FY 2021: £36.6bn)
- Central solvency ratio of 395% (FY 2021: 388%)

<https://www.lloyds.com/about-lloyds/media-centre/press-releases/lloyds-reports-strong-underwriting-result-in-2022-half-year-results>