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Money & Investing



Lloyd's of London Gets New Downgrade, Adding to Concerns About Attacks' Effect

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Staff Reporters of THE WALL STREET JOURNAL

[Lloyd's of London](#) was hit by another ratings downgrade even as deadlines loomed for Lloyd's to possibly move more capital into U.S. trust funds to cover claims, including those from the recent terrorist attacks.

A.M. Best Co., an insurance-ratings firm, downgraded Lloyd's to single-A-minus from single-A. The Oldwick, N.J., rating agency's action follows similar downgrades over the past week by Standard & Poor's and Fitch. If the ratings agencies were to lower Lloyd's ratings below the single-A range, some insurance brokers likely would stop steering business to Lloyd's.

A.M. Best said Lloyd's, which is expected later this week to release an estimate of its exposure to the Sept. 11 attacks, has told its analysts the effect of the attacks on it "will be manageable." But the ratings agency noted that Lloyd's syndicates are specialists in several of the lines of business most affected, including business-interruption insurance, in which "losses are currently particularly hard to quantify but where the loss potential is clearly significant." Lloyd's also has significant exposure to the airline-insurance market. A.M. Best also said there was an increased risk of unrecoverable reinsurance by Lloyd's because the severity of the damage would batter the global reinsurance industry, which contracts to assume some of the risk of policies sold by other insurers.

Analysts also have raised concerns that Lloyd's will have to raise capital to fund U.S. trust funds required by state regulators to cover claims of Lloyd's American customers. The New York Insurance Department, which oversees those trust funds, didn't return calls seeking comment on the status of the funds. Lloyd's has 45 days from the end of each calendar quarter to adjust the funds to appropriate levels.

Caroline Wagstaff, a spokeswoman for Lloyd's of London, said that even before the attacks, the market had 5.3 billion pounds (\$7.8 billion or 8.45 billion euros) lodged in the U.S. to cover its liabilities there, and Lloyd's expects this to be sufficient to meet the U.S. trust-fund requirement. She added that Lloyd's has been talking to relevant regulators world-wide, including those in New York, since the

attacks. She declined to comment further.

The downgrades of high-profile Lloyd's are among dozens taking place around the world, as insurance experts revise upward the potential cost of the attacks; many of the latest revisions put the cost to property-casualty insurers at \$35 billion to \$40 billion. "The marketplace is moving toward higher numbers," said Shaun Flynn, vice president in charge of international operations at A.M. Best.

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