
Lloyd's – Cover to Cover

Presentation to CPCU All-Industry Day 2016
New Jersey Chapter

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September 30, 2016

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What is Lloyd's?

LLOYD'S

The best known, least understood brand in
(re)insurance



The world's leading specialist (re)insurance market



What makes Lloyd's a unique market?

Expertise built over
300 years

Access to the
combined **scale,**
expertise and
capacity of the entire
market

Tailor-made,
specialist policies in
over 60 lines of
business

Able to write business
in more than **200**
countries and
territories

More than **80** diverse
syndicates across **7**
classes of business

Over **240** Lloyd's
brokers and **4,000+**
coverholders
distributing products
globally

Oversight by the
Corporation
of Lloyd's

Regulated by
Prudential Regulation
Authority (PRA) and
the **Financial Conduct**
Authority (FCA)



Lloyd's by the numbers

Syndicates

of specialist underwriting expertise

84

Coverholders

offering a local route to Lloyd's

4,000+

Brokers

bringing business to Lloyd's

240+

Countries and territories

the Lloyd's market covers

220

\$ billion claims paid

by Lloyd's over the last five years

100

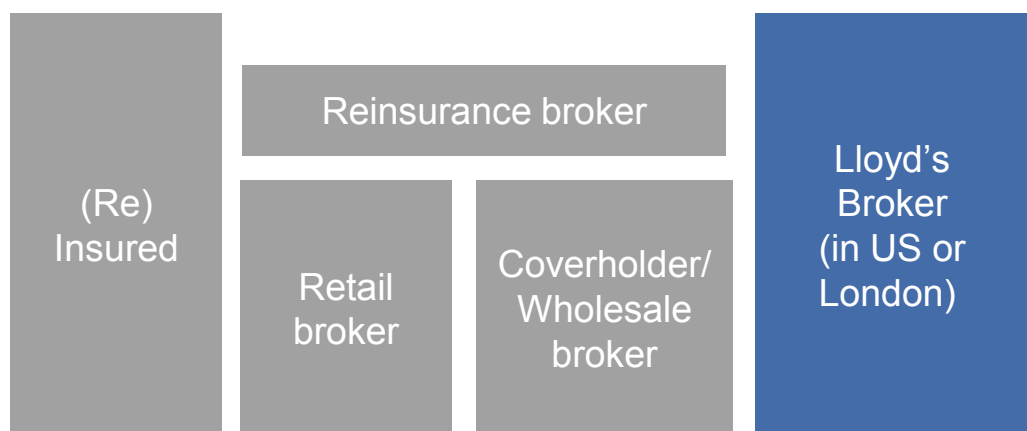
Years

of underwriting experience

328

How the market works

Business flow



Corporation of Lloyd's

59
Managing
agents

84
Syndicates

14 Special
purpose
syndicates



Capital flow



The Lloyd's Market

As of December 2015, the Lloyd's market consisted of 84 syndicates and 14 special purpose syndicates. 59 managing agents are responsible for the operation of these syndicates.

Sources of capital

% Bermudian
Insurance
industry

13

% Worldwide
non-Insurance

3

% US
Insurance
industry

21

% Middle East /
Asia Insurance
industry

17

% Private
Capital-Limited
& Unlimited

10

% UK
Insurance
industry

13

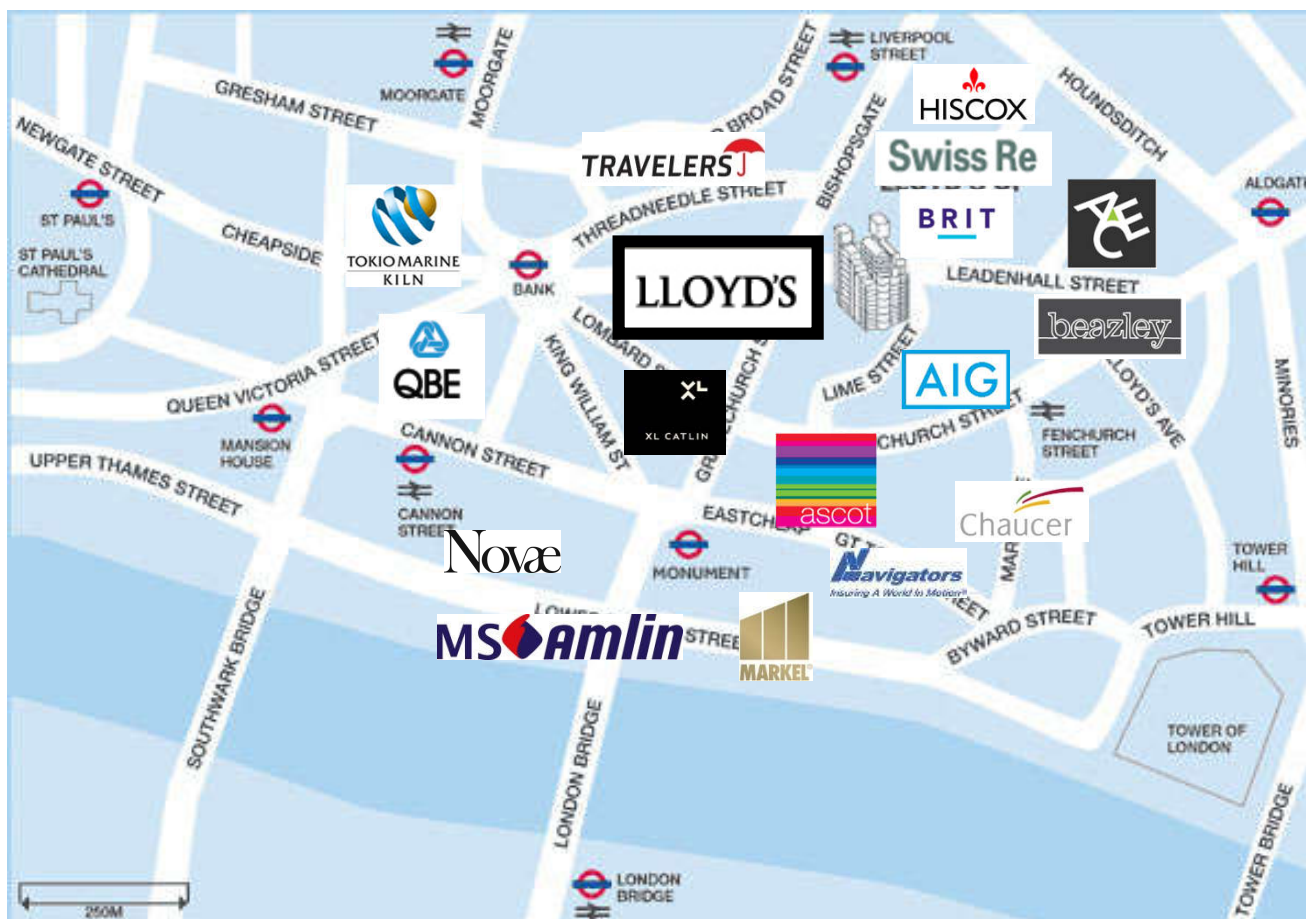
% European
Insurance
industry

13

% Rest of the
World Insurance
industry

10

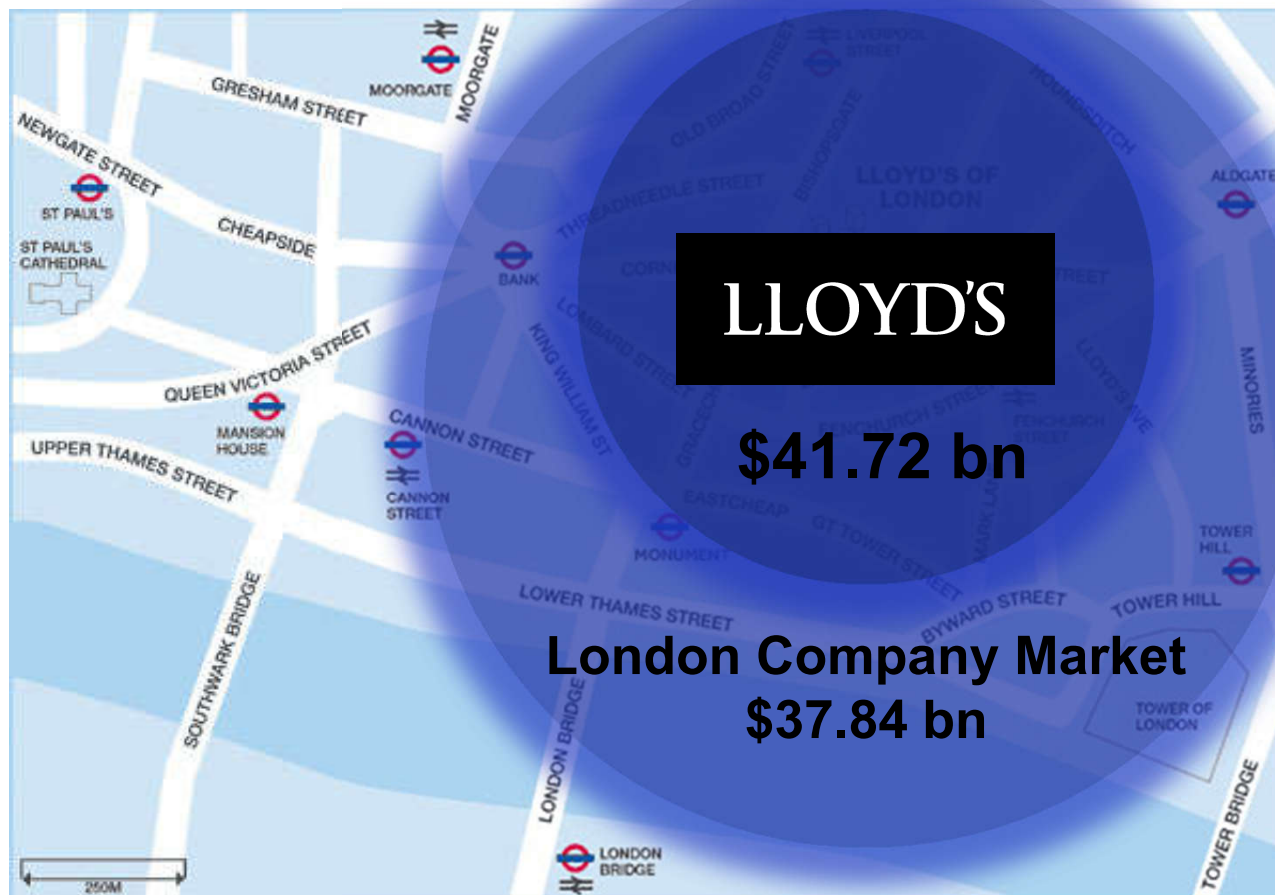
Leading insurers are within a stone's throw of Lloyd's...



...As are many more brokers



Lloyd's and London Company Market \$79.56 bn



Source: IUA, London Company Market Statistics Report, October 2015, figures refer to 2014

Key milestones in our history

1688



1880



1906



1925



1920 – 30s



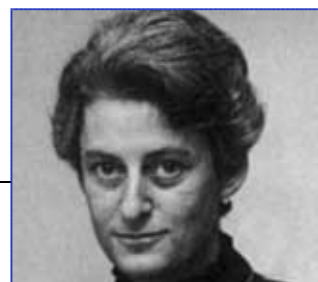
1939



1965



1973



2012



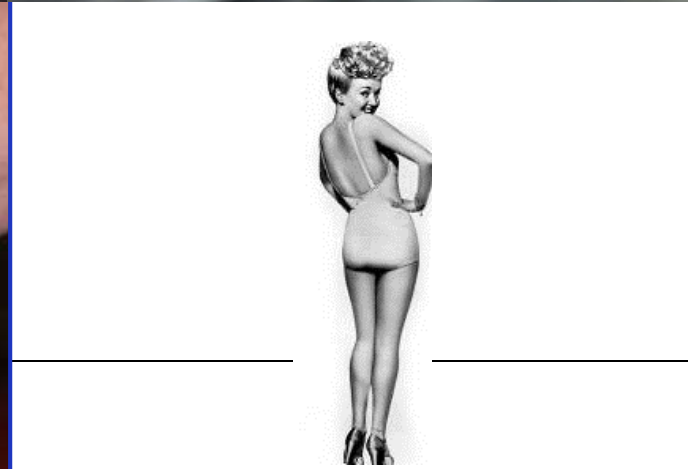


The Lloyd's market is known for its specialist expertise...





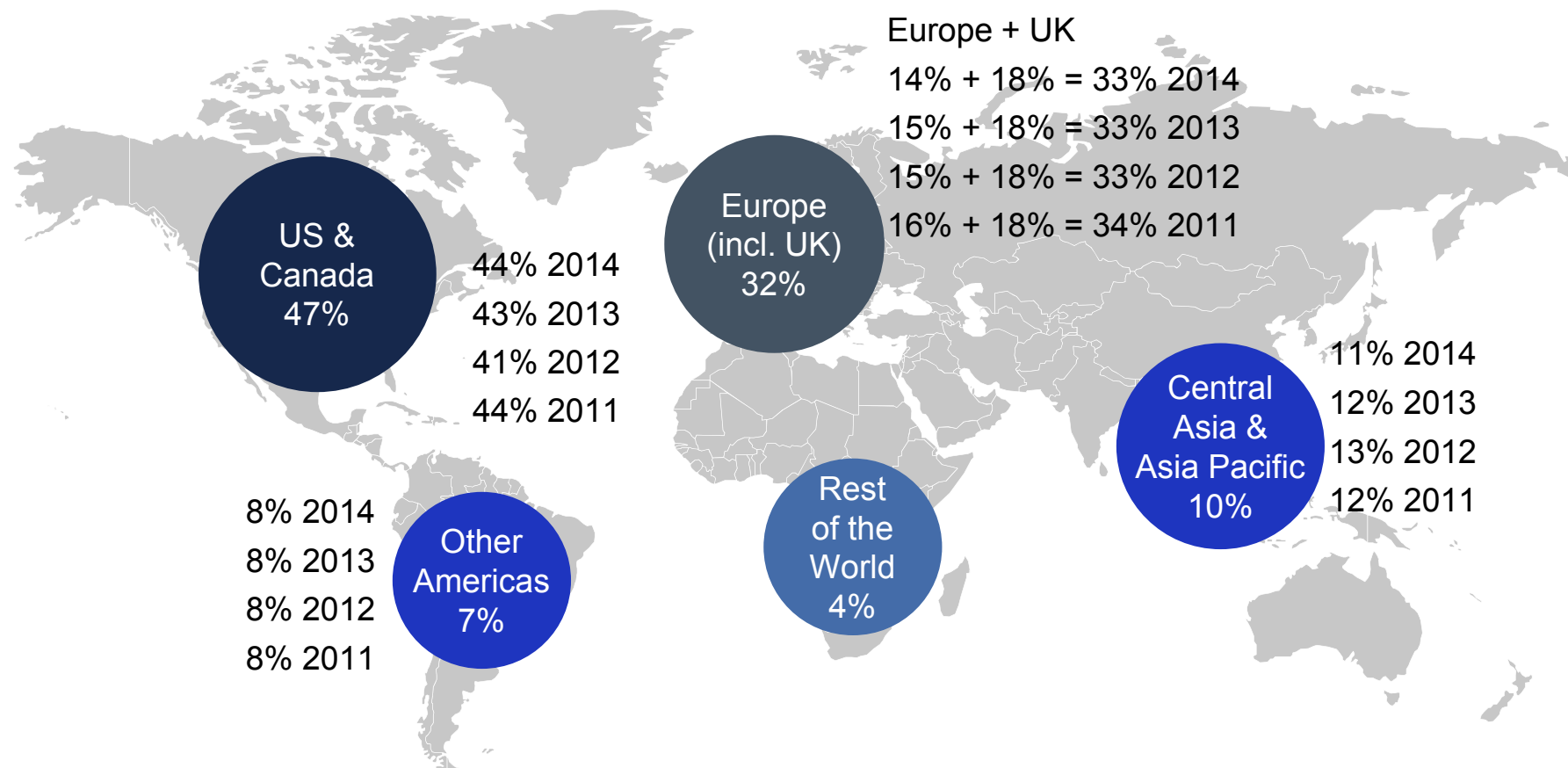
And an appetite for unusual risks requiring innovative solutions...



Business Overview

Lloyd's global business (2015)

Lloyd's accepts business from 220+ countries and territories worldwide



Gross written premium in 2015 of \$40,836m (2014: \$39,404m)

Lloyd's licences



Unmatched choice

Lloyd's offers more than 60 lines of insurance and reinsurance coverage

- | | | |
|-------------------------------|--------------------------|---|
| — Accident & Health | — Engineering | — Personal Accident XL |
| — Agriculture & Hail | — Extended Warranty | — Political Risks, Credit & Financial Guarantee |
| — Aviation | — Financial Institutions | — Power Generation |
| — Banker's Blanket Bond (BBB) | — Fine Art | — Professional Indemnity |
| — Crime | — Legal Expenses | — Property |
| — Cargo | — Livestock & Bloodstock | — Space |
| — Casualty | — Marine | — Specie |
| — Contingency | — Medical Expenses | — Term Life |
| — Cyber | — Medical Malpractice | — Terrorism |
| — Difference in Conditions | — Motor | — Yacht |
| — Directors & Officers | — General Liability | |
| — Employers Liability | — Nuclear | |
| — Energy | — Pecuniary | |

Lloyd's global classes of business

% Reinsurance

32

% Casualty

22

% Energy

5

% Aviation

2

lloyds.com/annualreport2015

% Property

26

% Marine

9

% Motor

4

Corporation of Lloyd's

Responsible for:

Syndicate business planning, capital setting and claims processes

Maintaining and developing Lloyd's network of licenses and international representation

Protecting ratings of A.M. Best, Fitch and S&P

Provision of central services – e.g. tax and regulatory reporting

Protecting the Lloyd's Central Fund

Promotion and development of Lloyd's

Financial Strength and Security

Chain of Security

Lloyd's operates within a three-tier capital structure that supports all policies underwritten in the Lloyd's market.

More than 50% of Funds at Lloyd's (FAL) are held in US dollars and the Central Fund's investment portfolio contains unhedged US \$ exposure that will move in step with regulatory capital requirements.

Link One
Syndicate
level
assets

\$ billion

61

Link Two
Members'
funds at
Lloyd's

\$ billion

24

Link Three
Central
assets

\$ billion

4

Note: Asset figures are rounded to the nearest billion USD.

Strength in Ratings

Ratings assigned to
Lloyd's apply to all
syndicates operating in
the market.

Standard & Poor's:
A+ (Strong)

A+

Fitch Ratings: AA-
(Very Strong)

AA-

A.M. Best: A
(Excellent)

A

lloyds.com/annualreport2015

Rating affirmation dates:
Standard & Poor's – July 2016
Fitch Ratings – December 2015
A.M. Best – July 2016

A five year view of Lloyd's performance

\$m	2011	2012	2013	2014	2015
Gross written	\$37,339	\$40,025	\$39,959	\$39,404	\$40,836
premiums	£23,337	£25,173	£25,615	£25,259	£26,690
Combined ratio	106.8%	91.1%	86.8%	88.1%	90.0%
Investment return	\$1,528	\$2,084	\$1,309	\$1,724	\$615
	£955	£1,311	£839	£1,045	£402
Result before tax	(\$800)	\$4,517	\$5,320	\$4,931	\$3,342
	(£516)	£2,771	£3,205	£3,161	£2,184
Return on capital (pre-tax) %	(2.8)	14.8	16.2	14.7	9.1

Source: Lloyd's Annual Report 2015

Interim results 2016: financial highlights

Pre-tax profit of \$1.96bn with a combined ratio of 98.0% (2015: 89.5%)

Investment return of 1.8% (2015: 0.6%)

Net resources \$35.64bn

Annualized return on capital remains strong at 11.7% (2015: 10.7%)

Underwriting result reflects difficult industry conditions

Source: Lloyd's pro forma financial statements June 30, 2016.

Lloyd's in the US

Lloyd's

Lloyd's in the US



Hank Watkins
President North America
New York



Joseph Gunset
General Counsel US
New York



Marc Bloom
Chief Operating Officer, Americas
New York



Lizzie Lowe
Head of Regional Communications
New York



Pat Talley
Central Regional Director
Frankfort KY and Chicago



Rich Magrath
Western Regional Director
Los Angeles



Glenn Dorr
Northeast Regional Director
Boston



Rodney Smith
Southeast Regional Director
Atlanta



Enya He
South Central Regional Director
Dallas

Locations

- 1) Atlanta GA
- 2) Boston MA
- 3) Chicago IL
- 4) Dallas TX
- 5) Frankfort KY
- 6) Los Angeles CA
- 7) New York NY
- 8) USVI

35 colleagues

Lloyd's US – 2016 key priorities

1

Facilitate access to and understanding of Lloyd's by our distribution partners (brokers & coverholders), cedants, capital providers, the media, general business community and academic institutions;

2

Work with managing agents and brokers to establish & maintain mutually productive and active engagement with key industry groups, supporting their business development activities. Groups include the following associations:

**3**

Provide meaningful US market intelligence to managing agents and brokers, in the process facilitating business plan development;

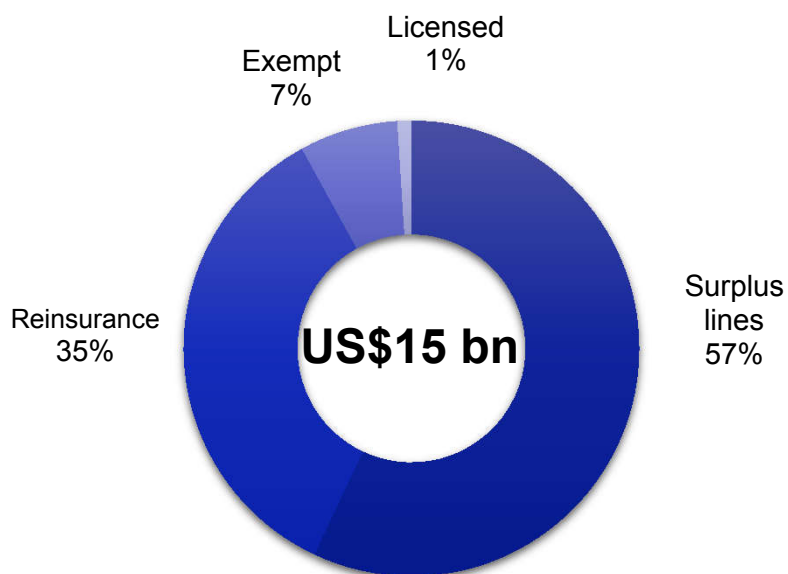
4

Maintain the market's ability to access business in the E&S, Licensed (IL, KY & USVI) and Reinsurance sectors via strong relationships with state / territory regulators and federal agencies.

Lloyd's in the US – business segments

Lloyd's is eligible to write surplus lines (E&S) and accredited as a reinsurer in all US jurisdictions

High-Level Premium Breakdown 2015



Top 10 Classes of Business 2015

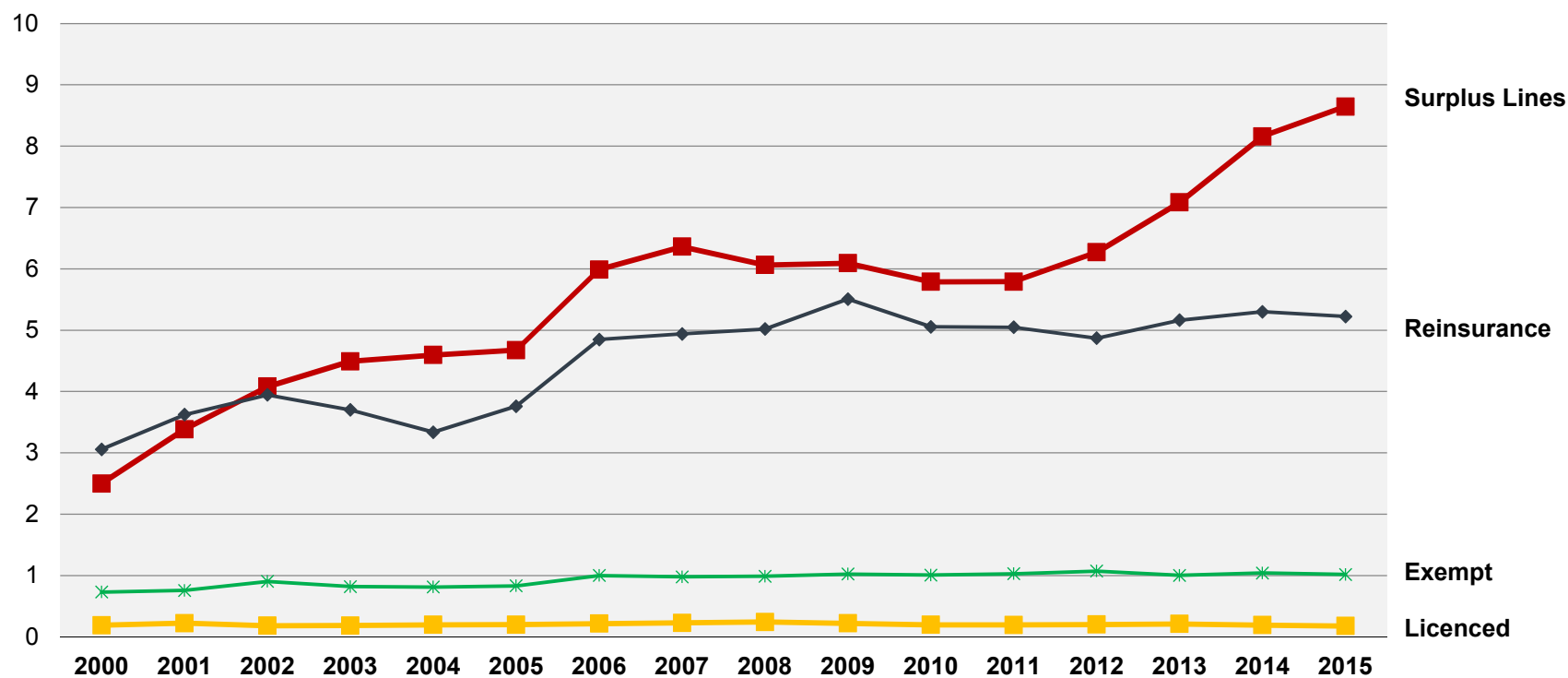
Class	Percentage
Property D&F	27%
Property Treaty	17%
Other Casualty	13%
Casualty (D&O,E&O)	12%
Marine	9%
Energy	7%
Accident & Health	5%
Other Specialty	5%
Casualty Treaty	4%
Aviation	1%

Note: Lloyd's underwriters are licensed insurers in Illinois, Kentucky and US Virgin Islands only

Other speciality includes: Extended Warranty & Terrorism; Political Risk; Trade Credit & Financial Guarantee; Legal Expenses . **Other casualty includes:** General Employers Liability and Med Mal; Motor

Lloyd's in the US – business has almost tripled since 2000

2000 - 2015 Lloyd's US Premium Distribution – Four Segments (GWP, USD bn)



US GWP Total (USD bn)	6.5	8.0	9.1	9.2	8.9	9.5	12.1	12.5	12.3	12.8	12.1	12.1	12.4	13.5	14.7	15.1
% of Lloyd's	42%	42%	39%	36%	34%	37%	42%	42%	40%	41%	38%	35%	35%	36%	38%	41%

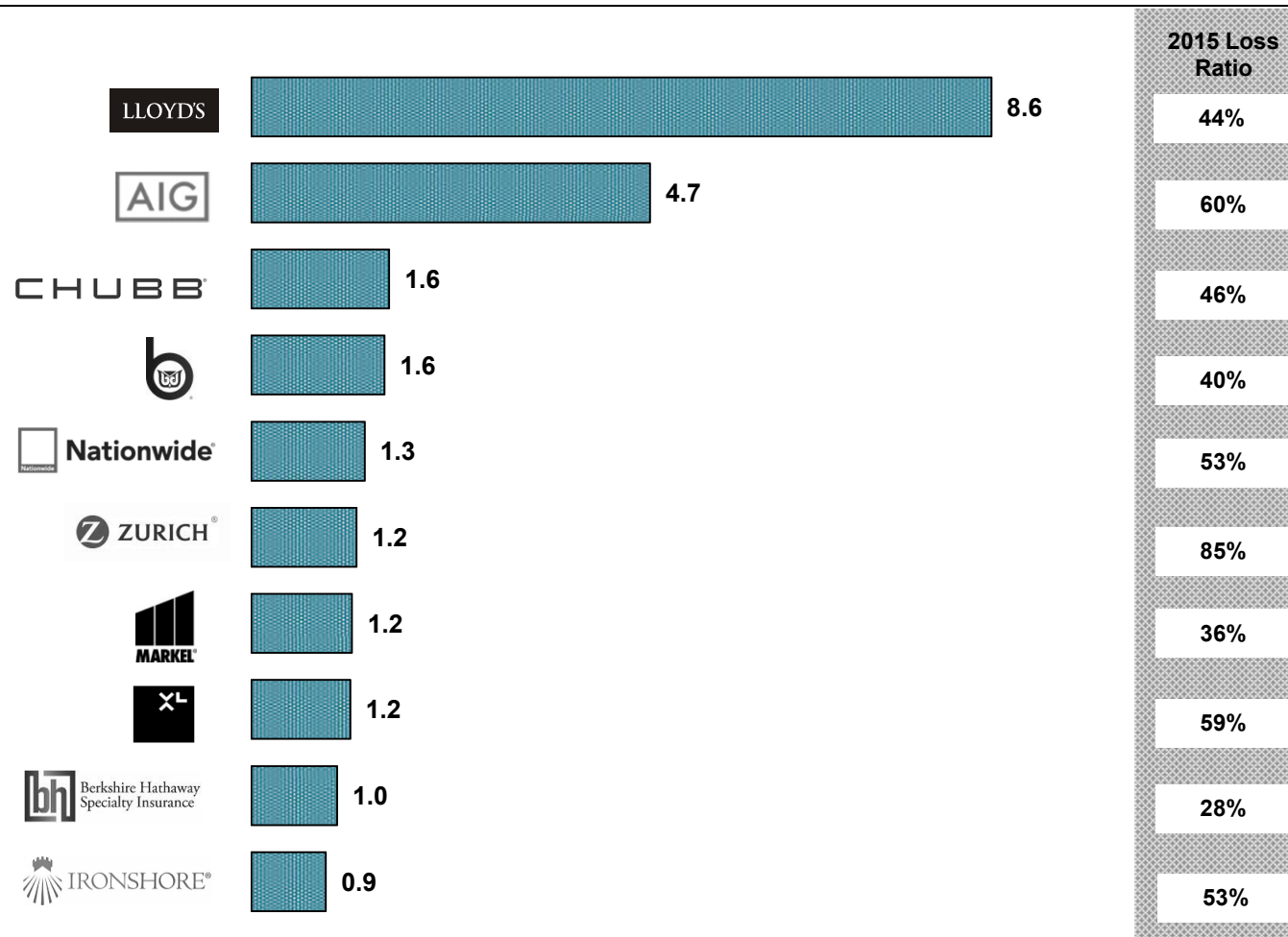
Source: Xchanging, Lloyd's Market Intelligence Analysis

© Lloyd's

E&S competitor analysis

2015 Top 10 E&S Companies by Premium

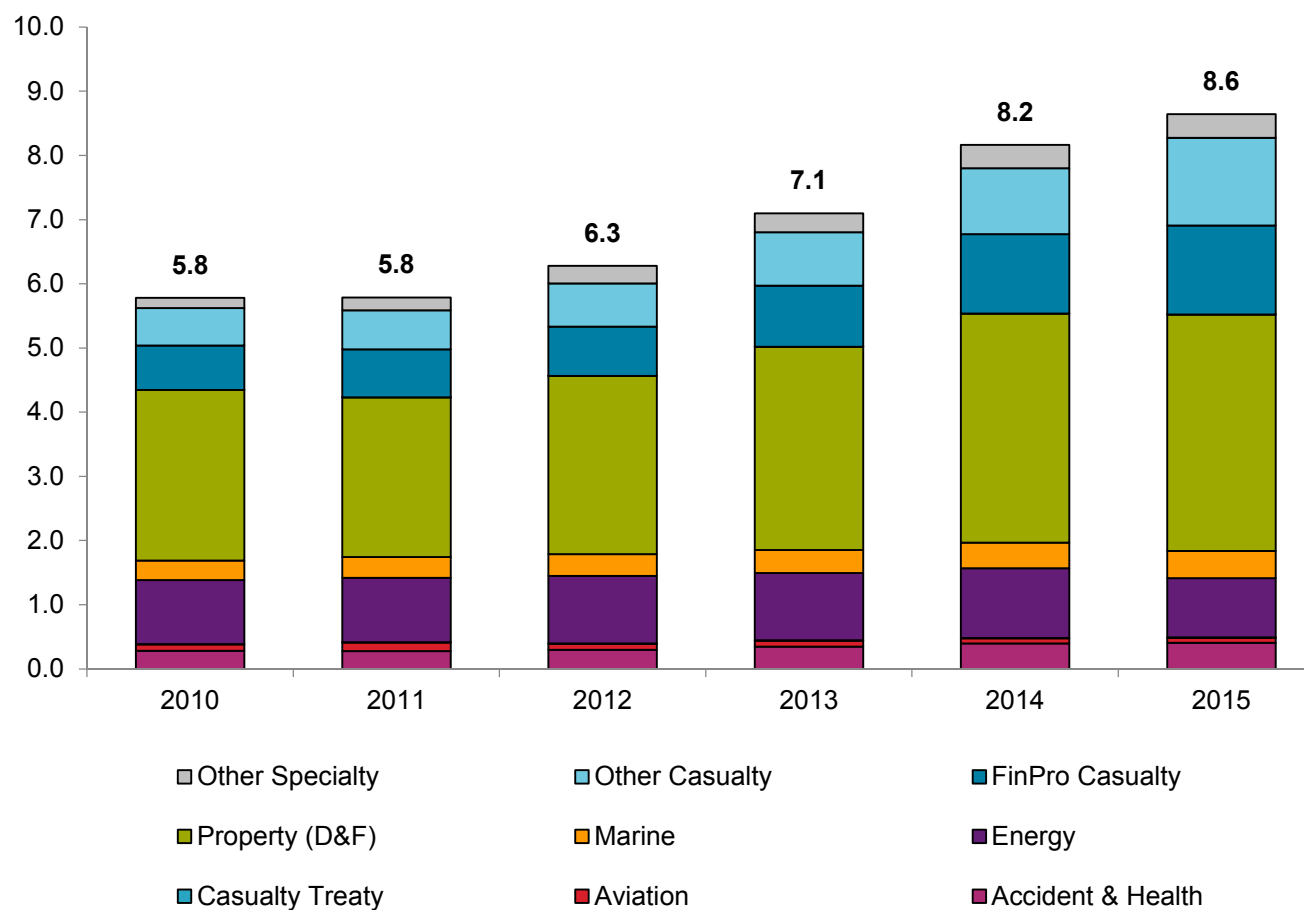
GSP, USD bn



E&S premiums by class of business

2010-2015 Lloyd's US Premium Distribution by Class of Business (E&S Business)

Gross Signed Premium, USD bn

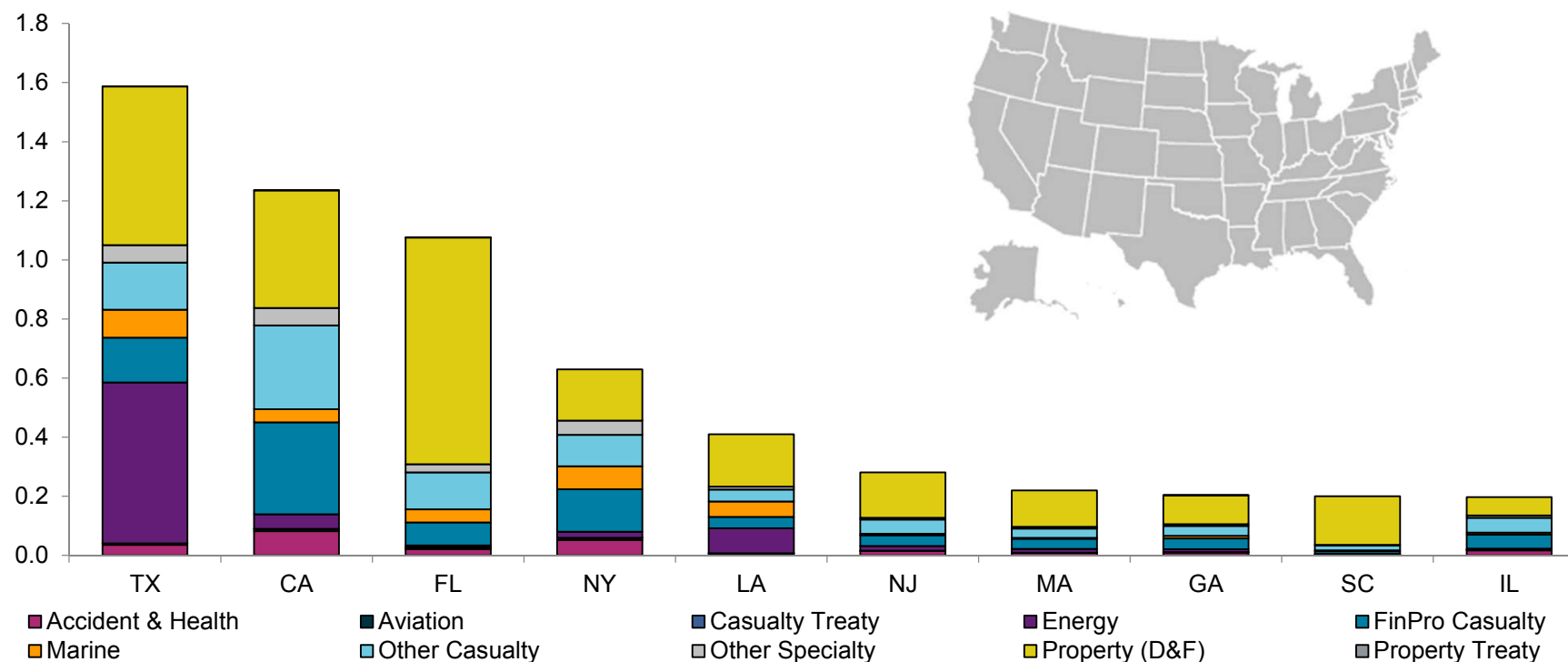


Source: Lloyd's US Reporting System, A. M. Best, Lloyd's Market Intelligence Analysis

E&S premiums by State

Lloyd's E&S Premium Distribution by State and Class of Business (2015)

GSP, USD bn



2015 Lloyd's Market Share of E&S Premium by State

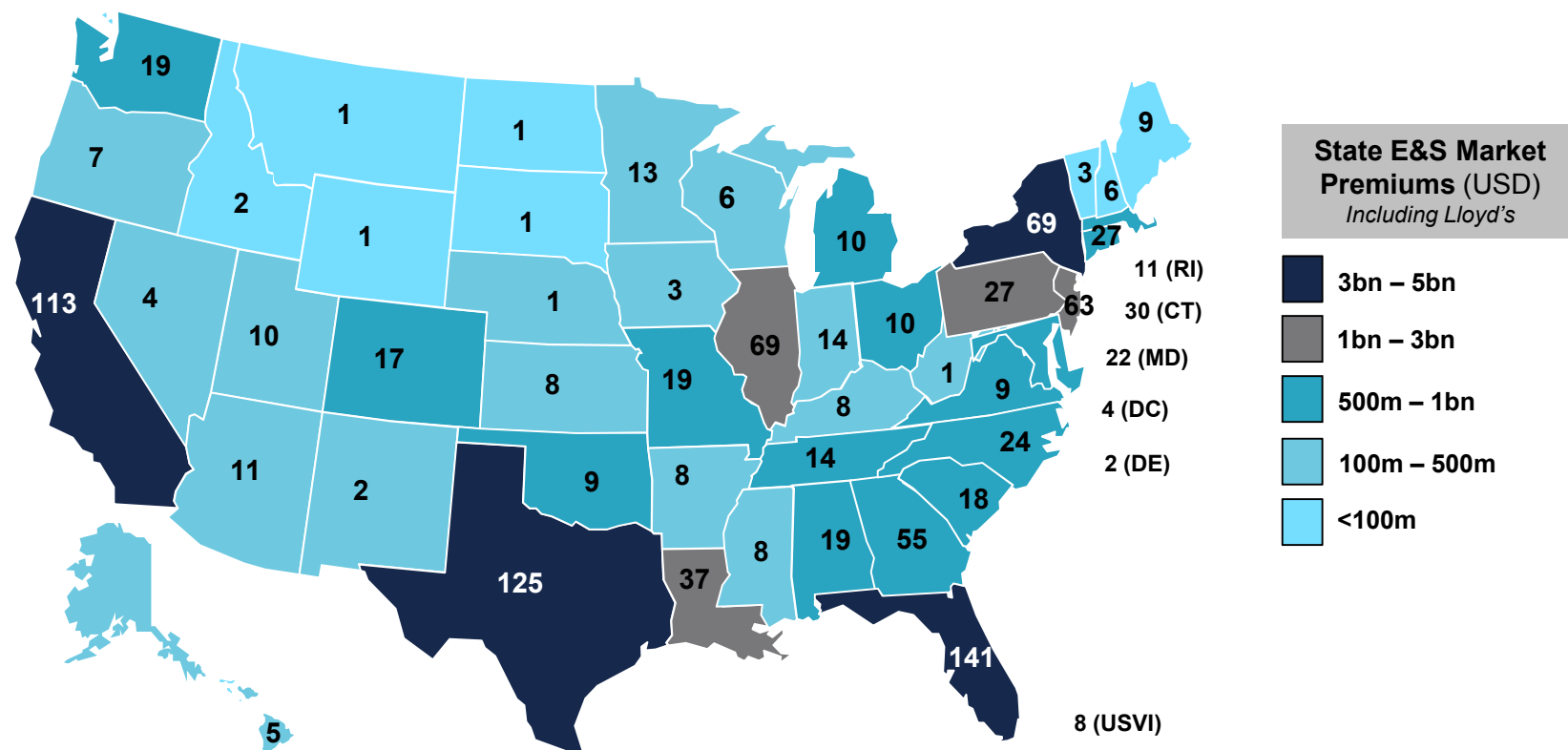
TX	CA	FL	NY	LA	NJ	MA	SC	GA	IL
31%	19%	24%	21%	29%	21%	25%	34%	22%	15%

Source: Lloyd's US Reporting System, A. M. Best, Lloyd's Market Intelligence Analysis Note: Figures do not include Reinsurance premiums

Coverholder analysis

2016 Number of Lloyd's Coverholders vs. State E&S Market Premiums

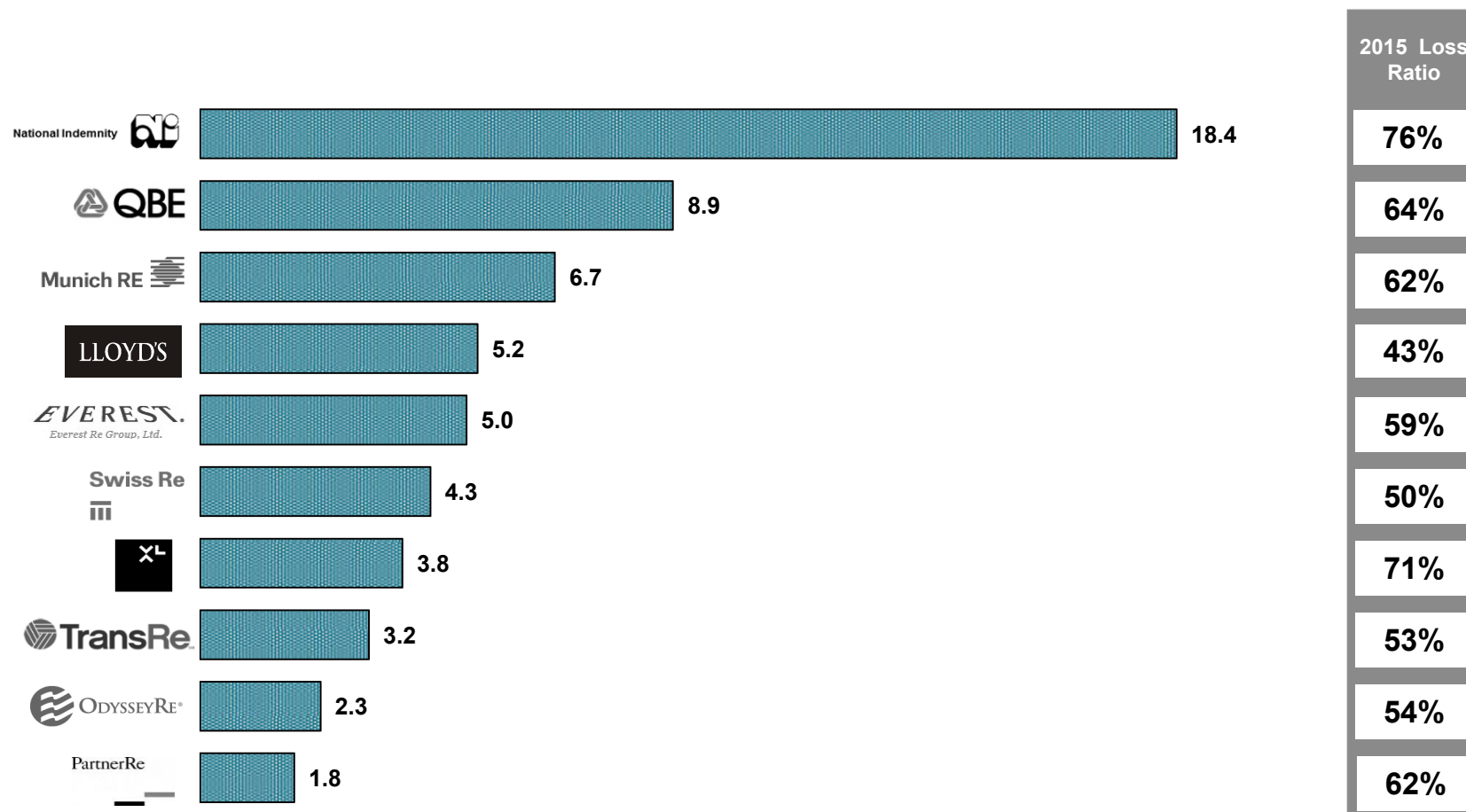
GSP, USD bn



Reinsurance competitor analysis

2015 Top 10 Reinsurance Companies by Premium

GSP, USD bn

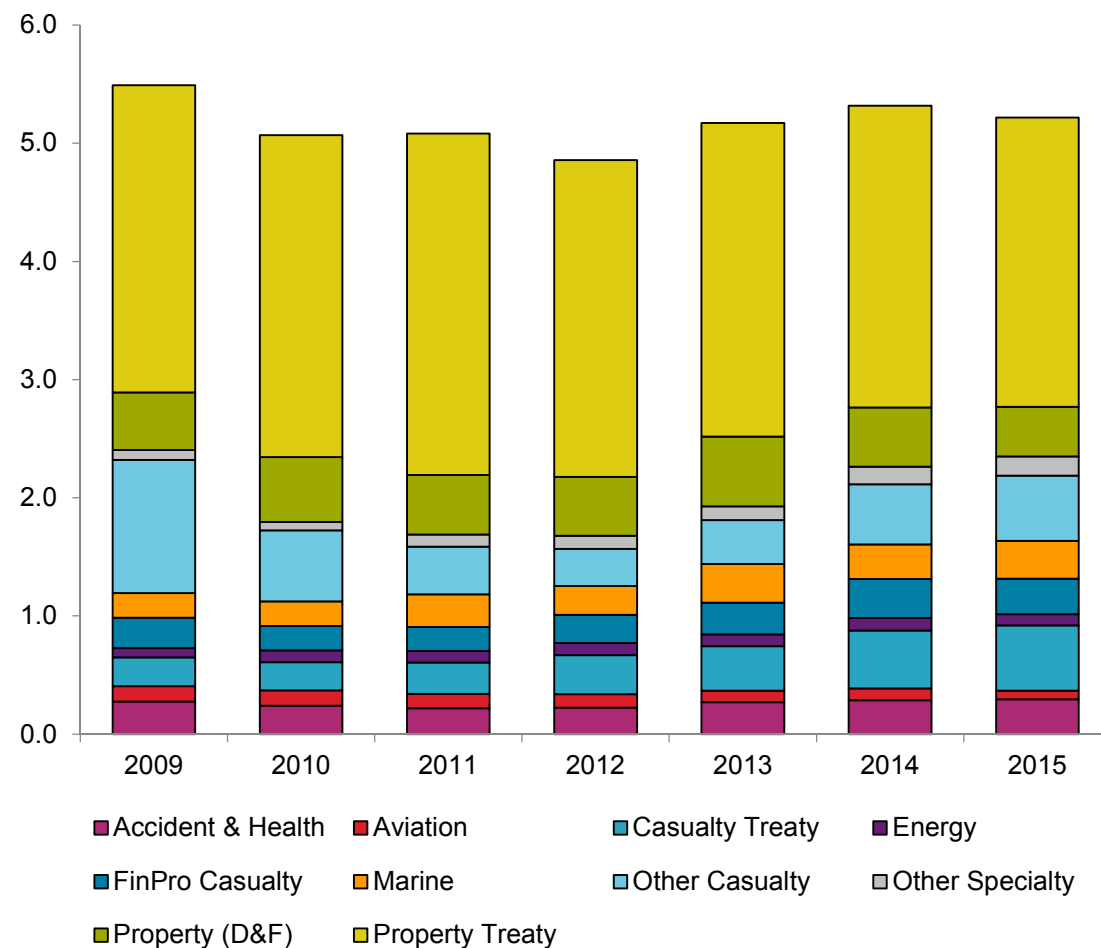


Source: Lloyd's US Reporting System, RAA Reinsurance Underwriting Reports 2015, Lloyd's Market Intelligence Analysis

Reinsurance by class of business

2009-2015 Lloyd's US Premium Distribution by Class of Business (Reinsurance Business)

GSP, USD bn



Source: Lloyd's US Reporting System, A. M. Best, Lloyd's Market Intelligence Analysis

US regulatory update

Flood

Lloyd's America has been lobbying for a bill that would make it easier for E&S insurers to write private (residential) flood insurance outside the NFIP.

This bill passed the US House of Representatives unanimously in April. We're hopeful that the next step – passage by the Senate – will take place this year.

US Complaints Framework

Feedback from coverholders and brokers prompted a second look at the process.

A revised process which takes into account commerciality concerns that were raised has now been approved by the FCA.

Reinsurance Collateral

We're poised for more progress in 2017.

35 states have adopted the NAIC model. Lloyd's America has been advocating for its inclusion as mandatory accreditation standard, which would ensure passage by the remaining state legislatures.

A vote on accreditation will take place at the August NAIC meeting – adoption would be required by Jan. 1, 2019.

Cyber

Lloyd's America is supporting federal legislation that would create a uniform standard for notification of data breaches.

This legislation is strongly supported by the US financial services sector and the Senate is working on a bill. Further action this year will likely depend on the climate in a post-election Congress.

Lloyd's America is participating in a Department of Homeland Security group that is considering the creation of a cyber breach repository. Participation would be voluntary and there remain a number of logistical issues to be worked out.

Stakeholder engagement in the US

Industry Organizations



Next Generation



School of Risk Management



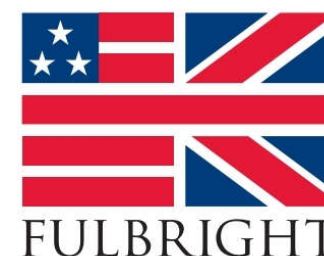
Gamma Iota Sigma
International Risk Management, Insurance
and Actuarial Science Collegiate Fraternity



CSR



Dive In

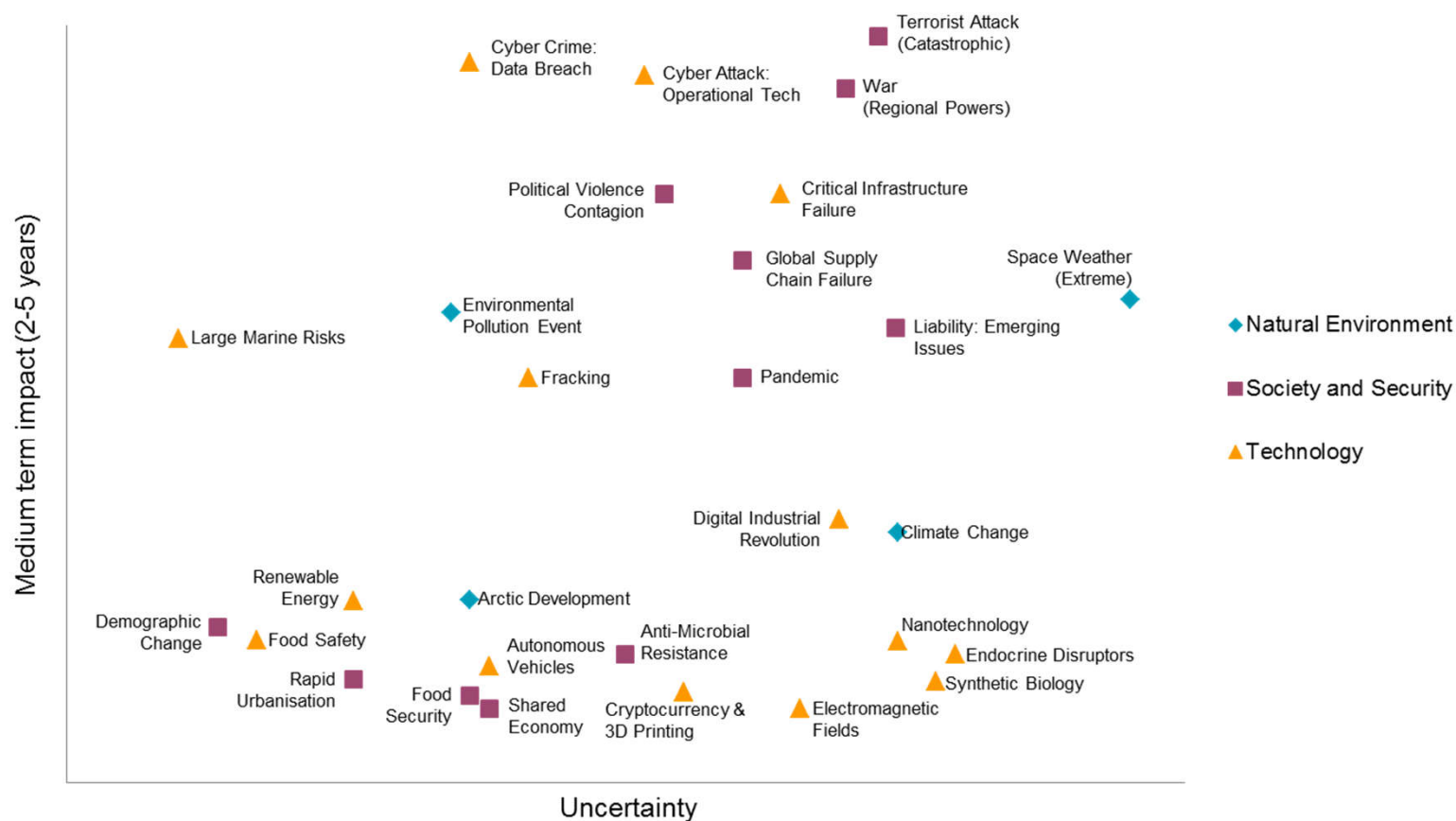


Emerging Risks

Lloyd's defines an emerging risk as...

“an issue that is perceived to be potentially significant but which may not be fully understood or allowed for in insurance terms & conditions, pricing, reserving or capital setting”.

Emerging Risks Survey 2014 (Lloyd's Managing Agents)



Emerging risks reports



Latest reports

Lloyd's City Risk Index

Emerging Liability Risks – Harnessing big data analytics

Drones Take Flight – Key issues for insurance

Business Blackout – The insurance implications of a cyber attack on the US power grid

California Flood – Central Valley risk analysis

lloyds.com/news-and-insight/risk-insight/library

City Risk Index

Lloyd's City Risk Index 2015-2025

301 cities

18 threats

US\$4.56trn at risk

Lloyd's City Risk Index 2015-2025 analyses, for the first time, the potential impact on the economic output (GDP@Risk) of 301 of the world's major cities from 18 manmade and natural threats.

Based on original research by the Cambridge Centre for Risk Studies at the University of Cambridge Judge Business School, the Index shows how governments, businesses and communities are highly exposed to systemic, catastrophic shocks and could do more to mitigate risk and improve resilience.

Identifying the risks, modelling and measuring their impacts, and investing in greater resilience – from better infrastructure to increased

Introducing groundbreaking
new research

lloyds.com/cityriskindex

Hazard warning

The research behind Lloyd's City Risk Index 2015-2025 is firmly rooted in precedent. From the Panama disease outbreak that wiped out Latin America's banana industry in the 1950s to Superstorm Sandy, which cost New York US\$19bn in 2012, past catastrophes illustrate the potential of the Index's 18 threats to devastate economies and communities worldwide.



Select location

New York

New York

Average annual GDP

\$1.08tn

Total GDP@Risk

\$90.36bn

8.37% of Average annual GDP

GDP@Risk: Top 5 threats

1	Market crash	\$25.14bn
2	Oil price shock	\$15.73bn
3	Cyber attack	\$14.08bn
4	Flood	\$13.07bn
5	Human pandemic	\$8.21bn

[View breakdown of threats](#)[Download New York factsheet](#)

Share this data

[View city rankings
by country](#)

New York

GDP@Risk: All threats

\$90.36bn



Solar storm: While the threat itself is not emerging our vulnerability to the risks it poses is.

All threats

Manmade threats

Natural threats

Emerging threats

Cities

Regions

North
Atlantic
Ocean

Select location

Los Angeles

Los Angeles

Average annual GDP

\$828.24bn

Total GDP@Risk

\$90.32bn

10.91% of Average annual GDP

GDP@Risk: Top 5 threats

1	Market crash	\$19.27bn
2	Earthquake	\$18.25bn
3	Flood	\$13.29bn
4	Oil price shock	\$12.06bn
5	Cyber attack	\$10.79bn

[View breakdown of threats](#)[Download Los Angeles factsheet](#)

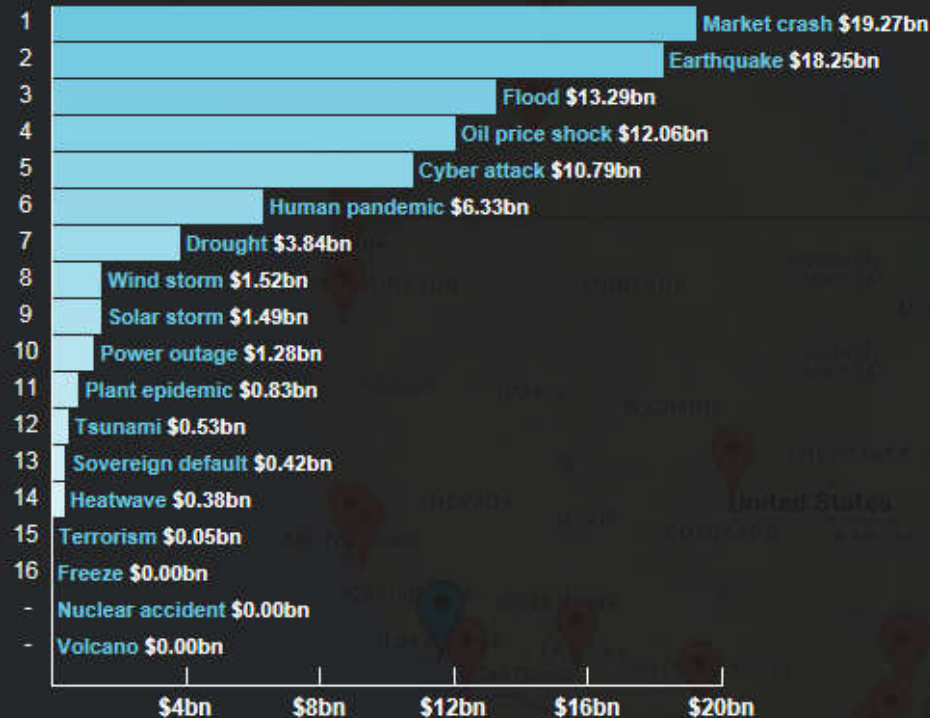
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Los Angeles

GDP@Risk: All threats

\$90.32bn



Solar storm: While the threat itself is not emerging our vulnerability to the risks it poses is.

All threats

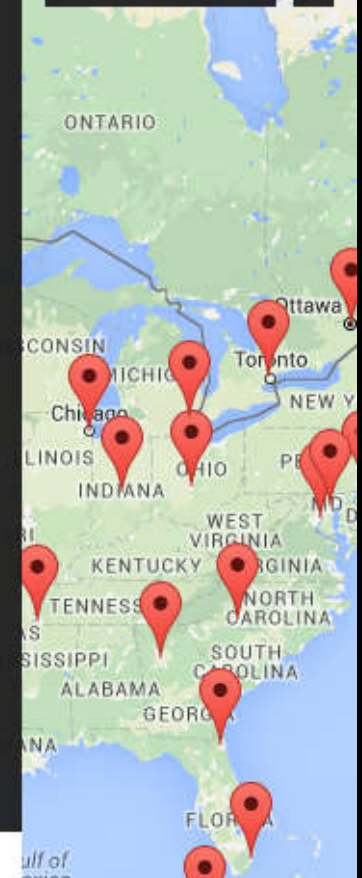
Manmade threats

Natural threats

Emerging threats

Cities

Regions



Select location

Chicago

Chicago

Average annual GDP

\$514.97bn

Total GDP@Risk

\$42.35bn

8.22% of Average annual GDP

GDP@Risk: Top 5 threats

1	Market crash	\$11.98bn
2	Oil price shock	\$7.50bn
3	Cyber attack	\$6.71bn
4	Flood	\$6.23bn
5	Human pandemic	\$3.95bn

[View breakdown of threats](#)[Download Chicago factsheet](#)

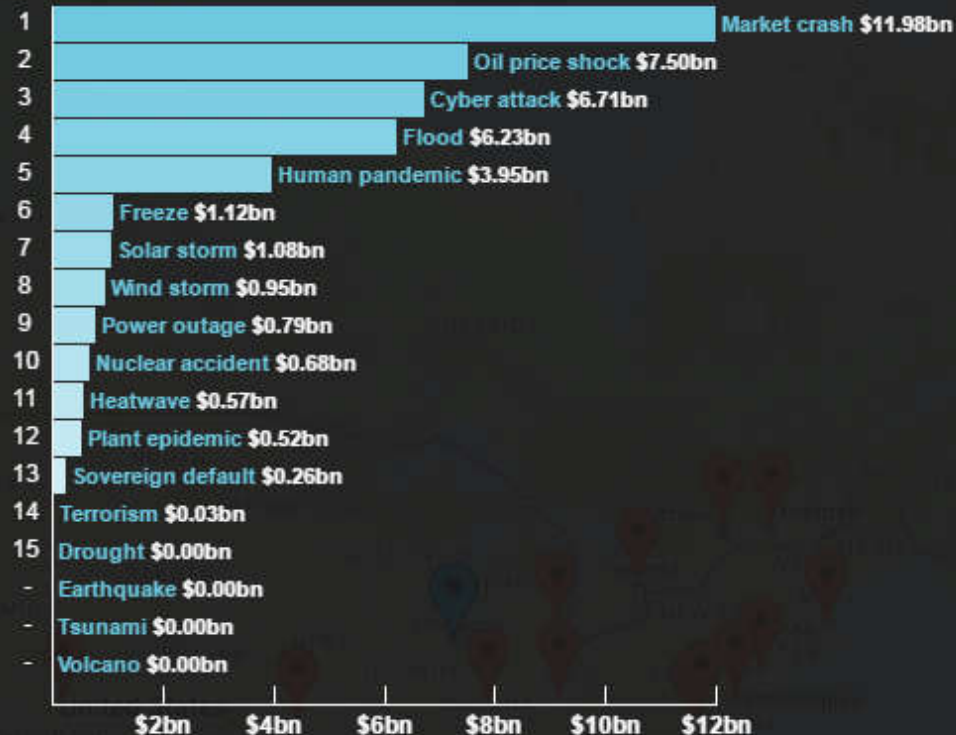
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by country](#)

Chicago

GDP@Risk: All threats

\$42.35bn



Solar storm: While the threat itself is not emerging our vulnerability to the risks it poses is.

All threats

Manmade threats

Natural threats

Emerging threats

Select location

Miami

Miami

Average annual GDP

\$250.52bn

Total GDP@Risk

\$23.45bn

9.36% of Average annual GDP

GDP@Risk: Top 5 threats

1	Market crash	\$5.82bn
2	Flood	\$4.02bn
3	Oil price shock	\$3.65bn
4	Cyber attack	\$3.26bn
5	Wind storm	\$2.28bn

[View breakdown of threats](#)[Download Miami factsheet](#)

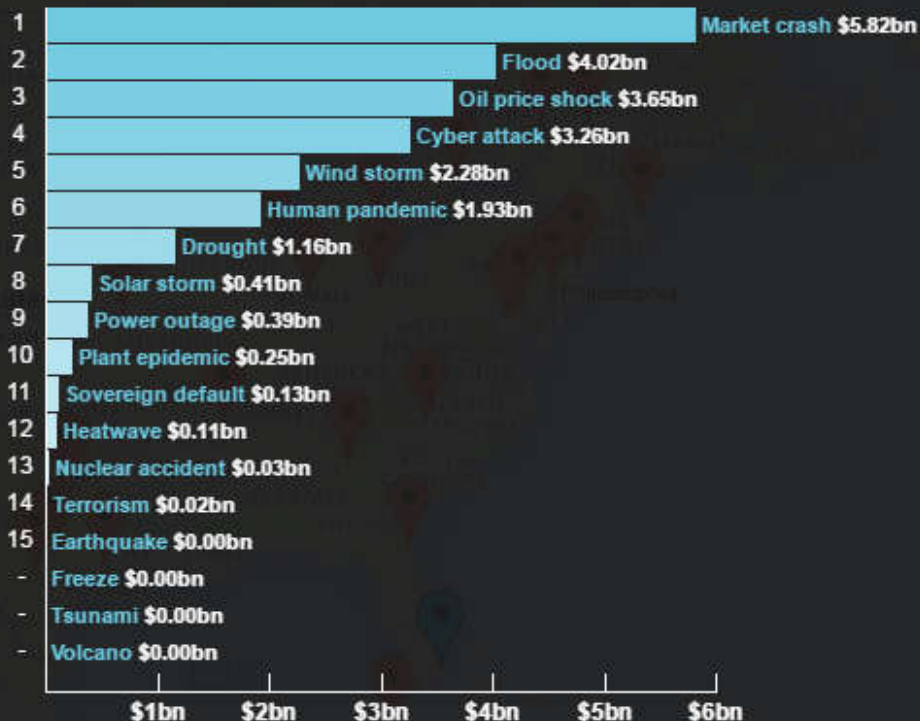
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Miami

GDP@Risk: All threats

\$23.45bn



Solar storm: While the threat itself is not emerging our vulnerability to the risks it poses is.

All threats

Manmade threats

Natural threats

Emerging threats

Cities

Regions

North
Atlantic
Ocean

Select location

Philadelphia

Philadelphia

Average annual GDP

\$228.22bn

Total GDP@Risk

\$19.43bn

8.51% of Average annual GDP

GDP@Risk: Top 5 threats

1	Market crash	\$5.30bn
2	Oil price shock	\$3.32bn
3	Cyber attack	\$2.97bn
4	Flood	\$2.76bn
5	Human pandemic	\$1.76bn

[View breakdown of threats](#)[Download Philadelphia factsheet](#)

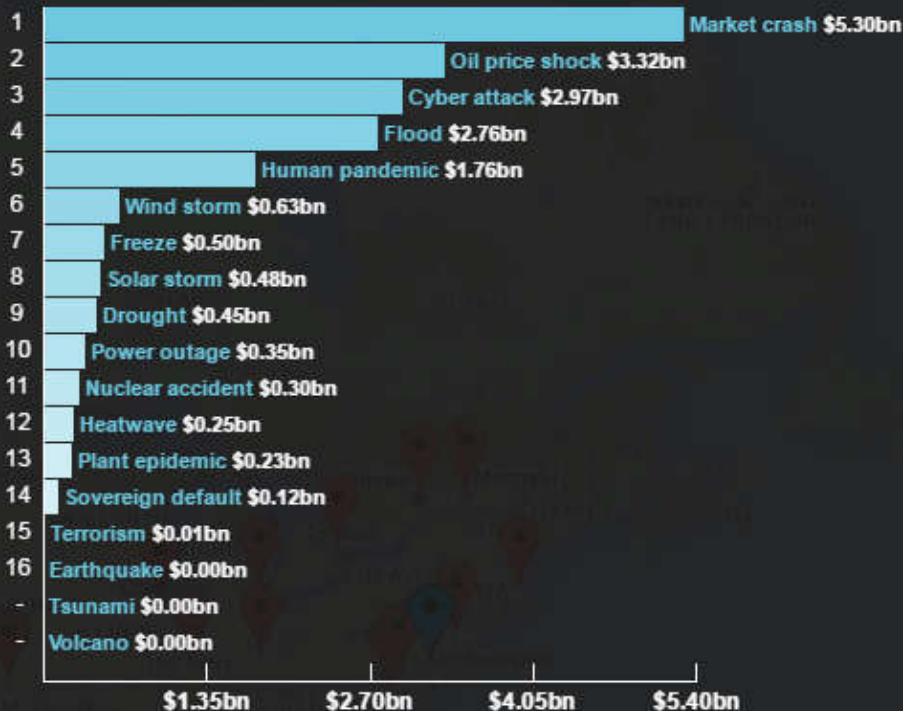
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Philadelphia

GDP@Risk: All threats

\$19.43bn



Solar storm: While the threat itself is not emerging our vulnerability to the risks it poses is.

All threats

Manmade threats

Natural threats

Emerging threats

Cities

Regions

North
Atlantic
Ocean

Select location

Jacksonville

Jacksonville

Average annual GDP

\$52.90bn

Total GDP@Risk

\$4.32bn

8.16% of Average annual GDP

GDP@Risk: Top 5 threats

1	Market crash	\$1.23bn
2	Oil price shock	\$0.77bn
3	Cyber attack	\$0.69bn
4	Flood	\$0.64bn
5	Human pandemic	\$0.41bn

[View breakdown of threats](#)[Download Jacksonville factsheet](#)

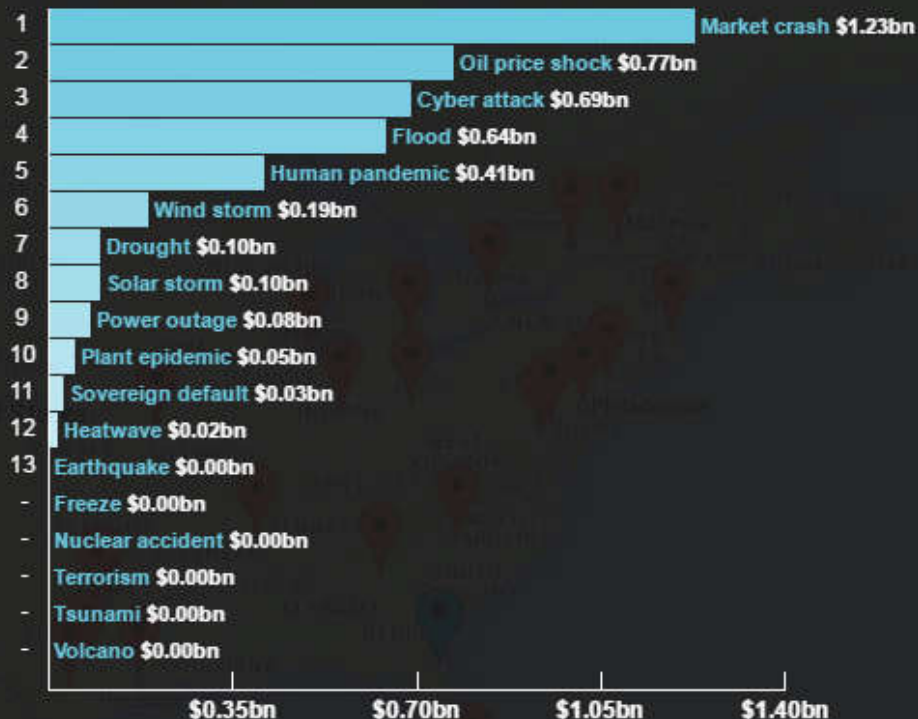
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Jacksonville

GDP@Risk: All threats

\$4.32bn



Solar storm: While the threat itself is not emerging our vulnerability to the risks it poses is.

All threats

Manmade threats

Natural threats

Emerging threats

Cities

Regions

North
Atlantic
Ocean

Select location

London

London

Average annual GDP

\$605.02bn

Total GDP@Risk

\$53.43bn

8.83% of Average annual GDP

GDP@Risk: Top 5 threats

1	Market crash	\$14.08bn
2	Flood	\$9.71bn
3	Oil price shock	\$8.81bn
4	Cyber attack	\$7.89bn
5	Human pandemic	\$4.67bn

[View breakdown of threats](#)[Download London factsheet](#)

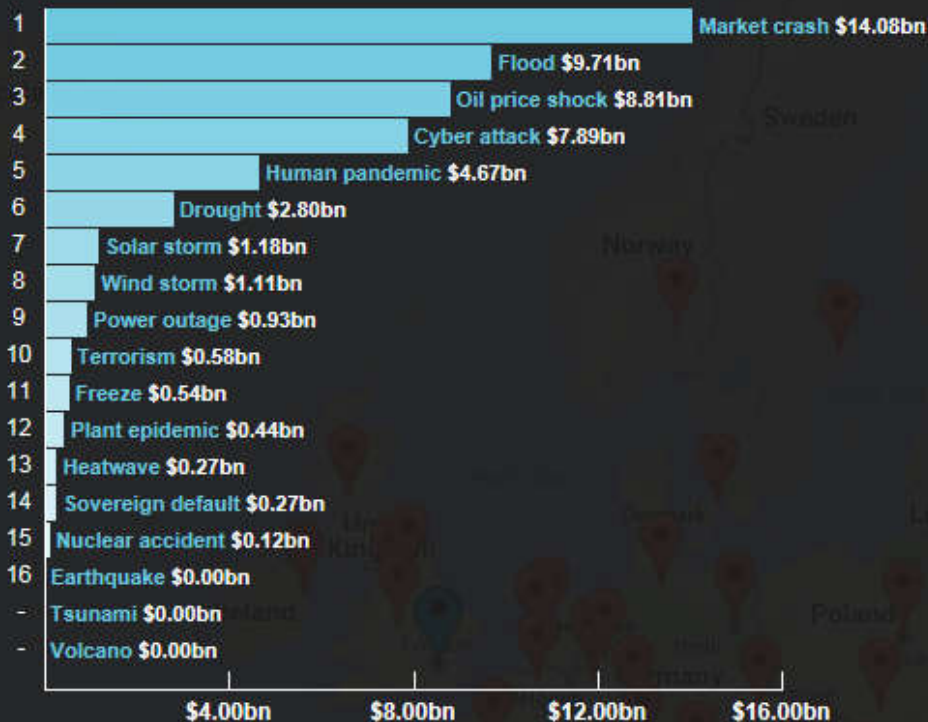
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by country](#)

London

GDP@Risk: All threats

\$53.43bn



Solar storm: While the threat itself is not emerging our vulnerability to the risks it poses is.

All threats

Manmade threats

Natural threats

Emerging threats

Cities

Regions

Select location

Shanghai

Shanghai

Average annual GDP

\$472.62bn

Total GDP@Risk

\$78.21bn


16.55% of Average annual GDP

GDP@Risk: Top 5 threats

1	Wind storm	\$26.81bn
2	Human pandemic	\$14.50bn
3	Market crash	\$10.79bn
4	Flood	\$9.85bn
5	Oil price shock	\$5.61bn

 View breakdown of threats Download Shanghai factsheet

Share this data

 View city rankings
by country

Shanghai

GDP@Risk: All threats

\$78.21bn



Solar storm: While the threat itself is not emerging our vulnerability to the risks it poses is.

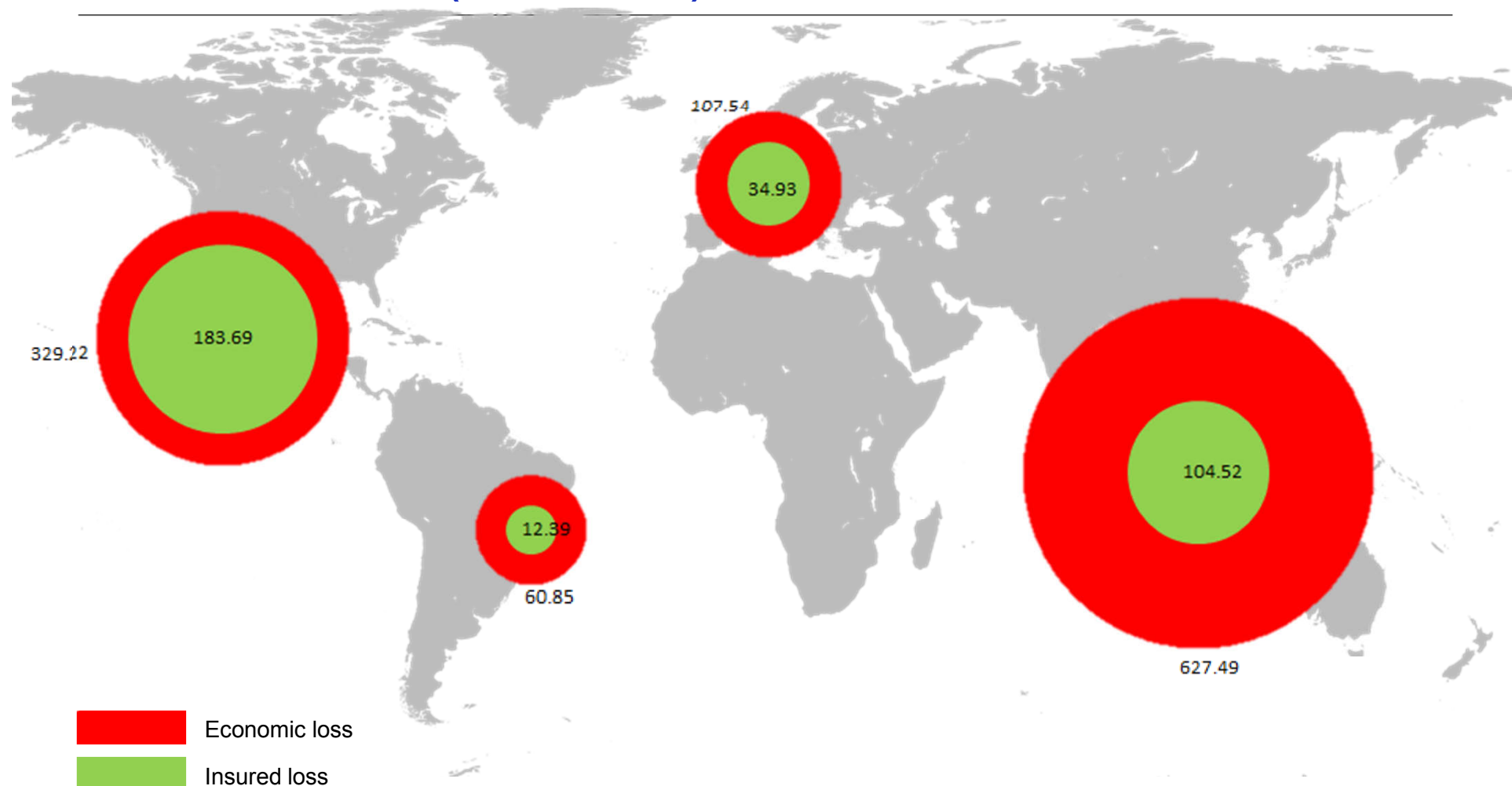
All threats

Manmade threats

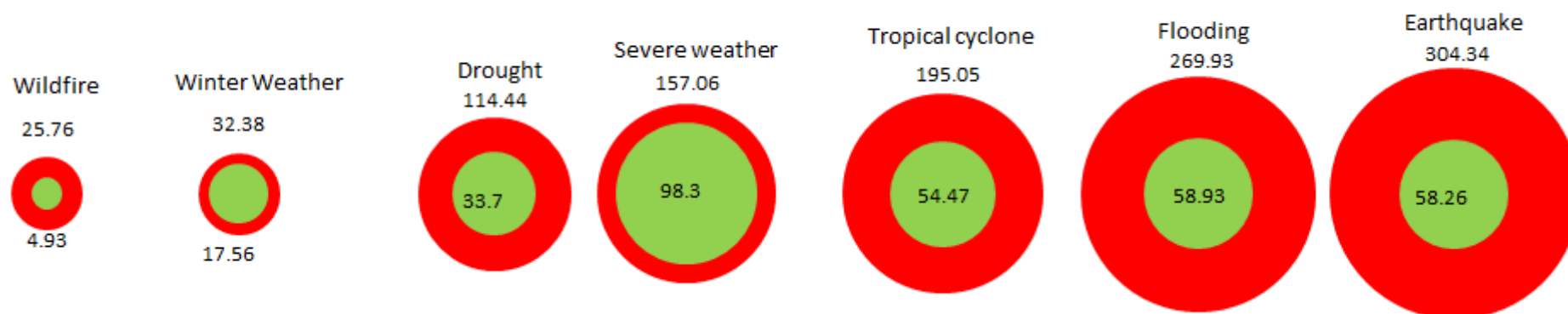
Natural threats

Emerging threats

Regional economic losses and insured losses 2011 – 2015 (US \$ bn)



Economic losses and insured losses by natural catastrophe 2011 – 2015 (US \$ bn)



Lloyd's and the EU Referendum

EU Referendum / “Brexit” – June 23, 2016

Context

- Under Article 50 of the Lisbon Treaty, it can take up to **two years** for the UK to officially leave the European Union from the moment that the Government formally notifies the EU of its intention to withdraw.
 - Until the point that UK membership officially ends, it continues to be a full member of the single market, complying with all current rules and regulations while accessing the single market under current passporting rights.
 - Lloyd's and the market will remain subject to Solvency II and will retain current access to EU markets while the UK's future relationship with the EU is decided. Significant changes to the UK insurance regulatory regime are not anticipated in the near future.
 - In 2015, the EU accounted for £2.93bn (\$3.87bn) or 11% of Lloyd's GWP.
 - The referendum has no impact on Lloyd's trading rights in all non-EU territories.
 - ***Key Takeaway:*** *During this period the way in which we conducted business prior to June 23 will not change. No existing policies or renewals written while a member of the EU will be affected by the referendum.*
-

EU Referendum / “Brexit”

Lloyd's Plans

- Lloyd's values its historical trading rights across the EU and EEA and is keen to ensure policyholders have continued access to Lloyd's specialist insurance and reinsurance services in the long term.
 - We're in discussions with the UK Government, regulators, London brokers and managing agents.
 - Our preference is to secure some form of passporting agreement, similar to what we operate under today.
 - We have been looking at several options, including:
 - Seek to extend rights of access in EU markets to write cross border (re)insurance business from London
 - Set up Lloyd's branches in one or more EU member states
 - **Key Takeaway:** *It 's too early to precisely detail the nature of Lloyd's regulatory relationship with our EU partners. However, in the longer term we are confident that Lloyd's will stay at the center of the global specialist insurance and reinsurance sector.*
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EU Referendum / “Brexit”

Lloyd's Financial Strength

- The decision to leave the EU has no impact on Lloyd's financial strength. S&P affirmed Lloyd's A+ rating during the week of the referendum vote.
 - More than 50% of Funds at Lloyd's are held in US dollars and the Central Fund's investment portfolio contains unhedged US \$ exposure that will move in step with regulatory capital requirements.
 - While investment volatility is to be expected, portfolios of the Central Fund and syndicates operating at Lloyd's are generally conservative, with high quality fixed interest (corporate and government bonds) and cash as the majority of assets.
 - **Key Takeway:** *The Lloyd's Market remains well-capitalized to pay claims and will not be adversely affected by fluctuations in Sterling due to disciplined currency matching covering assets against claim reserves and capital versus exposures. Currency fluctuations will have minimal impact on Lloyd's financial position.*
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Lloyd's and the EU Referendum

Need more info?

<https://www.lloyds.com/news-and-insight/lloyds-plans-in-europe>

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