

LLOYD'S

# LLOYD'S QUICK GUIDE

AN INTRODUCTION TO WHO  
WE ARE AND WHAT WE DO



MAY 2011

# LLOYD'S QUICK GUIDE

Lloyd's is the world's specialist insurance market, conducting business in over 200 countries and territories worldwide – and is often the first to insure new, unusual or complex risks. We bring together an outstanding concentration of specialist expertise and talent, backed by excellent financial ratings which cover the whole market.

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## HISTORY FROM COFFEE BEANS TO COMPLEX RISKS

Lloyd's began over 300 years ago in Edward Lloyd's coffee house – a place where shipowners could meet people with capital to insure them.

Since then, Lloyd's has grown from its marine heritage to become the world's leading market for specialist property and casualty insurance.

To this day, Lloyd's remains a place where business is conducted face-to-face. Like any dynamic, innovative market it allows those with something to sell (underwriters providing insurance coverage) to make contact with those who want to buy (brokers, working on behalf of clients who are seeking insurance). Our strength is built upon the diversity of managing agents (underwriting agents responsible for managing a syndicate) who choose to operate at Lloyd's, supported by capital from diverse sources around the world.

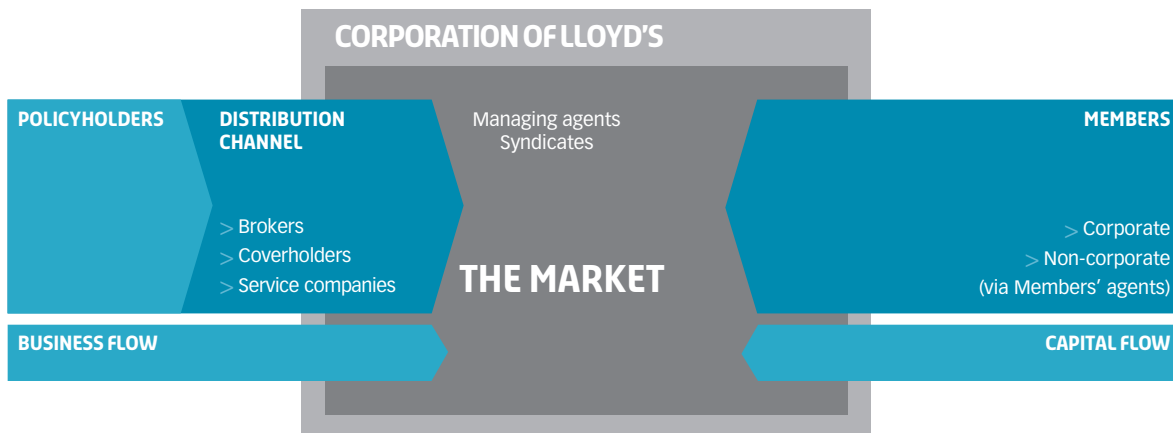
Follow the Lloyd's journey at  
[www.lloyds.com/history](http://www.lloyds.com/history)



# HOW LLOYD'S WORKS

## MARKET STRUCTURE

Lloyd's is not an insurance company. It is a market where members join together to form syndicates to insure risks. Much of Lloyd's business works by subscription, where more than one syndicate takes a share of the same risk.



### WHO'S WHO?

#### Policyholders

##### request insurance cover

Businesses, organisations, other insurers and individuals from around the world want to protect themselves against risks that could affect them. They approach a broker and explain their individual needs.

#### Brokers

##### place the risks

Most of Lloyd's business is placed with the assistance of a broker. In addition to being regulated by their national regulator, brokers must also meet Lloyd's own eligibility criteria.

#### Coverholders

##### place the risks

Coverholders are companies

authorised by a managing agent to enter into contracts of insurance and/or issue insurance documentation, on behalf of the members of a syndicate.

#### Service companies

##### place the risks

A service company is an approved coverholder which Lloyd's has classified as a 'service company' by reason of it being a wholly owned subsidiary of either a managing agent or its holding company.

#### Syndicates

##### write the insurance risks

Underwriters decide on behalf of its members which risks a syndicate will underwrite and on what terms. Much of Lloyd's business is conducted in the

Underwriting Room, where face-to-face negotiations take place with brokers regarding the risks they want to place at Lloyd's.

#### Managing agents manage the syndicates

These are companies set up to manage one or more syndicates. The managing agent employs the underwriting staff and handles the day-to-day running of a syndicate's infrastructure and operations.

#### Members

##### provide the capital

Members of Lloyd's provide the capital to support syndicates' underwriting. Members include some of the world's major insurance groups and companies listed on the London Stock

Exchange, as well as individuals and limited partnerships.

#### Corporation of Lloyd's supports the market

The Corporation oversees and supports the market and promotes Lloyd's around the world. This includes determining the capital that members must provide to support their proposed underwriting, working with the management of underperforming syndicates to improve performance, undertaking financial and regulatory reporting for the Lloyd's market, managing and developing Lloyd's global network of licences, Lloyd's brand and representing Lloyd's to governments and regulators around the world.

## CHAIN OF SECURITY LINKS STRENGTH WITH STABILITY

SEVERAL ASSETS	FIRST LINK	SYNDICATE LEVEL ASSETS £39,021m	
	SECOND LINK	MEMBERS' FUNDS AT LLOYD'S £13,832m	
MUTUAL ASSETS	THIRD LINK	CENTRAL FUND £1,285m CORPORATION £162m	CALLABLE LAYER £703m
		SUBORDINATED DEBT/ SECURITIES £930m	

Figures as at December 31 2010.

### Financial strength The Chain of Security

Lloyd's unique capital structure, often referred to as the Chain of Security, provides excellent financial security to policyholders and capital efficiency for members.

The Chain of Security provides the financial strength that ultimately backs insurance policies written at Lloyd's and the common security underpins the market's ratings and licence network.

There are three links in the Chain of Security:

- > Syndicate level assets
- > Members' funds at Lloyd's
- > Central assets

The funds in the first and second links are held in trust, primarily for the benefit of policyholders whose contracts are underwritten by the relevant member. Members underwrite for their own account and are not liable for other members' losses. The third link contains mutual assets held by the Corporation which are available, subject to Council approval, to meet any member's insurance liabilities.

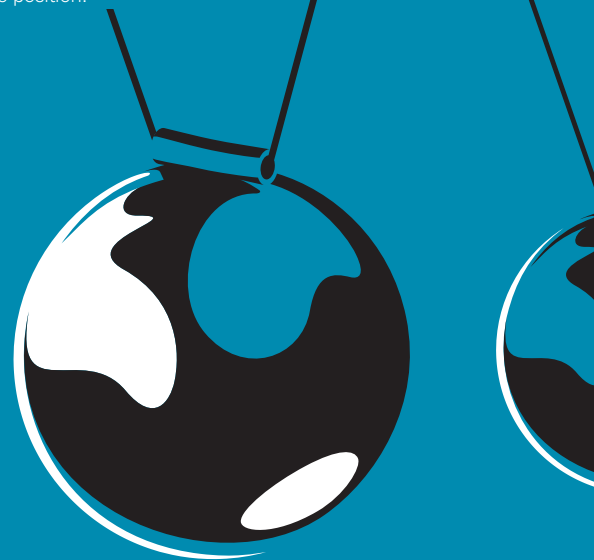
The Corporation is responsible for overseeing both member and central capital levels to achieve a level of capitalisation that is robust yet allows members the potential to earn superior returns.

## IN ACTION HOW WE'RE MOVING AHEAD

We continue to introduce ways to make Lloyd's an easier place to do business, increasing efficiency and standards of service.

Our processes may change, but mutuality of capital will remain central to Lloyd's, and is a key factor in maintaining our competitive position in the global insurance market while also underpinning our international licences and strong financial ratings.

We continue our steady expansion into international markets to build our platform for the future. A major priority has been, and continues to be, managing performance throughout the cycle. Although our resolve has been tested over the past 12 months, our disciplined approach to underwriting and our conservative investment mix have ensured that we maintain our strong competitive position.



# MANAGING AGENTS A DYNAMIC AND DIVERSE MARKETPLACE

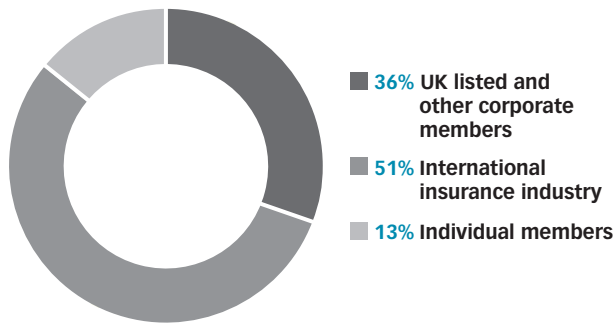
As at 31 December 2010, the Lloyd's market consisted of 52 managing agents and 85 syndicates. In addition, a further four managing agents exclusively manage syndicates in run-off. All 56 are shown below. However, more important than the sheer scale of the market is the breadth and depth of specialist broking and underwriting expertise brought together under the Lloyd's umbrella.



## 2010 FINANCIAL HIGHLIGHTS OUR STRENGTH AND RATINGS

Financial security is crucial and gives peace of mind to policyholders. Lloyd's strength and robust capitalisation is reflected in our ratings.

### WHERE DOES OUR CAPITAL COME FROM?<sup>1</sup>



### LLOYD'S RATINGS<sup>2</sup>

**A<sup>+</sup>**

Standard & Poor's **A+ (Strong)**<sup>3</sup>  
Fitch Ratings **A+ (Strong)**<sup>4</sup>

**A**

A.M. Best **A (Excellent)**<sup>5</sup>

All Lloyd's syndicates benefit from Lloyd's central resources, including the Lloyd's brand, its network of global licences and the Central Fund. As all Lloyd's policies are ultimately backed by this common security, a single market rating can be applied. The Lloyd's financial strength ratings apply to every policy issued by every syndicate at Lloyd's since 1993.

Three of the world's leading insurance rating agencies validate Lloyd's strengths, robust capitalisation and the financial strength of the market. In 2010, all three rating agencies reaffirmed our ratings as outlined above. In addition, Standard & Poor's has upgraded Lloyd's Enterprise Risk Management rating from 'adequate' to 'adequate with strong risk controls'. This recognises Lloyd's ongoing improvements in risk management.

**"Lloyd's occupies an excellent position in the global general insurance and reinsurance markets as a specialist writer of property and casualty risks. Its competitive strength derives from its reputation for innovation and flexibility, which is supported by the pool of underwriting expertise in London."**

**A.M. Best**  
August 2010








<sup>1-2</sup> Lloyd's Annual Report 2010.  
<sup>3</sup> Standard & Poor's affirmed its Lloyd's financial strength rating and assigned a Stable Outlook, September 2010.  
<sup>4</sup> Fitch Ratings affirmed its Lloyd's financial strength rating and assigned a Stable Outlook, December 2010.  
<sup>5</sup> A.M. Best affirmed its Lloyd's financial strength rating with a Stable Outlook, July 2010.

View our financial reporting information at [www.lloyds.com/financialreports](http://www.lloyds.com/financialreports)

## REACH WHERE WE'RE ACTIVE AROUND THE WORLD

Lloyd's accepts business from over 200 countries and territories worldwide. Our licences in over 75 jurisdictions, supported by a network of local offices, ensure access to insurance markets large and small.

### LLOYD'S CLASS BREAKDOWN BY REGION<sup>6</sup>

	US & Canada	Other Americas	United Kingdom	Europe	Central Asia & Asia Pacific	Rest of the world	TOTAL
 REINSURANCE	30%	75%	29%	38%	46%	62%	37%
 PROPERTY	31%	7%	20%	14%	14%	8%	22%
 CASUALTY	20%	8%	22%	18%	28%	12%	20%
 MARINE	6%	4%	5%	17%	6%	7%	7%
 ENERGY	10%	4%	2%	7%	3%	3%	6%
 MOTOR	1%	1%	21%	1%	1%	2%	5%
 AVIATION	2%	1%	1%	5%	2%	6%	3%
<b>ALL CLASSES</b>	<b>43%</b>	<b>7%</b>	<b>20%</b>	<b>16%</b>	<b>10%</b>	<b>4%</b>	<b>100%</b>

### LLOYD'S IN NUMBERS

# 85

**SYNDICATES**  
of specialist underwriting experience and talent

# 178

**BROKERS**  
daily creating insurance solutions in over...

# 200

**COUNTRIES AND TERRITORIES**  
which covers...

# 94%

**OF THE FTSE 100**  
and...

# 97%

**OF DOW JONES**  
industrial average companies all underpinned by...

# 323

**YEARS OF UNDERWRITING EXPERIENCE**



## TODAY EXPLORING OUR CURRENT BUSINESS ACTIVITIES

The Lloyd's market insures complex and specialist risks – from oil rigs to celebrity body parts. Brokers are able to find individual and innovative cover in the market, whatever their challenge may be.



### Casualty

Casualty risks are particularly specialist and complex and the US accounts for a large proportion of this business. This market includes professional indemnity, medical malpractice, accident and health, directors & officers' liability and general and employers' liability. Casualty makes up 20% of Lloyd's business.



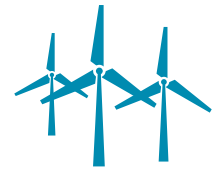
### Property

The property sector is hugely varied, encompassing everything from supporting the building of the new World Trade Center to protecting holiday resorts against storm damage. Property makes up 22% of Lloyd's business.



### Marine

This is where the Lloyd's story began over 300 years ago. Today it is a smaller but still a significant part of our business. Most of the cover in this area is for hull, cargo, marine, liability and specie (the insurance of highly valued items such as fine art while in transit). Marine makes up 7% of Lloyd's business.



### Energy

This market is steadily evolving, from onshore and offshore property, oil rigs and refineries to emerging renewable energy ventures. Coverage relates to physical damage and liability risks. Energy makes up 6% of Lloyd's business.



### Motor

In this competitive sector, Lloyd's is primarily focused on company fleet business, niche private car and other non-standard risks. This includes high value, vintage and collectors' vehicles, high risk drivers and affinity groups. Lloyd's has insured numerous land speed record attempts and Sir Malcolm Campbell, the first man to break 300mph on land, was a Lloyd's broker. Motor makes up 5% of Lloyd's business.



### Aviation

Lloyd's is an industry leader within the global aviation market. This includes airline, general aviation, products, airports, war and terrorist coverage, and satellite business. The aviation market continues to benefit from new safety systems, increased security and improved regulation but recent performance, particularly in airline, has been disappointing. The sector remains highly competitive with significant capacity available for most risks. Aviation makes up 3% of Lloyd's business.



### Reinsurance

The reasons for reinsurance tend to fall into four categories: to protect an insurer against very large claims; to reduce exposure to 'peaks and troughs'; to obtain an international spread of risk; and to increase the capacity of the direct insurer. Reinsurance makes up 37% of Lloyd's business.

# GLOBAL CONTACTS

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Visit [www.lloyds.com/offices](http://www.lloyds.com/offices)  
 for more information about  
 our international offices.



Since merchants first met to insure their ships at Edward Lloyd's coffee shop over 300 years ago, nearly every aspect of the way we do business has changed. But one constant is the bold confidence proclaimed by our motto, reflected in both our unique appetite for risk and our worldwide reputation for settling valid claims.

For further information or reading on any of the topics included in this booklet, please refer to the *Lloyd's Annual Report 2010* at [www.lloyds.com/financialreports](http://www.lloyds.com/financialreports)

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