LLOYD'S

Investor Roadshow

2022

Sharing risk to create a braver world

Agenda

2021 Full Year Results and 2022 Outlook

Returning the market to sustainable, profitable performance

Sustainable performance

- Performance-led approach has delivered sustainable underwriting profit of £1.7bn and combined ratio of 93.5%.
- Attritional loss ratio of 48.9% demonstrates significant underwriting remediation.
- Catastrophe risk appetite well within appetite and well managed.
- Expense ratio of 35.5% shows continued improvement.

Profitable growth

- Premium growth of 11% with GWP rising to £39.2bn.
- 10.9% average risk adjusted rate increase.
- Sustainable, improved performance positions the market for growth in 2022.
- Pricing and risk selection remain a key area of focus in 2022.

Strong capital

- Resilient balance sheet can withstand threat from systemic risk and capital markets.
- Increased central solvency ratio to 388%.
- Central Fund Cover reinforces the resilience of the Lloyd's market by £650m.
- Maintained strong ratings with all four rating agencies.

Talented people

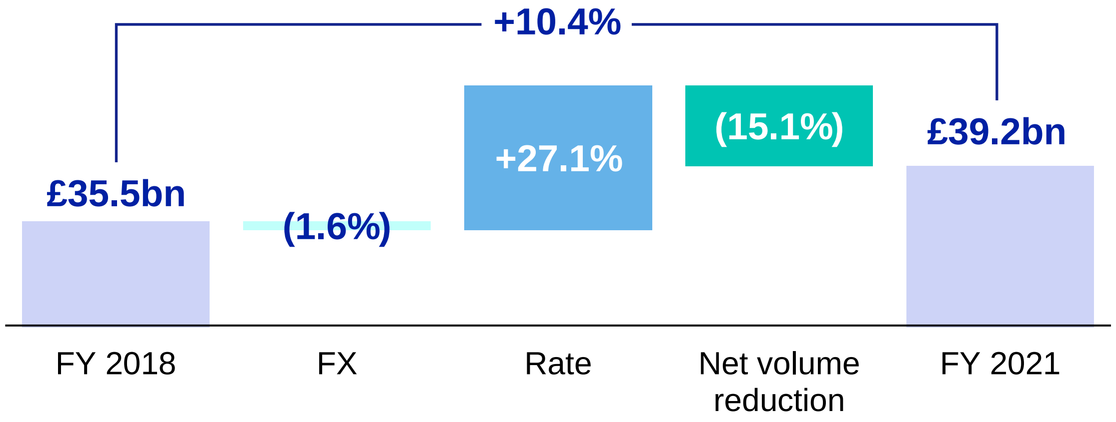
- The world's most innovative and talented marketplace.
- Progress made with more women in leadership across the market.
- Aspirational 'whole of workforce' ethnicity target set.
- Corporation achieves gender parity across leadership and is closing gender pay gap.

Ukraine developments

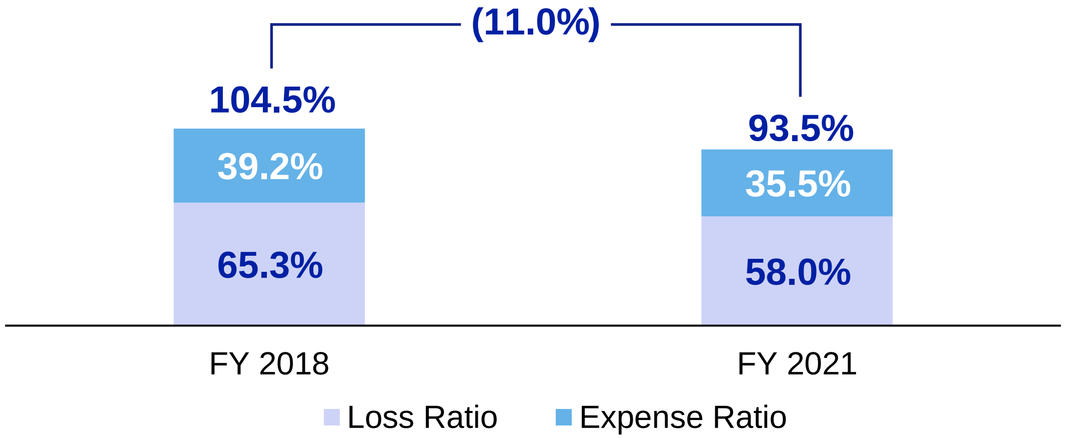
- A humanitarian crisis in the wake of COVID-19.
- Direct exposures represent less than 1% of written premiums.
- Exposure to aviation, credit, cyber and political risk classes are within manageable tolerances.
- Frequent engagement with regulators and governments around the world.

Track record of successful management actions

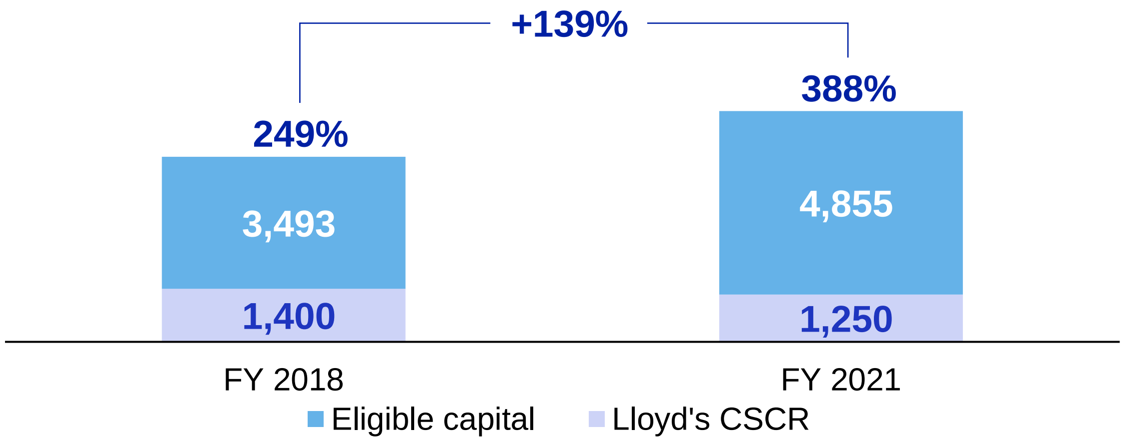
Premium changes 2018 – 2021



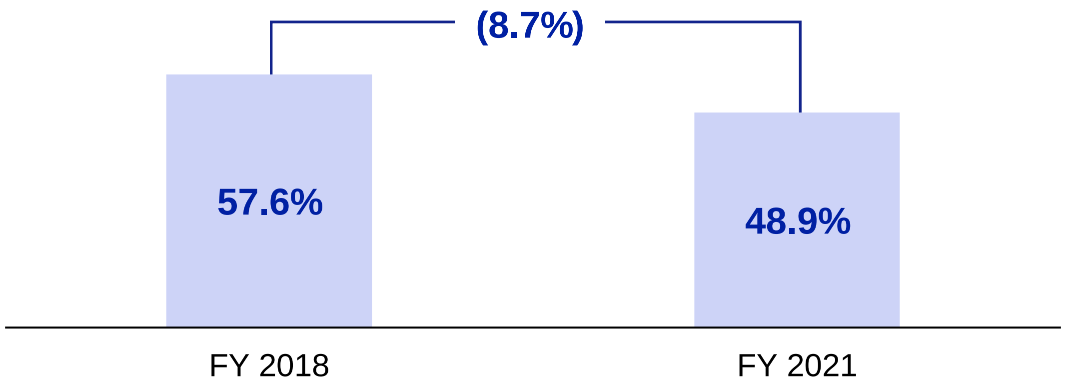
Combined ratio



Central solvency coverage ratio (£m)



Attritional loss ratio



Our framework to ensure long term sustainability

1	Enhance our **value proposition** to customers and stakeholders	→ ● **Customer satisfaction and brand awareness** KPI: Net promoter score, media sentiment, satisfaction scores	→ ● **Relevance** KPI: Lloyd's global market share	
2	Deliver sustainable, profitable **growth to drive value creation**	↑ ● **Growth** KPI: GWP vs GDP growth	↑ ● **Underwriting Performance** KPI: Propensity of market to hit plan, relative operating expense ratio, normalised net combined ratio	↑ ● **Value** KPI: Economic value created
3	Deliver strong **capital and financial credibility**, including Central Fund protection	→ ● **Financial strength** KPI: Financial strength ratings from AM Best, Fitch, S&P and KBRA	↑ ● **Solvency** KPI: Central solvency ratio and market wide solvency ratio	
4	Create an **inclusive culture** to attract, develop and retain talented people	→ ● **Talent** KPI: Employee engagement survey	→ ● **Inclusion** KPI: Talent and inclusion measures	

● Sustainable/at target
● Non critical status but needs improvement
● Critical status, not sustainable
↑ Trend

Strong progress made on strategic imperatives

Four strategic pillars

Performance	Digitalisation	Purpose	Culture
Improve & sustain the underlying performance at Lloyd's	Build the world's most advanced insurance marketplace	Put ESG and sustainability at the heart of everything we do	Build an innovative, inclusive and high performing culture

2021 Full Year Results

Underwriting results

Pricing environment

Resilient capital position

Prudent asset allocation

2022 Outlook

LLOYD'S

Strong underwriting performance drives high quality results

£m	2019	2020	2021	Change
Gross written premium	35,905	35,466	39,216	+11%
Net earned premium	25,821	25,876	26,657	+3%
Net incurred claims and operating expenses	(26,359)	(28,552)	(24,916)	(13%)
Underwriting result	**(538)**	**(2,676)**	**1,741**	
Net investment income	3,537	2,268	948	(58%)
Other expenses and FX	(467)	(479)	(412)	(14%)
Profit/(loss) before tax	**2,532**	**(887)**	**2,277**	

Loss ratio	**63.4%**	**73.1%**	**58.0%**	**(15.1%)**
Attritional losses	57.3%	51.9%	48.9%	(3.0%)
Prior year development	(0.9%)	(1.8%)	(2.1%)	(0.3%)
Major claims excluding COVID-19	7.0%	9.7%	11.2%	+1.5%
COVID-19 major claims	-	13.3%	-	(13.3%)
Expense ratio	**38.7%**	**37.2%**	**35.5%**	**(1.7%)**
Combined ratio	**102.1%**	**110.3%**	**93.5%**	**(16.8%)**
Combined ratio excluding COVID-19	102.1%	97.0%	93.5%	(3.5%)

Strong underwriting performance drives high quality results

High quality of results

- Return to underwriting profitability with an overall profit of £2.3bn.
- £1,741m underwriting profit with a 93.5% combined ratio, a 11 percentage points improvement since 2018, is proof of our capabilities to restore profitability.
- 48.9% attritional loss ratio, a 8.7 percentage points improvement since 2018, and a 3.0 percentage points improvement year on year.

Profitable growth

- Return to profitability permitting exposure and price growth.
- 11% profitable GWP growth with a 93.5% combined ratio is an outstanding result.
- Reduced unprofitable business by 15.1%.

Expense management

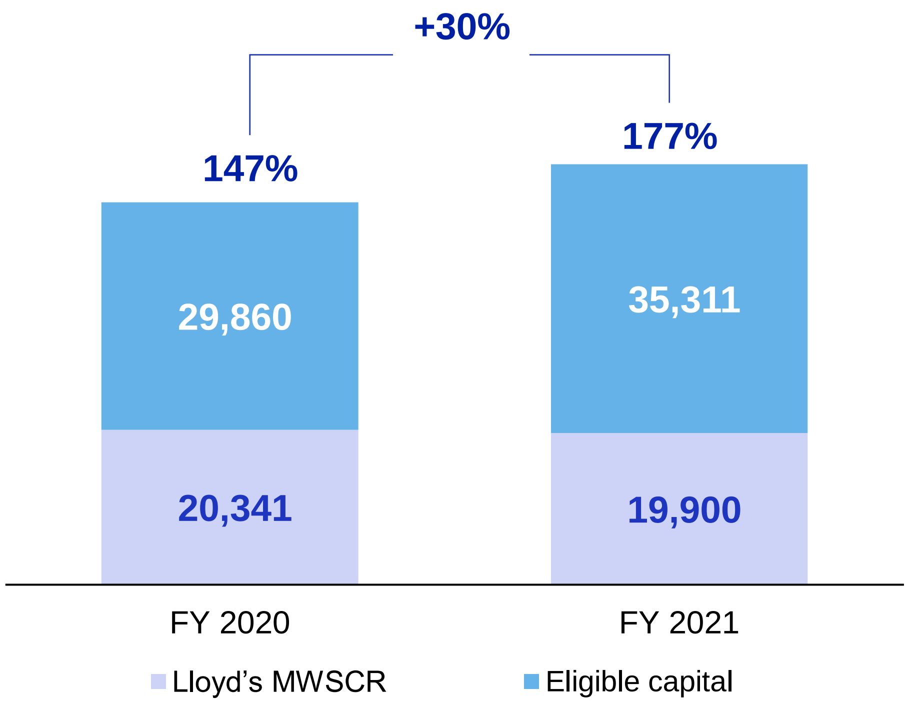
- Good progress made on expense reduction from 37.2% to 35.5% over the year and 4 percentage points reduction since 2018, but further work needed by all market participants.
- The Future at Lloyd's programme will structurally take out a significant amount of cost after implementation.
- Our digitalisation and platform rebuild is designed to reduce costs further with the latter bringing a 40% reduction.

Investments

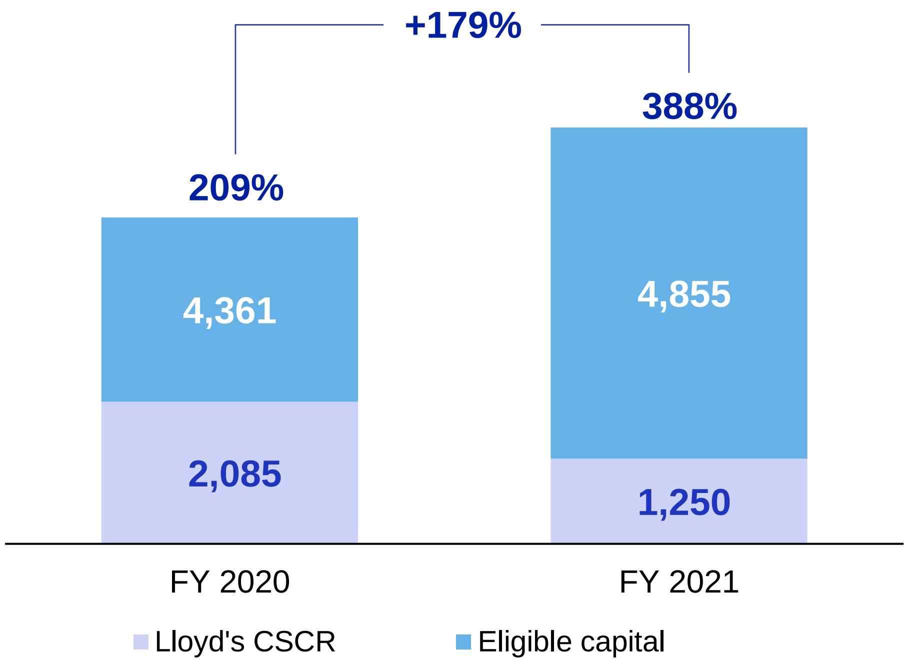
- Prudent asset allocation resulted in a depressed investment income in 2021, however, the market is well positioned for the expected interest rate rises.
- The Investment Platform will allow for co-investments in attractive classes for market participants.

Long term capital planning builds resilience

Market wide solvency coverage ratio (£m)



Central solvency coverage ratio (£m)



A+
Standard & Poor’s

A
AM Best

AA–
Fitch Ratings

AA–
KBRA

Long term capital planning builds resilience

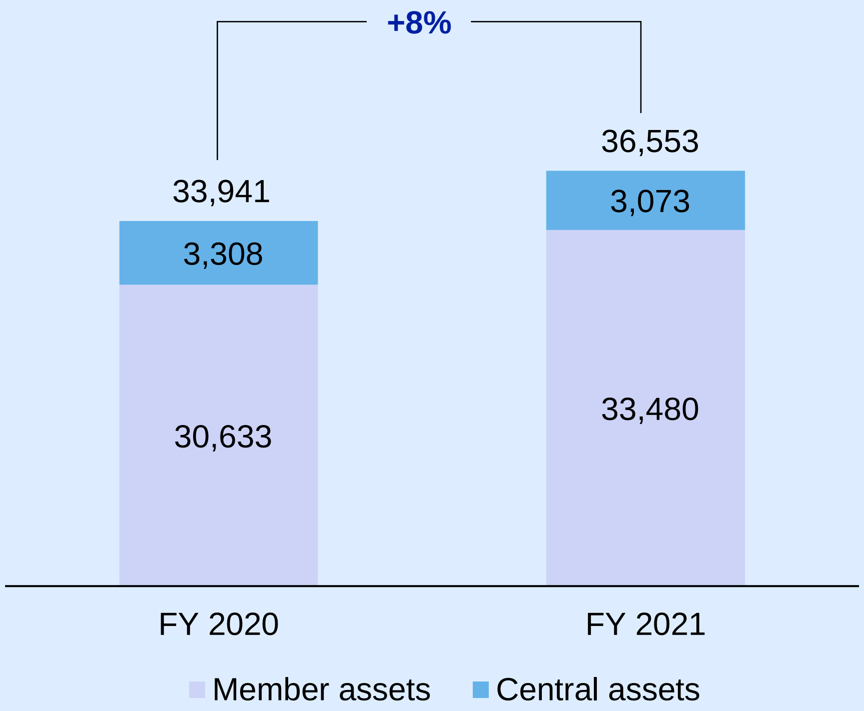
Central Fund Cover

- Central Fund Cover reinforces the resilience of the Lloyd's market by £650m.
- It supports the envisaged future growth of the market and substitutes around £2bn of otherwise required additional Funds at Lloyd's.
- Provided by eight of the largest global reinsurers and JPMorgan which demonstrates the trust organisations have in Lloyd's.

Ratings

- We maintain a strong and stable rating with all four of our rating agencies; A with AM Best, A+ with Standard & Poor's and AA- with Fitch Ratings and Kroll Bond Rating Agency.
- We expect a positive impact from the proposed revision of the quantitative S&P model.

Movements in capital FY 2020 – FY 2021 (£m)



- Net resources increased by 29.5% since 2018 whereas GWP increased by 10.4%.

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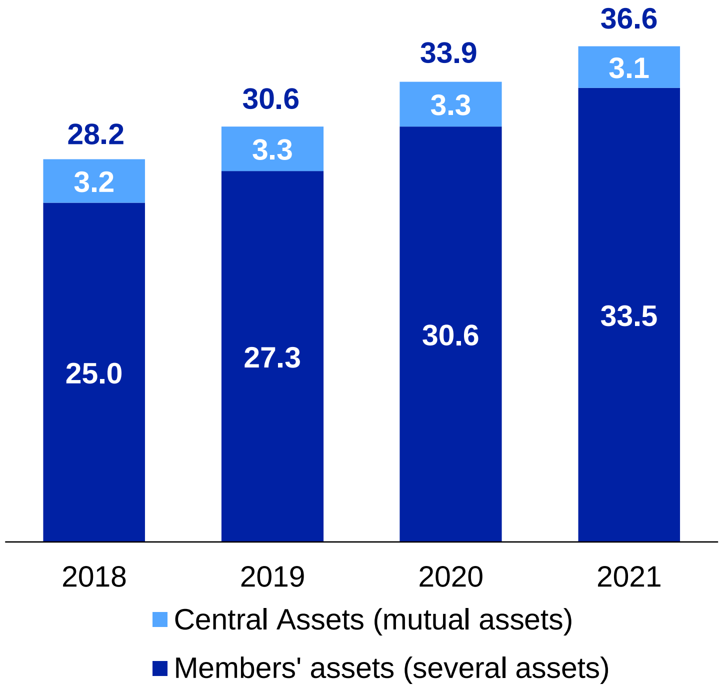
Strong and diversified capital base

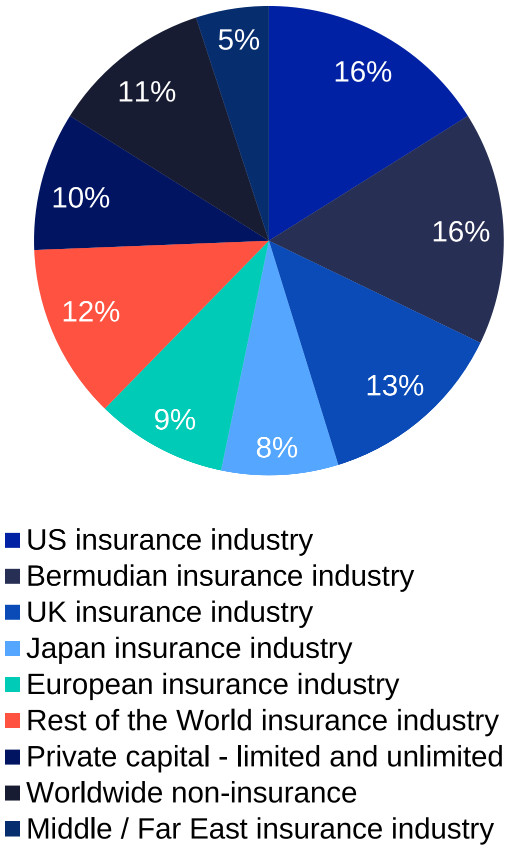
Lloyd's Market Capital Base

Lloyd's balance sheet 2018 – 2021 (£bn)



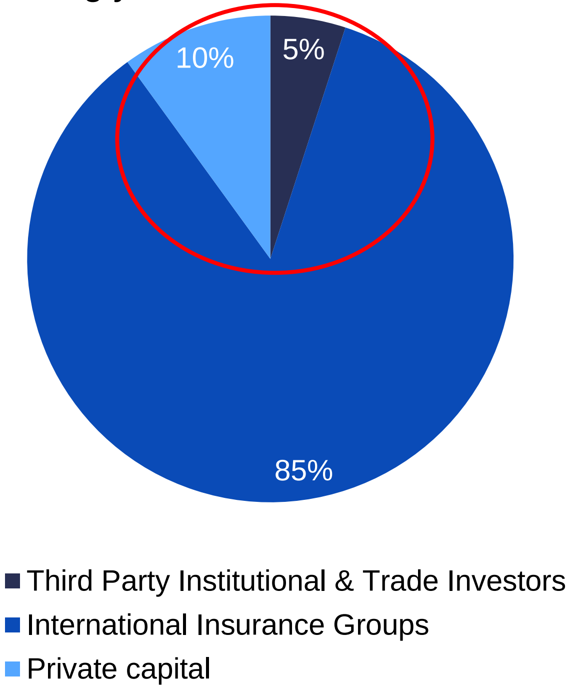
Geographic Source

Geographic source of market capital, FY 2021, %

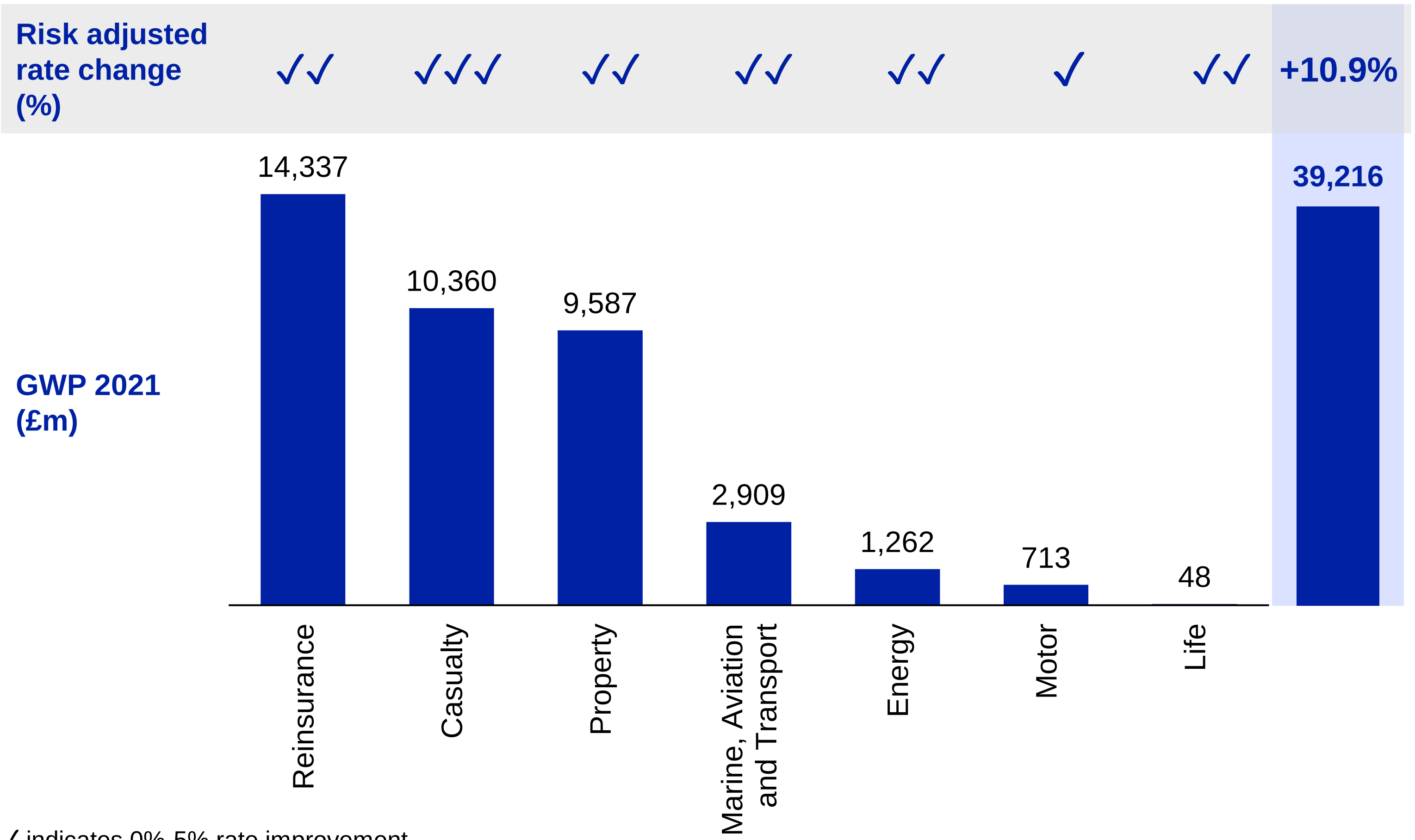


Capacity Providers

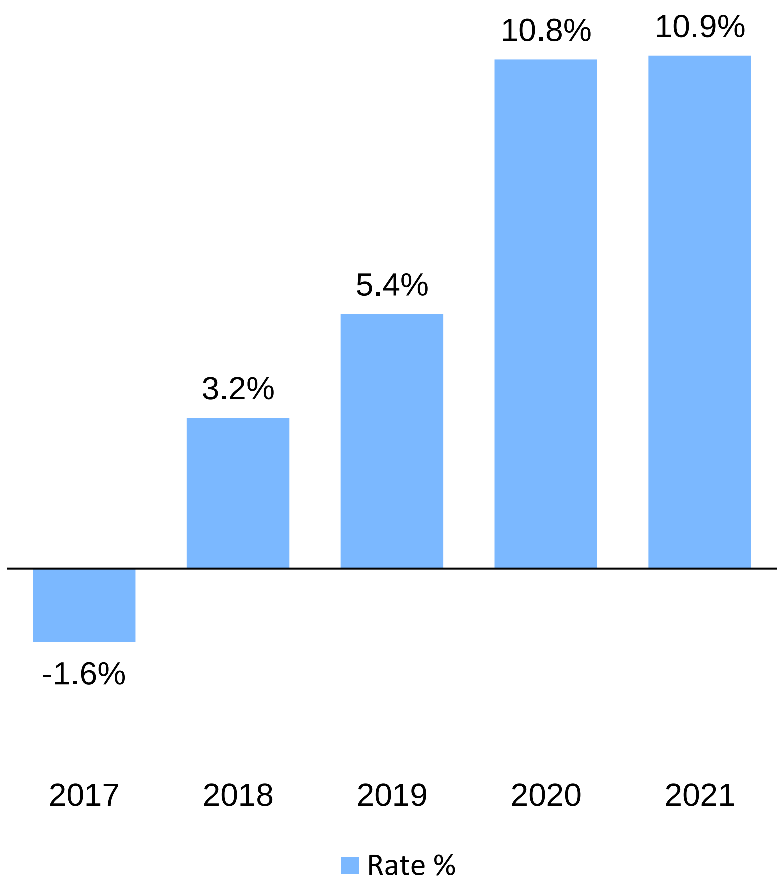
Providers of Market Capacity, underwriting year 2021, %



17 consecutive quarters of positive rate movement



Risk adjusted rate change



✓ indicates 0%-5% rate improvement
✓✓ indicates 5%-10% rate improvement
✓✓✓ indicates 10%+ rate improvement

17 consecutive quarters of positive rate movement

Observed pricing trends

- 10.9% risk adjusted rate increase average in 2021.
- Expectation that rates could slow in 2021 did not materialize and risk adjusted rate change remains in line with that observed in 2020.

Class of business

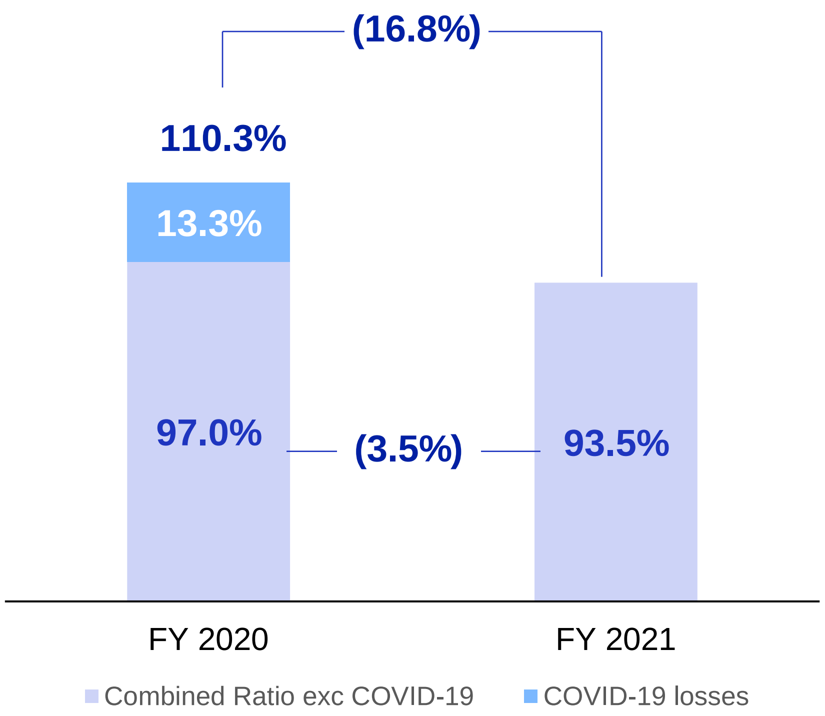
- Positive rate across all classes of business.
- Risk adjusted rate change in excess of 5% in all material classes of business.
- Largest rate increase observed across the business areas where performance improvement is still needed.

Outlook

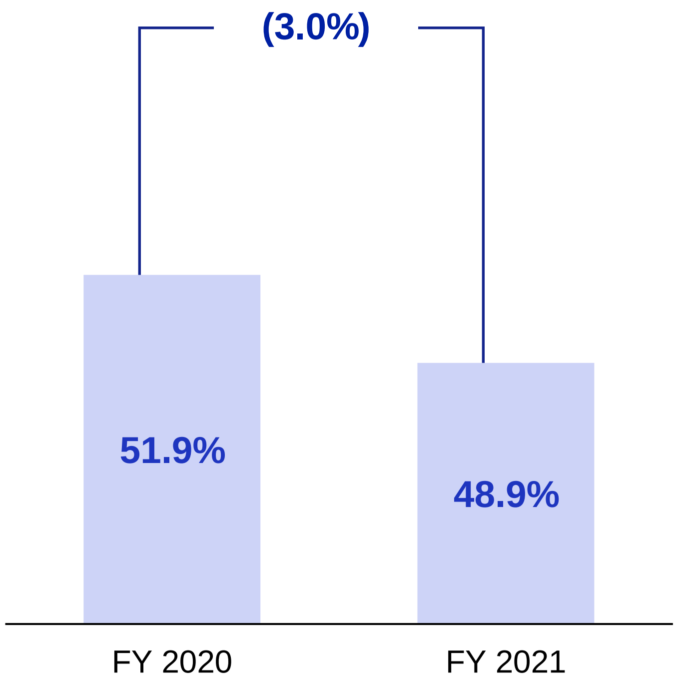
- Globally observed inflation rates must be adequately reflected in pricing in 2022.
- Positive risk adjusted rate change planned for and expected in 2022.
- Rate rises observed in Q1 2022 and are expected for full year 2022.

Market leading underwriting result

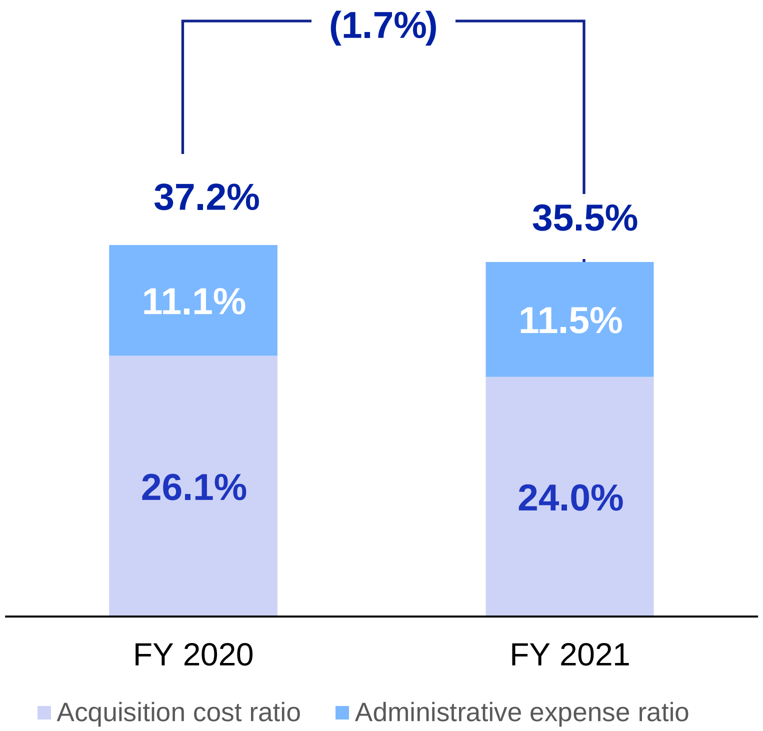
Combined ratio



Attritional loss ratio

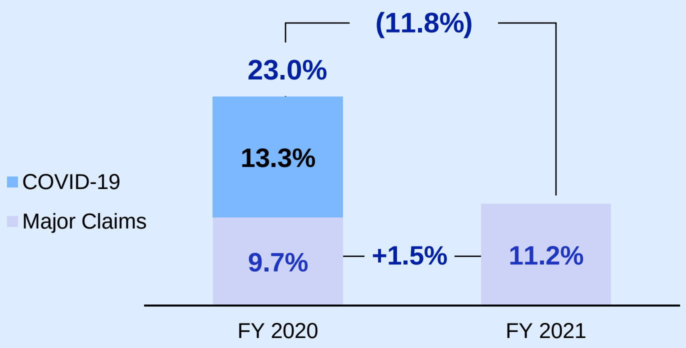


Expense ratio



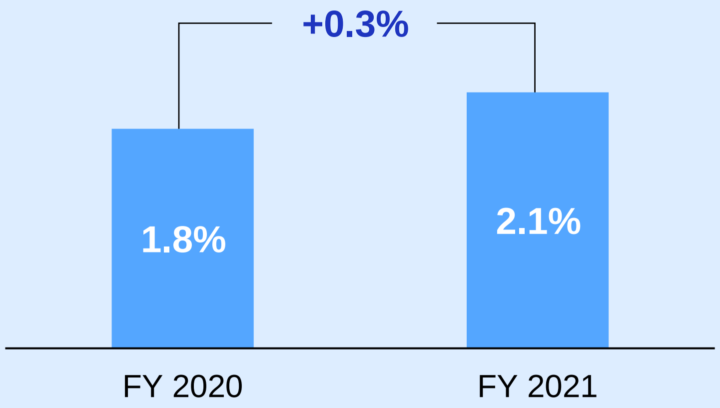
Market leading underwriting result

Major Claims



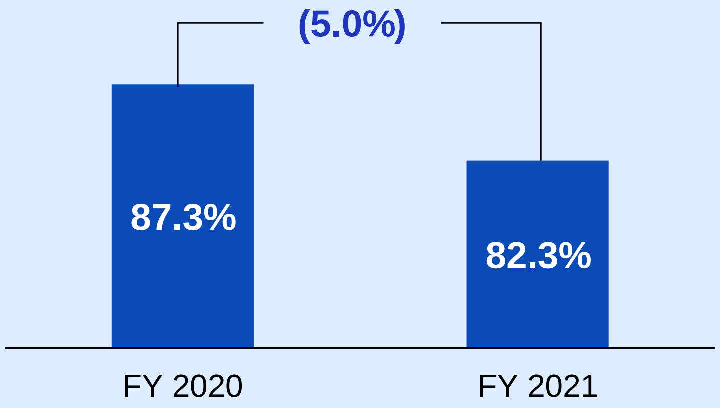
- Major losses contributed 11.2% to the combined ratio, compared to 10.2% 10 year average, excluding COVID-19.
- Reported major losses for 2021 totalled £3.0bn which is slightly greater than the 10 year average, £2.8bn (£2.5bn excluding COVID-19).
- 13.3% or £3.4bn COVID-19 losses drove 2020 major losses.
- Relative value of major claims has increased therefore ensuring appropriate rate is even more important.

Prior Year Release



- We continue to maintain a strong reserve position.
- Syndicate Signing Actuaries reported a reserve margin increase of £0.2bn to £3.0bn.
- Prior year reserve release increased from £461m to £552m, despite casualty reserve strengthening of £301m which amounts to 1.4% of the Casualty held earned reserves.

Underlying Combined Ratio*



- 5.0% improvement in the underlying combined ratio.
- Attritional loss ratio has improved significantly to 48.9%; an improvement of 3.0 percentage points compared to 2020.
- Expense ratio has improved 1.7 percentage points to 35.5%, compared with 37.2% in 2020. This is driven by a 2.1 percentage points improvement in acquisition cost ratio.

Note: *Underlying combined ratio is defined as the combined ratio excluding major claims.

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Major losses

Largest net losses (£bn)	2020	2021
Hurricane Ida	-	1.5
Storm Uri	-	0.8
European Floods	-	0.3
COVID-19	3.4	-
Hurricane Laura	0.8	-
Hurricane Sally	0.4	-
Derecho Severe Weather	0.3	-
All other	1.1	0.4
Total excluding COVID-19	**2.6**	**3.0**
Total	**6.0**	**3.0**
Total number of major losses*	**17**	**7**

*Major losses for the market results are defined as events which result in a net market-wide loss of £20m or more.

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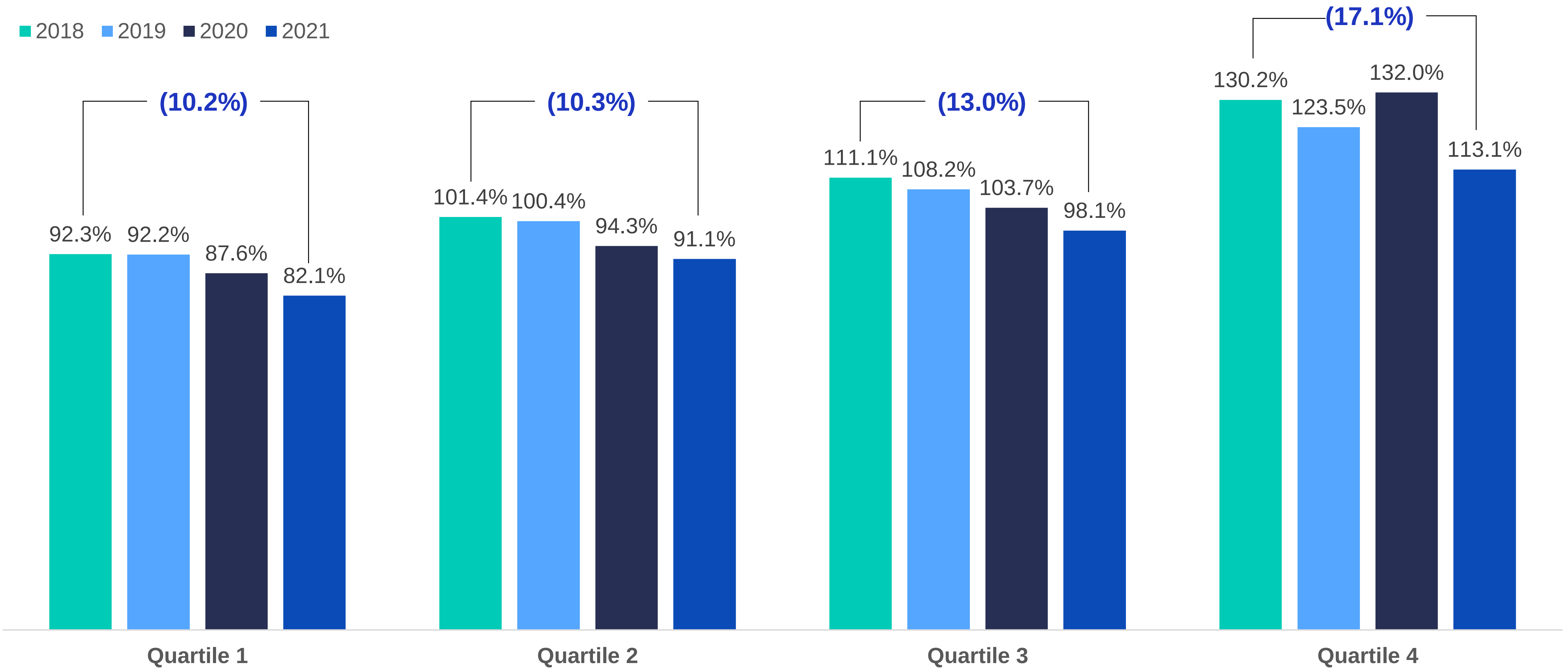
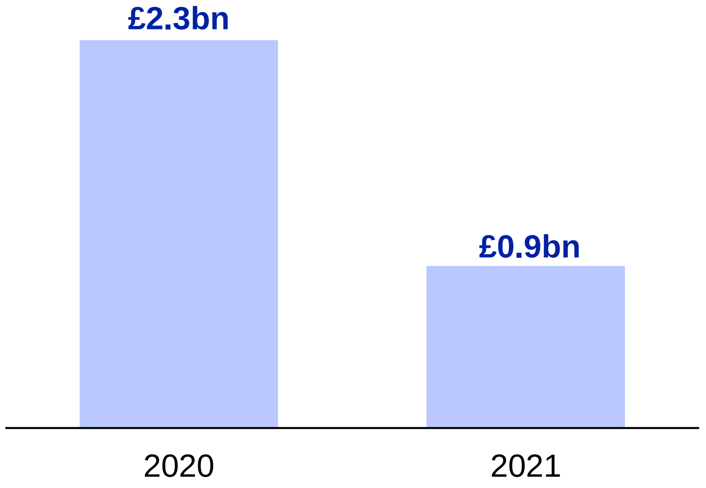
Top quartile performance 2018-2021



Note: Weighted average combined ratio. The chart relates to syndicates with an active status and the active status is based on the position in the reporting year.

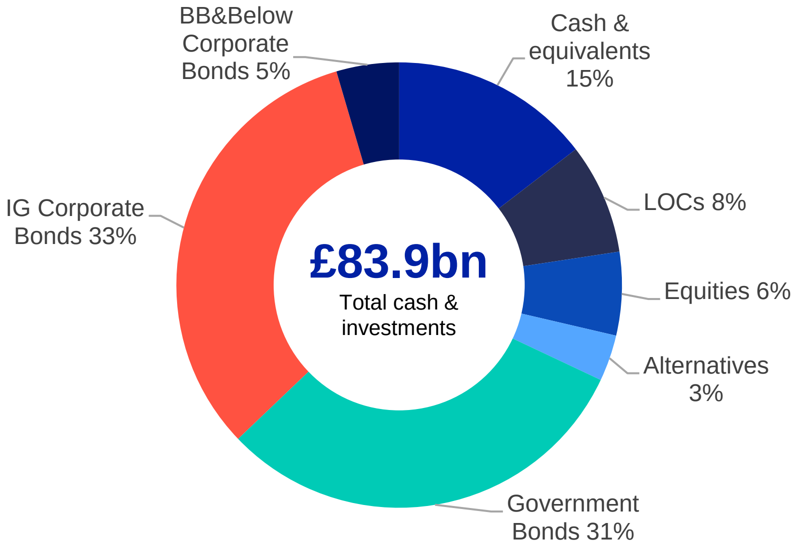
Prudent asset allocation well positioned for interest rate rises

Investment income

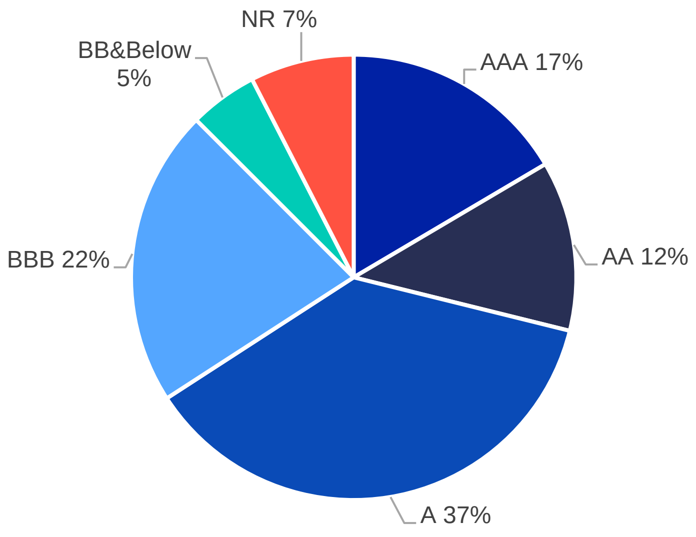


	2020	2021
Investment income (£m)	2,268	948
Investment return (%)	2.9	1.2

Asset allocation as at 31 December 2021



Corporate bonds by rating



Notes:
1. Asset allocation and co-exposure includes corporate bonds by rating applies to all Lloyd's assets; Premium Trust Funds, Funds in Syndicate, Fund at Lloyd's and Central Assets
2. Corporate bond other credit instruments and corporate bond debt funds c. 8%
3. BB&Below Corporate bonds includes NR assets, except where NR assets are shown separately
4. Asset allocation excludes deposits to cedants and syndicate loans to the Central Fund
5. Asset allocation uses a risk rating to determine asset categorisation and more accurately attribute an assets risk versus pure bond rating. For example:
    1. Sub-IG Government bonds are mapped to BB&Below Corporate Bonds
    2. Collateralised securities with rating A and BBB are mapped to BB&Below Corporate Bonds
    3. Government guaranteed assets with a sub-IG rating are considered IG Corporate bonds

Prudent asset allocation well positioned for interest rate rises

Defensively positioned portfolio weathers interest rate rises

- Investment income of £948mn (1.2% return) despite increase in interest rates.
- Strong risk asset performance helped offset negative returns from fixed income as S&P 500 rose by over 25% in 2021 despite tightening monetary policies.
- Market positioning remains conservative. Portfolio currently invested 83% core assets and 17% growth assets.

Economic drivers

- Despite pandemic risk falling, supply-chain bottlenecks have caused inflation expectations to increase, driving yields higher.
- However, corporate earnings remain strong and should continue to support credit markets.
- Premium Trust Funds generated 0.2% (c.8% in risk assets), whereas Funds at Lloyd's generated 2.7% helped by slightly higher exposure to risk assets (c.26% in risk assets). Central Fund delivered -0.1% given the de-risking in 2020.

Outlook

- 2022 has had a volatile start as the Russian invasion of Ukraine has shocked markets and political tensions remain volatile. YTD S&P 500 has lost 8.1%; the impact of this has been partially offset as the 'flight to quality' has meant that treasuries and gilts prices have rallied as yields have reversed some of their gains.
- While the situation remains uncertain, Central Banks have the potential to reverse tightening of monetary policy, which should help to dampen market volatility.
- There is no direct exposure to Russia and Ukraine within the Letters of Credit held at Lloyd's and minimal indirect exposure. The counterparties are under continuous review.

2022 Outlook

Opportunities

- Growth in profitable classes
- Robust rate environment
- Capital prospects
- Investment Platform

Challenges

- Political uncertainty
- Inflation
- Volatility and climate
- Acquisition costs

2022 Outlook

Opportunities

Growth in profitable classes

- Planned growth in profitable lines of business.
- The low interest rate environment, inflation and political uncertainty need to be balanced by rate.

Robust rate environment

- 17 quarters of positive rates including the first quarter of 2022 and a good outlook for the remainder of 2022.
- 2022 market rate is firm and developing above plan.

Capital prospects

- London Bridge Risk Protected Cell Company is the only ILS platform in the UK which allows for global investment.
- The platform is tailor made for institutional investors and makes it easier for investors to access the Lloyd's market.

Investment Platform

- Allows for co-investments in attractive classes for market participants.
- Access to a broader range of asset classes at a low cost via a range of tailored co-investment funds.
- Creates investment opportunities from all private assets and will significantly increase profitability.

Challenges

Political uncertainty

- Proactive engagement with the market, UK government and global regulators.
- Understand Lloyd's exposure from direct and indirect impacts of sanctions.
- Ensure we meet the expectations of our customers at their urgent point of need.

Inflation

- Increase in globally observed levels of inflation.
- Increasing trends in claims and social inflation.
- Ongoing monitoring of rate development.
- Explicit inflations assumptions in reserves.

Volatility and climate

- Claims likely to continue to increase.
- Cat loss pricing assumptions must be realistic for both current environment and historic performance.
- Ongoing development to understand the impact of climate change needed.

Acquisition costs

- Reduction since 2018, however remains high in comparison to peers.
- The Future at Lloyd's programme expected to deliver significant cost benefits.
- Ongoing oversight focuses on transparency and administration expense benchmarking.

2021 in summary

Performance

- 93.5% combined ratio.
- 3.0 percentage points improvement to the attritional loss ratio to 48.9%.
- 1.7 percentage point reduction to the expense ratio to 35.5%.
- Prior year development continues to benefit the combined ratio amounting to 2.1 percentage points for 2021, compared to 1.8 percentage point in 2020.

Pricing

- 17 consecutive quarters of positive rate movements including the first quarter of 2022.
- Positive rate across all classes of business.
- Expect rate growth throughout 2022.

Balance sheet

- Outstanding Solvency II ratio.
- Strong and stable financial strength ratings.
- 8% growth in capital.
- 1.2% investment return and good positioning for the uptick in interest rates.

2022 Outlook

- Highly resilient capital and balance sheet position with a central solvency ratio of 388%, high profitability and established management procedures in place.
- Strong management focus on consequences of inflation and efforts to manage volatility of the market.
- London Bridge Risk Protected Cell Company and the Investment Platform are exciting new commercial initiatives.

2022 priorities

Performance

- Performance remains our number one priority.
- Focus on technical underwriting, including improved price benchmarking and catastrophe modelling.
- Heightened focus on cyber classes.
- Implementation of principles-based oversight framework.

Digitalisation

- Delivery of Blueprint Two solutions aligned to our roadmap.
- Execution focused on open market, delegated authority and claims solutions.
- Tackling operating expenses.
- Market engagement and adoption is paramount.

Purpose

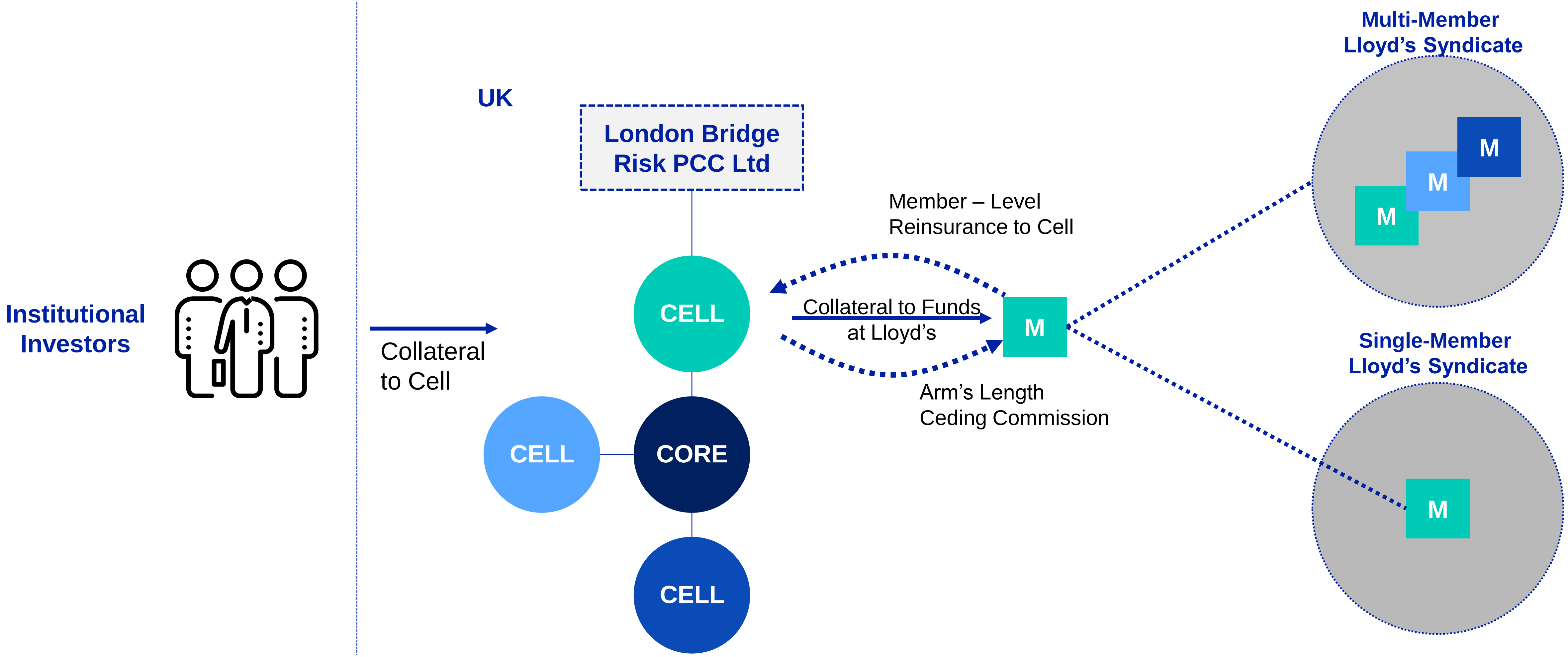
- Sustainability, climate and inclusion front and centre.
- Position Lloyd's as the insurer of transition to net zero.
- Delivering commitments of the SMI Insurance Task Force.
- Develop Futureset, our global research platform.

Culture

- Developing our culture strategy for the Lloyd's market.
- Progressing action following third annual Culture Survey.
- Culture a core principle in our oversight approach.
- Effective return of face-to-face trading, whilst continuing to benefit from digital trading.

Investor opportunities

London Bridge Risk Protected Cell Company



The only ILS platform in the UK which allows for global investment

Using the London Bridge Risk Protected Cell Company to invest at Lloyd’s

- Lloyd’s sponsored the creation of a Protected Cell Company (PCC) to act as a transformer vehicle that links institutional investors to insurance providers at Lloyd’s.
- This provides a market facility for Institutional investors to gain access to pure insurance risk in the Lloyd’s market.
- Live with multiple Cells supporting underwriting in 2022.
- Quota share reinsurance of a member.
- Cell capitalised by non-voting redeemable preference shares.

Future developments London Bridge Risk

- Variation of permissions being considered to permit:
  - Writing non-proportional reinsurance
  - Reinsurance at syndicate level
  - Provision of capital by issuing debt instruments
- Significant opportunities to use this PCC vehicle to support green and other ESG initiatives.

Lloyd’s Investment Platform

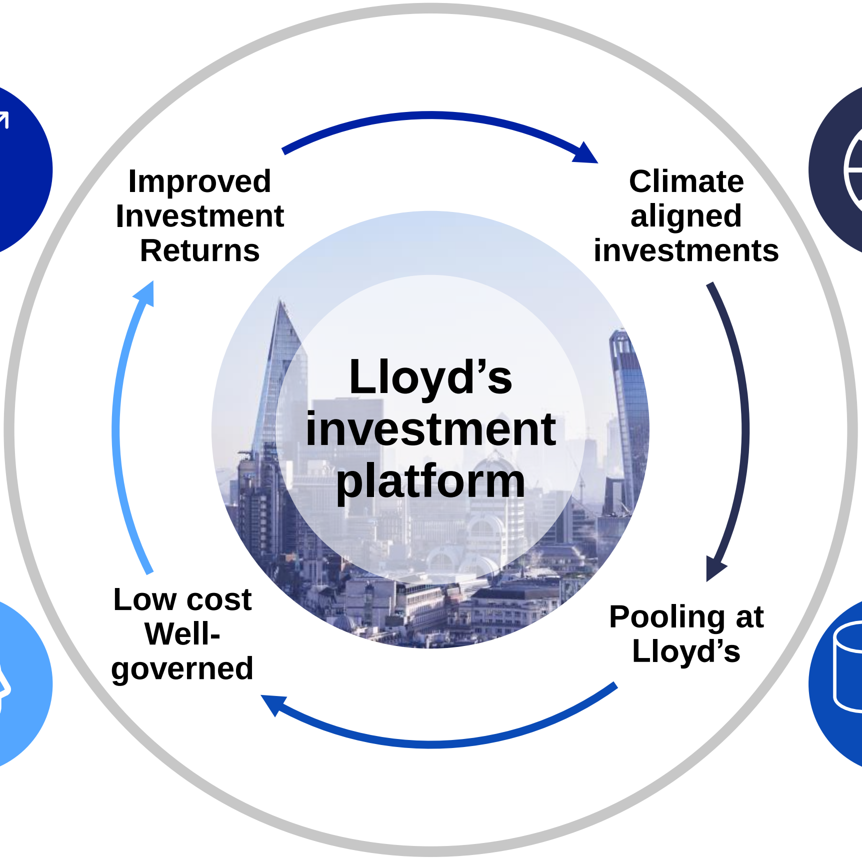
Accessing the advantages of scale

All Lloyd‘s investors automatically have the option and the right to invest in the range of Lloyd‘s coinvestment funds* and benefit from the advantages of scale.

Access to private assets and other alternatives enabling improved return profile on investment.

Best in breed managers across asset classes.

Access to ‘cash +’ funds enabling more efficient liquidity management.



Access to green investments.

ESG criteria a key building block to the platform funds.

With the Central Fund as a lead investor all investors benefit from the economies of scale.

Powered by expert advisers who select the managers.

Overseen by an investment committee with market representation and independent experts.

All funds specifically designed to fit within Lloyd’s investment constraints.

Look-through high quality data to create ease of reporting.

Open ended investment vehicles with some secondary liquidity between market investors.

*initial funds launching H2 2022

The Investment Platform

Generating Investment Returns on your capital held at Lloyd's

Direct dealing on your capital

- The capital invested to support the syndicates is held by Lloyd's as Trustee (the Funds at Lloyd's)
- As the beneficial owner Lloyd's delegates the right to make investment decisions back to you or via your nominated investment manager.
- Lloyd's is introducing in H2 2022 straight through dealing within admissibility rules no pre-trade checks with Lloyd's required.

Co-investment opportunities: Lloyd's Investment Platform

- Lloyd's is launching a series of co-investment funds to enable ease of access to a broad range of investments and economies of scale.
- Access to private assets
- Voluntary
- Pre-approved, low cost solutions
- Responsible investing
- SII level reporting

Financial reporting data needs: Holdings level data

- Portal access to all your holdings at Lloyd's including look through on Lloyd's investment platform funds.
- Available via portal or directly accessed at custodian level available in H2 2022.

Reinsurance to close – assets released

Based on an example member underwriting for 3 years of account from January 2023

Nov 2022 → Jan 2023 on → Dec 2025 → End 2027 → June 2028

Nov 2022 — Commitment of capital (Funds at Lloyd's)

- Investor lodges underwriting capital to the member (assets referred to as Funds at Lloyd's) to support the members syndicate participation(s)

Jan 2023 on — Underwriting - first year of account

- The member commences underwriting for the 2023 year of account
- Member elects to continue underwriting for the 2024 and 2025 years of account

Dec 2025 — Member elects to cease underwriting

- Member has underwritten for 3 years of account
- Member elects to cease underwriting at end 2025
- Member does not underwrite / has no obligations for business written into the 2026 year of account

End 2027 — 3 year accounting

- The member's final 2025 year of account continues to be accounted for a further two calendar years to December 2027
- As at December 2027, the residual liabilities of the 2025 year of account are reinsured into the 2026 year of account
- The member's final year of account has been **'Reinsured to Close'.**
- **Member's obligations to policyholders ceases**

June 2028 — Funds at Lloyd's assets released

- Residual Funds at Lloyd's assets are released back to the member

Members are only exposed to underwriting for the year(s) of account they support

Year by year participation

- Members can elect to support one or more syndicates on an annual year of account basis.
- Members are only exposed to underwriting for the year(s) of account they support.
- Members can re-visit their syndicate participations annually.

Limitation on duration

- Capital is not locked in.
- When a member ceases to underwrite, the capital will be released after 2 further calendar years following the Reinsurance to Close process.

Reinsurance to Close

- Cuts off member's future exposure/liabilities.
- Members' liabilities are reinsured to another Lloyd's syndicate.
- Reinsurance is a 100% treaty unlimited in time and amount.
- If the RITC premium is insufficient, liabilities do not pass back to the reinsured member.

Sale of members

- There is the limited opportunity for ongoing members to be sold

LLOYD'S

Strategic imperatives

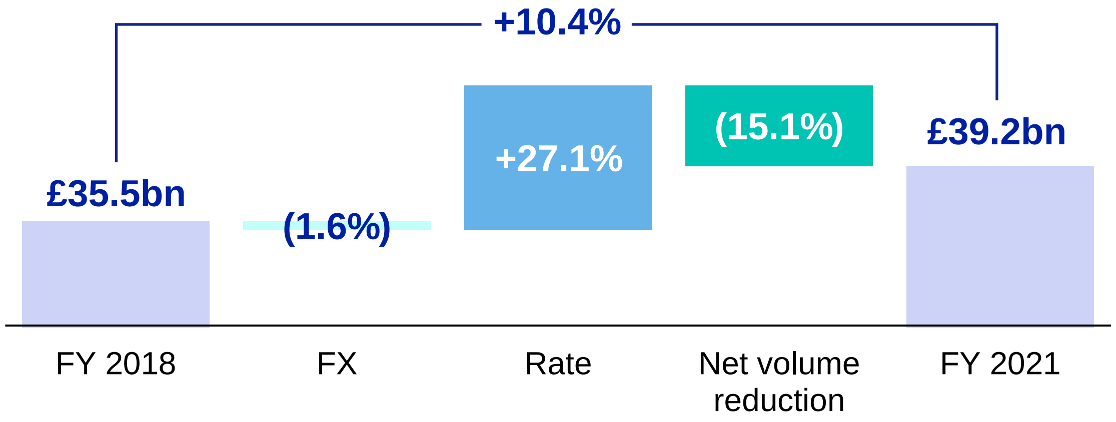
Strong progress made on strategic imperatives

Four strategic pillars

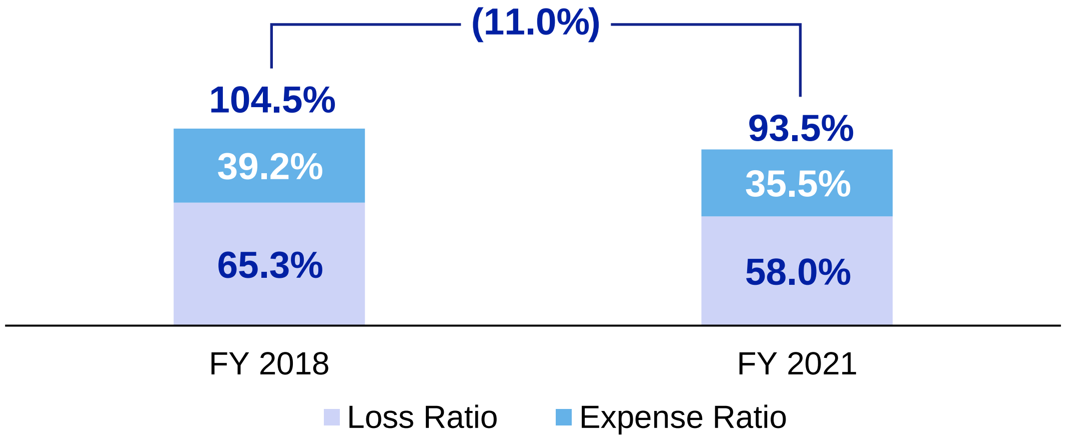
Performance	Digitalisation	Purpose	Culture
Improve & sustain the underlying performance at Lloyd's	Build the world's most advanced insurance marketplace	Put ESG and sustainability at the heart of everything we do	Build an innovative, inclusive and high performing culture

Performance: Track record of successful management actions

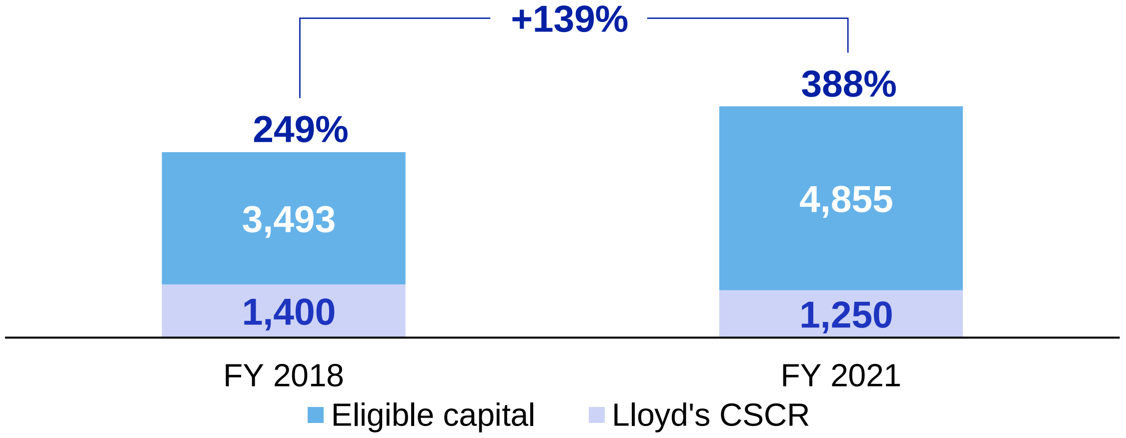
Premium changes 2018 – 2021



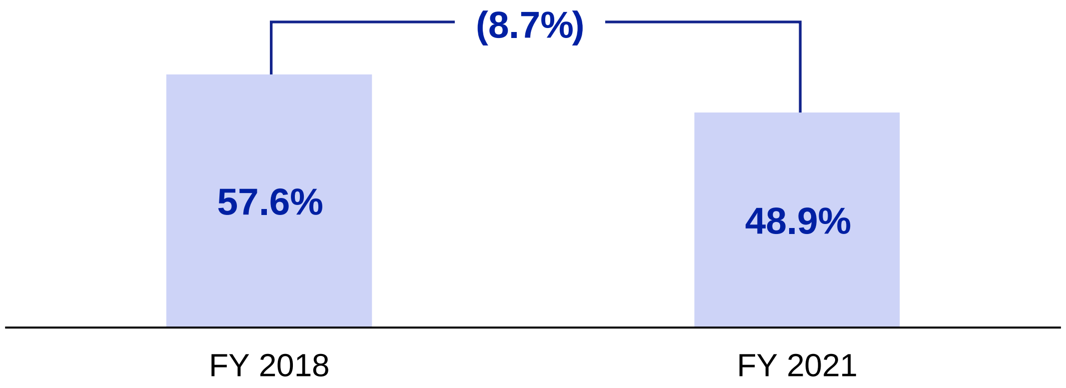
Combined ratio



Central solvency coverage ratio (£m)



Attritional loss ratio



Digitalisation: Delivering our ambitions for the market

Better

- Re-engineering the way business is transacted in the market through all aspects of placement and processing of premiums and claims

Faster

- Completing the processing transactions within placement and claims in seconds and minutes, rather than weeks

Cheaper

- Delivering significant cost savings through digitalisation of the marketplace, avoiding errors and rework

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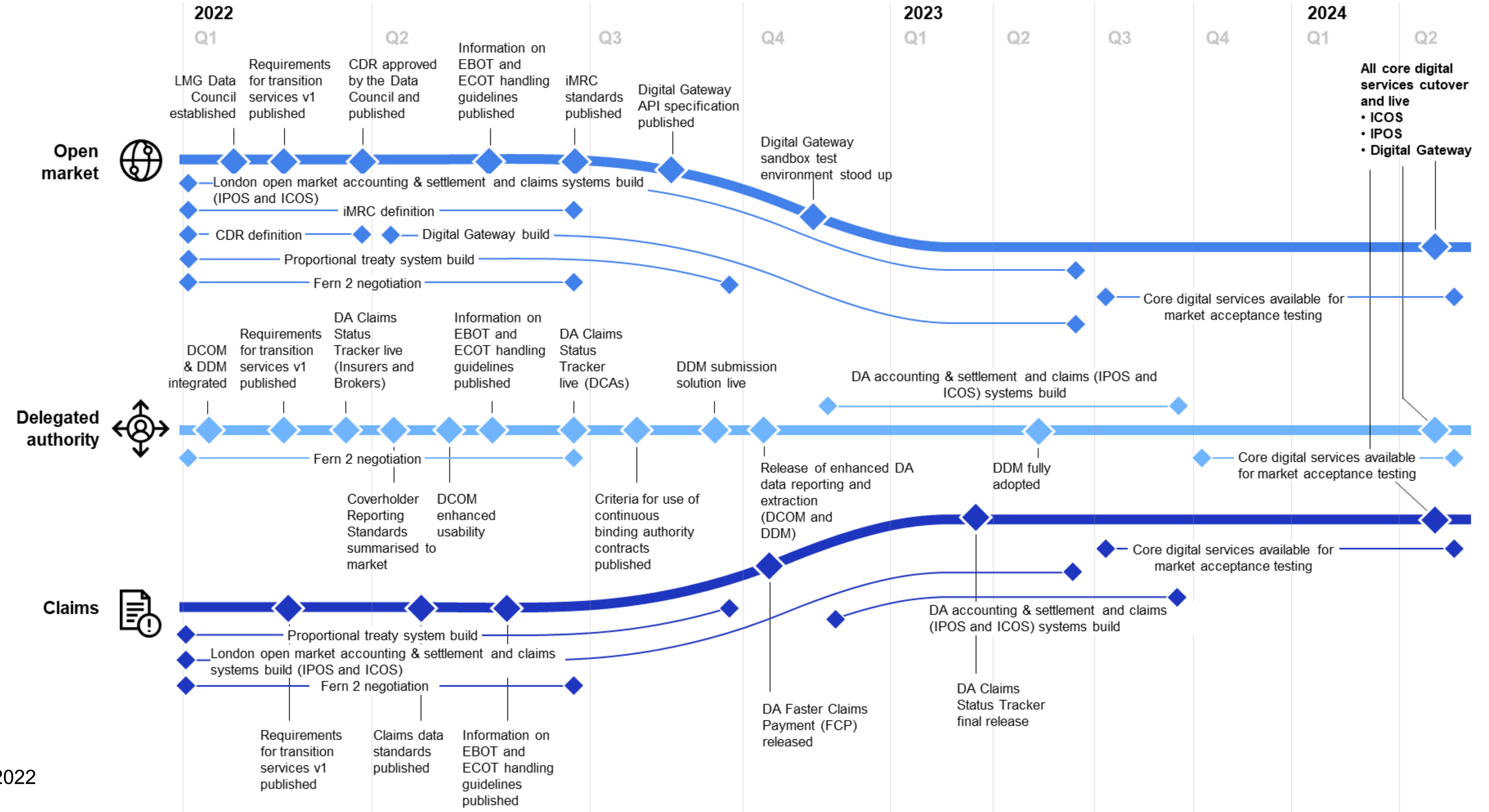
Digitalisation: The foundation of the programme is data



Purpose: Driving action leadership through Futureset

In 2022 Futureset will undertake activities across four key themes to build upon its success in 2021

Systemic risk

- Foundational systemic risk research including interactive dashboard and digital journey
- Educational series e.g. podcasts or masterclasses diving into key systemic risk scenarios
- Deep dive research on critical risks identified in foundational research

Climate

- Delivery of climate action roadmap commitments including research into construction and hydrogen
- Partnership with Lloyd's Lab and Lloyd's Product Launchpad to drive new products and services innovation for customers' transition and decarbonisation risk transfer needs

Supply chain and global interconnectivity

- Supply chain research to produce 3 customer insight reports that profile specific industry supply chains, their risks and opportunities, and the areas where insurers could create products and services to fill protection gaps
- Associated product development activity

Cyber and emerging technologies

- Cyber focused research programme to help stakeholders effectively understand and manage cyber risks
- External partnerships to raise awareness of cyber protection gaps and promote insurance resilience solutions
- Delivery of cyber customer forum

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Purpose: Creating a more sustainable marketplace

Leading the industry to a sustainable future

- Were invited to lead HRH The Prince of Wales' Sustainable Markets Initiative Insurance Task Force and will continue in 2022
- The Task Force launched its Disaster Resilience Framework for climate-vulnerable countries at COP26

Committing to net zero

- Committed to a net zero underwriting and investment position by 2050 and to develop a framework to measure and track the market's aggregated progress
- Corporation to achieve net zero for its own operations by 2025
- Joined the Net-Zero Insurance Alliance (NZIA)

Launching Futureset

- Launched Futureset: our global action leadership platform focused on climate, sustainability and systemic risk
- Delivered a six-part Systemic Risk Masterclass series to improve understanding and capability across the industry

Driving climate action

- Published a Climate Action Report, exploring the risks, challenges and importance of decarbonisation across key sectors
- Committed to a tangible roadmap for action to help accelerate the transition across industries

Embedding ESG

- Published directional guidance and best practice to support managing agents in establishing an ESG framework and strategy from 2023
- Our second ESG report was published in March 2022 updating on progress against our commitments

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Culture: Building an inclusive, diverse culture at Lloyd's

Annual culture survey demonstrates strong progress
Culture receives greater Board attention, and the experience of women improves

Market gender and ethnicity targets set
Progress has been made with an increased number of women on Board and Executive Committees and the recent announcement of our one-in-three ethnicity target for new hires

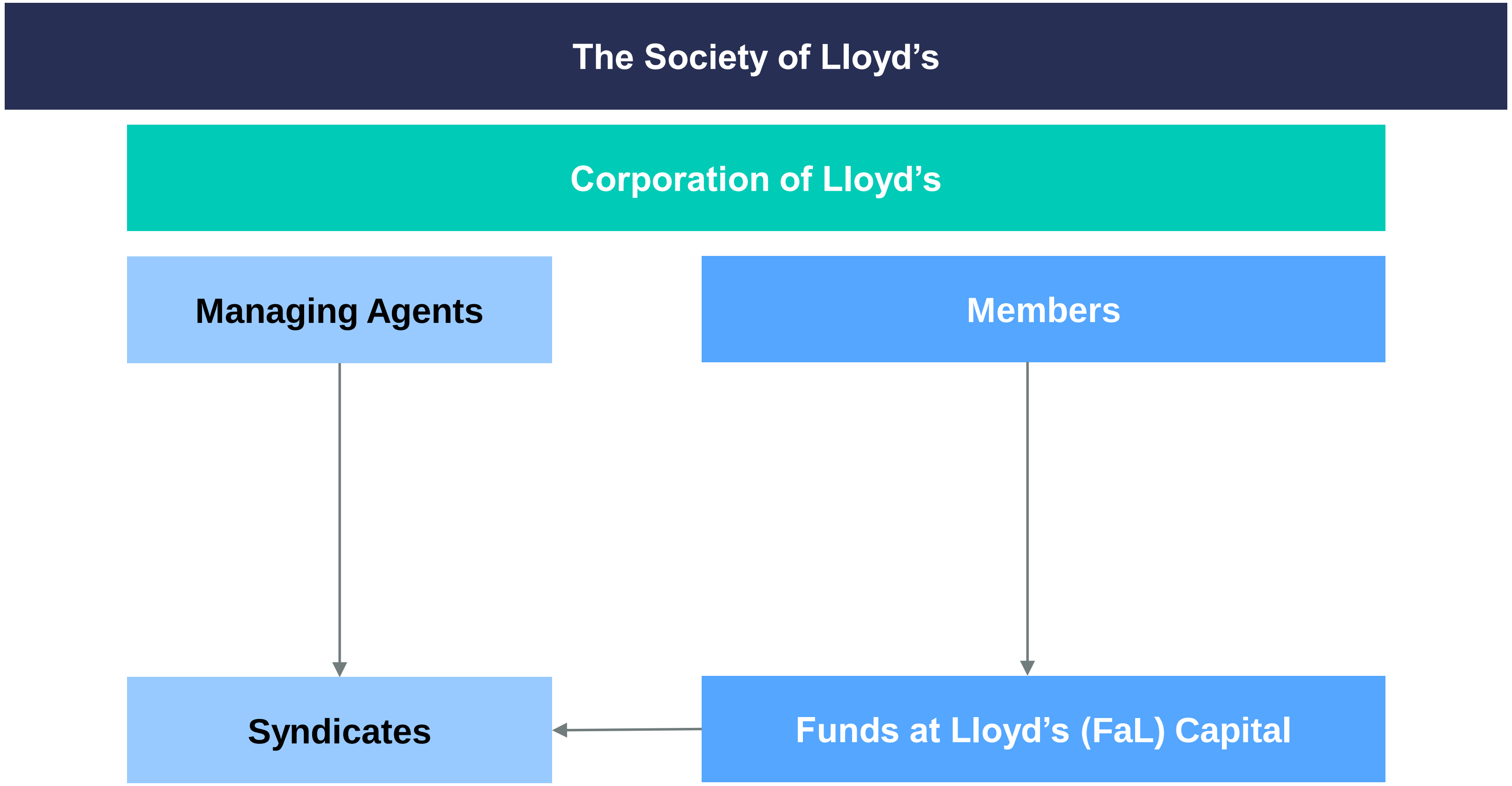
Market oversight
Culture assessed as part of our ongoing oversight of the market and forms an integral part of our new principles-based approach

Foster an inclusive culture
Through data insights and events such as DiveIn and outreach work to progress social mobility in the market

2022 culture strategy
Defining a more proactive inclusion focused strategy for the Corporation and market

Overview of the Lloyd’s market

Lloyd's market structure



Corporation of Lloyd's

- Provides robust, but commercial underwriting oversight.
- Manages centralised services.
- Regulates capital requirement.

Managing Agents

- 50 agents managing the syndicate underwriting operations
- Majority owned by insurers.

Syndicates

- 90 syndicates underwriting risks and binds Lloyd's.

Members

- c. 1,850 members who severally commit capital and carry the underwriting risk.

Funds at Lloyd's

- Capital provided by Members to 1:200 year risk level plus 35% uplift.

Lloyd’s capital structure

Chain of Security

Several Assets **Total £91.9bn**	**Premiums Trust Funds**	**£60.6bn of syndicate level assets**	Premiums and claims reserves that are held in trust on members’ behalf at syndicate level. The first resource for paying policyholder claims from the syndicate.
	Members’ Funds at Lloyd’s (FaL)	**£31.3bn of regulatory capital** (78% fully paid: 22% contingent Letters of Credit)	The capital provided to Lloyd’s and held in trust to support claims in excess of premium trust funds. Every member’s Funds at Lloyd’s is set on an annual basis and its adequacy is monitored throughout the year.
Mutual Assets (including reinsurance cover) **Total £5.0bn**	**The Central Fund £3.0bn**	**‘Callable’ contingent capital layer (up to 5% of member overall premium limits) £2.0bn**	The Central Fund can meet the obligations of members whose FaL is exhausted. Current levy 0.35% premium.
	£450m reinsurance over £600m losses in aggregate Aggregate 5 year term from 1/1/2021		Central Fund risk supported by fully collateralised reinsurance placed by JP Morgan above £600m of aggregate losses
	£200m reinsurance over £xm losses in aggregate Aggregate 5 year term from 1/1/2021		Additional reinsurance purchased from a panel of 6 global reinsurers providing cover above £xm
	£796m of subordinate debt		Subordinated debt placed with institutional investors
			Lloyd’s has option to call 5% of overall premium limits from the Premium Trust funds to supplement the Central Fund.

Total Capital Resources £36.6bn

Lloyd’s financial strength ratings remain strong and stable

AM Best	S&P Global	Fitch Ratings	KBRA
A (Excellent)	A+ (Strong)	AA- (Very Strong)	AA- (Very Strong)

Balance Sheet

£m	FY 2019	FY 2020	FY 2021
Cash and investments	73,193	79,951	83,934
Reinsurers' share of unearned premiums	3,700	3,588	4,076
Reinsurers' share of claims outstanding	19,897	21,485	24,208
Other assets	23,088	23,280	25,937
Total assets	**119,878**	**128,304**	**138,155**
Gross unearned premiums	(17,143)	(16,743)	(19,074)
Gross claims outstanding	(59,655)	(64,364)	(67,800)
Other liabilities	(12,442)	(13,256)	(14,728)
Net resources	**30,638**	**33,941**	**36,553**
Member assets	27,353	30,633	33,480
Central assets	3,285	3,308	3,073

Participating in the Lloyd's market

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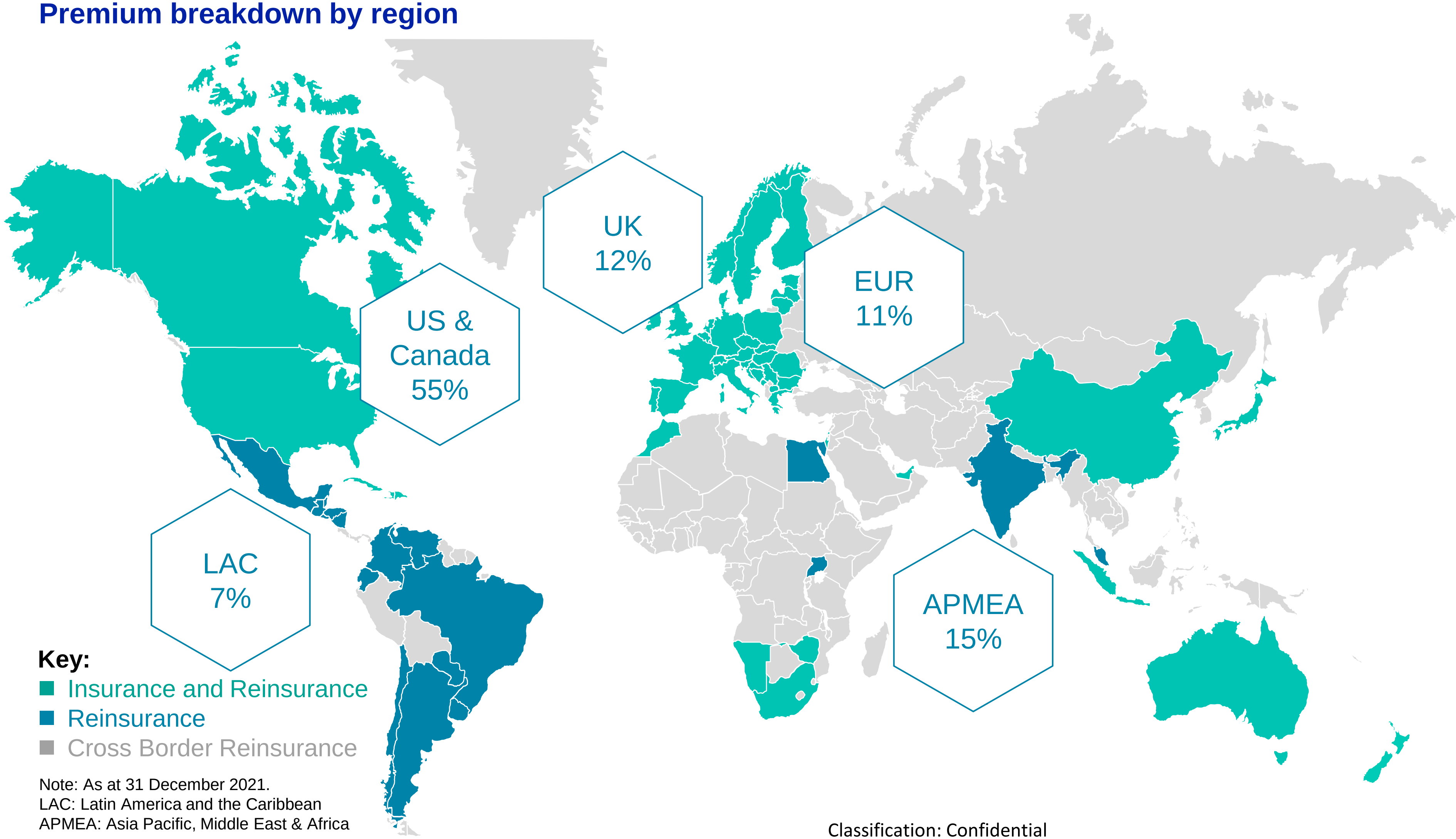
Lloyd's is the world's largest insurance marketplace and global distribution network

Premium breakdown by region



Key:
- Insurance and Reinsurance
- Reinsurance
- Cross Border Reinsurance

Note: As at 31 December 2021.
LAC: Latin America and the Caribbean
APMEA: Asia Pacific, Middle East & Africa

Insurance + Reinsurance

80 territories where Lloyd's is licensed or authorised to write insurance and reinsurance business.

Reinsurance only

18 territories where Lloyd's is specifically registered or licensed to write reinsurance business only.

Cross Border Reinsurance

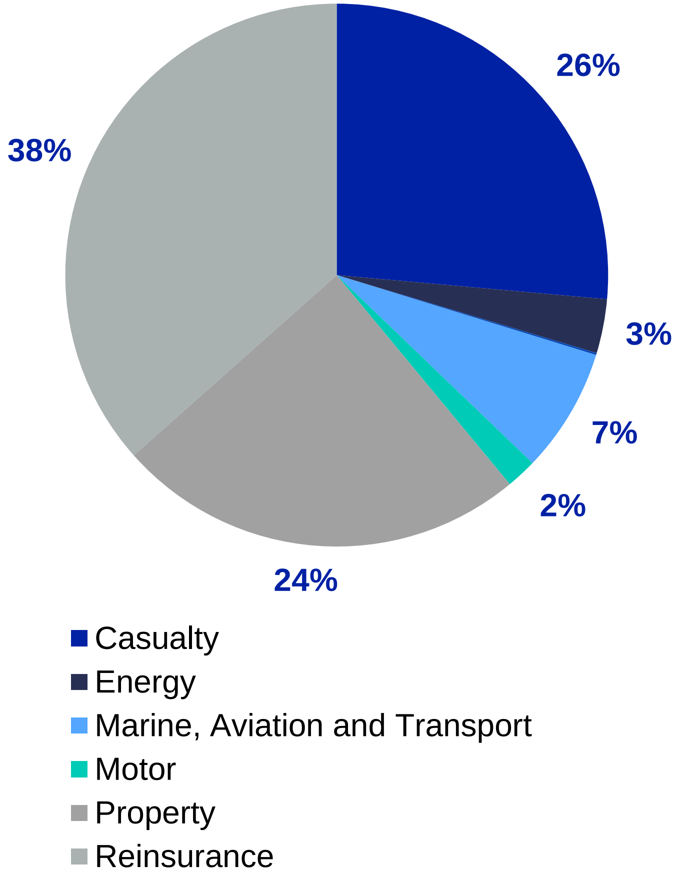
Where Lloyd's can transact cross-border reinsurance business from outside of the territory in which the risk is situated.

Broker and coverholder distribution

Over 300 brokers and over 4,000 coverholders.

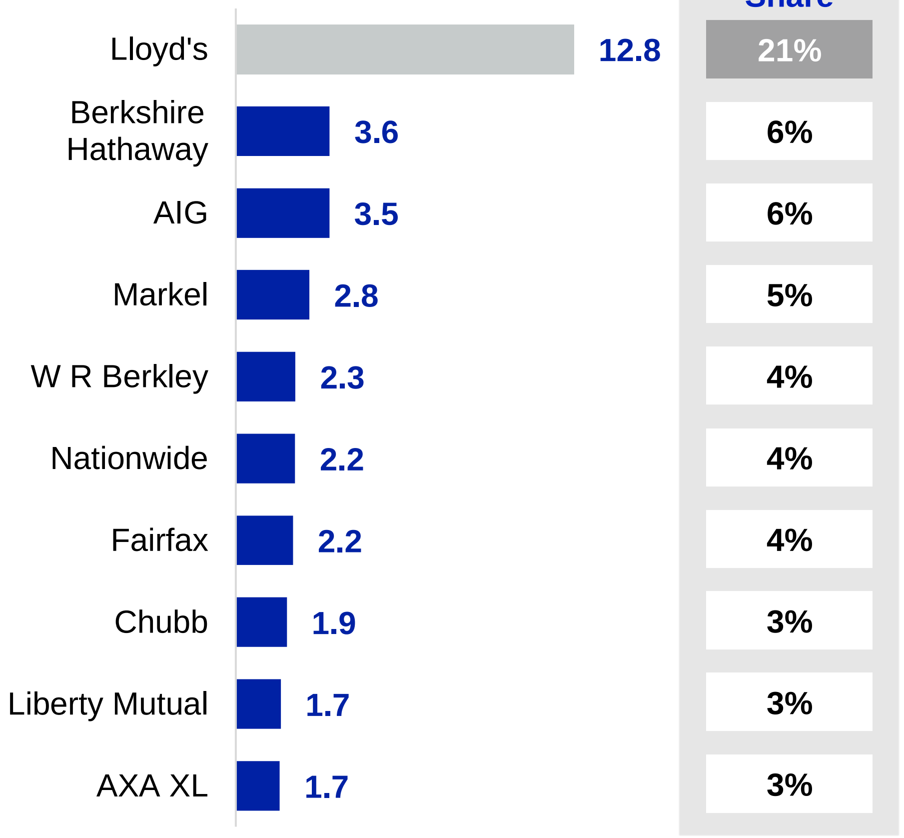
Diversification of risks

Premium by classes of business



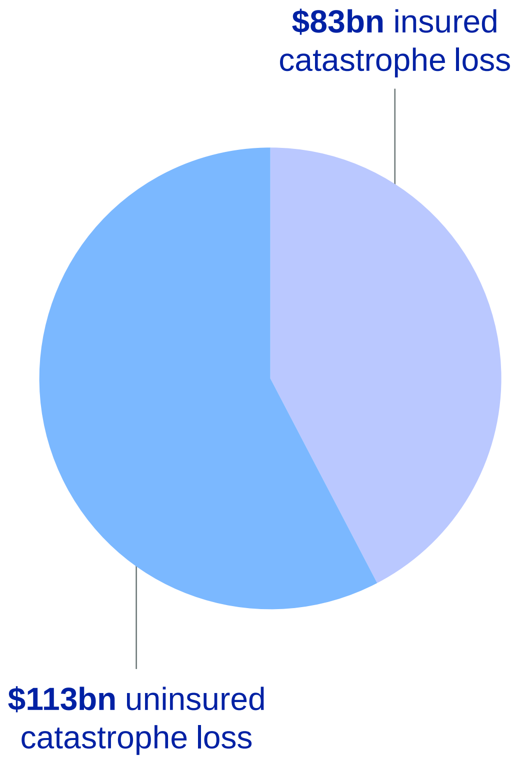
USA 2020 E&S Providers Ranking

Direct Written Premiums in USD bn



Source: AM Best

58% catastrophe losses were uninsured in 2020



Source: Swiss Re Institute, 2021

Infrastructure in place to develop new business opportunities

Centralised infrastructure

- Lloyd's offers flexible shared services including central settlement and regulatory reporting.
- Lloyd's subscription model means you can benefit from the expertise of other market leaders in business lines where you want exposure.
- Lloyd's mutual assets improves return on capital especially for those that do not maintain a separate financial strength rating.
- Lloyd's sets a broad range of acceptable assets to support underwriting efficiency, including Letters of Credit.

Corporation oversight

- Lloyd's sets performance standards across the market and takes strong management actions on underperformance.
- Significant remediation at syndicate and class of business level has resulted in the market returning to profitability and now positioned for further growth.
- Classes of business targeted for remediation are now outperforming the Lloyd's market average.
- Differentiated approach to performance oversight, enabling good performers and taking appropriate action on underperformers.

Leading marketplace for protecting against new and emerging risks

- Lloyd's reputation for innovation is supported by Lloyd's Lab, an InsurTech accelerator programme which aims to help innovative ideas gain traction and success in our market.
- Through Lloyd's subscription market or consortia arrangement, you are able to develop new business opportunities while sharing the risk with the collective strength of the market.
- By operating at Lloyd's you will have a unique global perspective with access to the market's insights and benchmarking data to allow you to compare your performance against that of your Lloyd's competitors, facilitating disciplined underwriting across geographies and classes.

Becoming a member

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Becoming a member

Member

The risk carrier.
Underpins any underwriting commitment in Lloyd's

- The members are the (re)insurers of the risks.
- Members can support one or more syndicates – and can change their participation on an annual (year of account) basis.
- Members carry the regulatory capital to support underwriting (referred to as Funds at Lloyd’s) and can be supported by third party capital providers.
- Funds at Lloyd’s assets can be invested within the discretion of the Member.
- Multiple syndicate participation diversifies the risk profile which is reflected in the capital (Funds at Lloyd’s) setting at member level.
- Funds at Lloyd’s can be provided by a first or third party, and since 2021, via London Bridge, our risk transformer.

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Member put up their required level of Capital

Members' assets

Syndicates calculate Solvency Capital Requirements (SCR's) according to Solvency II regulation

Syndicates' assessments and modelling of underlying risks

Syndicate SCRs are reviewed and agreed

Lloyd's review/ discussion/ amendment

Business Plans

Other data

35% uplift applied to reach "Economic Capital" requirement

Allocated to members

Funds at Lloyd's *(members' assets)*

Central assets

Syndicate risk information input to Lloyd's Internal Model and other information regarding "risks" to Central Fund assessed

Lloyd's SCR and Central Fund target established *(central assets)*

How is a member's capital requirement calculated?

Solvency II

- Application of Solvency II (SII) based stochastic modelling drives strong Solvency Requirement.
- 35% capital uplift increases security to drive the Economic Capital requirement – assessed by Lloyd's.

Member Modeller

- Lloyd's driven allocation to individual members .
- Model takes account of member diversification through syndicate participations.
- Funds at Lloyd's requirement derived.

Central Fund

- Contribution to Central Fund driven by syndicate level premiums.
- This provide a key elements of the additional layers of security.

How can capital be provided into a Member?

Direct Deposit

- Traditional direct provision of capital from traditional names but now provided in the large part by Insurance Companies operating through Lloyd's.

Third Party Capital Provision

- Institutional Investors have been backing Lloyd's for some time.
- Opportunity to diversify Economic and Market Risk by accessing pure Insurance Risk.
- Increasing interest in the Lloyd's market.

London Bridge Risk

- Available as an on-shore UK market vehicles to support ILS investment at Lloyd's.
- Sponsored by Lloyd's under its Future At Lloyd's programme and unique in the market.
- Ability to rapidly deploy capital through a pre-approved structure .

Becoming a managing agent

The role and construct of a managing agent

The role of a managing agent

- A syndicate is not a legal entity – it is the collection of one or more members supporting a common underwriting venture.
- Every syndicate member appoints the managing agent and delegates all authority to the managing agent manage the syndicate and to determine all matters related to underwriting.
- A managing agent can manage more than one syndicate.

Construct of a managing agent

- A managing agent's governance structure is similar to that of a UK insurance company.
- It is required to maintain a full board of directors representing key areas of activity , for example Underwriting, Finance, Operations, Risk/Audi and Investment.
- Lloyd's and the PRA/FCA require the appointment of experienced non-executive directors, one of which will usually be the Chair.

Managing agent resources

- The Board is supported by a number of sub-committees that may include key areas of activity such as Underwriting, Risk, Finance, Operations, Investment, Audit
- The managing agent may elect to formally outsource functions, for example bulk claims handling to other group companies or to third party suppliers.

Third party syndicate management

Third party syndicate management

- In most cases managing agents manage their own syndicate / underwriting entity.
- It is possible for an underwriting group to appoint a third party managing agent to manage their syndicate.
- Managing agents can manage more than one syndicate.
- Current third party managing agents include Asta, Apollo, Capita.

Why appoint a third party managing agent

- The process to establish a syndicate is complex. Establishing a manging agent at the same time increases the complexity.
- There can be a substantial difference in application duration – managing agents are approved by the PRA/FCA, a new syndicate is a Lloyd's-only application.
- Some groups may not have the appetite or need to establish own managing agent

Implications of third party management

- Secures the necessary regulatory framework to manage the syndicate without incurring 100% of the costs.
- Removes the direct regulatory interaction for the underwriting business.
- The third party managing agent board is required to agree all syndicate business plans annually prior to submission to Lloyd's.

Becoming a managing agent

Options – Build or Buy

- It's usual to establish a managing agent to take over the management of an existing syndicate from a third party managing agent.
- Possible to establish managing agent and syndicate at the same time however application durations are unlikely to align.
- All managing agents are required to comply with Lloyd's Principles for Business, and are subject to Performance Management oversight.

Build new

- Application to the PRA/FCA and Lloyd's.
- Requires a fully operational Board and to be fully resourced from day 1.
- Expect key director roles to be dedicated to the managing agent.
- Certain functions may be outsourced intra-group or to third party providers.
- The application process can take more than 12 months, in line with the PRA/FCA service standards.
- No legacy business to administer/run-off.

Acquire existing

- May be a faster route into Lloyd's.
- Requires full Change of Control application to Lloyd's and the PRA/FCA.
- Requires demonstration of how the business of the managed syndicate(s) will be appropriately overseen / run off.
- PRA/FCA service standard is 60 days from confirmation of a complete application.

What you can expect in 2022 from our oversight of managing agents

Cyber

Operational Resilience

Underwriting

Liquidity

Catastrophe Exposure

Investments

Risk Management

ESG

Conduct

Prioritising the delivery of true fair value for our customers

Culture

Embedding good culture at Lloyd's

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