

LLOYD'S



# LLOYD'S 2012 ANNUAL RESULTS

27 March 2013

# 2012 HIGHLIGHTS

- ▶ Strong result despite impact of Superstorm Sandy
- ▶ Controlled growth in premiums
- ▶ Record net resources and central assets
- ▶ Ratings reaffirmed and placed on positive outlook with S&P
- ▶ Using Solvency II internal models to meet ICA capital requirements
- ▶ Launch of Vision 2025



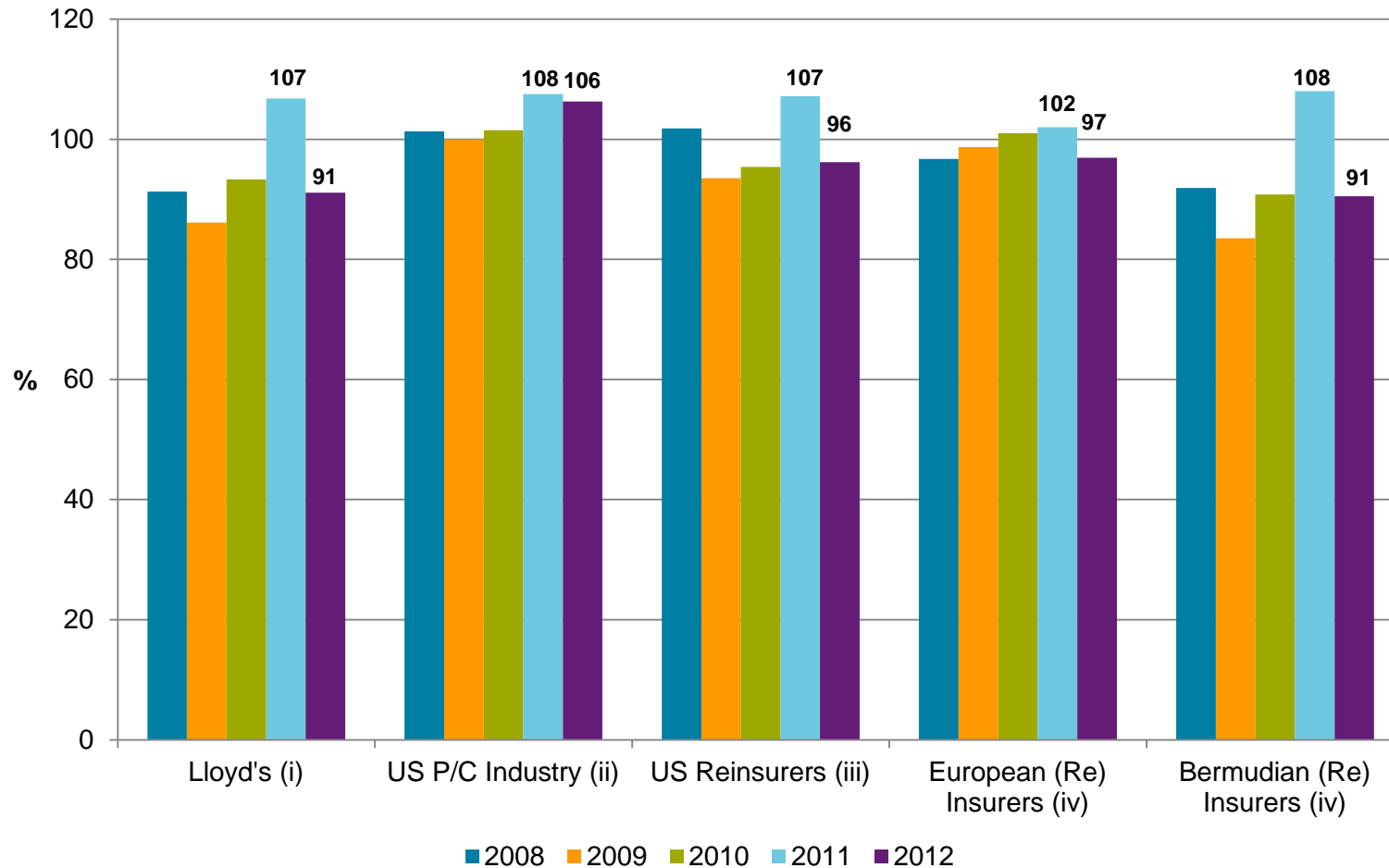
# STRONG UNDERWRITING RESULT SEES RETURN TO PROFIT

£m	2011	2012
Gross written premiums	23,477	25,500
Combined ratio	106.8%	91.1%
Investment return	955	1,311
Result before tax	(516)	2,771
Return on capital (pre-tax) %	(2.8)	14.8



# LLOYD'S PERFORMS FAVOURABLY AGAINST PEERS

## COMBINED RATIO



Sources: i) Lloyd's pro-forma financial statements, ii) Insurance Information Institute, iii) Reinsurance Association of America (iv) Company data (8 European companies: 17 Bermudian companies)



# RETURN ON CAPITAL OF 12% OVER FIVE YEARS

	2008	2009	2010	2011	2012
Pre-tax result £bn	1.9	3.9	2.2	(0.5)	<b>2.8</b>
Combined ratio (%)	91.3	86.1	93.3	106.8	<b>91.1</b>
Investment return (%)	2.5	3.9	2.6	1.9	<b>2.6</b>
Gross written premiums £bn	18.0	22.0	22.6	23.5	<b>25.5</b>
Net resources <sup>1</sup> £bn	15.3	19.1	19.1	19.1	<b>20.2</b>
Pre-tax ROC (%)	13.7	23.9	12.1	(2.8)	<b>14.8</b>
Pre-tax ROC 5 year average (%)					<b>12.1</b>

Source: Lloyd's pro forma financial statements, 31 Dec 2012

<sup>1</sup> Capital, reserves & subordinated loan notes and securities



# FINANCIAL RESULTS



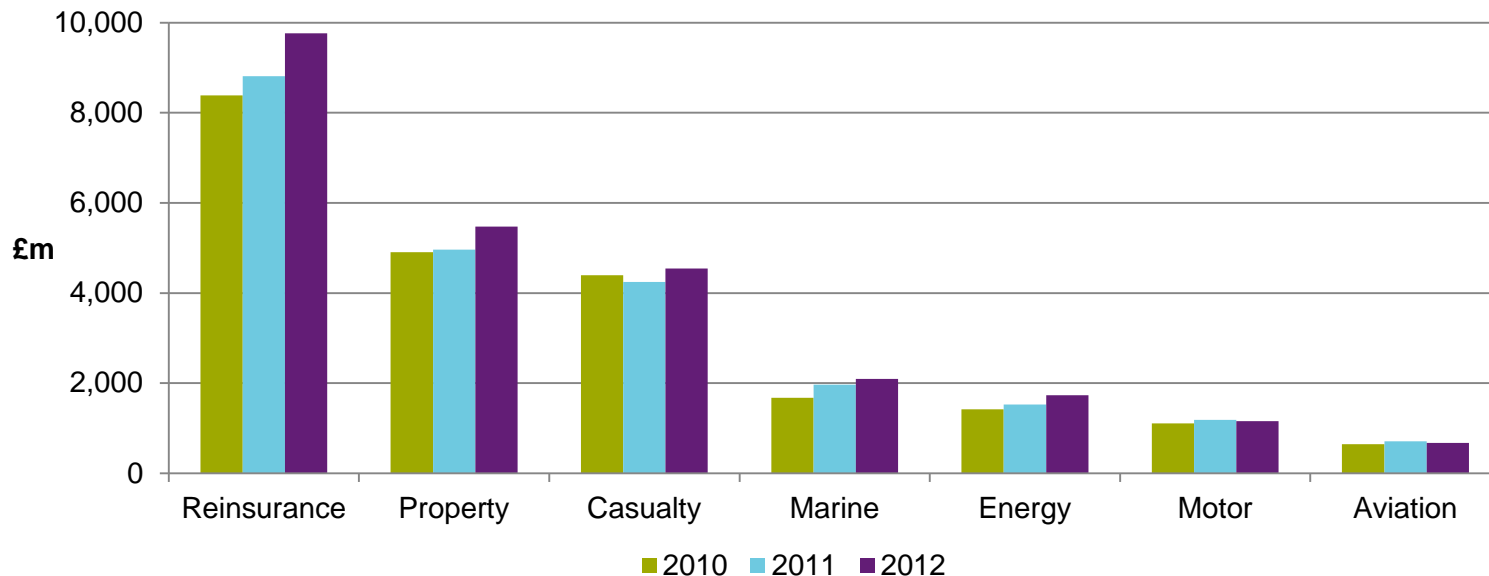
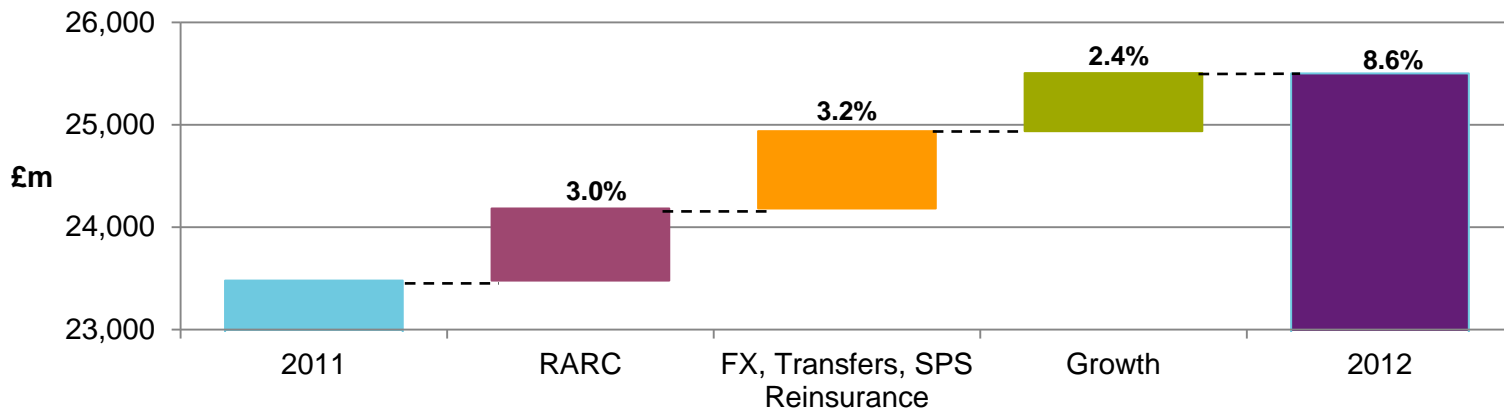
# STRONG PERFORMANCE DESPITE SUPERSTORM SANDY

£m	Dec 2010	Dec 2011	Dec 2012	% Change
Gross written premium	22,592	23,477	<b>25,500</b>	9
Net earned premium	17,111	18,100	<b>18,685</b>	3
Net incurred claims	(10,029)	(12,900)	<b>(10,098)</b>	(22)
Net operating expenses <sup>1</sup>	(5,939)	(6,437)	<b>(6,926)</b>	8
Underwriting result	1,143	(1,237)	<b>1,661</b>	–
Investment return <sup>2</sup>	1,258	955	<b>1,311</b>	38
Other income/expenses <sup>3</sup>	(206)	(234)	<b>(201)</b>	(14)
Profit/(loss) before tax	2,195	(516)	<b>2,771</b>	–
Combined ratio%	93.3	106.8	<b>91.1</b>	

Source: Lloyd's pro forma basis,<sup>1</sup> Technical account, <sup>2</sup> Return on syndicates' assets, members' funds at Lloyd's and central assets, <sup>3</sup> Non-technical account



# UNDERLYING PREMIUM GROWTH OF 2.4%



Source: Lloyd's pro forma basis

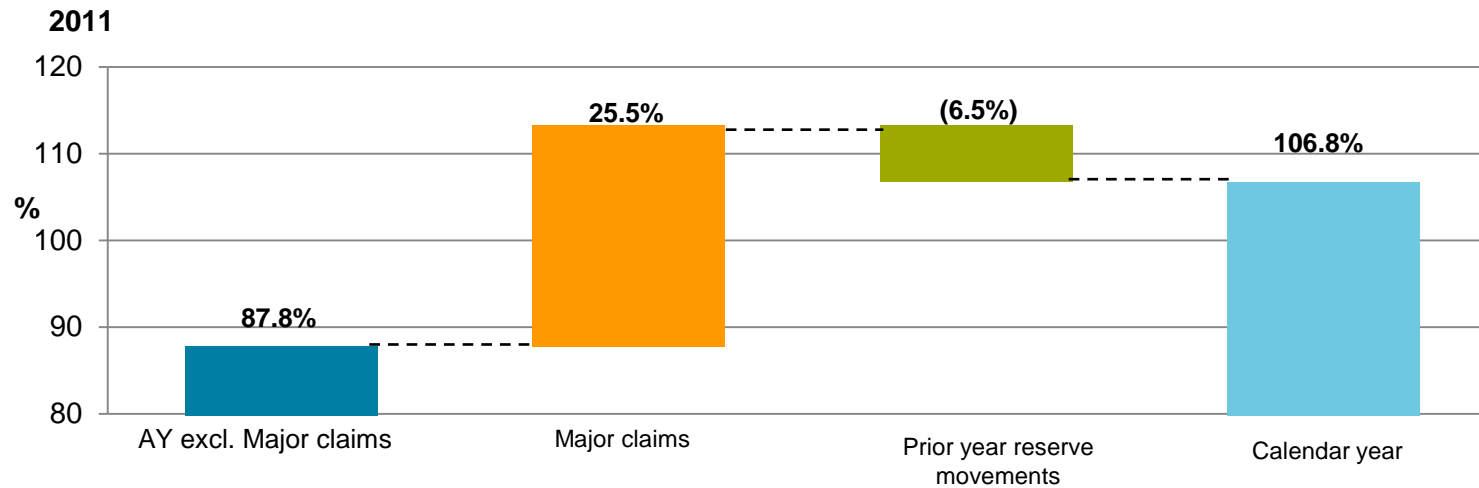
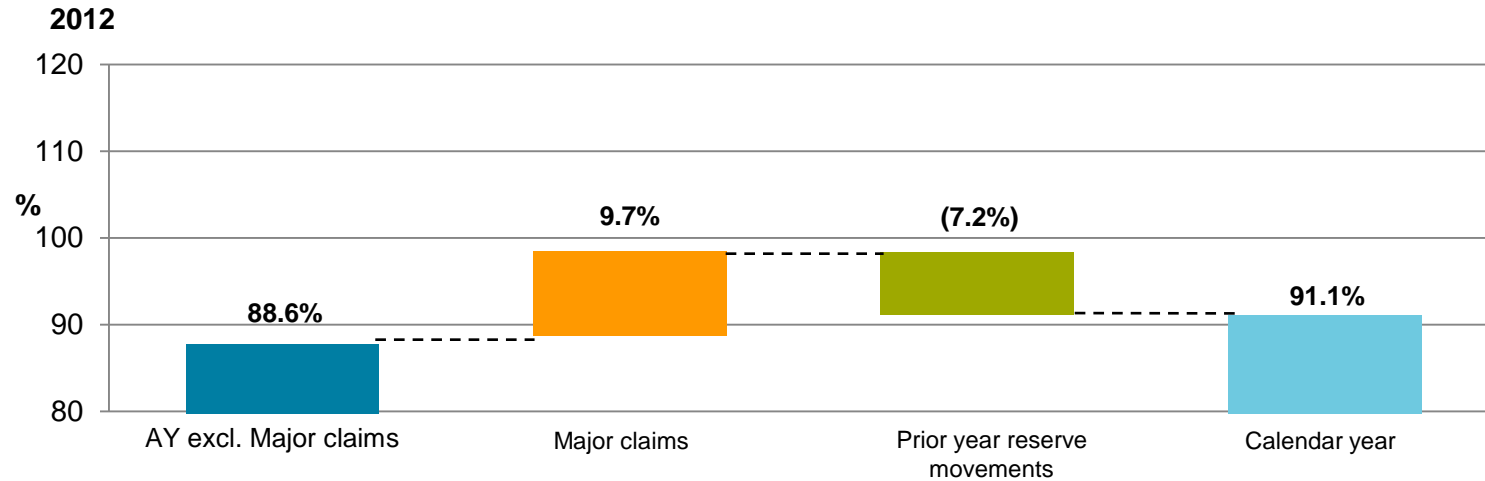
RARC: Risk Adjusted Rate Change; FX: Impact of translating business written in foreign currency at average rates of exchange \* SPS: Special Purpose Syndicates





# RESULTS ASSISTED BY PRIOR YEARS DEVELOPMENT

## COMBINED RATIOS

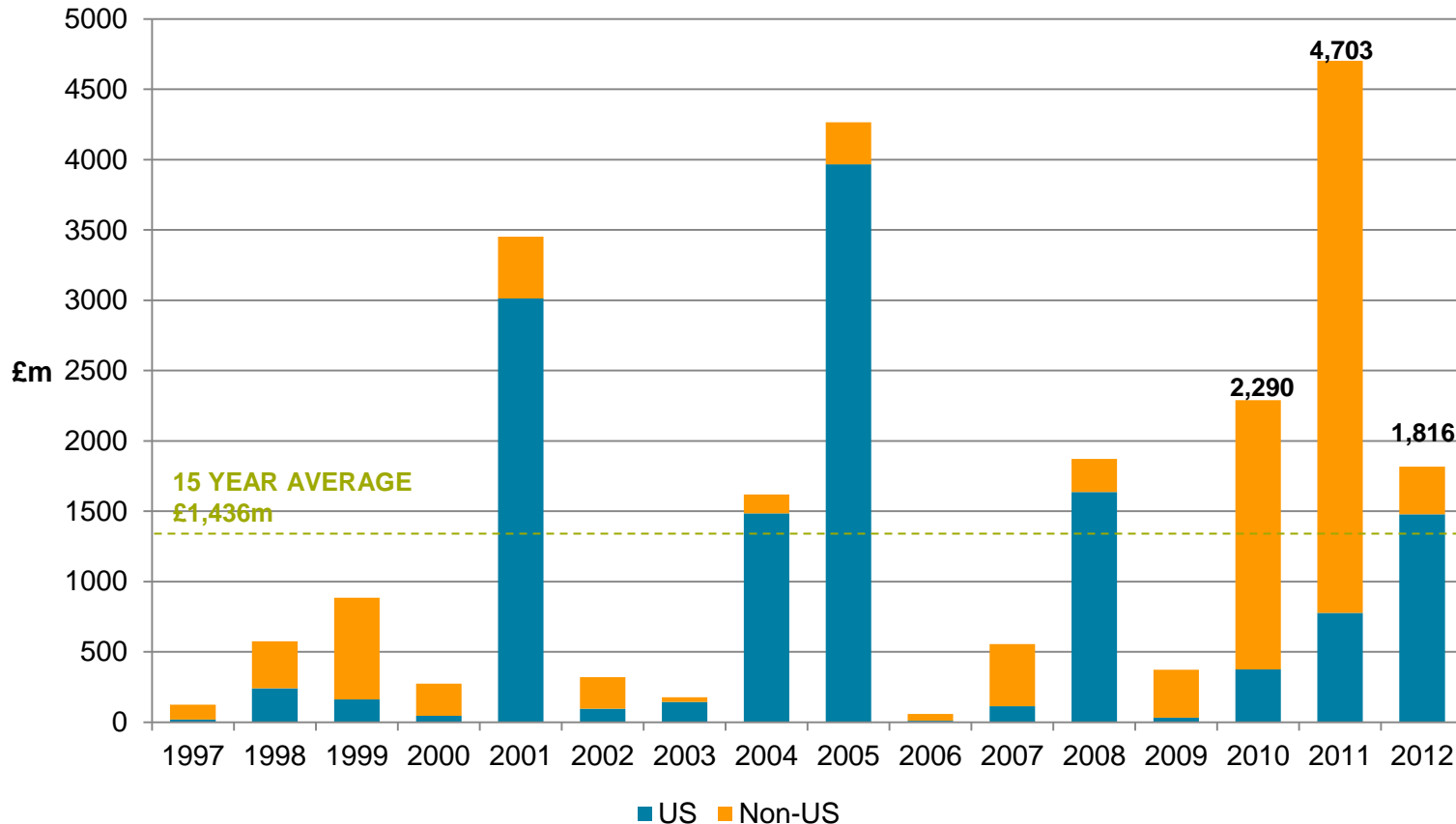


Source: Lloyd's pro forma basis



# US MAJOR CLAIMS EVENTS DOMINATE 2012

## LLOYD'S MAJOR CLAIMS: NET ULTIMATE CLAIMS

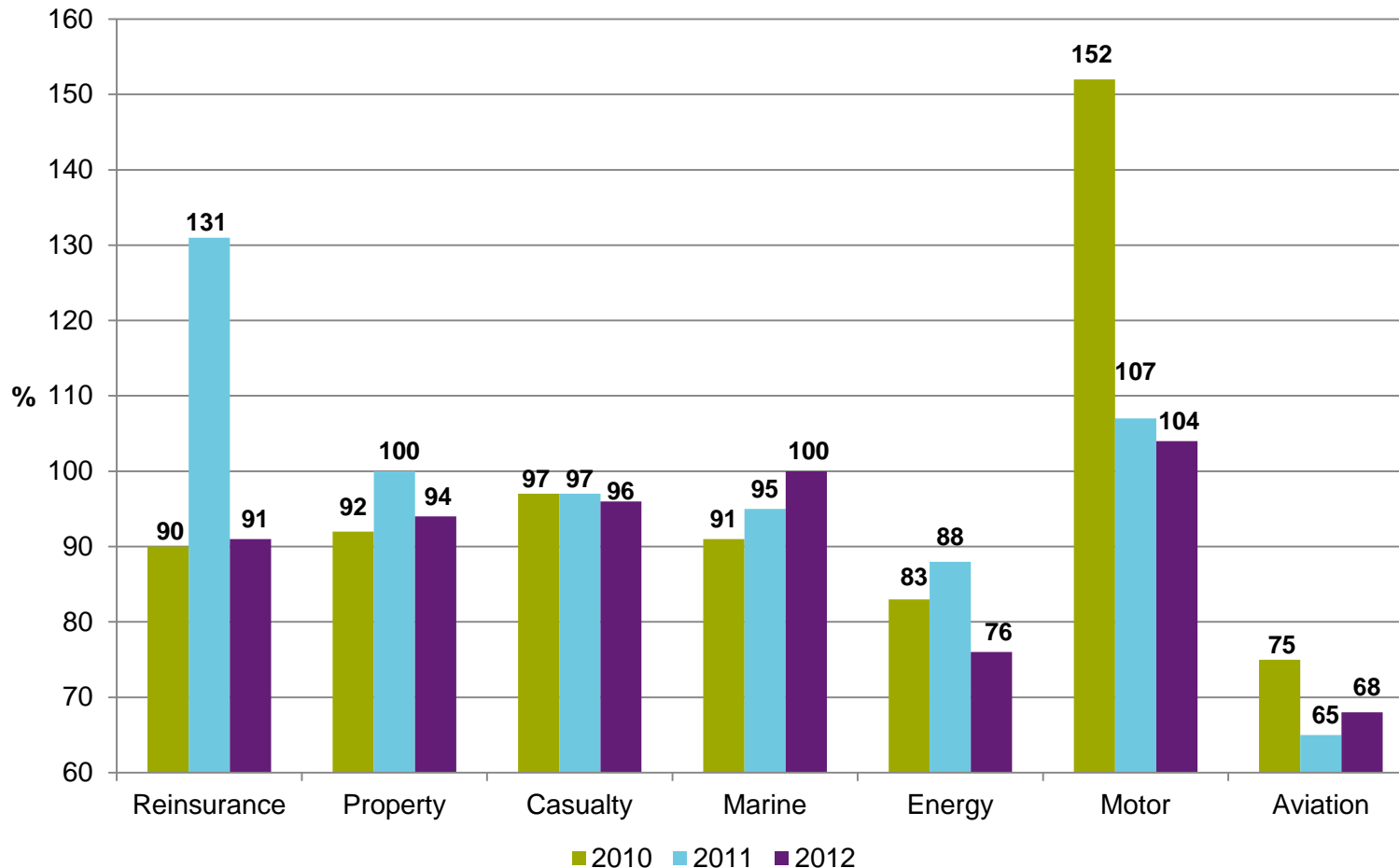


Source: Lloyd's pro forma basis. Indexed to December 2012  
 Claims in foreign currency translated at the exchange rate prevailing at the date of loss



# MOST CLASSES PROFITABLE ALTHOUGH MARINE IMPACTED BY SANDY & COSTA CONCORDIA

CALENDAR YEAR COMBINED RATIO

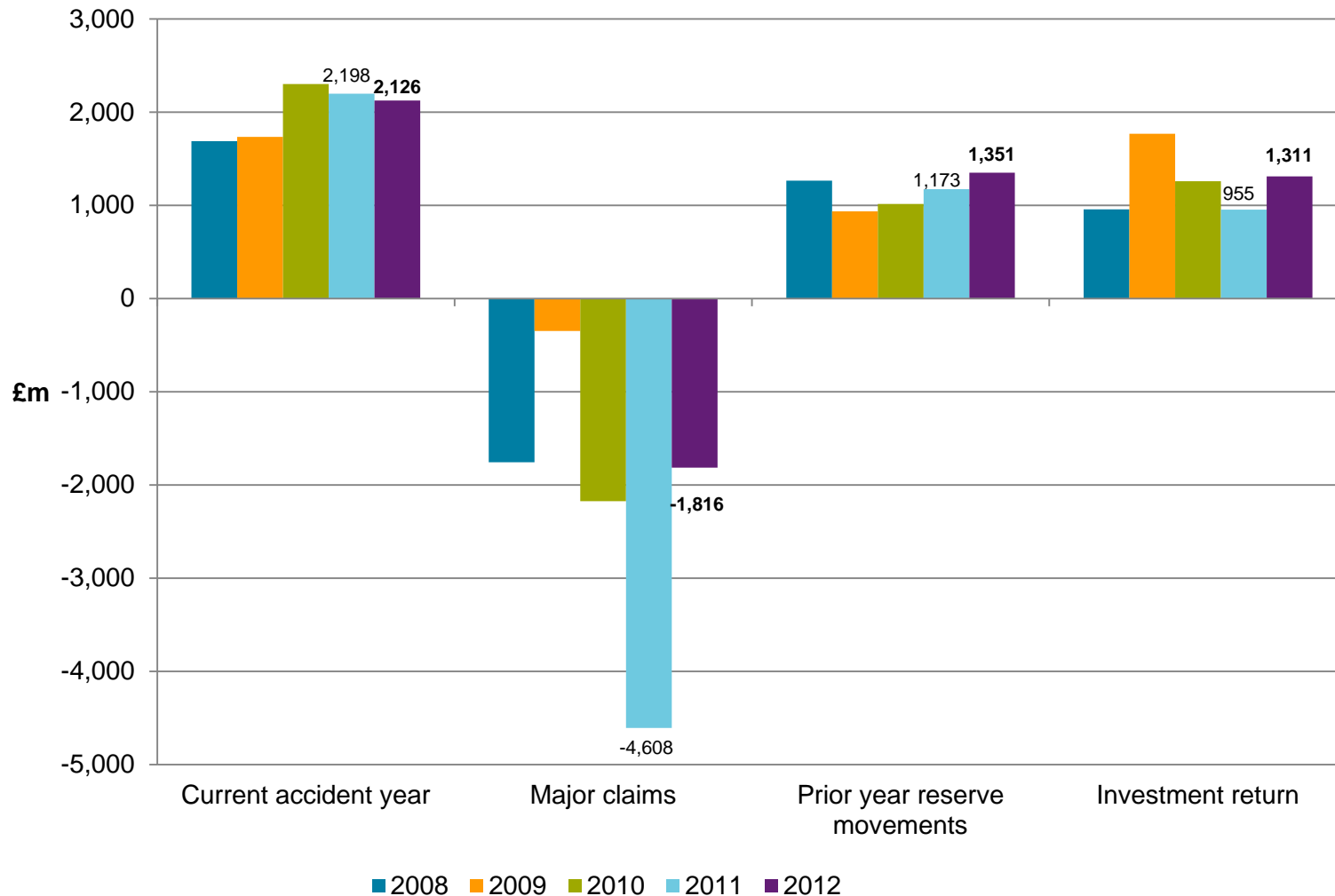


<b>NEP:</b>	<b>£6.7bn</b>	<b>£4.0bn</b>	<b>£3.5bn</b>	<b>£1.7bn</b>	<b>£1.1bn</b>	<b>£1.1bn</b>	<b>£0.5bn</b>
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Source: Lloyd's pro forma basis at syndicate level, Dec 2012  
 NEP: Net Earned Premium



# PROFIT & LOSS VOLATILITY DRIVEN BY MAJOR CLAIMS



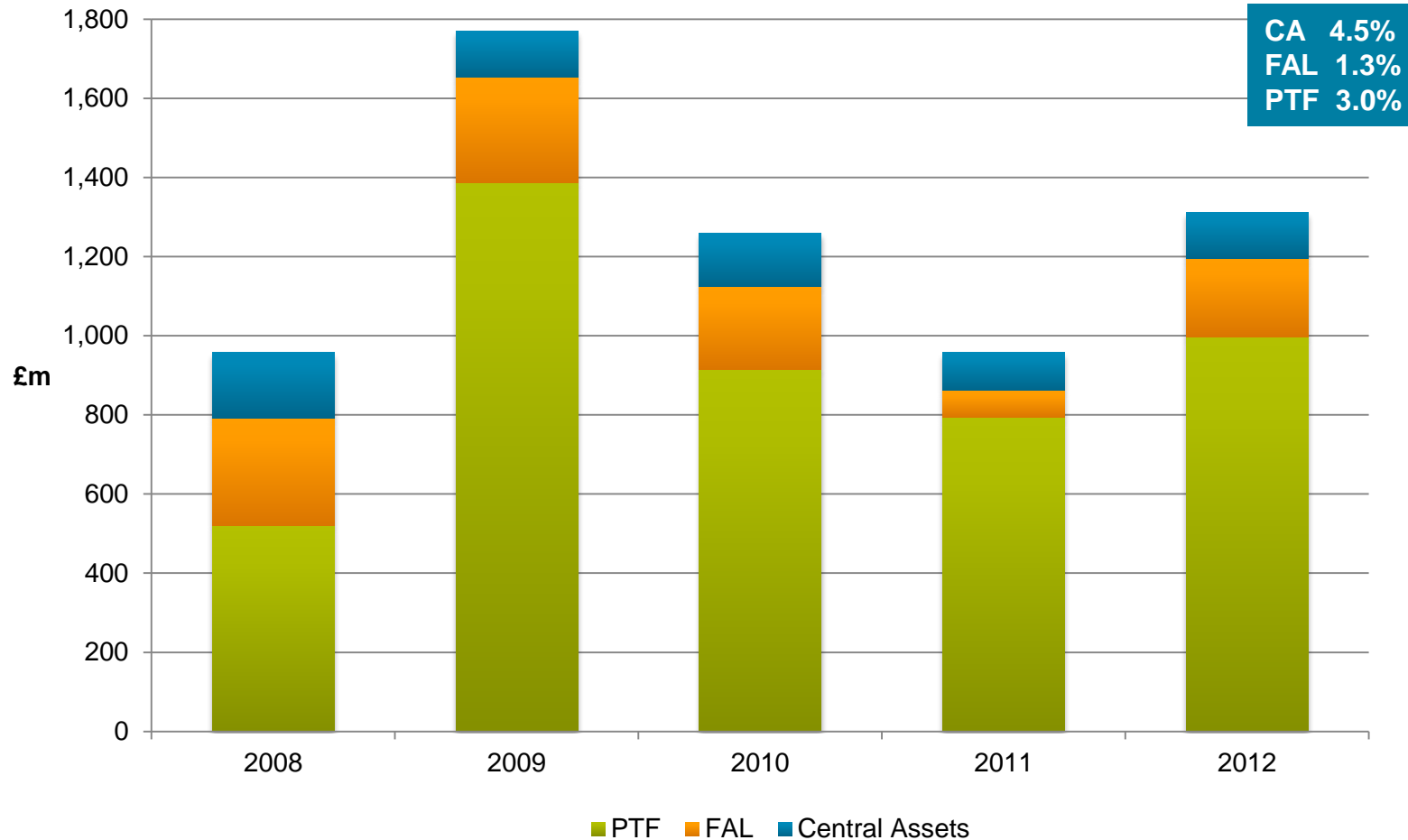
Source: Lloyd's pro forma financial statements



# INVESTMENT PERFORMANCE



# INVESTMENTS RETURNED £1.3BN, DESPITE THE LOW YIELD ENVIRONMENT...



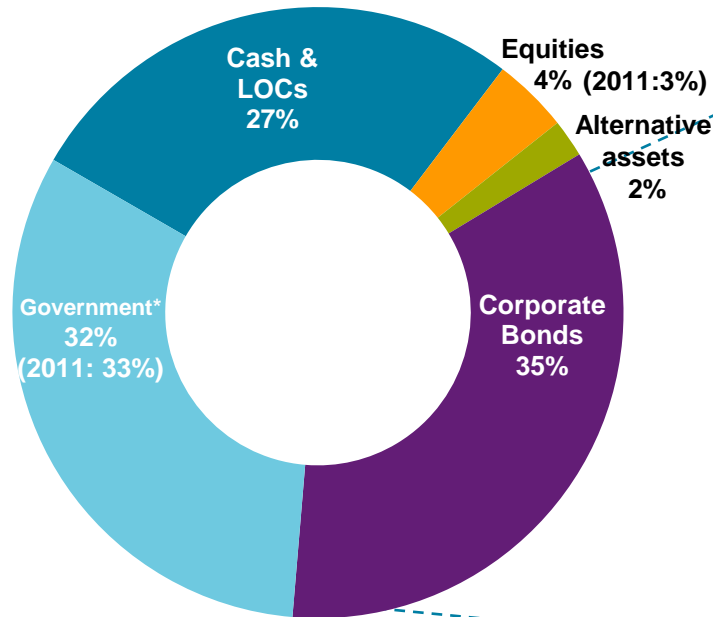
**IR:**                      **2.5%**                      **3.9%**                      **2.6%**                      **1.9%**                      **2.6%**

Note: PTF – Syndicate Premium Trust Funds; FAL – Members' Funds at Lloyd's; CA – Central Assets

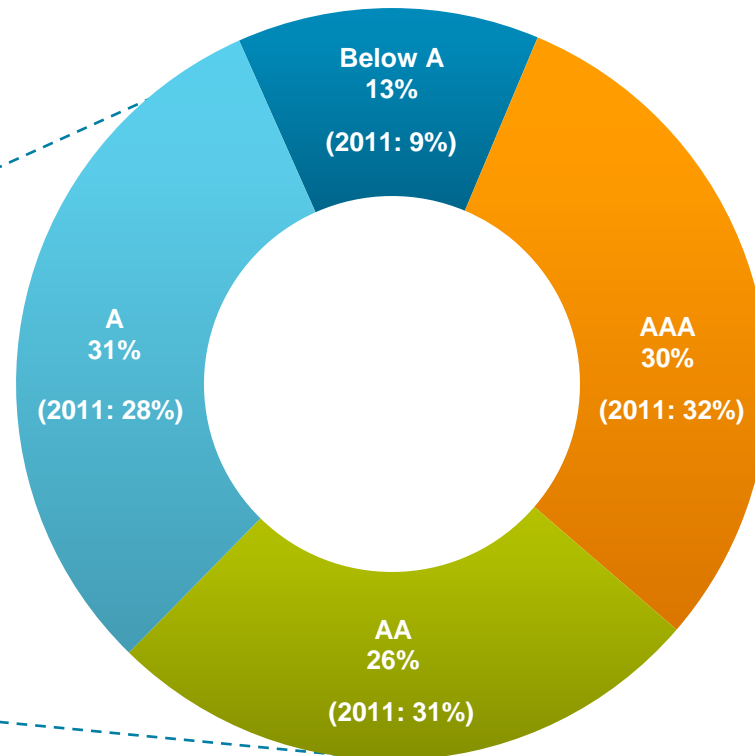


# ...WHILE INVESTMENT RISK REMAINS LOW, WITH OVER 90% IN CASH AND HIGH QUALITY BONDS...

## LLOYD'S MARKET INVESTED ASSETS



## CORPORATE BONDS

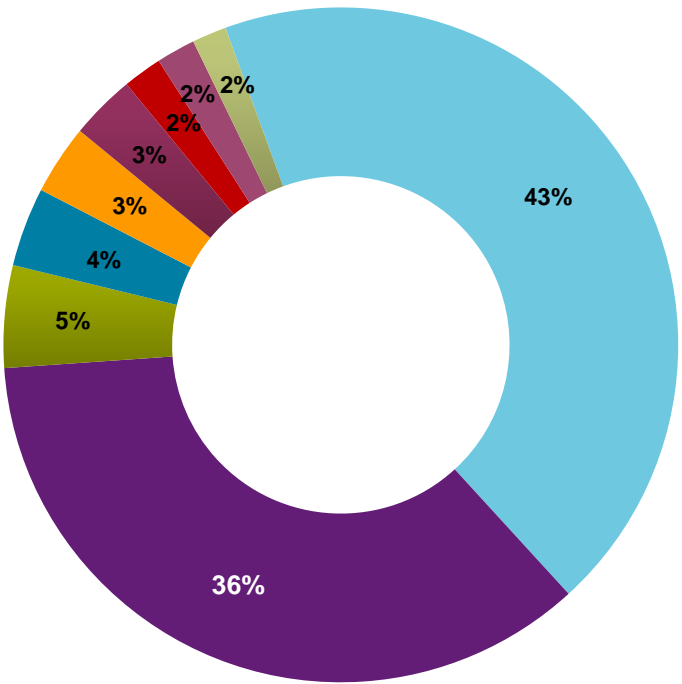


Note: \* Includes supranationals and government agencies  
Source: Lloyd's pro forma financial statements, 31 Dec 2012

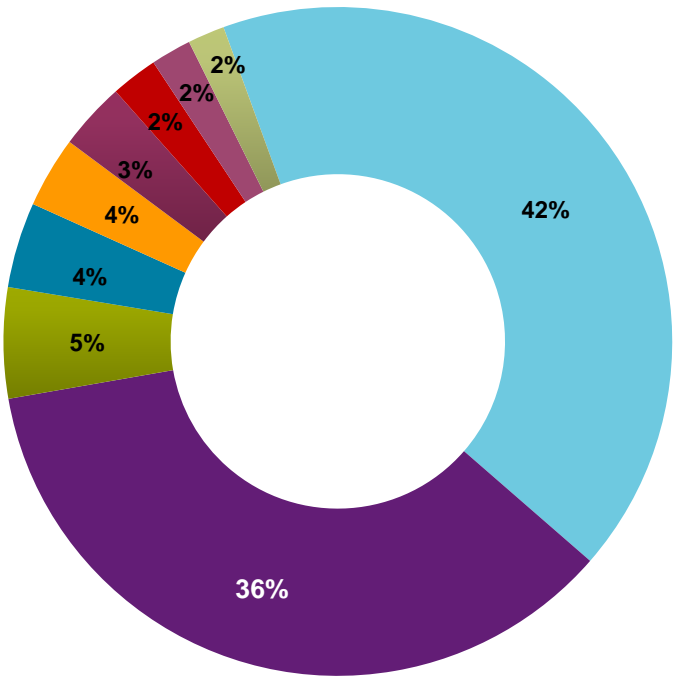


# ...AND CENTRAL FUND DISPOSITIONS HAVE REMAINED CONSTANT IN 2012

December 2011



December 2012



- Fixed Income - Govt\*
- Fixed Income - Corp
- Global Equity
- EM & HY Bonds
- Cash
- Hedge Funds
- Property Equity
- Emerging Equity
- Commodities

**Bond portfolios c80% of CF**

Note: \* Includes supranationals and government agencies  
 Source: Lloyd's pro forma financial statements, 31 Dec 2012





# BALANCE SHEET AND CAPITAL

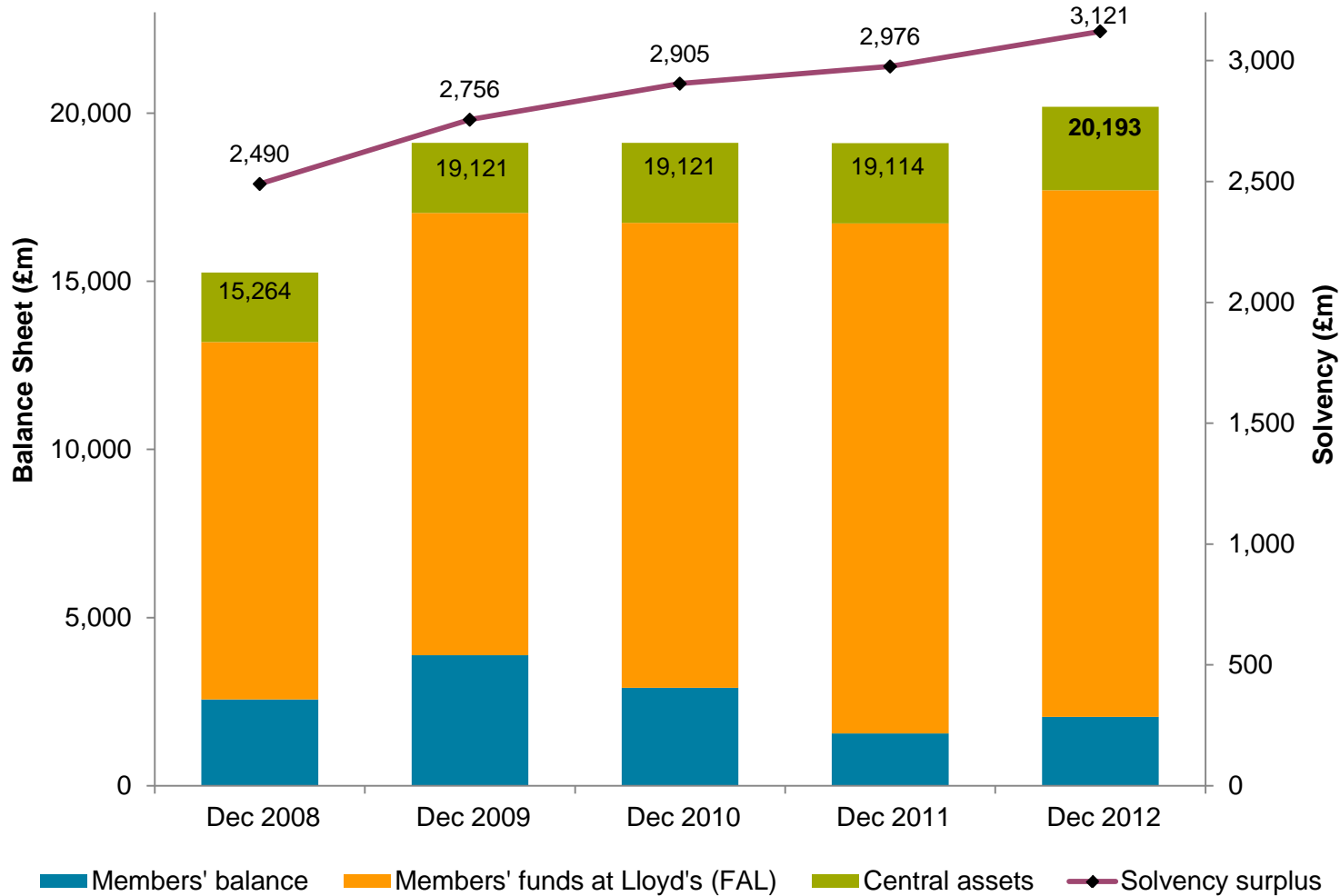


# NET RESOURCES INCREASE FURTHER TO OVER £20 BILLION ...

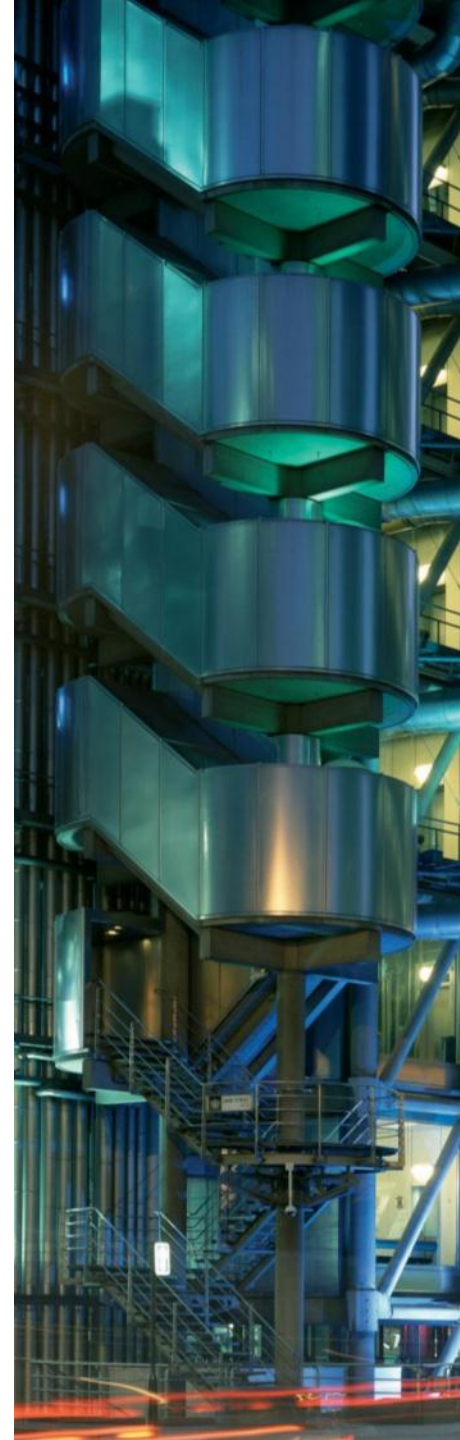
£m	Dec 2010	Dec 2011	Dec 2012	YTD %
Cash and investments	48,483	51,415	<b>51,767</b>	1
Reinsurers' share of unearned premium	1,458	1,557	<b>1,759</b>	13
Reinsurers' share of claims outstanding	8,779	10,597	<b>10,680</b>	1
Other assets	11,890	12,979	<b>13,885</b>	7
<b>Total assets</b>	<b>70,610</b>	<b>76,548</b>	<b>78,091</b>	<b>2</b>
Gross unearned premiums	(10,525)	(10,605)	<b>(11,314)</b>	7
Gross claims outstanding	(36,303)	(41,313)	<b>(40,203)</b>	(3)
Other liabilities	(5,061)	(5,516)	<b>(6,381)</b>	15
<b>Net resources</b>	<b>19,121</b>	<b>19,114</b>	<b>20,193</b>	<b>6</b>
Represented by:				
Members' assets	16,744	16,726	<b>17,708</b>	6
Central assets	2,377	2,388	<b>2,485</b>	4
	<b>19,121</b>	<b>19,114</b>	<b>20,193</b>	<b>6</b>



# ... WITH SOLVENCY SURPLUS ABOVE £3BN



# SUMMARY & OUTLOOK



# ACHIEVED RESULTS IN 2012

- ▶ Performed strongly against a global backdrop of continued economic uncertainty in 2012
- ▶ Profit of £2.8bn with a ROC of 15%
- ▶ Record net resources and central assets

## LOOKING AHEAD...

- ▶ Challenging economic environment and shifting regulatory landscape
- ▶ Despite this, the Lloyd's market is in a strong position for profitable growth



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