LLOYD'S

Full Year Results

2020

31 March 2021

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2020

Overview

John Neal, Chief Executive Officer

Strong progress in a challenging year

Results

- Combined ratio 110.3%
- £3.4bn of net incurred COVID-19 losses
- 1.8% prior year reserve benefit

Performance

- Combined ratio 97.0% ex. COVID-19
- 5.4 percent attritional loss ratio improvement
- Significant underlying performance improvement

Market conditions

- 10.8% risk adjusted rate increase
- Positive rate across all classes of business
- Rate momentum continues in 2021

Balance sheet

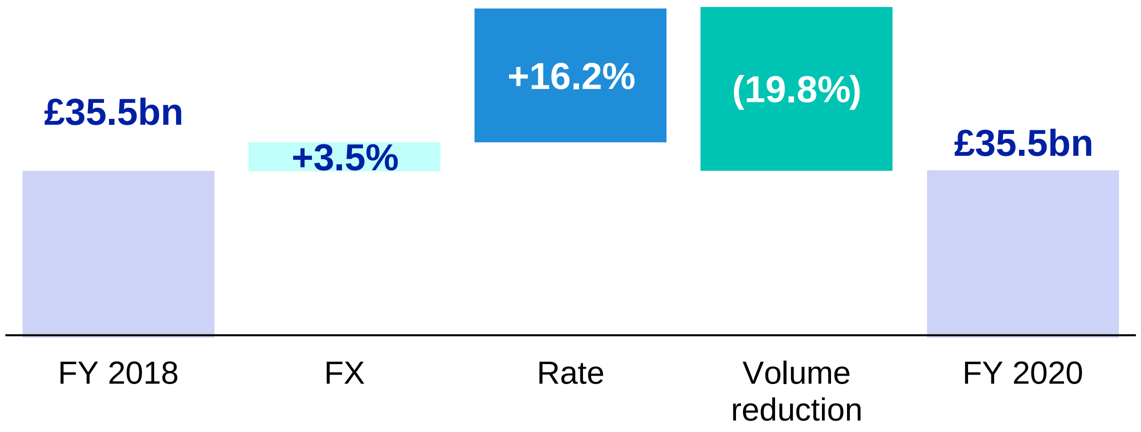
- Central solvency ratio 209%
- 2.9% investment return
- Standard & Poor's 'A+', AM Best 'A' and Fitch Ratings 'AA-'

People

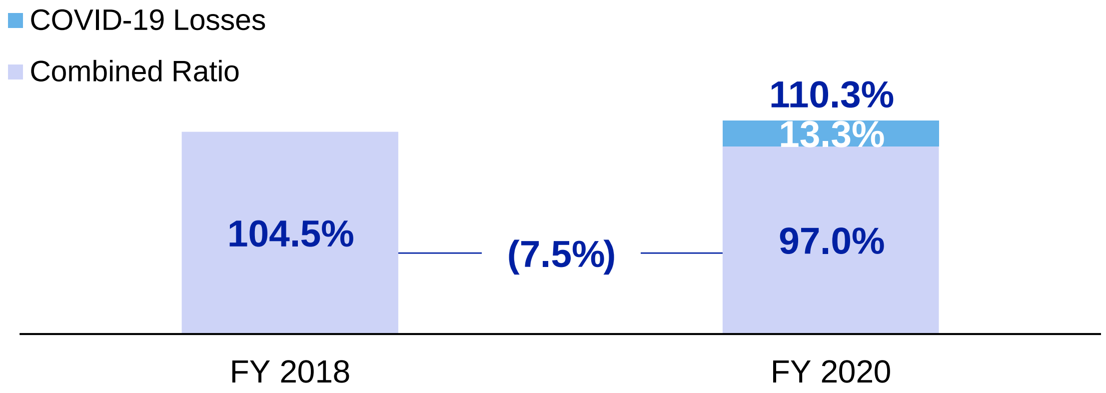
- Forecast pay out £6.2bn gross for COVID-19
- £15m pledged to people and charities
- Employee wellbeing a key focus

Significant improvement in underlying performance

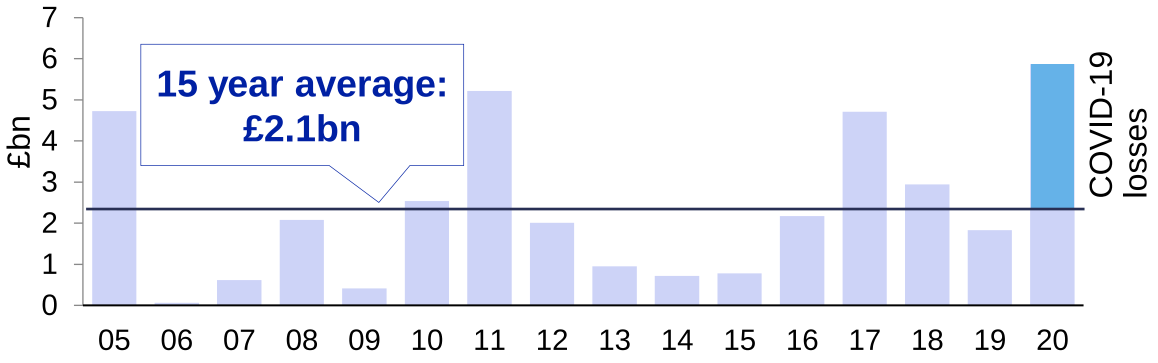
Premium changes 2018 – 2020



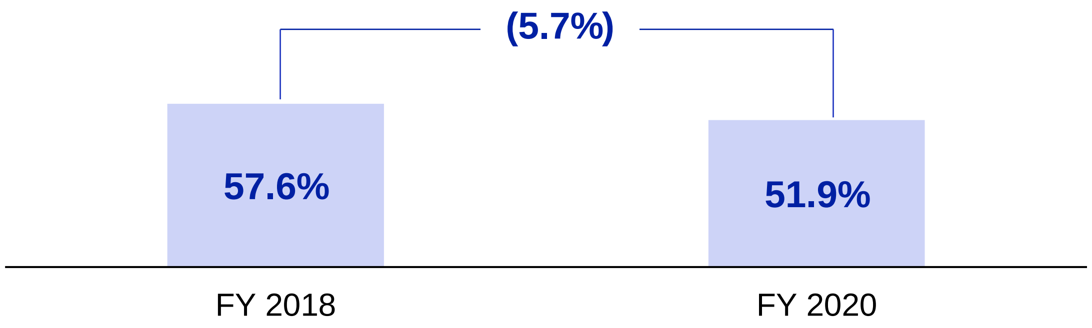
Combined ratio 2018 – 2020



Lloyd's major claims 2005 – 2020



Attritional loss ratio 2018 – 2020



Notes:
1. Rate and volume movements are the sum of the amounts reported for 2019 and 2020.
2. Losses have been indexed.

Significant improvement in underlying performance

Premium: rate

- Positive rate momentum maintained throughout 2020 and into 2021.
- Thirteenth consecutive quarter of positive rate movement, with rate increases exceeding plan each quarter.
- All classes of business and geographies are achieving positive rate increases.

Premium: volume

- 20% of worst performing business has been eliminated.
- Underwriting actions show a tangible improvement in the attritional loss ratio.

Major claims

- Excluding COVID-19 losses of £3.4bn, underlying profitability is £0.7bn.
- Excluding COVID-19, 2020 also saw an abnormally high frequency of natural catastrophe events, the cost of which matches the 15-year average of £2.1bn.

Combined ratio

- Combined ratio has improved by 7.5 percentage points since 2018, when adjusted for COVID-19 losses.
- Improvement is largely driven by a 5.7 percentage point improvement in attritional loss ratio over the same period.

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Financials

Burkhard Keese, Chief Financial Officer

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2020 Financial Highlights

A better priced portfolio

- Thirteen consecutive quarters of positive rate movement.
- 10.8% rate improvement in 2020 across all lines of business.
- Double digit rate increase in 2021.

Significant improvement in underlying performance

- Combined ratio stands at 97.0% excluding COVID-19 losses.
- 7.5 percent combined ratio improvement on a normalised basis.
- Remediation plans removed 12% of unprofitable business in 2020 compared to 2019.

Prudent investment strategy

- Investment income of £2.3bn, generating an investment return of 3.0%.
- Prudent investment strategy resulted in positive returns despite the turmoil in Q1 2020.

Strong capital and solvency position

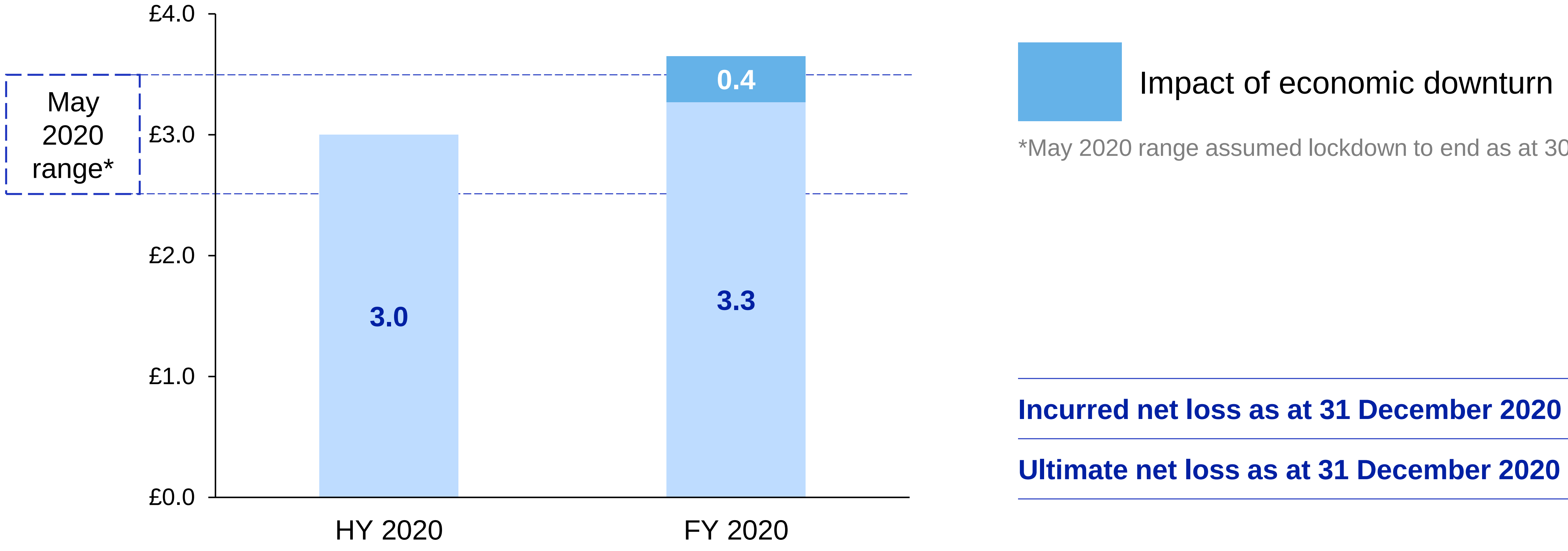
- Central solvency ratio stands at 209%. The market's capital base has increased to £33.9bn.
- Members' capital injections and surpluses cover COVID-19 losses. £2.3bn surplus in Funds at Lloyd's.

Profit & Loss

£m	FY 2018	FY 2019	FY 2020	Change
Gross written premium (GWP)	35,527	35,905	35,466	(1.2%)
Net earned premium (NEP)	25,178	25,821	25,876	+0.2%
Net incurred claims and operating expenses	(26,308)	(26,359)	(28,552)	+8.3%
Underwriting result	**(1,130)**	**(538)**	**(2,676)**	
Underwriting result excluding COVID-19			**757**	
Net investment income	504	3,537	2,268	(35.9%)
Other expenses and FX	(375)	(467)	(479)	+2.6%
Profit/(loss) before tax	**(1,001)**	**2,532**	**(887)**	
Loss ratio	**65.3%**	**63.4%**	**73.1%**	+9.4%
COVID-19 Loss Ratio			**13.3%**	
Loss ratio excluding COVID-19	**65.3%**	**63.4%**	**59.8%**	
Expense ratio	**39.2%**	**38.7%**	**37.2%**	(1.5%)
Combined ratio	**104.5%**	**102.1%**	**110.3%**	+8.2%
Combined ratio excluding COVID-19	**104.5%**	**102.1%**	**97.0%**	

COVID-19 losses

Net of reinsurance ultimate COVID-19 losses (£bn)



*May 2020 range assumed lockdown to end as at 30 June 2020

Incurred net loss as at 31 December 2020	**£3.4bn**
Ultimate net loss as at 31 December 2020	**£3.6bn**

COVID-19 losses

Losses against original range

- £3.6bn net ultimate losses are marginally higher than the range indicated in May last year.
- Range of £2.5-£3.5bn has held up very well considering we have since been through two further lockdowns and it was derived assuming lockdown would finish at the end of June 2020.
- The increase since H1 2020 is driven by Event Cancellation & Postponement losses, Property Treaty losses and UK/Australian Property D&F losses.

Second order losses reflected

- Excluding reserves held for potential impacts of economic downturn, the loss falls within the original range.
- £380m of such second order losses held in the COVID-19 reserves and £175m held in margins.
- £1.6bn in additional Funds at Lloyd's collected to cover for the remaining COVID-19 uncertainty.
- COVID-19 crisis continues to impact the economy, therefore further loss activity must be anticipated.

Outlook

- 67% of the losses are IBNR reflecting clear uncertainty.
- Of £2.0bn claims notified, £1.2bn of claims have been paid to date.
- Gross ultimate losses estimated at £6.2bn.
- 75% of reinsurance recoveries correspond to "follow the fortune" and "back-to-back" covers. Risk of non recovery on balance is regarded as nominal.
- If social distancing measures continue until half year 2021, then the net loss is expected to increase to £3.8bn.

10.8% risk adjusted rate change

	Reinsurance	Property	Casualty	Marine, Aviation and Transport	Energy	Motor	Life	Total
Volume reduction (%)	(2.2%)	(14.1%)	(16.2%)	(8.9%)	(24.8%)	(36.2%)	(40.8%)	(12.0%)
Risk adjusted rate change (%)	✓✓	✓✓✓	✓✓✓	✓✓✓	✓✓	✓	✓	+10.8%
GWP 2020 (£m)	12,158	9,228	9,067	2,976	1,265	720	52	35,466

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

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10.8% risk adjusted rate change

Remediation activities

- 12% of underperforming GWP removed.
- 10.8% risk adjusted rate change in 2020.
- Rate change in 2020 exceed plans.

Lines of business

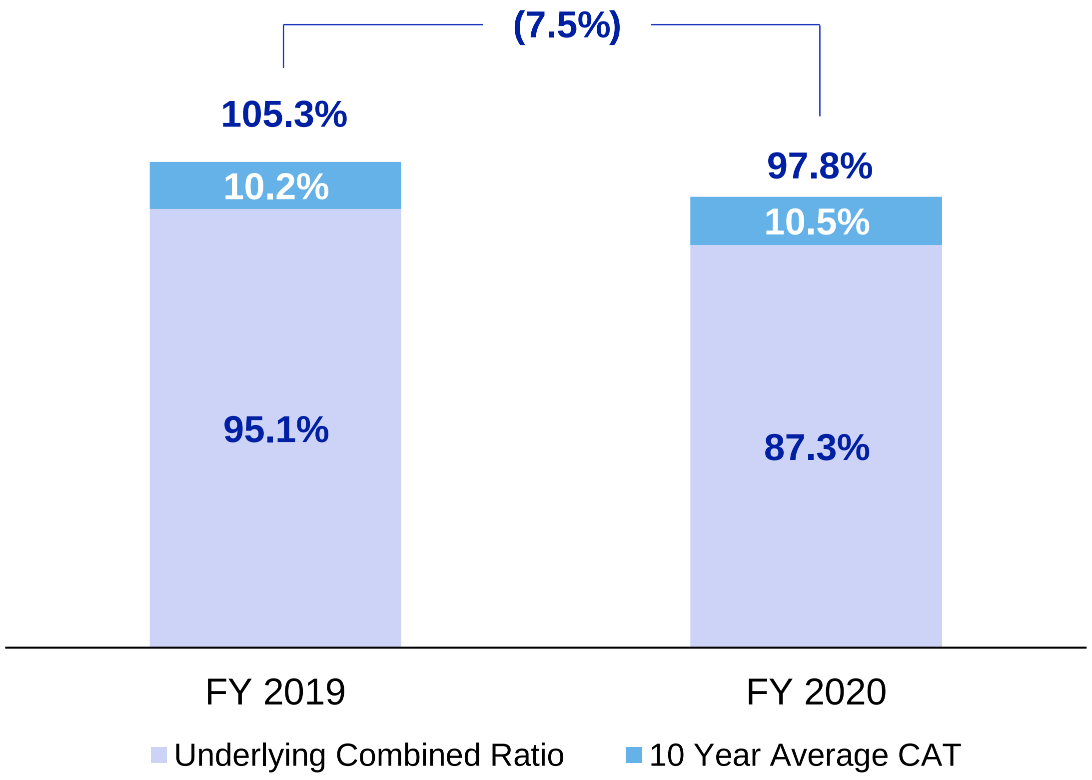
- Positive rate changes across all lines of business.
- Property experienced **double digit** rate increases driven by improving market conditions.
- Successful repricing strategy across casualty lines, including D&O resulted in **double digit** increases.
- Marine, Aviation and Transport with **double digit** rate increases.

Outlook

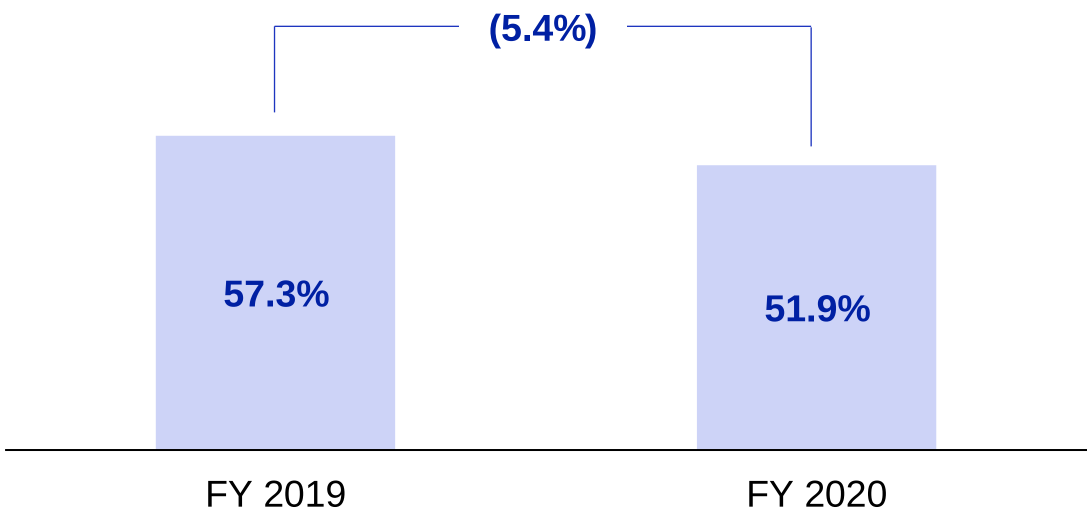
- Q1 2021 experienced another **double digit** growth in rates and are again ahead of plan.
- We expect the positive rate momentum that we have seen to continue.

7.5% improvement in the normalised combined ratio

Normalised Combined Ratio

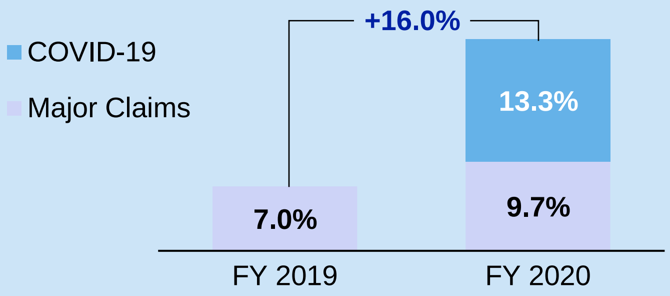


Attritional Loss Ratio



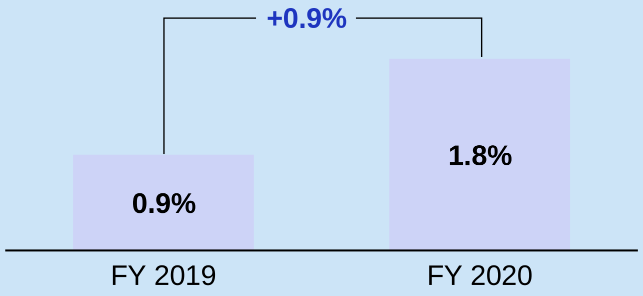
7.5% improvement in the normalised combined ratio

Major Claims



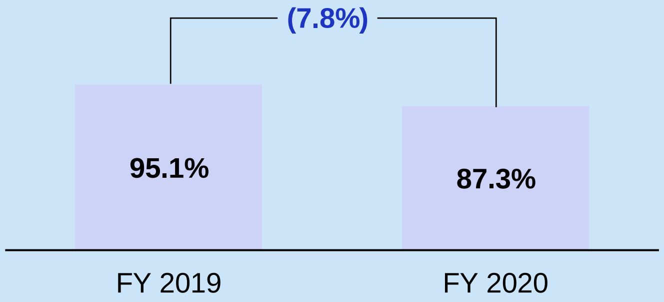
- 13.3% or £3.4bn COVID-19 losses.
- High frequency of catastrophe losses contributed 9.7% to the major claims ratio, compared to 10.5% 10 year average for large losses.

Prior Year Release



- We continue to maintain a strong reserve position.
- Syndicate Signing Actuaries reported a reserve margin increase of £0.2bn to £2.8bn.
- Prior year reserve release doubled from £232m to £461m, despite casualty reserve strengthening of £337m which amounts to 1.4% of the Casualty held earned reserves.

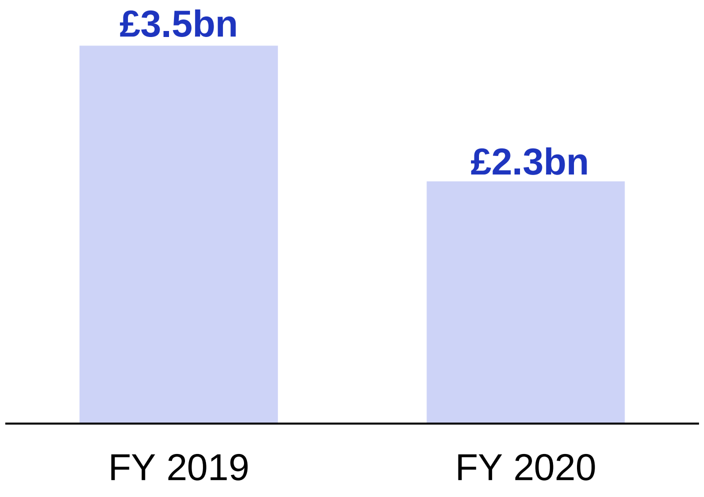
Underlying Combined Ratio



- 7.8% improvement in the underlying combined ratio.
- Attritional loss ratio has improved significantly to 51.9%; an improvement of 5.4 percentage points compared to 2019.
- Attritional loss ratio of the **continuing business** at 50% or less.
- Expense ratio has improved 1.5 percent to 37.2%, compared with 38.7% in 2019. This is driven by a 1.4 percent improvement in acquisition cost ratio.

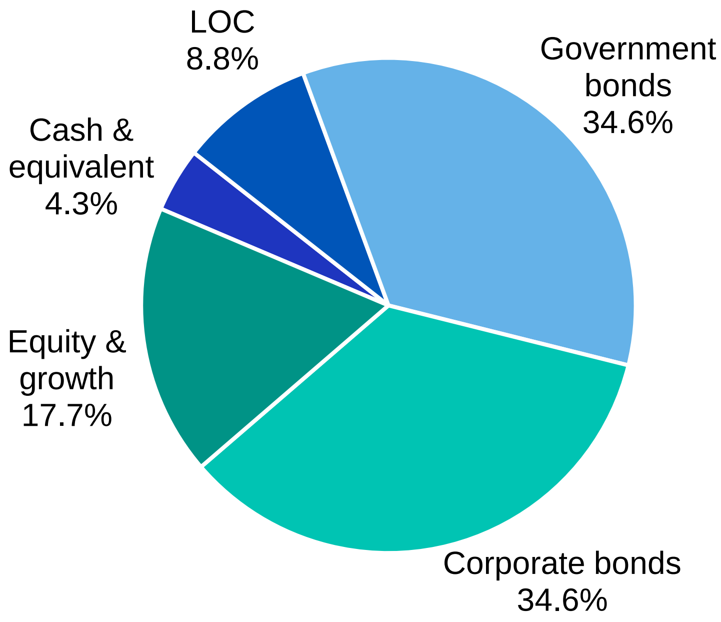
Prudent investment strategy pays off again

Investment income

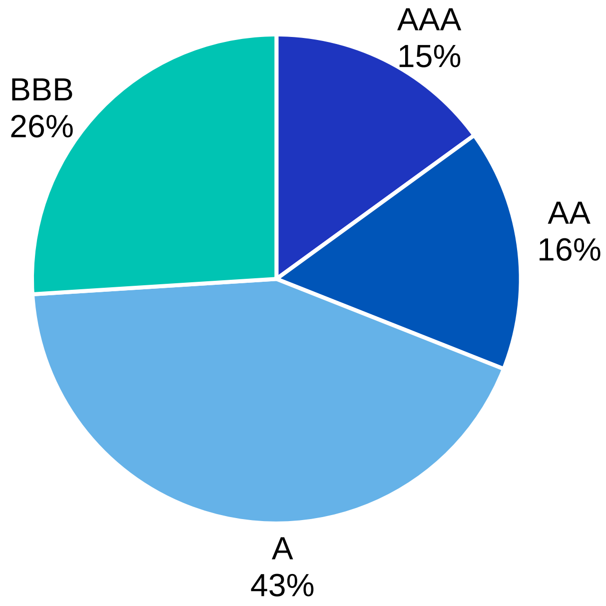


	2019	2020
Investment income	£3.5bn	£2.3bn
Investment return	4.8%	2.9%

Asset allocation as at 31 December 2020



Corporate bonds by rating



Notes:
1. Asset allocation and corporate bonds by rating applies to all Lloyd's assets; Premium Trust Funds, Fund at Lloyd's and Central Assets.
2. *BB & below includes bonds where rating has not been submitted by the market.

Prudent investment strategy pays off again

Resilient portfolio bounced back

- Investment income of £2.3bn (2.9%) despite March 2020 turmoil.
- Central banks and governments provided enormous monetary and fiscal support at the end of Q1 to financial markets.
- Portfolio currently invested 90% core assets and 10% growth assets following de-risking exercise in H1 2020.

Economic drivers

- Large declines in global interest rates c.130bp meant all fixed income asset classes delivered positive returns in 2020 with credit performing strongly as spreads benefited from positive sentiment.
- Premium Trust Funds generated 2.8% (c.8% in risk assets), whereas Funds at Lloyd's generated 3.2% helped by slightly higher exposure to risk assets (c.26% in risk assets). Central Fund delivered 2.1% in a volatile year.

Outlook

- Looking ahead the economic backdrop is stable, supported by the US fiscal stimulus package currently set at $1.9trn.
- Financial and monetary conditions and an encouraging vaccine roll out should support risk sentiment.

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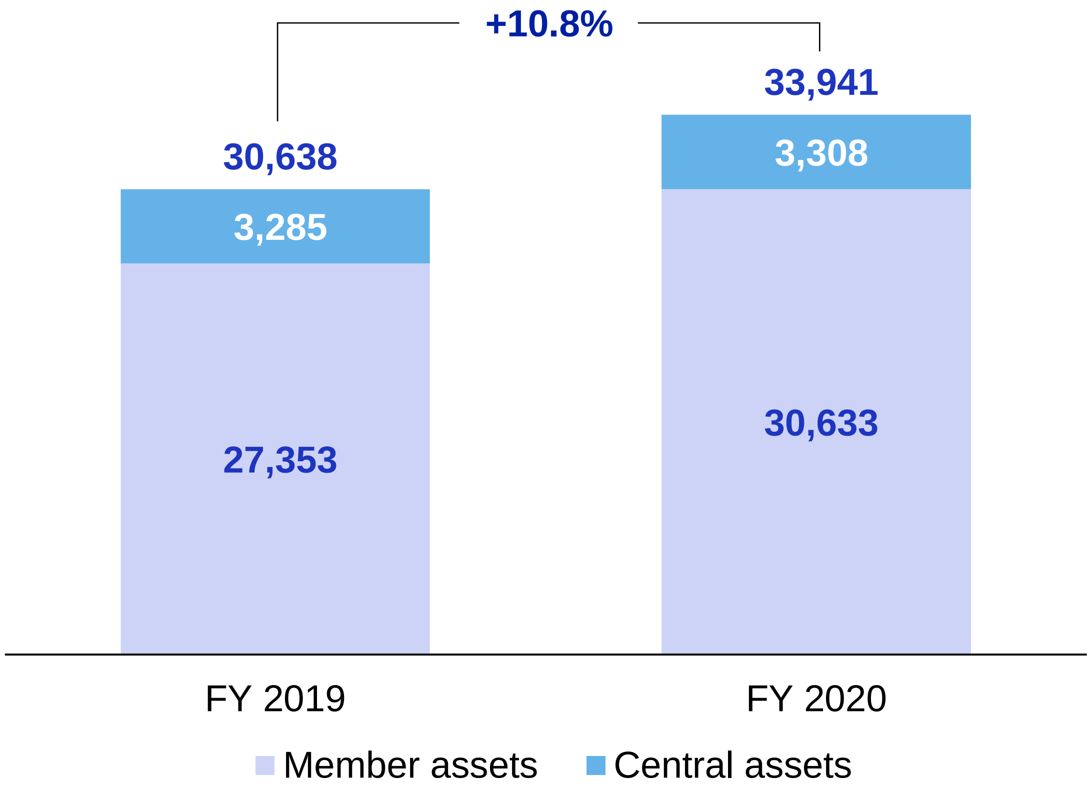
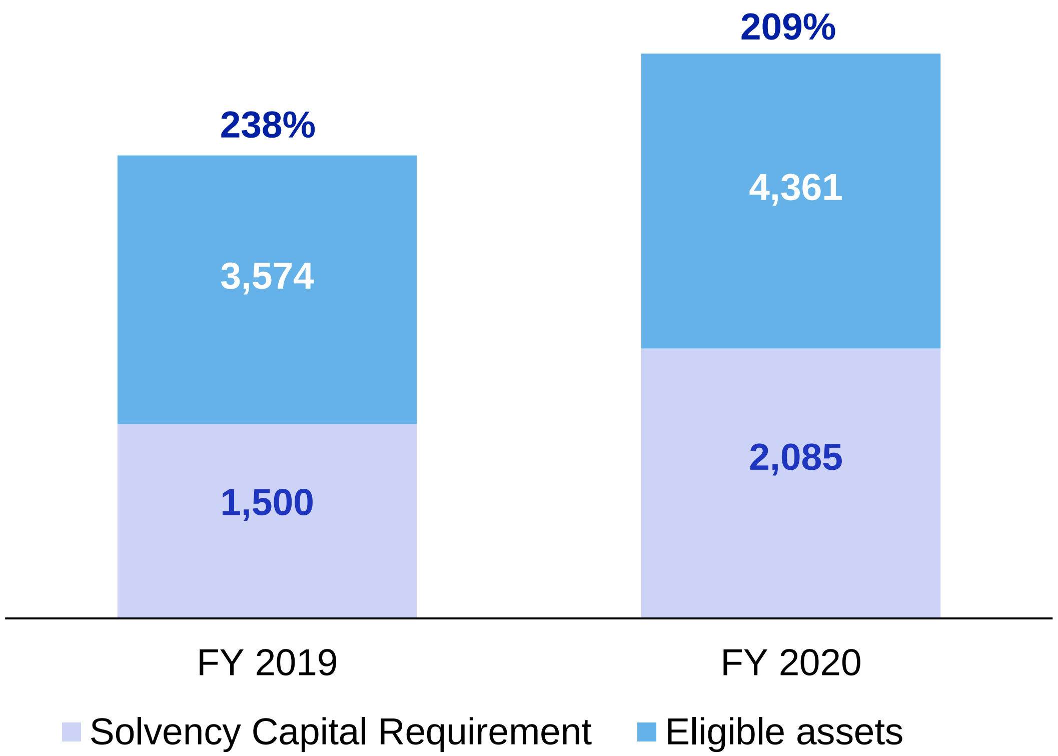
Strong capital and solvency position

A+	Standard & Poor's
A	AM Best
AA-	Fitch Ratings

Movements in capital FY 2019 – FY 2020 (£m)



Lloyd's central solvency and coverage ratio (£m)



Strong capital and solvency position

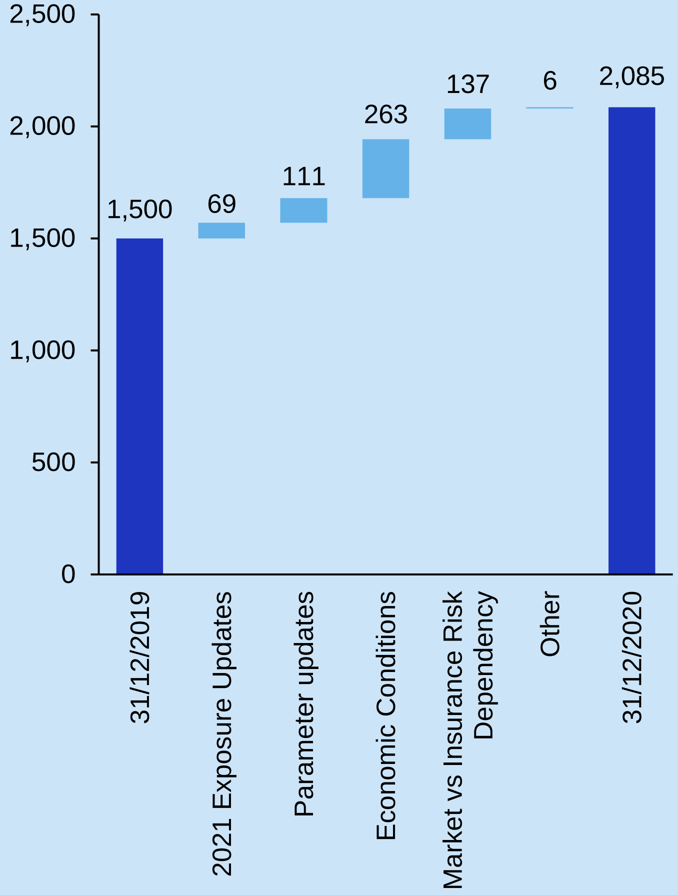
Collections

- Net resources increased by £3.3bn to £33.9bn at Q4 2020 largely driven by additional Funds at Lloyd's collections for exposure growth and COVID-19 uncertainty.
- Three successful collections to fund the COVID-19 losses which amounted to £3.5bn from Lloyd's members.
- As of December 31st there was a £2.3bn of surplus funds at Lloyd's.

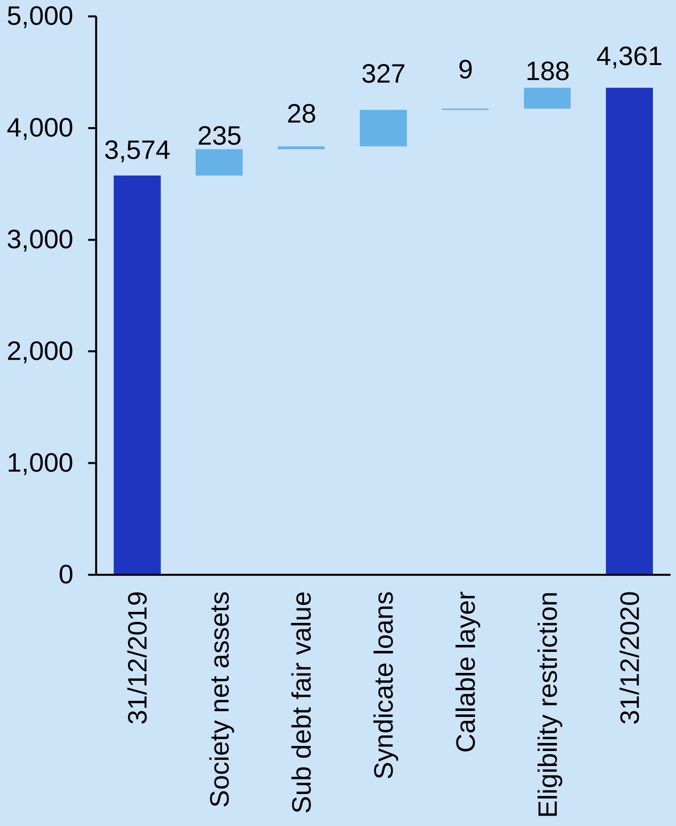
Lloyd's market wide solvency and coverage ratio (£m)

	2019	2020
Eligible capital	£27,877m	£29,888m
Solvency Capital Requirement	£17,870m	£20,341m
	156%	147%

Central Capital Requirement 2019 vs 2020



Central Eligible Own Funds 2019 vs 2020



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Looking ahead

John Neal, Chief Executive Officer

2021 priorities

Performance

- Detailed Q1 review of syndicate business plans
- Focus evolves to continuous performance management
- Tackling operating expenses

Digitalisation

- Delivery of Blueprint Two solutions
- Designed to cover 80% of all market contracts and 85% of volume
- Faster claims settlement for 50% of all claims
- A truly digital marketplace, powered by data

Purpose

- Sustainability, climate and innovation drive our future
- Establishing Futureset: our global centre of excellence
- Redesigning the Lloyd's marketplace

Culture

- Our second annual Culture survey demonstrates progress
- Market gender target is set, with ethnicity to follow in 2021
- Culture Toolkit introduced
- Forging an inclusive, innovative culture that attracts, retains and grows the best talent

2020

Appendix

Balance Sheet

£m	FY 2018	FY 2019	FY 2020
Cash and investments	71,240	73,193	79,951
Reinsurers' share of unearned premiums	3,853	3,700	3,588
Reinsurers' share of claims outstanding	19,541	19,897	21,485
Other assets	23,374	23,003	23,280
Total assets	**118,008**	**119,793**	**128,304**
Gross unearned premiums	(17,868)	(17,143)	(16,743)
Gross claims outstanding	(60,450)	(59,655)	(64,364)
Other liabilities	(11,468)	(12,356)	(13,256)
Net resources	**28,222**	**30,638**	**33,941**
Member assets	25,011	27,353	30,633
Central assets	3,211	3,285	3,308

Major losses

Largest net losses (£bn)	2019	2020
COVID-19	-	3.4
Hurricane Laura	-	0.8
Hurricane Sally	-	0.4
Derecho Severe Weather	-	0.3
Typhoon Hagibis	0.5	-
Typhoon Faxai	0.4	-
Hurricane Dorian	0.4	-
All other	0.5	1.0
Total	1.8	5.9
Total Major Losses	13	17

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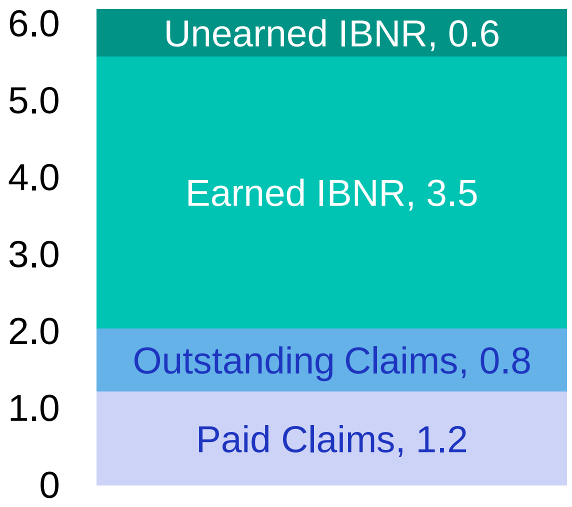
COVID-19 loss splits

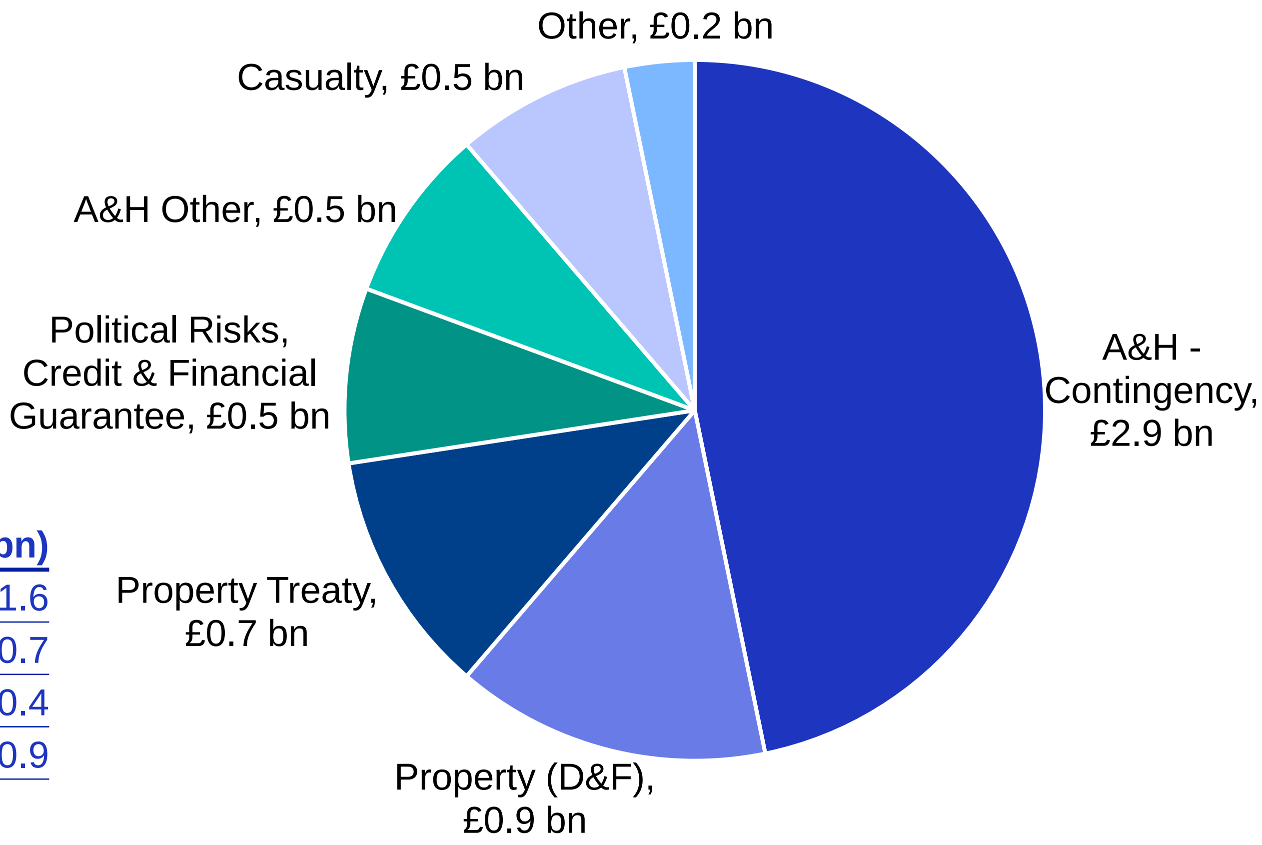
Gross ultimate COVID-19 loss breakdown (£bn)



	Gross (£bn)	Net (£bn)
USA	2.6	1.6
UK	1.3	0.7
Worldwide[1]	0.8	0.4
All Other Geographies	1.5	0.9

Notes:
1. Worldwide geography indicated where losses cannot be attributed to one particular geography

COVID-19 Gross ultimate loss estimate (£bn)



Continued improvement in actual rate vs plan