LLOYD'S

Full year results

Twelve months ended 31 December

Overview

John Neal, Chief Executive Officer

Sustainable performance supports a digital, inclusive and purpose-led market

Performance

- Proven profitable performance with combined ratio of 91.9% and GWP growth of 19% with premiums rising to £46.7bn
- Exceptionally strong capital position, with increased central solvency coverage ratio to 412%
- Investment yields improve significantly from 2023 onwards

Digitalisation

- Strong progress made on Lloyd's digitalisation journey, including delivery of the first two digital processing phases with the Joint Venture
- London Market Data Council introduces global recognised data standard; a first in corporate and specialty (re)insurance
- Faster Claims Payment solution supports customers in the wake of Hurricane Ian

Purpose

- Working with global governments and policymakers to provide customers with protection and confidence
- Convening the industry to drive action on climate change, through the Sustainable Markets Initiative
- Launching the Lloyd's of London Foundation, supporting communities around the world

Culture

- Fourth Market Policies & Practices return demonstrates strong progress towards a diverse and inclusive culture
- 32% women in leadership (+2% increase) and 9% ethnic representation in leadership (+4% increase)
- Culture now embedded as a gateway principle in Lloyd's regulatory oversight framework

Strong underwriting result supported by profitable growth and resilient capital position

Sustainable performance

- Outstanding underwriting result of £2.6bn and combined ratio of 91.9%
- Attritional loss ratio of 48.4% demonstrates consistent, improved performance
- Expense ratio of 34.4% improves a further 1.1%
- Loss of £0.8bn driven by mark-to-market losses of £3.1bn will resolve through 2023-2024

Profitable growth

- GWP growth of 19% with premiums rising to £46.7bn
- 8% average price change, reflecting 20 consecutive quarters of positive price change
- 4% organic growth from syndicates
- Sustainable underwriting performance permits the market to grow through 2023

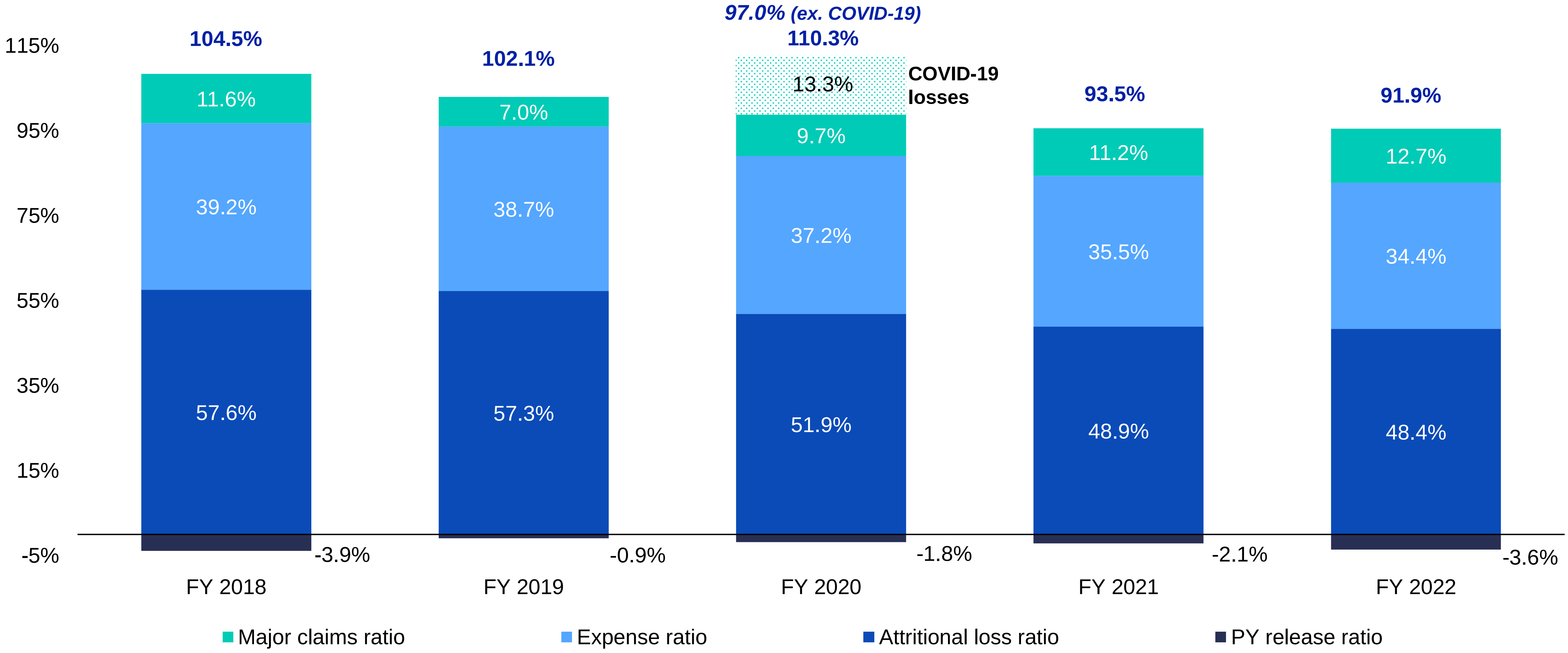
Resilient capital

- Lloyd's capital, liquidity and solvency further strengthened in 2022
- Increased central solvency coverage ratio to 412%
- Increased market wide solvency coverage ratio to 181%
- Heightened major loss activity continues; Hurricane Ian and Ukraine losses within expected estimates (£2.0bn and £1.4bn)

Macro environment

- Volatile risk environment; COVID-19, conflict in Ukraine, climate change and systemic risk
- Inflation, cost of living crisis and energy costs are all challenging
- Supporting Lloyd's people remains paramount
- The insurance industry has a vital role to play, providing customers with confidence and protection

Performance turnaround delivers solid underwriting result



* Major claims are based on syndicates' internal definition which may not align to those used for Lloyd's market reporting

Financials

Burkhard Keese, Chief Financial Officer

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Record year 2022: Strong profitable growth

2022 Result	2022 vs 2021
£46.7bn Gross written premiums	**+4%** Volume
£2.6bn Underwriting profit	**+53%** YoY Growth
91.9% Combined ratio	**(1.6%pts)**
412% Central solvency ratio	**200%** Risk appetite
(£0.8bn) Net Loss	**(£3.0bn)**

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Record year 2022: Strong profitable growth

Growth

46.7bn

2022 vs 2021

+19%

Stated growth

FX	**+7%**
Price	**+8%**
Volume	**+4%**

Net loss

(£0.8bn)

2022 vs 2021

(3.0bn)

- US Treasury base rate increase of about 425bps in 2022 resulted in a £3.7bn accounting loss. This has no cash flow impact and will unwind in the next 2-3 years
- Together with the £1.1bn mark-to-market loss of our equity portfolio, this £3.7bn valuation loss resulted in a net loss of £0.8bn

Balance sheet strength

412%

Central solvency ratio

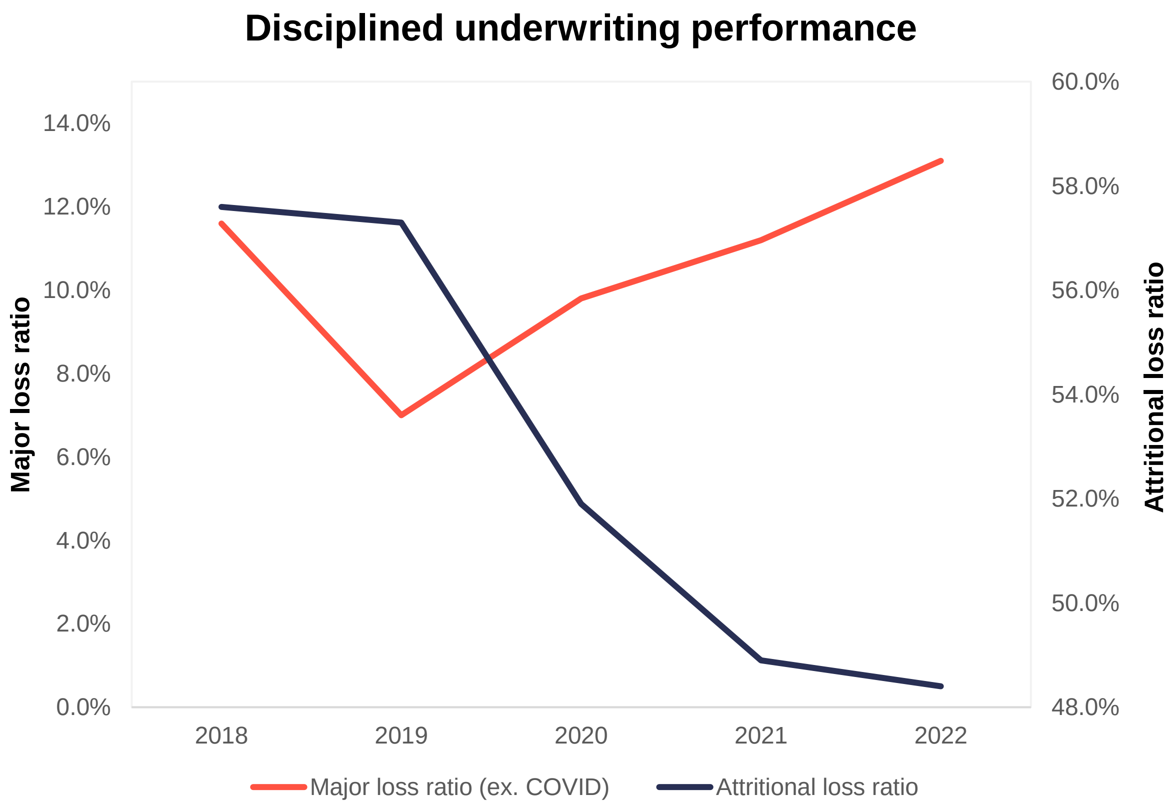
200%

Risk appetite

- Central solvency ratio of 412% and Market wide solvency ratio of 181%
- Reserve margin according to the signing Actuaries at £3.5bn in Syndicate net earned reserves after £3.0bn for 2021 and £2.8bn for 2020
- The reserve margin represents around 7% of the reserves

Successful management actions deliver results

Underwriting



Disciplined underwriting played out as expected

Expense ratio

34.4%

2022 vs 2021
(1.1%pts)

2022 vs 2018
(4.8%pts)

11.0%
Admin expense ratio

2022 vs 2021
(0.5%pts)

23.4%
Acquisition cost ratio

2022 vs 2021
(0.6%pts)

On track for 2025 target expense ratio of 31.5%

Strong pricing environment continues

£46.7bn

Gross written premiums

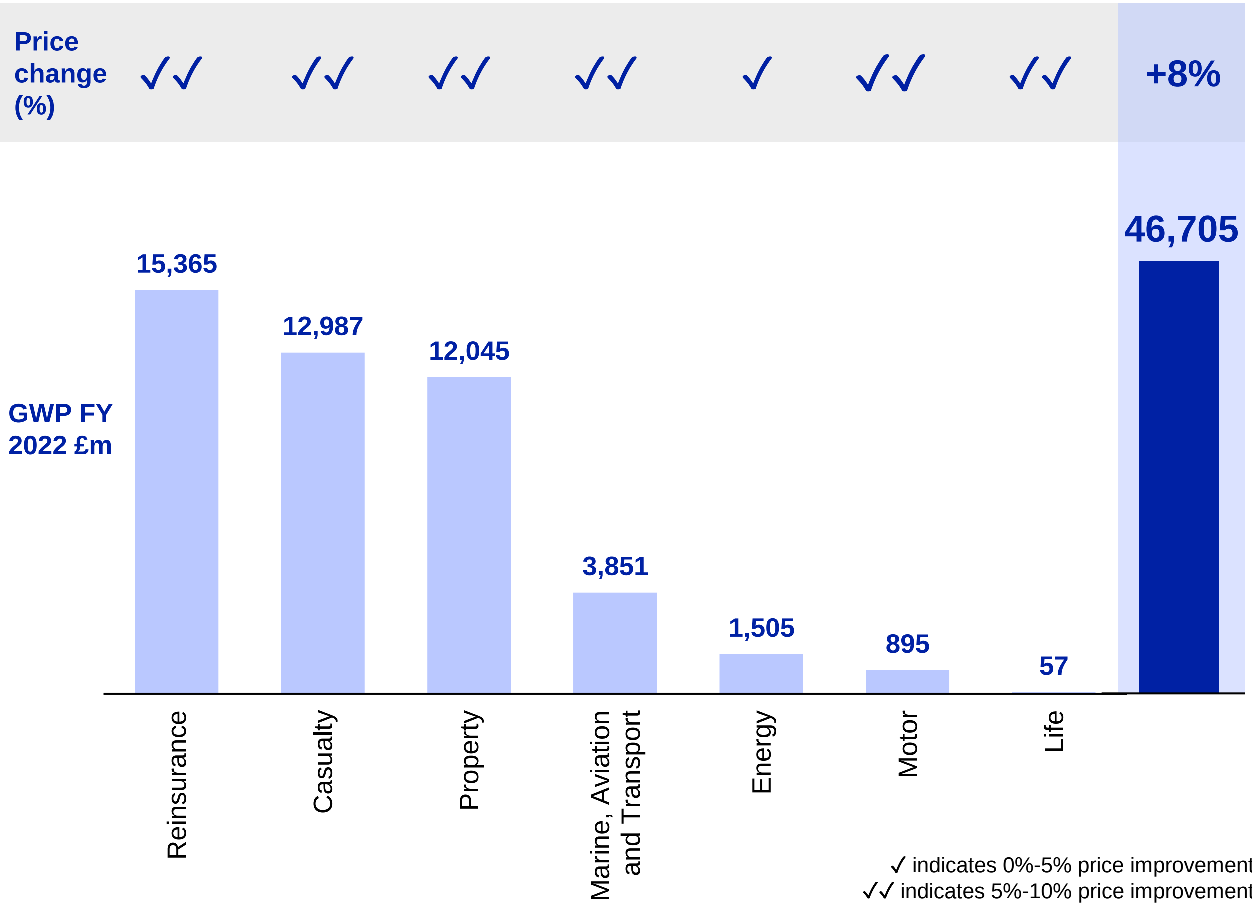
2022 vs 2021

+19%

Growth

FX	**+7%**
Price	**+8%**
Volume	**+4%**

20 consecutive quarters of positive price improvement



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

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2023 underwriting conditions

2023 underwriting year plan

£56bn

Gross written premiums

+14% ↑

Rate	**+4%**
Price	**+6%**
Volume	**+4%**

1/1 renewals

- Property covers affected by price, retention levels, and terms and conditions all shifting significantly
- Coverage for war / political risks were severely restricted
- Other specialty placements were affected through restructuring of composites, and price / coverage changes
- Casualty and liability covers were least impacted

Q1 2023

- Inwards pricing and reinsurance structures will alter the shape of the portfolio but not materially impact GWP
- Expecting rate increases to continue across most classes
- Increasing underwriting oversight on Cyber, D&O, and Property Binders
- Improving attritional profitability comes with increased volatility at the 1 in 10 return period
- Lloyd's cyber war bulletin came into effect March 21st

***Subject to significant F/X volatility**

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Continued improvement in underwriting

	2022 Result	2022 vs 2021
Combined ratio	91.9%	(1.6%pts)
Attritional loss ratio	48.4%	(0.5%pts)
Expense ratio	34.4%	(1.1%pts)
Major claims	12.7%	+1.5%pts
Prior Year Releases	3.6%	+1.5%pts

Continued improvement in underwriting

Attritional loss ratio

48.4%

2022 vs 2021

(0.5%pts) ↓

- Attritional loss ratio below target of 50%
- Pricing and underwriting measures over compensated inflationary trends and improved the attritional loss ratio by 0.5% points

Major claims

12.7%

2022 vs 2021

+1.5%pts ↑

- Ukraine loss estimates on an earned basis of £1.4bn or 4.3% of the combined ratio
- Hurricane Ian reserves are £2bn in line with December guidance

Prior Year Releases

3.6%

2022 vs 2021

+1.5%pts ↑

- Overall, over 2022 there has been a prior year reserve release of 3.6%, compared to 2.1% for FY 2021.
- There have been prior year releases on most lines of business, notably on Property classes, both insurance and reinsurance.
- These releases were partially offset by 2% prior year deterioration on casualty reserves, reflecting impacts of excess (including social) inflation.

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Promising investment outlook

2021 Results (£, mn)	2022 Results (£, mn)	2023 Forecast** (£, bn)
1,442mn Investment income	**1,667mn** Investment income	**2.7bn** Investment income forecast
(1,137mn)* Fixed income price variance	**(3,670mn)*** Fixed income price variance	**0.5bn*** Fixed income price and mark-to-market variance
948mn Investment result	**(3,128mn)** Investment result	**>3%** Total investment performance

*Analytically derived
** Assuming market rates move to terminal rates. Subject to financial markets, F/X, and unpredictable economic developments

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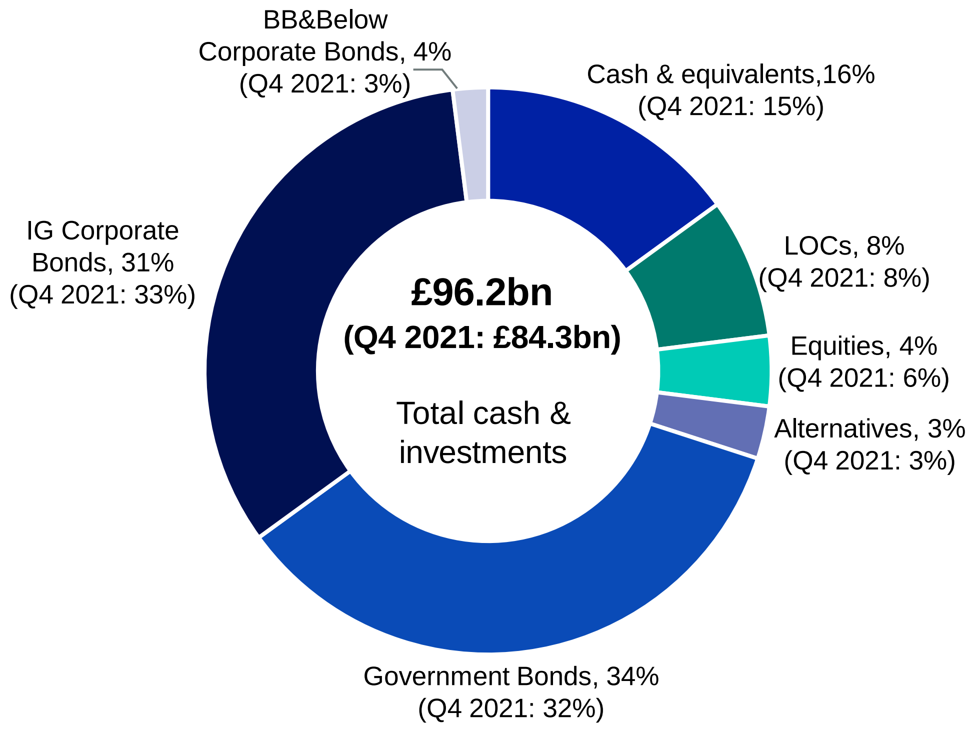
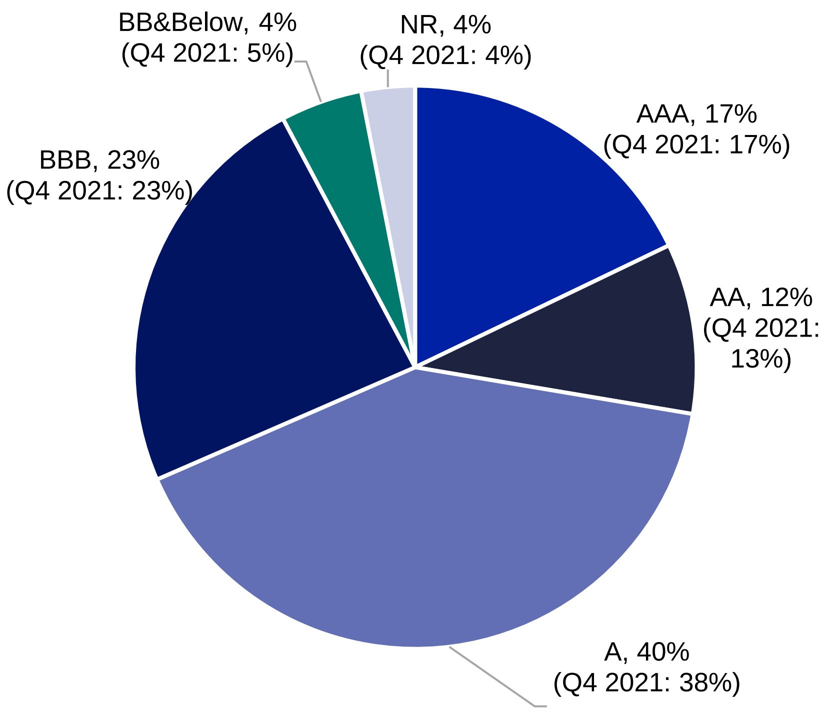
High quality investment portfolio

Conservative asset allocation



High quality corporate bond portfolio



Asset Liability Management

Overall short duration

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Strong balance sheet

2022 Result	2022 vs 2021
181% Market-wide solvency	**+4%**
412% Central solvency ratio	**+24%**
£40.2bn Paid in capital*	**+10%**
£3.5bn** Reserve margin	**+16%**

Financial strength ratings

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

***Total capital, reserves and sub-ordinated loan notes**
****According to the signing actuaries**

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Strong balance sheet

Solvency

412%

Central solvency ratio

181%

Market-wide solvency ratio

2022 vs 2021

+24% **+4%** ↑

- Lloyd's capital and solvency positions remain strong with a market-wide solvency coverage of 181% (FY 2021: 177%) and central solvency coverage of 412% (FY 2021: 388%).
- Both solvency coverage ratios are comfortably above risk appetite levels.
- Net resources stand at £40.2bn despite net loss of £0.8bn

Reserving

£3.5bn

Reserve margin*

2022 vs 2021

+16% ↑

- The signing actuaries have reported a £3.5bn margin in the Syndicate net earned held reserves. This margin represents about 7% of the reserves.
- As per our market policy, we book losses early, like we did for Ukraine and COVID-19. Please see appendix for our reserving policy.
- Ukraine loss estimates on an earned basis of £1.4bn based on probability weighted estimates. 90% of this is IBNR.
- COVID IBNR now sits with £0.7bn (£0.9bn in 2021), which is 22% of the £3.2bn net ultimate loss
- 93% of syndicates (representing 99% of net reserves) explicitly considered the current inflationary environment, with syndicates making an average 2.9% uplift for the heightened inflationary environment (beyond that captured in the historical trends) across all underwriting years

AA-
Fitch Ratings

AA-
KBRA

A+
Standard & Poor's

A
AM Best

*According to the signing Actuaries

Strong underwriting result, resilient capital position and promising investment outlook

Strong underwriting result

Strong pricing conditions

Improving yield environment

High quality balance sheet

2023 Outlook

John Neal, Chief Executive Officer

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2023 Outlook

2022 Actual	2023 Outlook*	
£46.7bn Gross written premium	**£56bn** Gross written premium	**Profitable growth, sustainable performance**
91.9% Combined ratio	**<95%** Combined ratio	**Performance and capital management unabating**
		Continue Blueprint Two delivery
(£3.1bn) Net investment income	**>3%** Total investment performance	**Maintain focus on building an inclusive and high performing culture**

***Subject to financial markets, F/X, unpredictable economic developments, and major losses within normal expected range**

Appendix

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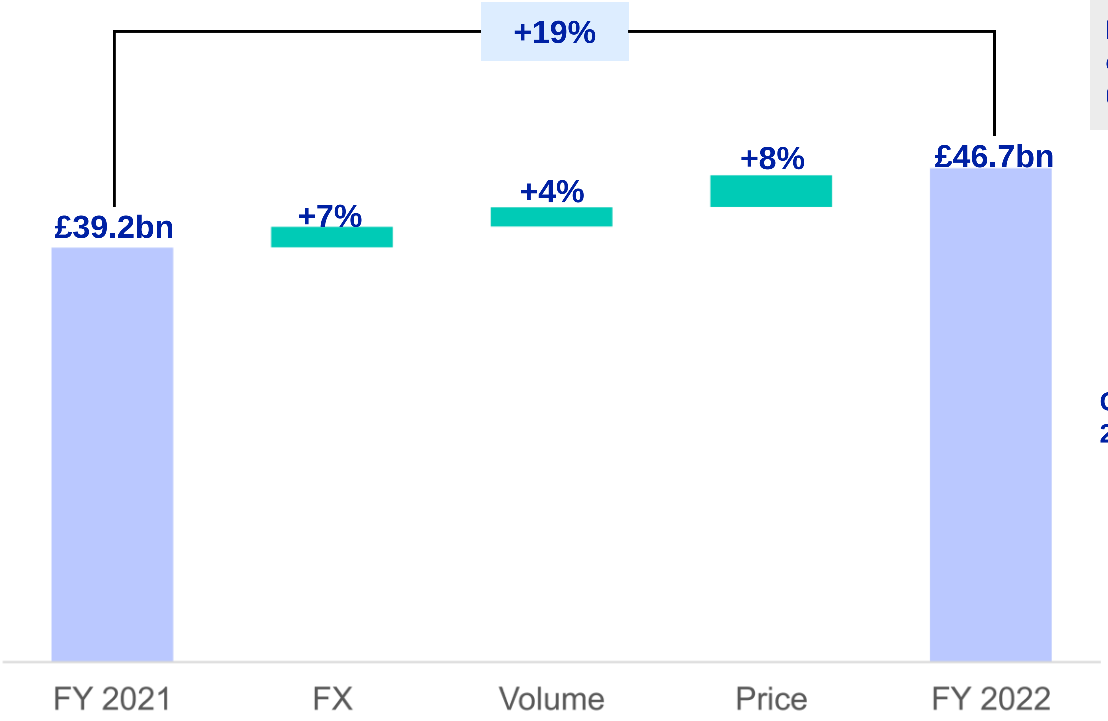
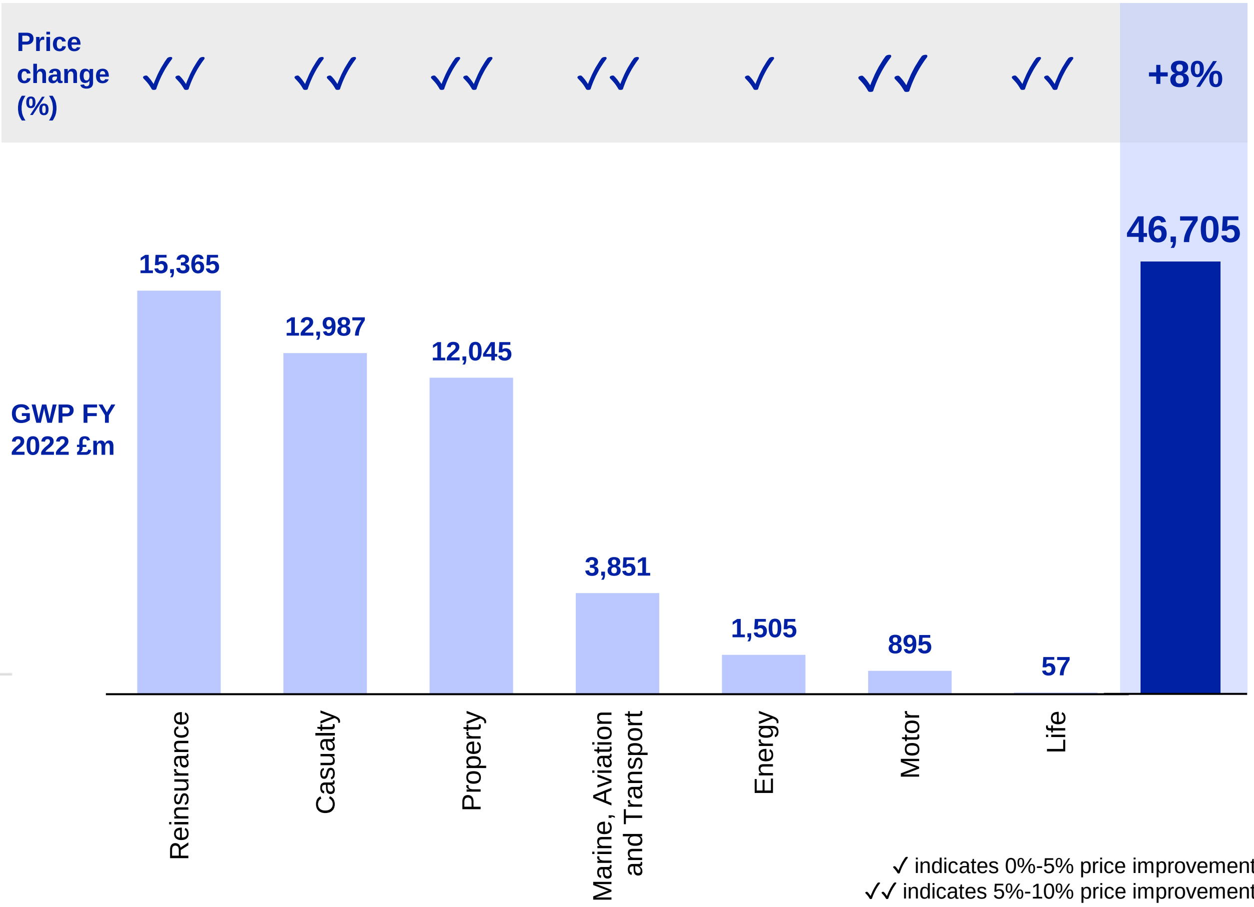
Strong underwriting conditions continue

Premium changes FY 2021 – FY 2022



20 consecutive quarters of positive price improvement



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Lloyd's Market approach to claims reserving

Proactive approach

- Early recognition of how much losses may ultimately cost limits surprises on the balance sheet.
- Probability weighted exposure- based reserving based on full range of scenarios.
- Ensure different outcomes are reflected at appropriate return periods for capital.
- Independent reserve and capital oversight carried out by Lloyd's centrally in conjunction with independent actuarial reserve reviews and model validation.

Ability to manage complex losses

- COVID-19 reserve stable at £3.2bn, including 22% IBNR.
- £1.4bn net reserves for Ukraine losses, where IBNR makes up 90% of the net ultimate loss estimate.
- Established process for getting a deep understanding of major events and uncertainties. We are well versed in dealing with complexity.

Reserve margins and capital to reflect uncertainty

- 3.6% prior year reserve release in 2022.
- Margins are strong enough to digest unexpected claims movement such as inflation.
- Central and Syndicate capital setting includes variety of event outcomes and oversight process checks capitalisation is adequate.

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Major losses

Largest net losses (£bn)	FY 2021	FY 2022
Hurricane Ian	-	2.0
Ukraine losses	-	1.4
Eastern Australia floods	-	0.3
Winter Storm Elliot	-	0.2
Hurricane Ida	1.5	-
Winter Storm Uri	0.8	-
Other	0.7	0.2
Total	**3.0**	**4.1**
Major Claims as a % of NEP	**11.2%**	**12.7%**
Nat cat ratio	**11.2%**	**8.4%**

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19% profitable growth with a 91.9% combined ratio

£m	FY 2020	FY 2021*	FY 2022
Gross written premium	35,466	39,216	46,705
Net earned premium	25,876	26,657	32,458
Net incurred claims	(18,929)	(15,440)	(18,655)
Operating expenses	(9,623)	(9,476)	(11,162)
Underwriting result	**(2,676)**	**1,741**	**2,641**
Net investment income	2,268	948	(3,128)
Other expenses, net	(374)	(478)	(440)
Foreign exchange gains	(105)	66	158
Profit/(loss) before tax	**(887)**	**2,277**	**(769)**
Loss ratio	**73.1%**	**58.0%**	**57.5%**
Attritional losses	51.9%	48.9%	48.4%
Prior year development	(1.8%)	(2.1%)	(3.6%)
Major claims	23.0%	11.2%	12.7%
Expense ratio	**37.2%**	**35.5%**	**34.4%**
Admin expense ratio	11.1%	11.5%	11.0%
Acquisition cost ratio	26.1%	24.0%	23.4%
Combined ratio (excluding COVID-19)**	**97.0%**	**93.5%**	**91.9%**

***FY 2021 Restated**
****FY 2020 stated 110.3% including COVID-19**

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Balance Sheet

£m	FY 2021	FY 2022
Cash and investments	83,998	95,872
Reinsurers' share of unearned premiums	4,076	4,847
Reinsurers' share of claims outstanding	24,208	29,408
Other assets	25,873	31,403
Total assets	**138,155**	**161,530**
Gross unearned premiums	(19,074)	(23,228)
Gross claims outstanding	(67,800)	(80,905)
Other liabilities	(14,728)	(17,192)
Net resources	**36,553**	**40,205**
Member assets	33,480	37,100
Central assets	3,073	3,105

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