

# 2011 INTERIM RESULTS

21 September 2011

# Overview

- High incidence of major catastrophes have made 2011 the costliest first half year on record for the insurance industry
- Exposures have been within our risk tolerances and Lloyd's is well capitalised
- Rates have been improving in loss affected areas, but other areas remain challenging
- Lloyd's continues to make good progress on strategic objectives

# Large claims impact results...

£m	June 2011	June 2010	Dec 2010
Gross written premiums	<b>13,534</b>	13,490	22,592
Combined ratio	<b>113.3%</b>	98.7%	93.3%
Investment return <sup>1</sup>	<b>548</b>	597	1,258
Result before tax	<b>(697)</b>	628	2,195
Return on capital (pre-tax) <sup>2</sup>	<b>(8.1%)</b>	7.0%	12.1%

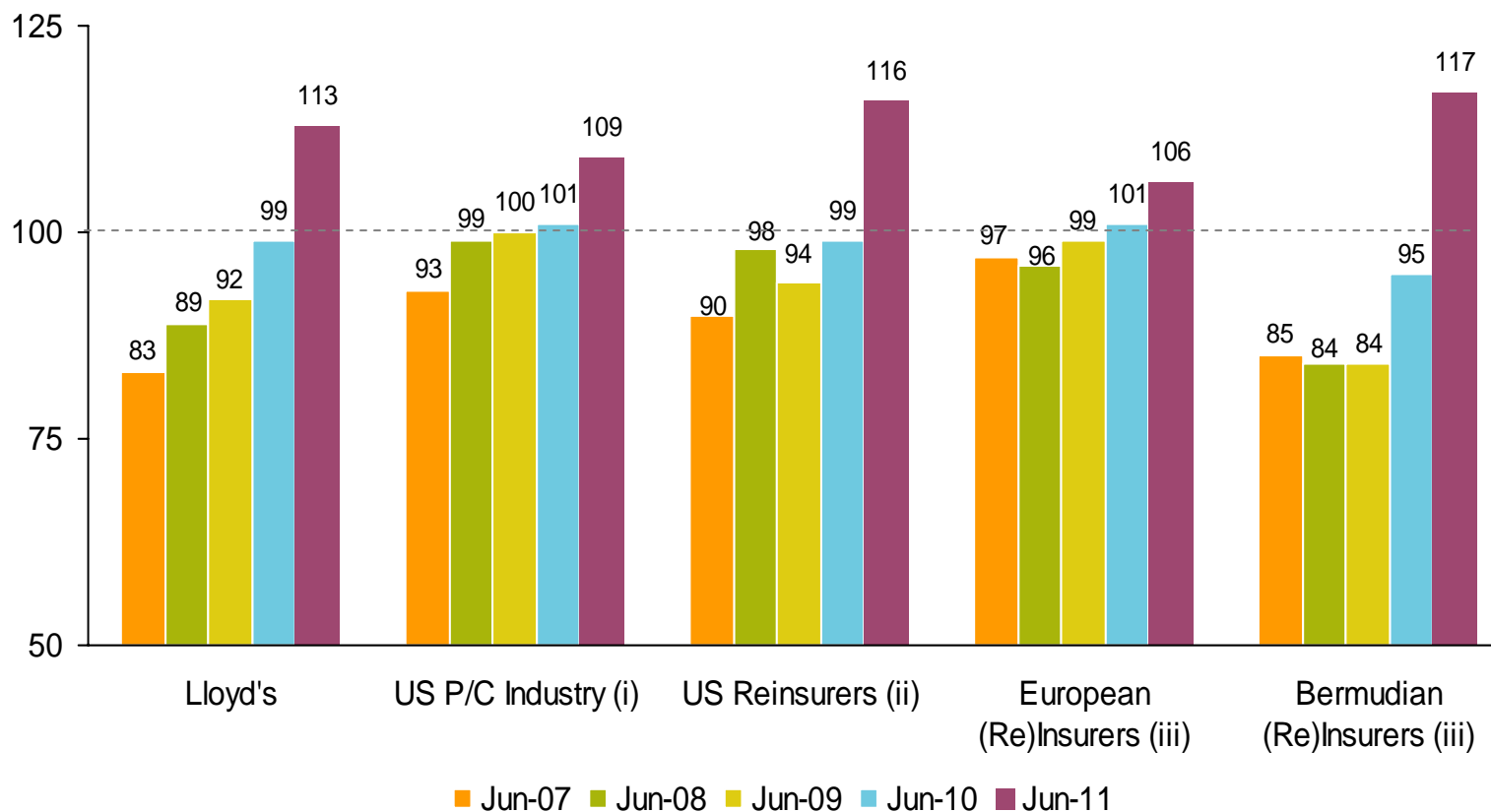
Source: Lloyd's pro forma financial statements

Notes: 1) Return on syndicates' assets, members' funds at Lloyd's and central assets, 2) Half year RoC annualised

# ...and combined ratios across the industry

## Combined ratio

%



Sources: i) Insurance Information Institute estimate, ii) Reinsurance Association of America, iii) Company data (8 European companies; 18 Bermudian companies)

# **FINANCIAL RESULTS**

## Loss for the interim period driven by ...

£m	June 2011	June 2010	% change	Dec 2010
Gross written premiums	<b>13,534</b>	13,490	0	22,592
Net earned premiums	<b>8,546</b>	8,285	3	17,111
Net incurred claims	<b>(6,697)</b>	(5,403)	24	(10,029)
Net operating expenses <sup>1</sup>	<b>(2,987)</b>	(2,775)	8	(5,939)
Underwriting result	<b>(1,138)</b>	107	-	1,143
Investment return <sup>2</sup>	<b>548</b>	597	(8)	1,258
Other income / expenses <sup>3</sup>	<b>(107)</b>	(76)	41	(206)
Result before tax	<b>(697)</b>	628	-	2,195
Combined ratio	<b>113.3%</b>	98.7%	-	93.3%

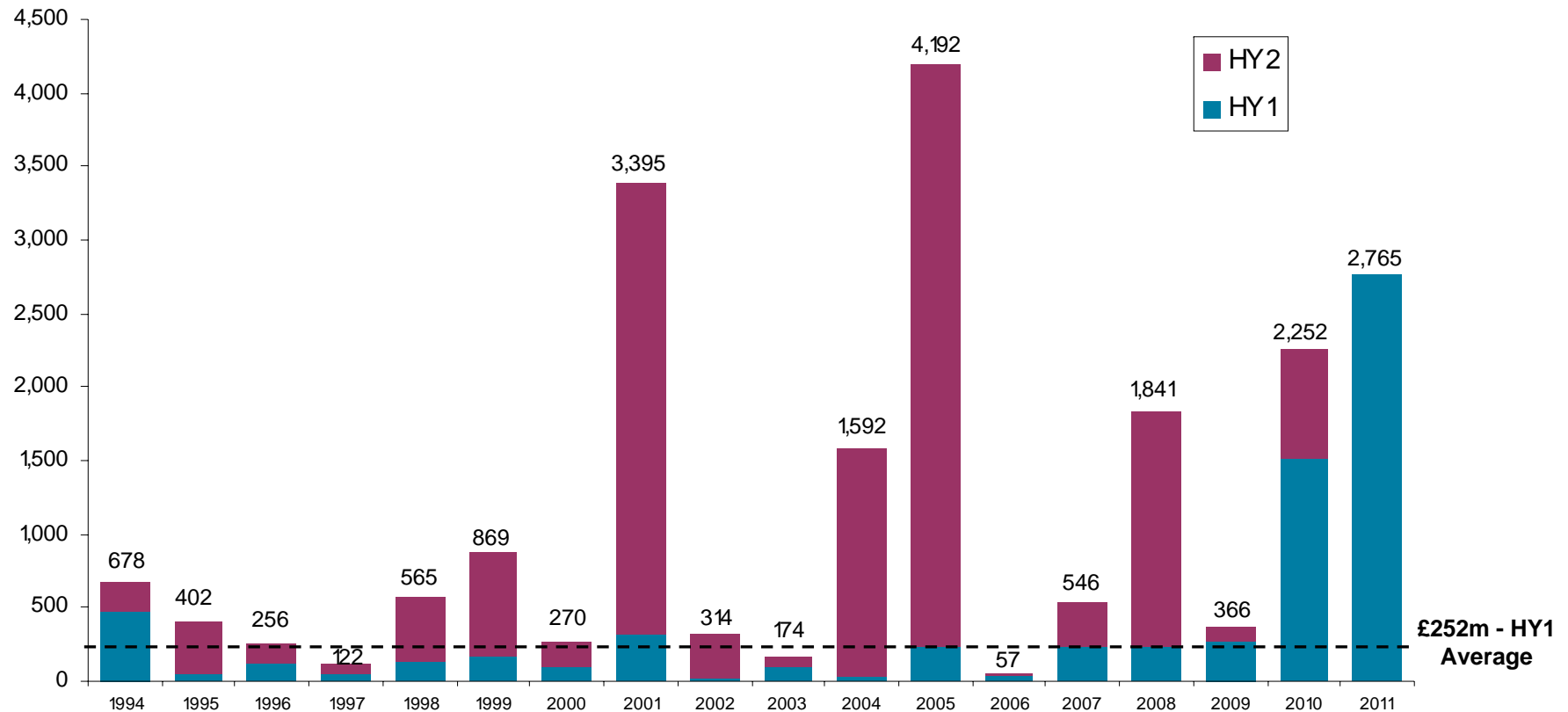
Source: Lloyd's pro forma financial statements

Notes: 1) Technical account 2) Return on syndicates' assets, members' funds at Lloyd's and central assets 3) Non-technical account

# ... an unprecedented level of catastrophes ...

## Lloyd's Major Claims Net Ultimate Claims

£m

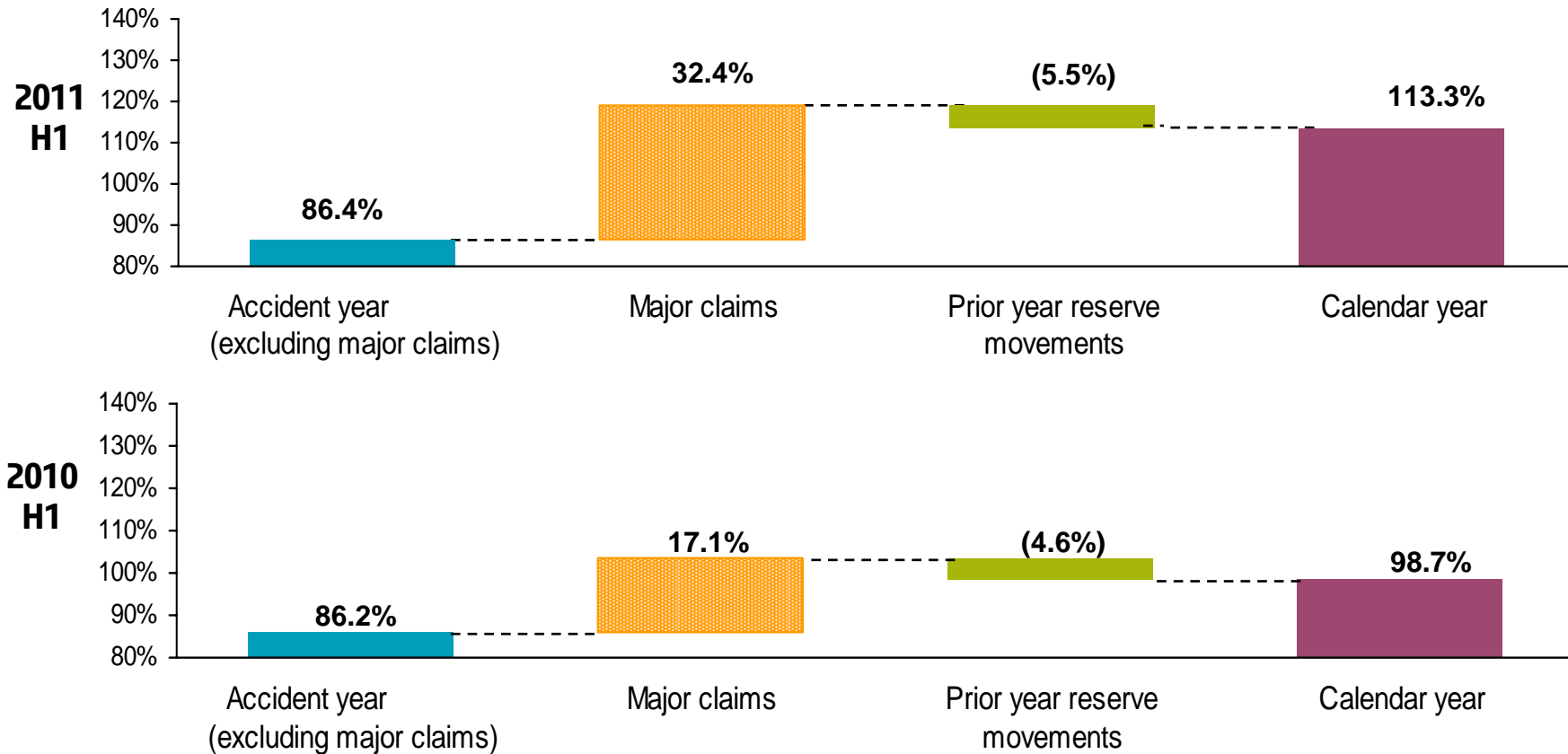


Source: Lloyd's pro forma financial statements

Indexed to June 2011

# ... with little movement in other elements of the combined ratio

## Combined Ratios



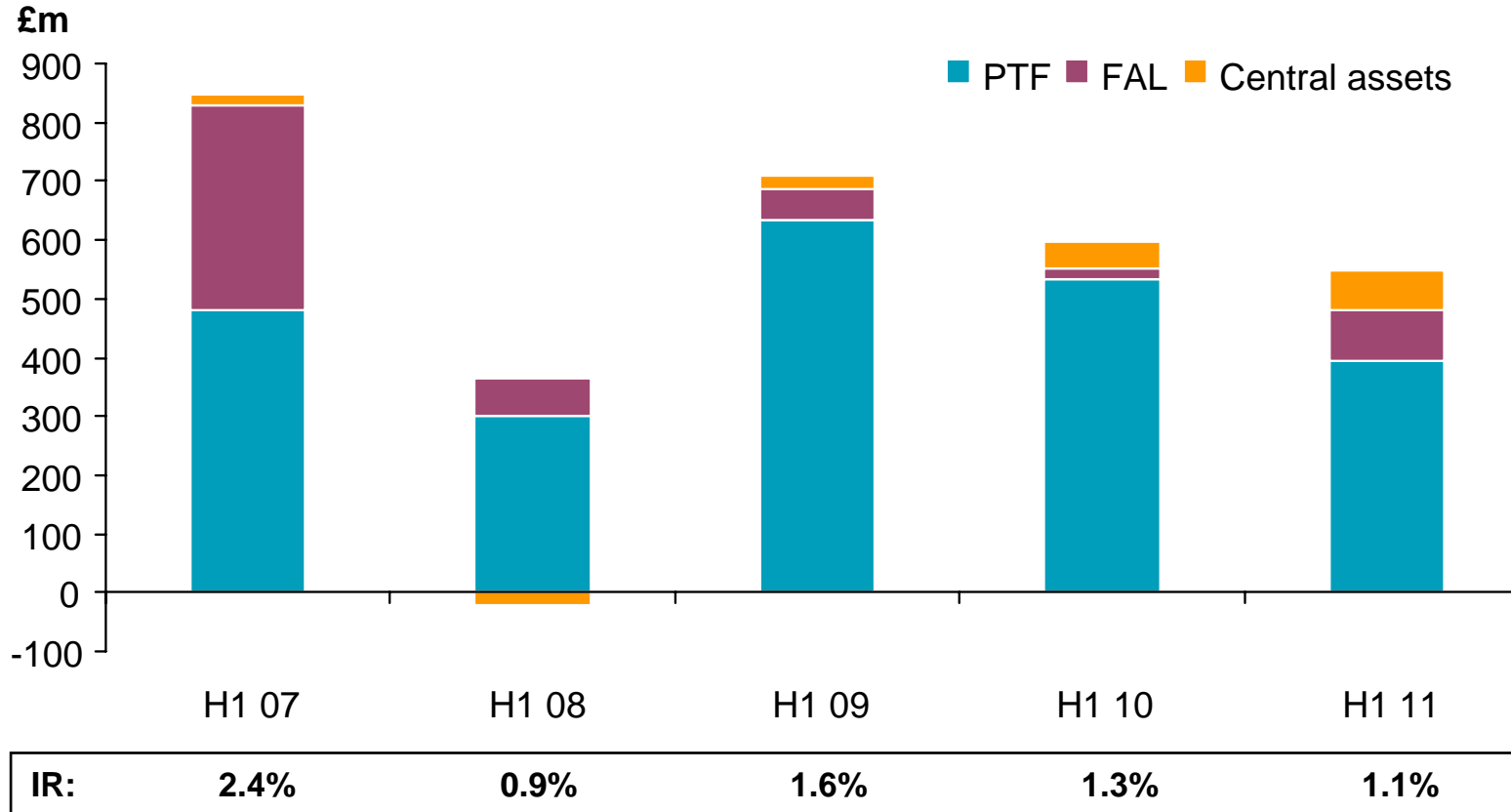
Source: Lloyd's pro forma financial statements



# **INVESTMENT PERFORMANCE**

# Contribution from investments in the first half was modest, but still above expectations

## Investment Return

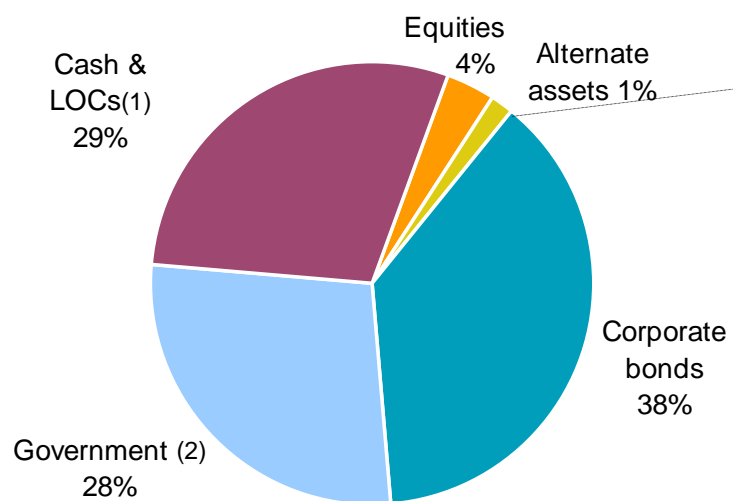


Source: Lloyd's pro forma financial statements

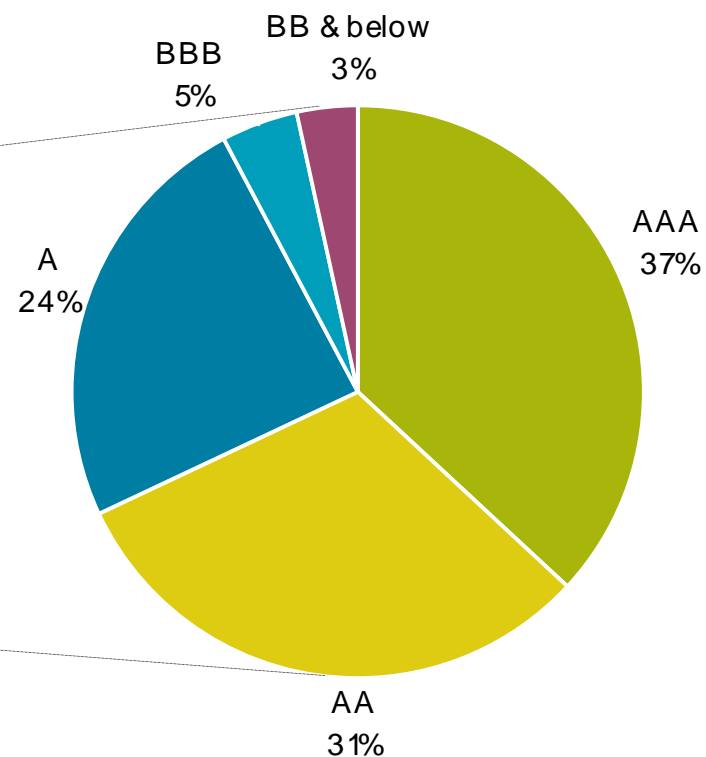
Note: FAL - Members' Funds at Lloyd's; PTF - Syndicate Premium Trust Funds

# Lloyd's investments continue to be held in cash and investment grade bonds...

## LLOYD'S MARKET INVESTED ASSETS



## CORPORATE BONDS



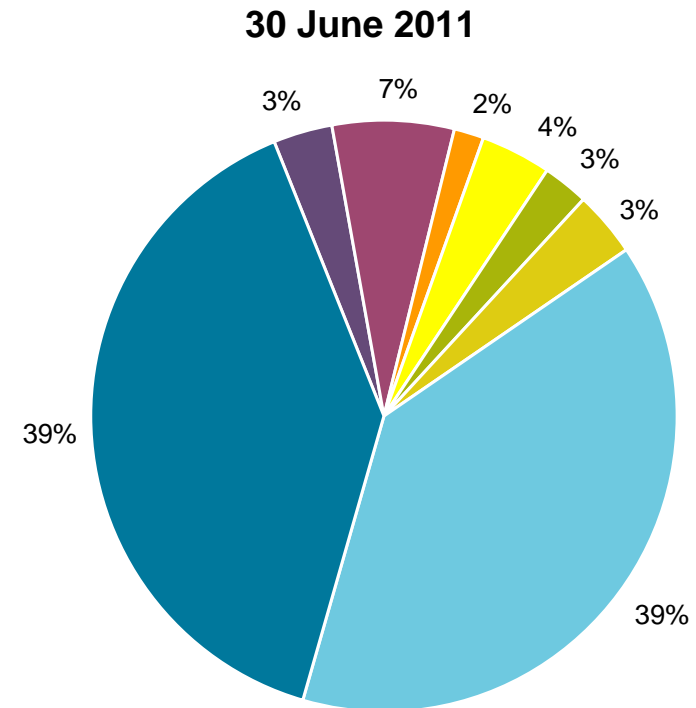
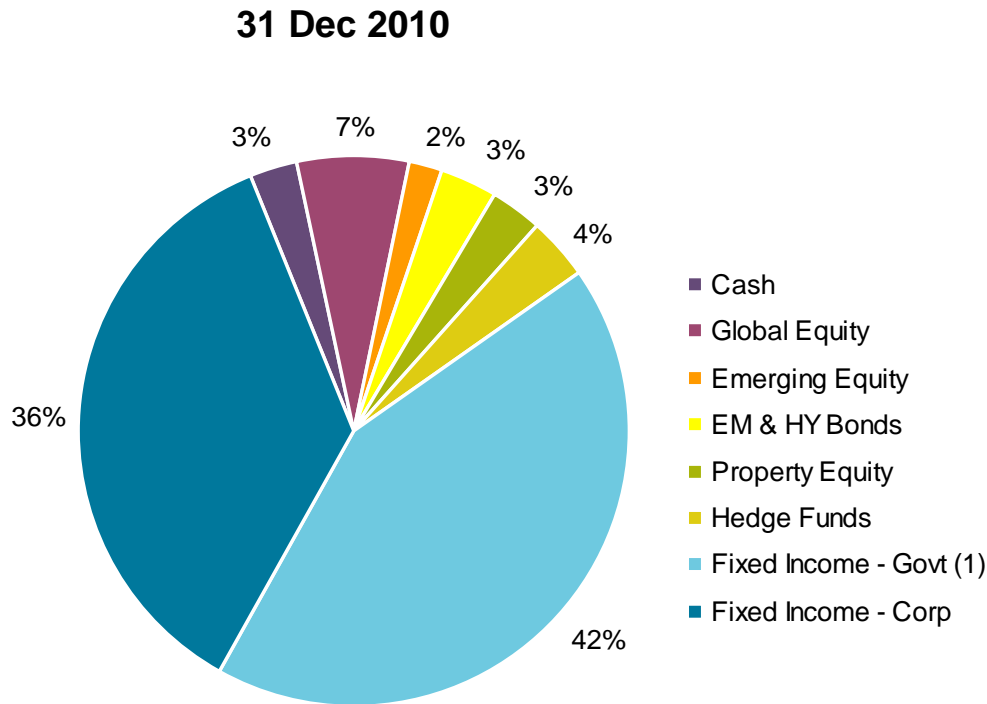
Source: Lloyd's pro forma financial statements

Notes: 1) Letters of credit & bank guarantees 2) Includes supra-nationals and government agencies

# ... and bond exposures continue to dominate Central Fund disposition

## CENTRAL FUND DISPOSITION

Bond portfolios 78% of CF



Source: Lloyd's pro forma financial statements

Notes: 1) Includes supra-nationals and government agencies

# BALANCE SHEET

# Net resources remain strong ...

£m	June 2010	Dec 2010	June 2011	%
Cash and investments	47,593	48,483	<b>48,475</b>	0
Reinsurers' share of technical provisions	12,004	10,237	<b>12,906</b>	26
Other assets	14,625	11,890	<b>14,886</b>	25
Total assets	74,222	70,610	<b>76,267</b>	8
Unearned premiums	(12,535)	(10,125)	<b>(12,677)</b>	25
Other liabilities	(43,148)	(41,364)	<b>(46,233)</b>	12
Net resources <sup>1</sup>	18,539	19,121	<b>17,357</b>	(9)
<i>Represented by:</i>				
Members assets <sup>2</sup>	16,307	16,744	<b>14,885</b>	(11)
Central assets <sup>3</sup>	2,232	2,377	<b>2,472</b>	4
	18,539	19,121	<b>17,357</b>	(9)

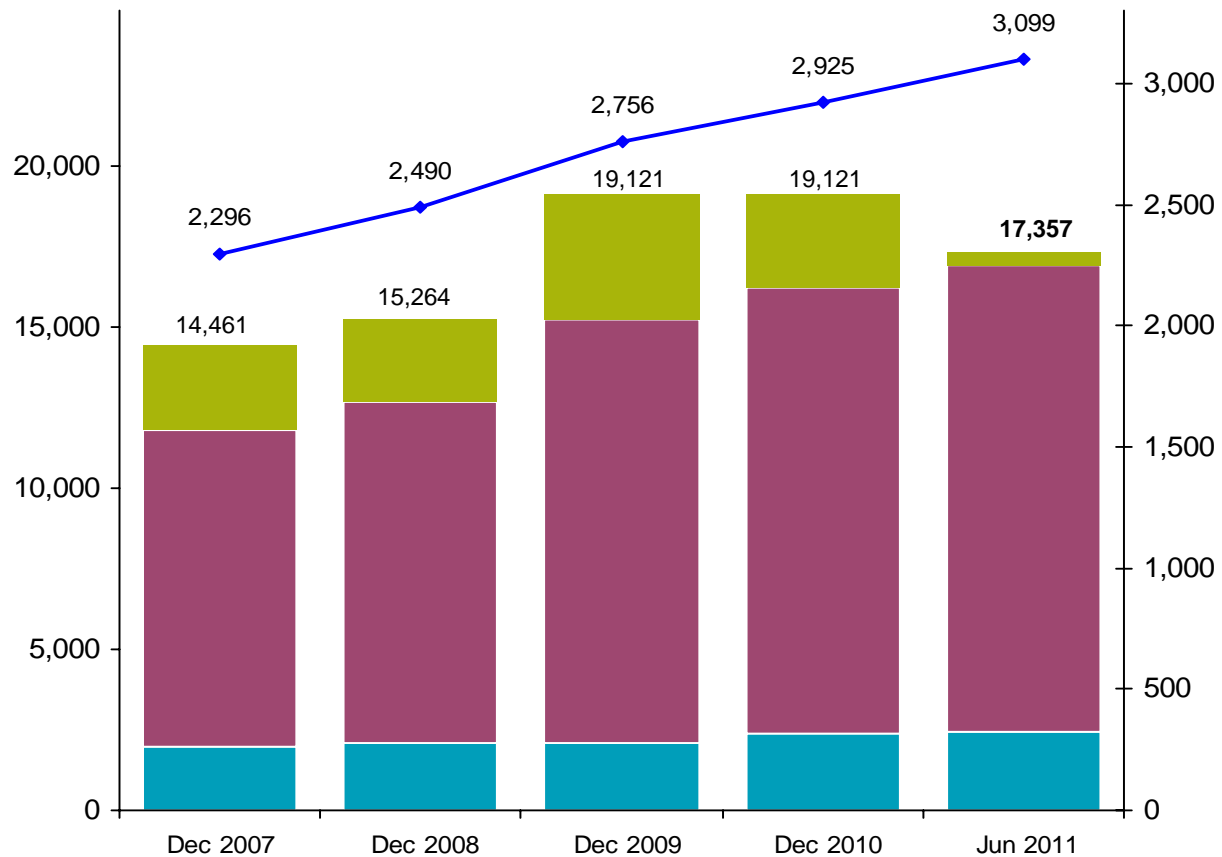
Source: Lloyd's pro forma financial statements

Notes: 1) Capital, reserves, subordinated loan notes and securities 2) Includes syndicate balances and funds at Lloyd's

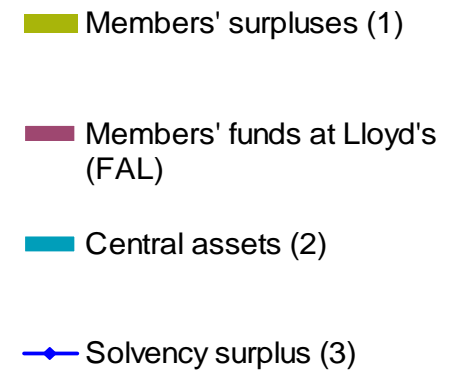
3) Stated on a UK GAAP basis, excludes subordinated debt liabilities

# ... with solvency coverage and central assets at record levels

**Balance Sheet £m**



**Solvency surplus £m**



Source: Society of Lloyd's & pro forma financial statements

Notes: 1) Net surplus held at syndicate level 2) Excludes callable layer and subordinated debt liabilities 3) Shown net of solvency deficits

# **SUMMARY**



## In a difficult environment ...

- Costliest first half year on record for the insurance industry
- Challenging financial markets environment
- Surplus capital in the insurance industry continues to put pressure on rates

**... Lloyd's in a strong position to meet these challenges**

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