LLOYD'S

Investor Roadshow

2022

Sharing risk to create a braver world

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Agenda

2022 Half Year Results

Strong underwriting result in an uncertain world

Sustainable performance

- Strong half year underwriting profit of £1.2bn and combined ratio of 91.4%.
- Attritional loss ratio of 48.9% demonstrating consistent, sustainable performance.
- Expense ratio of 35.4% continues to improve (0.4% since HY 2021 and a 3.9% improvement since HY 2018).
- Net investment loss of £3.1bn driven by mark-to-market losses as interest rates rise.
- Investment result will resolve in the short term, presenting opportunity to benefit from improved profits.

Profitable growth

- GWP growth of 17% with premiums rising to £24.0bn.
- 7.7% average price change, with pricing more reflective of risks underwritten and inflationary pressures.
- 4.7% organic growth from syndicates and 5.0% foreign exchange benefit.
- Continued sustainable underwriting performance enables the market to grow through 2022 and 2023.

Resilient capital

- Exceptionally strong capital position, with further improvement made at HY 2022.
- Increased central solvency coverage ratio to 395%.
- Increased market wide solvency coverage ratio to 179%.
- Early, realistic reserving with £1.1bn net set aside for Ukraine-related losses.
- Strong ratings maintained with all four rating agencies.

Macro environment

- Volatile environment following COVID-19, conflict in Ukraine and impact of climate change.
- Inflation and cost of living crisis taking hold.
- Supporting Lloyd's customers and people remains paramount.
- Opportunity to demonstrate the insurance industry's vital role in providing customers with confidence and protection in times of challenge.

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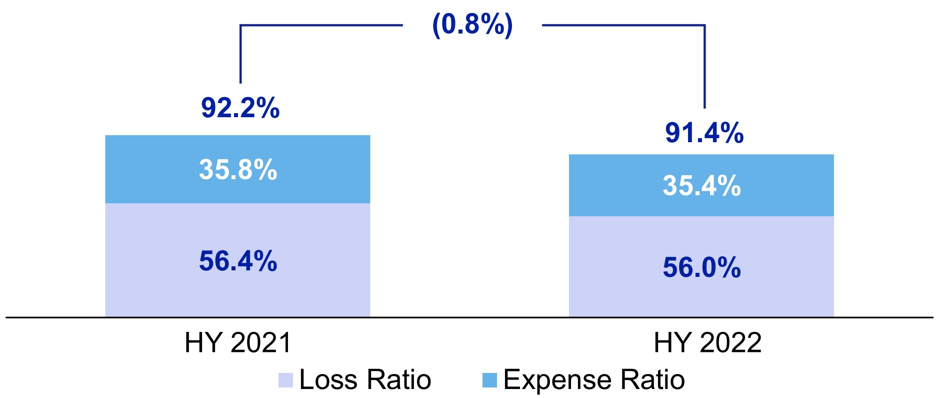
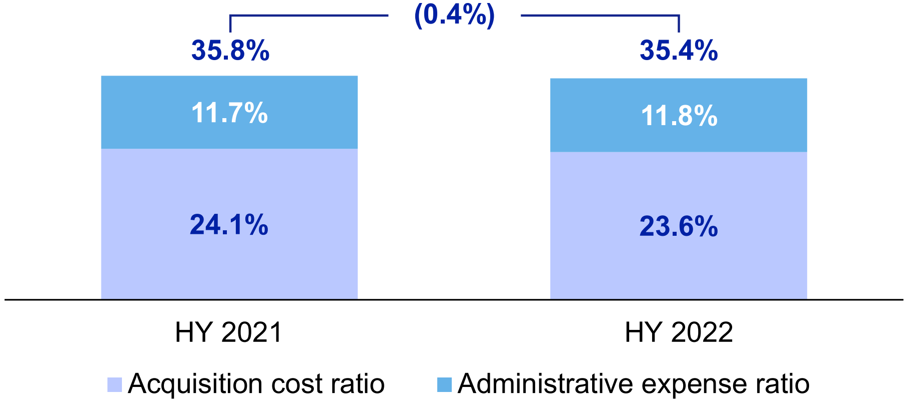
Continued sustainable performance and profitable growth

Gross written premium growth

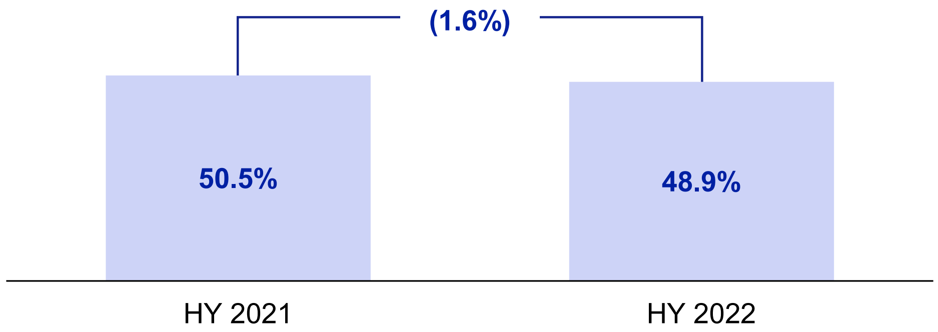
Combined ratio



Expense ratio

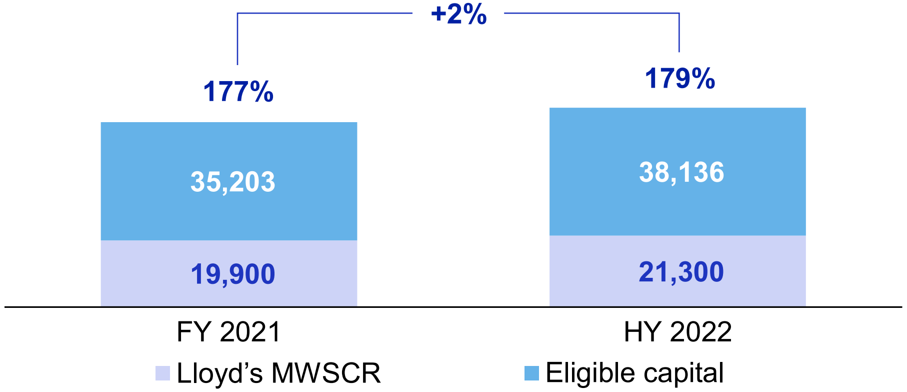


Attritional loss ratio

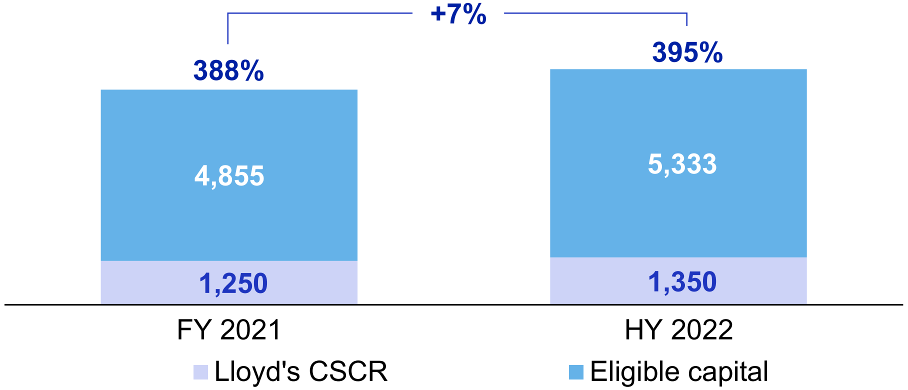


Solid balance sheet and positive investment outlook

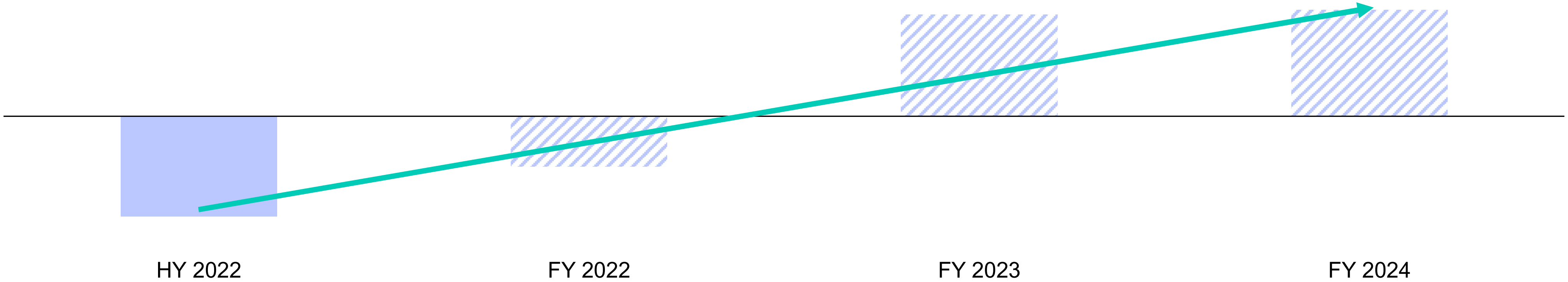
Market wide solvency coverage ratio (£m)



Central solvency coverage ratio (£m)



Positive investment forecast for 2023-2024



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Our framework to ensure long term sustainability

Ratings as at July 2022

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	→ **Inclusion** KPI: Women in leadership positions, ethnic minorities in leadership positions, hiring of ethnic minorities.	

Sustainable/at target

Non critical status but needs improvement

Critical status, not sustainable

↑ Trend

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2022 Half Year Results

Sustainable underwriting performance

Solid pricing conditions

Attractive yield environment

High quality balance sheet

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17% profitable growth with a 91.4% combined ratio

£m	HY 2021	HY 2022	Change
Gross written premium	20,465	24,035	+17%
Net earned premium	12,362	14,143	+14%
Net incurred claims	(6,968)	(7,916)	(14%)
Operating expenses	(4,431)	(5,010)	(13%)
Underwriting result	**963**	**1,217**	**+26%**
Net investment income	628	(3,122)	(597%)
Other expenses, net	(226)	(184)	+19%
Foreign exchange gains	67	288	+330%
Profit/(loss) before tax	**1,432**	**(1,801)**	**(226%)**
Loss ratio	**56.4%**	**56.0%**	**(0.4%)**
Attritional losses	50.5%	48.9%	(1.6%)
Prior year development	(0.9%)	(2.8%)	(1.9%)
Major claims	6.8%	9.9%	+3.1%
Expense ratio	**35.8%**	**35.4%**	**(0.4%)**
Admin expense ratio	11.7%	11.8%	+0.1%
Acquisition cost ratio	24.1%	23.6%	(0.5%)
Combined ratio	**92.2%**	**91.4%**	**(0.8%)**

17% profitable growth with a 91.4% combined ratio

Great underwriting result

- A great underwriting result demonstrating continued sustainable performance.
- Challenging year of difficult market conditions owing to inflation, the invasion of Ukraine and rising interest rates.
- Underwriting profit improved once again to £1.2bn (HY 2021: profit of £1.0bn).
- Reported combined ratio of 91.4% (HY 2021: 92.2%), a 0.8% improvement on HY 2021 and the strongest reported combined ratio since 2015.

Profitable growth

- Gross written premiums have increased by 12.4% to £24.0bn (HY 2021: £20.5bn) excluding FX.
- Encouraging market growth with an increase in volume of 4.7%.
- Prices continue to increase for the fifth consecutive year with an aggregate price increase of 7.7%.

Expense management

- Further progress made on expenses with a reduction from 35.8% at HY 2021 to 35.4% at HY 2022.
- Execution of our digital programme by design will continue to reduce expenses.
- The Future at Lloyd's is on track to deliver further savings over the next three years.

Investments

- Overall our investment loss is £3.1bn of which approximately £2.6bn stems from the mark-to-market losses on fixed income.
- The accounting loss at HY 2022 will unwind in the near term.
- With our prudent asset allocation, our high-quality bond portfolio and our short asset duration, we are positioned for uncertainty of the current economic environment.

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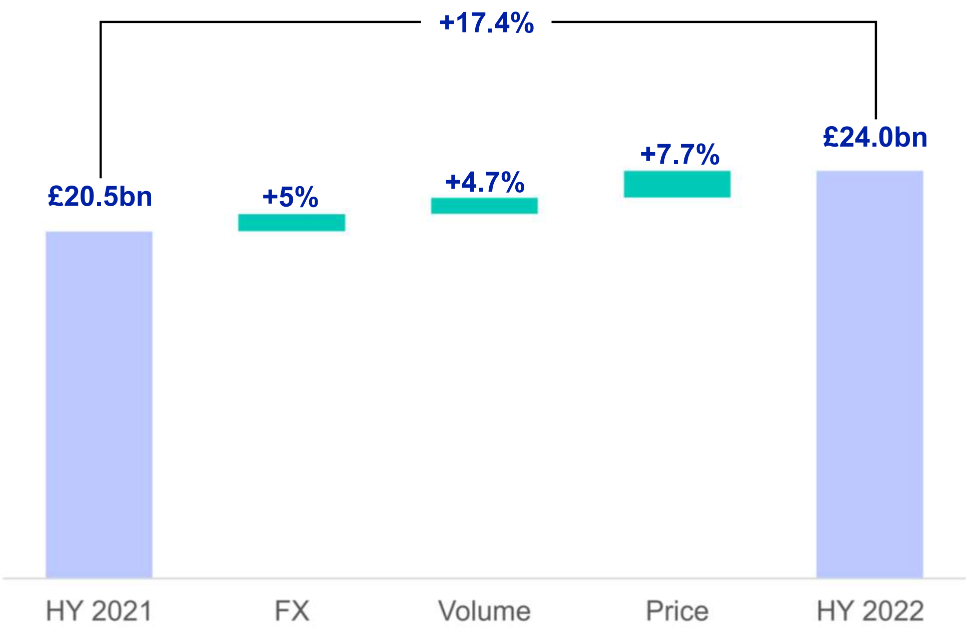
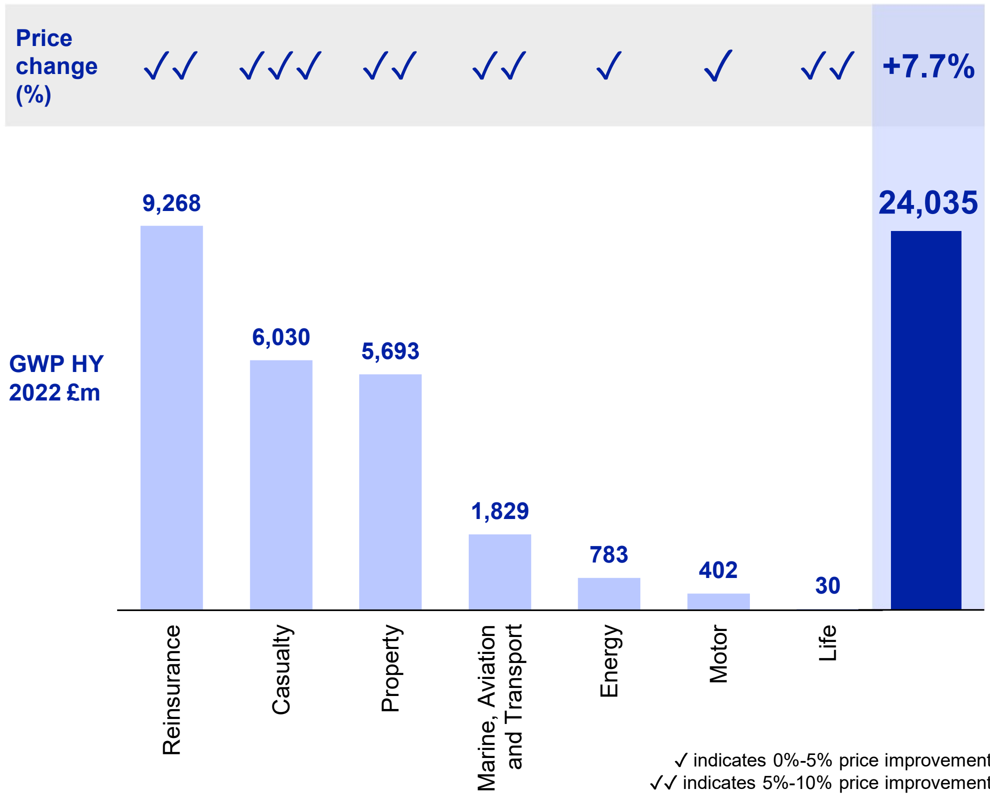
Continued growth supported by strong pricing environment

Premium changes HY 2021 – HY 2022



19 consecutive quarters of positive price improvement



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

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Continued growth supported by strong pricing environment

Premium changes

- HY 2022 gross written premiums of £24.0bn represent a 17.4% increase over the same period in 2021, and 12.4% excluding FX.
- Importantly, we not only grew in price, but also the volume of our book by 4.7% and delivered a highly competitive combined ratio.

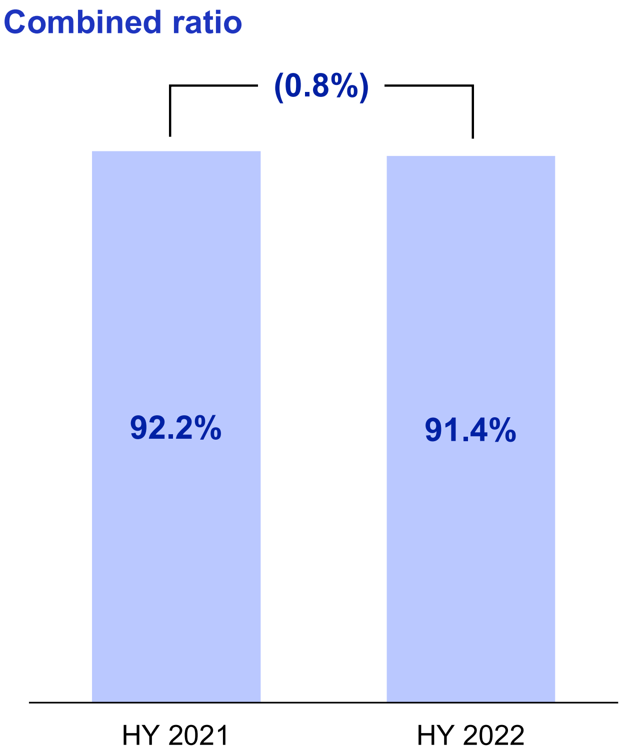
Pricing environment

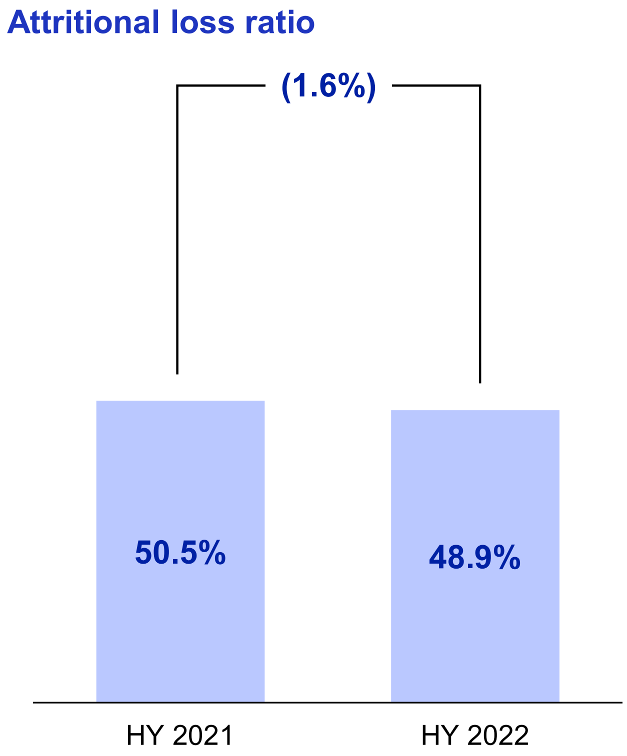
- The strong pricing environment seen in 2021 has continued into 2022, with an aggregate price increase of 7.7%.
- Strong price improvement where needed in classes such as cyber, contingency and in parts of the property book.
- Growth seen across the majority classes of business from HY 2021 to HY 2022.

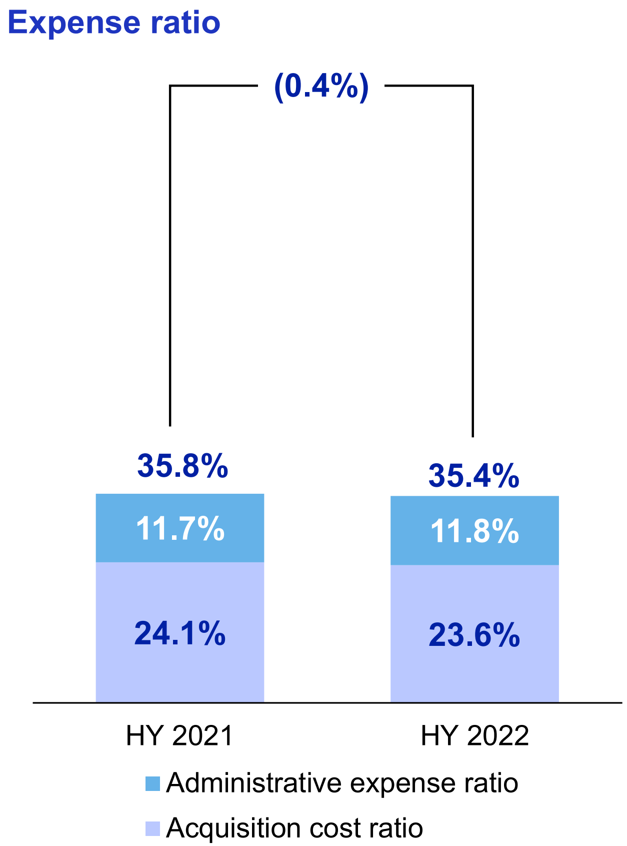
Outlook

- The level and trend of inflation across the world is challenging, and we must protect our book against inflationary impacts by reflecting inflation in pricing throughout 2022 and into 2023.
- Price increases are expected to continue throughout 2022.

Strong underwriting result in an uncertain world







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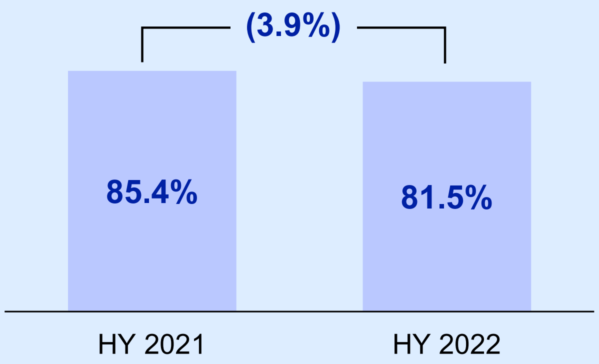
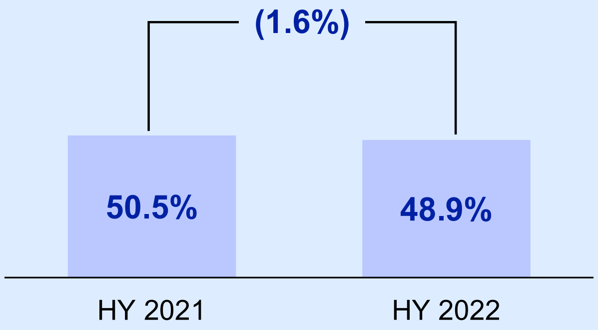
Strong underwriting result in an uncertain world

Underlying combined ratio



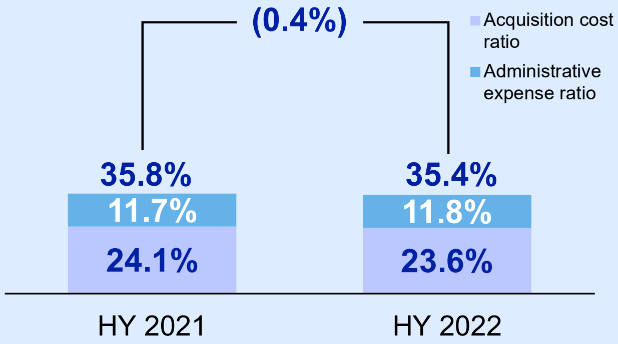
- The underlying combined ratio[1] improved by 3.9 percentage points to 81.5% at HY 2022 despite inflationary impacts of roughly £1bn.

Attritional loss ratio



- The attritional loss ratio is down from 50.5% at HY 2021, to 48.9% at HY 2022, as we see continued underwriting improvement despite inflation.

Expense ratio



- Expense ratio has improved 0.4 percentage points to 35.4%, compared with 35.8% at HY 2022. This is driven by a 0.5 percentage points improvement in the acquisition cost ratio.

[1] Underlying combined ratio defined as the combined ratio excluding major claims.

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Our approach to claims reserving

Proactive reserving approach

- Early recognition of how much losses may ultimately cost.
- Probability weighted exposure based reserving.
- Limits surprises on the balance sheet.
- Independent reserve oversight carried out by Lloyd's centrally in conjunction with independent actuarial reserve reviews.

Managing complex losses

- COVID-19 reserve stable at £3.2bn, including 27% IBNR after two years.
- £1.1bn net reserves for Ukraine losses.
- IBNR makes up 94% of the net ultimate loss estimate.
- Deep understanding of issues and we are well versed in dealing with complexity.

Allowance for inflation

- 65% of syndicates have explicitly adjusted reserves for inflation.
- Further 25% have made explicit considerations with no uplift.
- The average syndicate uplift in the reserves for inflation is 2.3%, on top of pre-existing allowance for historical levels of inflation.
- This is the amount held across the current and prior years for inflation expectations being higher than historical levels.

Reserve margins are held to reflect uncertainty

- Track record of prior year reserve releases of 2.3% over 5 years.
- 2.8% prior year reserve release in the first half of 2022.
- Margins are strong enough to digest latent claims movement such as social inflation.

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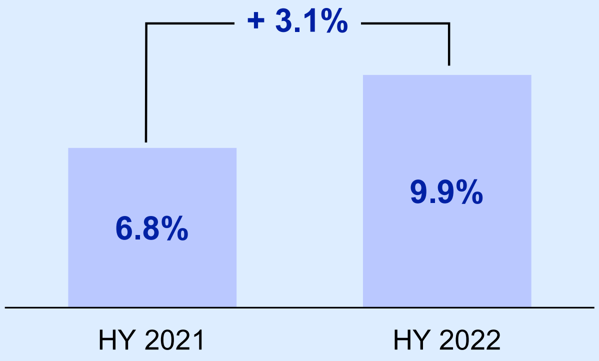
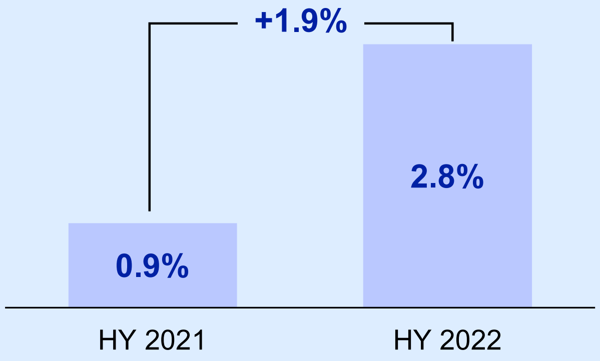
Our approach to claims reserving

Major Claims



Prior Year Release

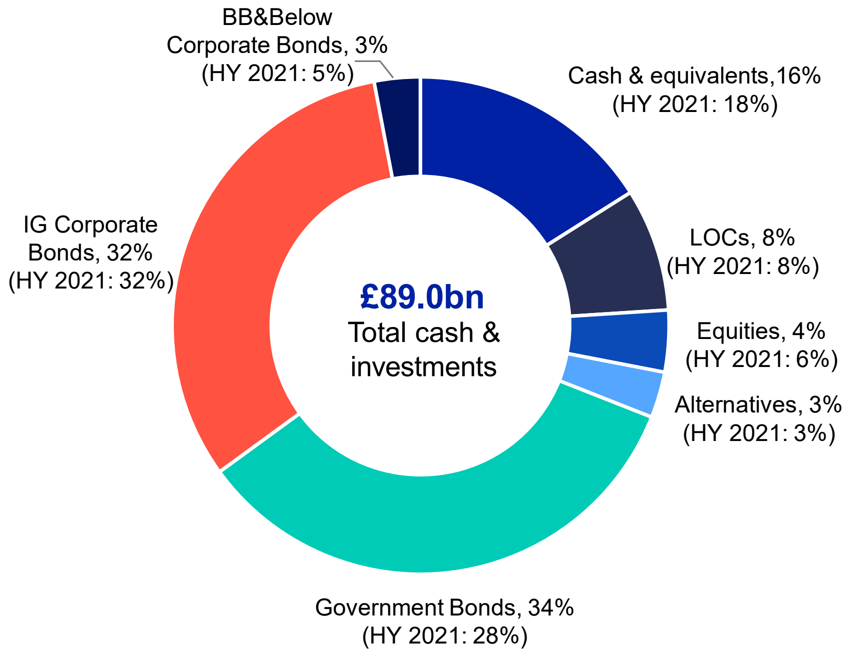


- Major claims experienced a 3.1 percentage point deterioration to 9.9% driven by estimated Ukraine losses.
- The market has reserved £1.1bn net for customers impacted by the conflict in Ukraine.
- We expect the conflict in Ukraine to be a major but financially manageable event for the market in 2022, and there are no concerns for capital or solvency at a Lloyd's or syndicate level.

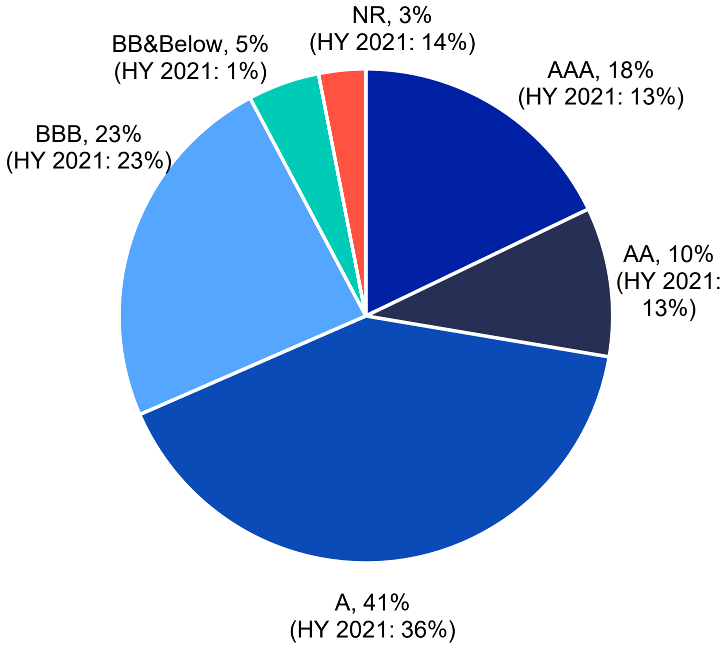
- Reserve releases of 2.8%, a 1.9 percentage point improvement, despite some partial offsetting from the heightened inflationary environment.
- We continue to maintain a strong reserve position that results in continued reserve releases.
- We take a proactive and conservative approach to reserving as demonstrated by our stable COVID-19 ultimate loss estimates.

Conservative positioning for current economic environment

Conservative asset allocation



High quality corporate bond portfolio



Short duration to protect capital with rising yields

	Duration		
	Asset	Liability	
	1.8 years	4 years	
Impact on surplus capital (Sensitivity +100bps)	(£1.6bn)	(£1.938bn)	**Surplus capital +£338m**

Conservative positioning for current economic environment

Prudent asset allocation

- Conservatively positioned portfolio is well placed to weather uncertainty and an increasing interest rate environment.
- 69% of assets are in fixed income of which circa 50% are in government bonds.
- Market positioning remains conservative with 10% allocated to growth assets (-4% YoY).

High quality bond portfolio

- The risk of losses remains low given the high credit quality, low duration portfolio.
- The average rating of the fixed income portfolio is AA with 96% of fixed income assets rated as investment grade.
- Downgrades of investment grade corporate issuers remains low despite high inflation and increased borrowing costs.

Short duration to protect capital with rising yields

- This short duration protects capital as the discount effect on liabilities is larger than the devaluation of the fixed income portfolio.
- Economically, the rate increases will increase capital in the Lloyd's market due to the short duration positioning of market fixed income assets.

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Impact of the favourable yield environment

Boosting our profitability by over £1bn

180bps rate ↑

240bps yield ↑

Fixed income **£60.6bn**

Total assets **£89.0bn**

Future P/L impact
Increase of at least **£1.1bn**, more than circa **£4bn** per year

Creating account noise

£m	HY 2021	HY 2022	Commentary
Current investment income	480	620	▪ Contains mainly coupon and dividend income ▪ Provides cash flow to settle claim
Fixed income price variance	(300)	(2,650)	▪ Represent an adjustment to make financial statements comparable ▪ No cash impact ▪ Unwind over the next three years to reflect current rates in the P/L
Strategic asset price variation	440	(1,090)	▪ Market price corrections of the equity markets ▪ Mark-to-market adjustment indicates potential cash-flow impact if sales happen
Investment income	**620**	**(3,120)**	▪ Current rate adjusted income

Analytical outlook

£3bn
per year until 2025

£2.6bn
profit over 36 months

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Impact of the favourable yield environment

Investment outlook improved significantly

- Unrealised mark-to-market losses are projected to unwind fully over the near term as the fixed income asset prices move towards their known face value at maturity (based on current yield curves).
- With yields forecast to rise significantly by 2024, projected income from fixed income assets is set to double over 2 years, resulting in an aggregate investment income from the market projected to exceed £3bn.
- Short duration positioning in an increased rate environment has resulted in a 27% increase in investment income YoY.
- While the S&P 500 is down ~17% YTD, the index is still ~73% higher than COVID-19 lows and ~17% higher than pre-COVID levels.
- As at 30th August 2022, cash income received from investments (coupons, dividends etc.) is estimated to be £928m, while strategic assets are estimated to have recovered by £238m since HY 2022. However, yield increases in August present short-term challenges for fixed income price movements.

Accounting losses recorded under UK GAAP

- The investment loss reported at HY 2022 reflects accounting losses as interest rates rise.
- Increased rates have contributed an estimated (£2.7bn) to the reported investment return, which will unwind to contribute to future P/L gains in the near future.
- Strategic assets have contributed an estimated loss of £1bn to reported income in a risk-off environment, owing to invasion of Ukraine and increased inflation.
- The attribution of fixed income at HY 2022 is based on proxy benchmarks, not asst level data.

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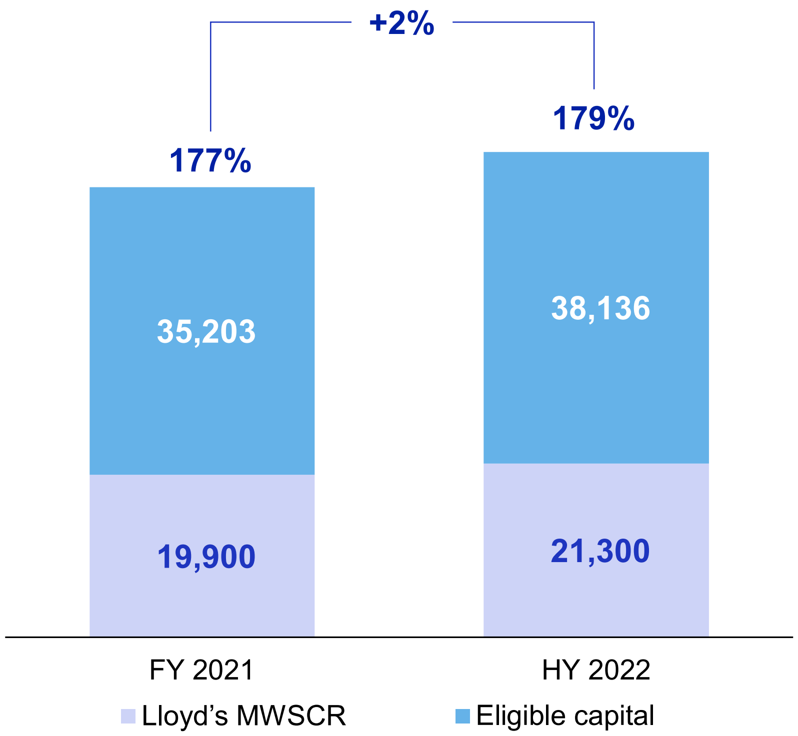
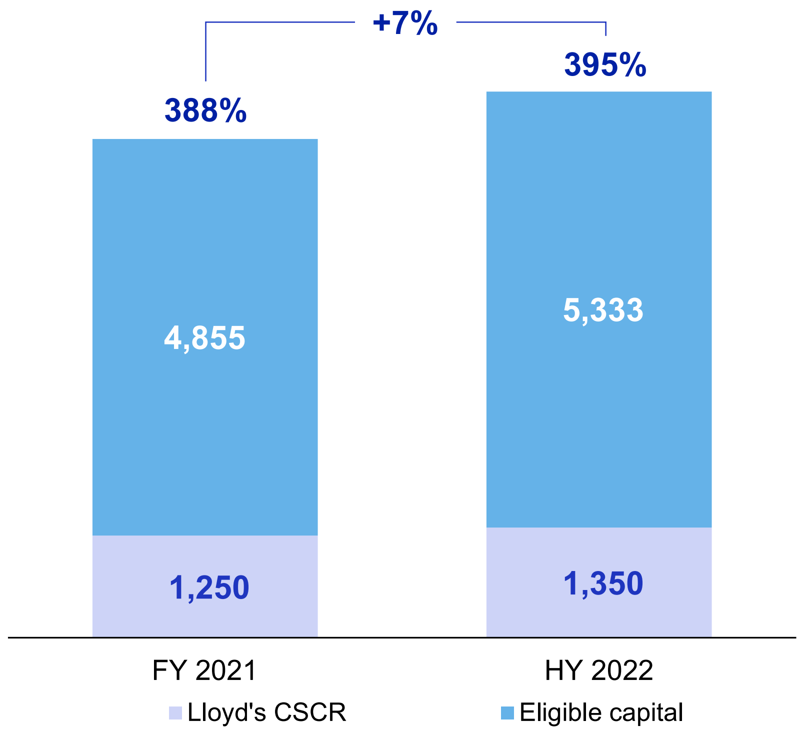
Solvency coverage ratios well above risk appetite

Market wide solvency coverage ratio (£m)



Central solvency coverage ratio (£m)



A+
Standard & Poor's

A
AM Best

AA-
Fitch Ratings

AA-
KBRA

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Solvency coverage ratios well above risk appetite

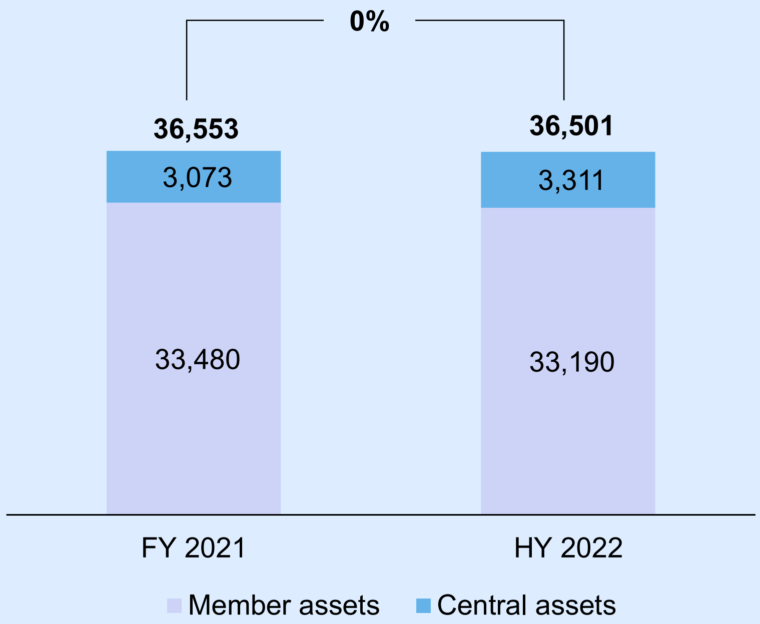
Strong capital and solvency

- Lloyd's capital and solvency positions remain strong with a market-wide solvency coverage of 179% (FY 2021: 177%) and central solvency coverage of 395% (FY 2021: 388%).
- Both solvency coverage ratios are comfortably above risk appetite levels.
- Net resources have remained flat and continue to be strong at £36.5bn (FY 2021: £36.6bn; HY 2021: £36.5bn).

Ratings

- We maintain a strong and stable rating with all four of our rating agencies;
  - A (Excellent) with AM Best,
  - A+ (Strong) with Standard & Poor's
  - AA- (Very Strong) with Fitch Ratings
  - AA- (Very Strong) with Kroll Bond Rating Agency

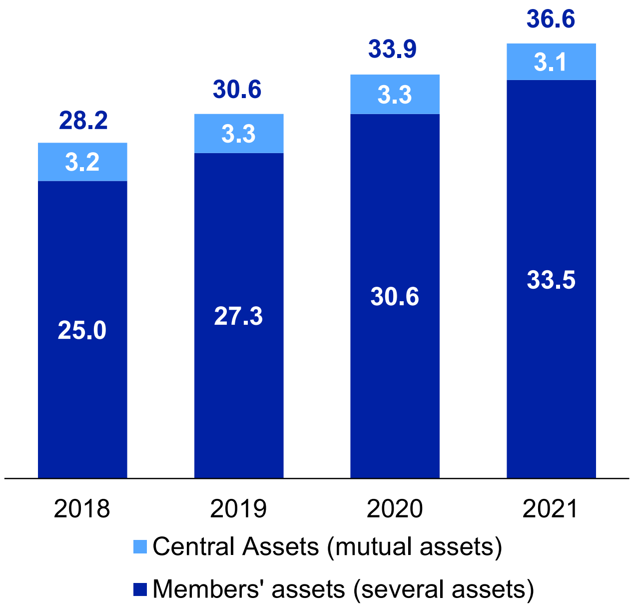
Movements in capital FY 2021 – HY 2022 (£m)



Strong and diversified capital base

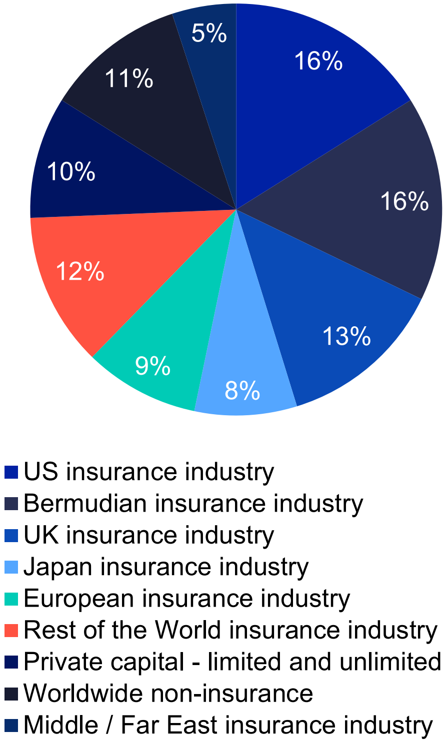
Lloyd's Market Capital Base

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



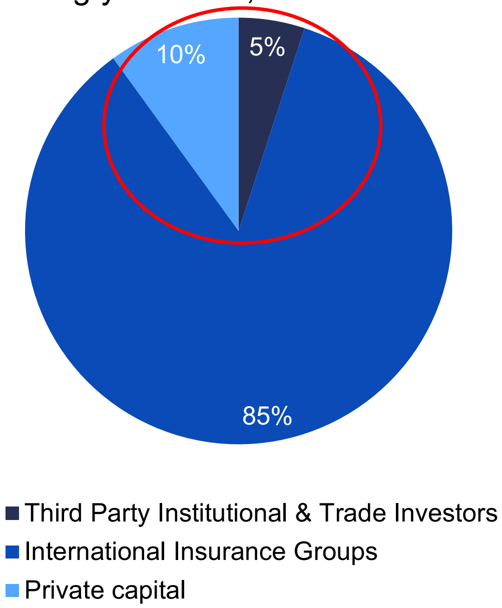
Geographic Source

Geographic source of market capital, FY 2021, %

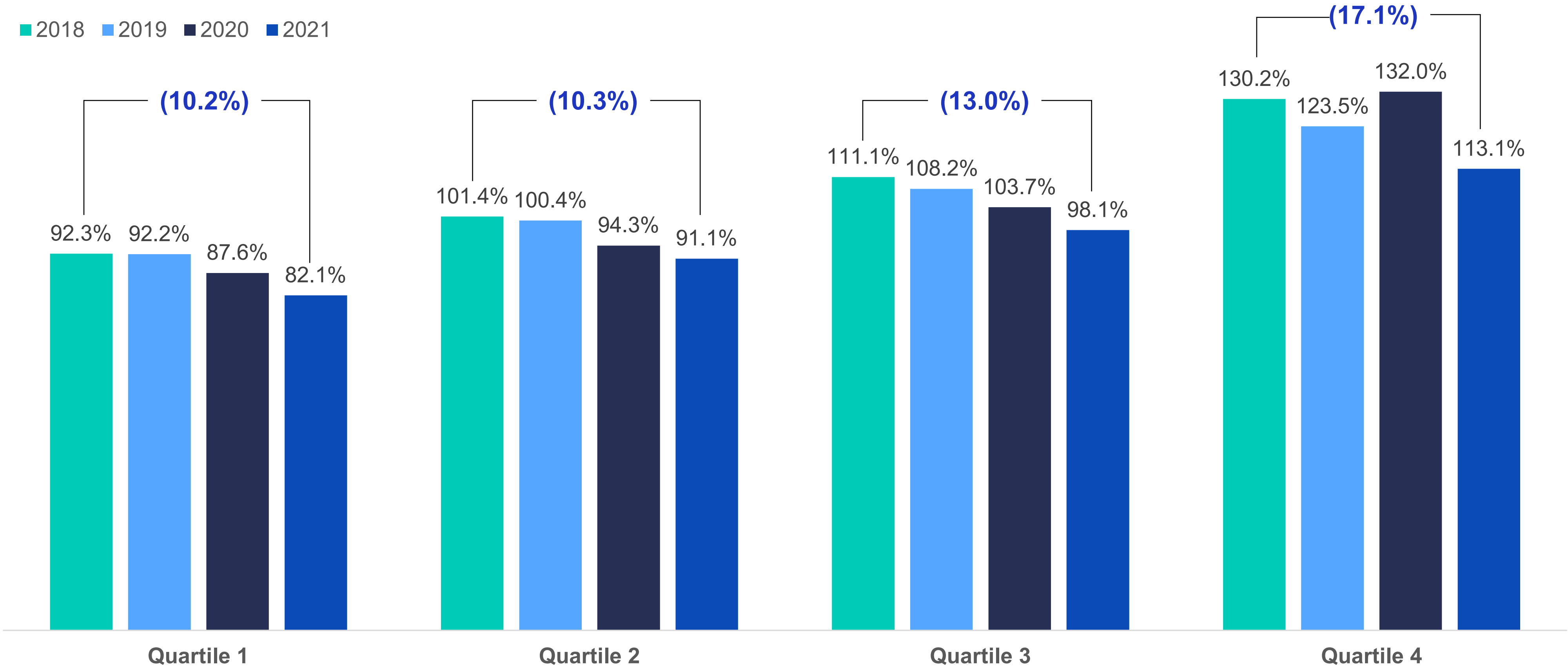


Capacity Providers

Providers of Market Capacity, underwriting year 2021, %



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.

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

Performance

- Sustainable underwriting performance and profitable growth remain our number one priority
- Pricing should anticipate volatile environment and inflation
- Promote innovation for capital products and services, including London Bridge II
- Continue our differentiated approach to syndicate management

Digitalisation

- On track to deliver the milestones outlined in our Blueprint Two roadmap, creating a better, faster and cheaper Lloyd's
  - Better: Processing activity will be digitalised with minimal human intervention
  - Faster: Accounting and claims lead times will be significantly reduced
  - Cheaper: Substantially reducing the cost of doing business

Purpose

- Help customers respond to external shocks, providing protection and confidence to make brave decisions
- Convene the industry to drive action on climate change, through the Sustainable Markets Initiative and COP27
- Support communities through the Lloyd's of London Foundation

Culture

- Robust oversight of market culture through our principles-based approach
- Improve diversity data collection across the market
- Lloyd's Culture Survey demonstrates progress, but still much more to do

Investor opportunities

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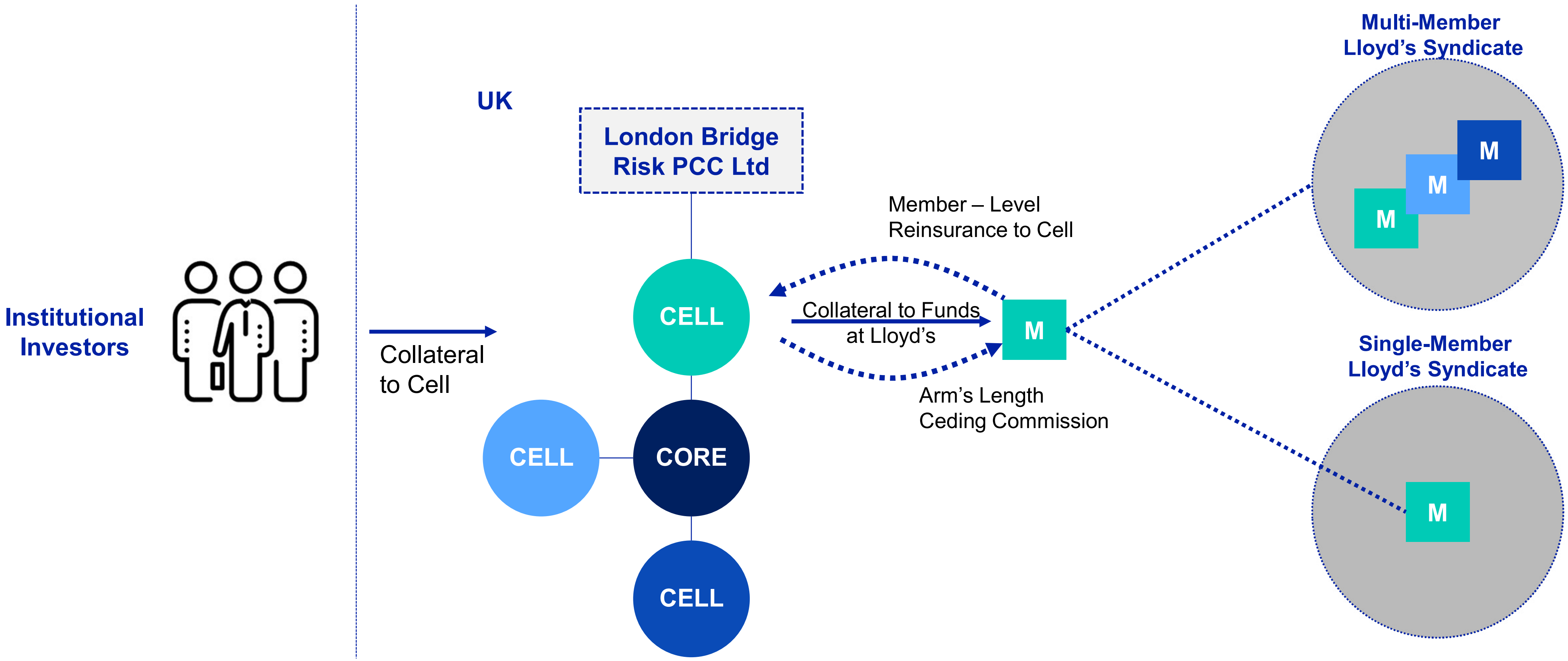
London Bridge Risk Protected Cell Company



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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.

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What is London Bridge 2 PCC Limited ("LB2")?

An independent insurance risk transformation company, regulated by the PRA & FCA

Reinsurance Risk Transformation Company

- LB2 is a protected cell company incorporated in England under the Risk Transformation Regulations 2017.
- Authorised and supervised by the PRA and FCA ("UK Regulators") as a multi-arrangement insurance special purpose vehicle.
- LB2 is licensed to reinsure Lloyd's business and issue securities (debt or equity) to raise the capital to fully fund those transactions.

Protected Cell Structure

- Each transaction will be entered into through a segregated cell of LB2 and each cell will also issue the applicable securities. The liabilities of each cell are ringfenced for insolvency purposes.
- Transactions entered into by each cell will be:
  - on a limited recourse basis with liability limited to the value of the cell's funded assets, and
  - subject to priority of payments with investors' rights subordinated to the reinsured.

Enhanced Regulatory Permissions

- The Scope of Permissions ("SoP") for LB2 enables it to offer a broader range of risk transfer options to both Corporate Members and Syndicates.
- The Board of LB2 has the authority to enter into these transactions without further regulatory approval (subject to compliance with the SoP)
- The transaction documents can accommodate a broad range of commercial structures but must include certain Mandatory Terms and comply with the Risk Transformation Regulations 2017.

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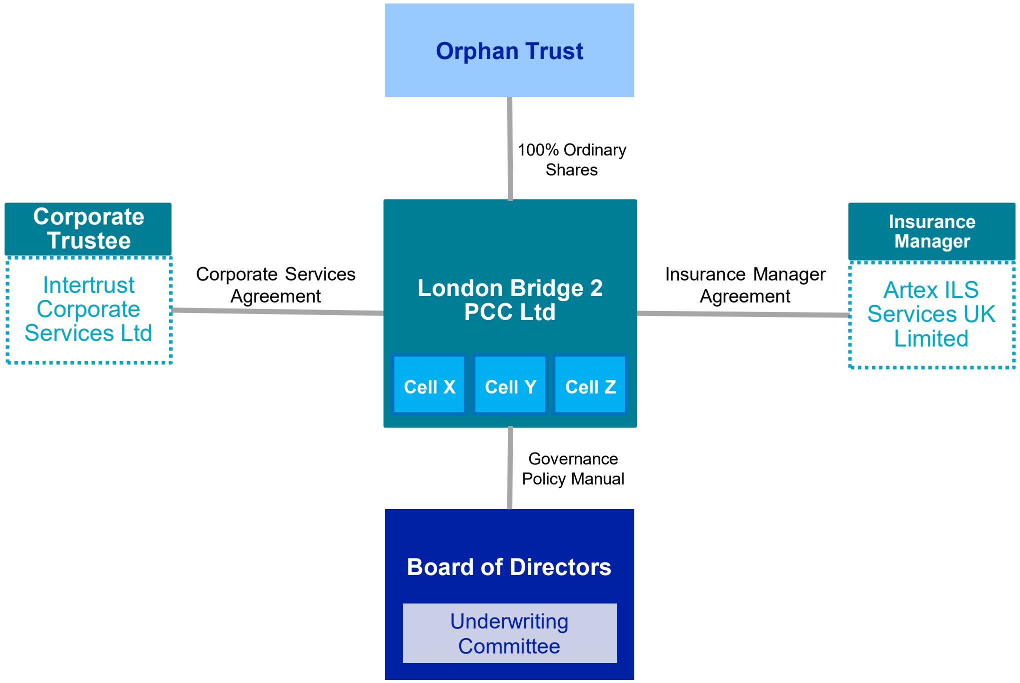
How is LB2 Governed?

An independent board, with management services outsourced to an ILS market leader



- London Bridge 2 PCC is independently owned by a orphan trust company, administered by Intertrust.
- LB2 has an independent Board of Directors.
- The Board of Directors have appointed:
  - Artex Capital Solutions to provide insurance management services
  - Intertrust to provide corporate secretarial services.
- The Board has delegated authority for underwriting decisions to an Underwriting Committee
  - The committee will approve transactions and Cell creation on an ongoing basis, with Board ratification on a quarterly basis.
- The Board will operate within a set of governance and policy standards, approved by the UK Regulators and consistent with the risk transformation nature of the company.

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Why has Lloyd's Sponsored LB2?

Supporting the transformation and growth of the Lloyd's market

Future at Lloyd's Strategy

- One of the key deliverable is to enhance the accessibility of Lloyd's for new investors.
- London Bridge Risk PCC ("LB1") has demonstrated the appetite from institutional investors.
- LB2 will provide greater flexibility and risk transfer options, to enable the vehicle to become a more meaningful source of capital for the Lloyd's market.

Qualifying Institutional Investors

- LB2 provides a broader and more accessible route for investors.
- Allows the issuance of both preference shares and debt securities to fund the reinsurance obligation of each cell.
- Debt securities are probably more appropriate for Excess of Loss structures.
- Multiple tranches of security are permissible per cell.

Lloyd's Participants

- Provides enhanced options for market participants to:
    - Raise corporate member capital to support syndicate underwriting plans, and/or
    - Include collateralized reinsurance in the Syndicates outwards reinsurance programs.

Why is Lloyd's Attractive to Institutional Investors?

Offers investors access to diversified, capital efficient underwriting exposure with robust oversight

Access to Specialty Insurance

- Most ILS allocations are long U.S. property cat – which has had a "challenging" few years.
- Appetite to explore short/medium tail non-property cat investments.
- Lloyd's is a market leader in many specialty insurance classes.

Reinsurance-to-Close Framework

- The established RITC framework provides a liquidity option that is difficult to replicate outside Lloyd's.
- Independent oversight of RITC premium calculation will provide comfort to investors.
- 3rd Party RITC options also exist in Lloyd's.

Capital Efficiency

- Lloyd's is one of the most capital efficient places to underwrite specialty insurance risk.
- Inter-availability of capital across multiple years of account, is difficult to replicate in a traditional sidecar.

Managing Agency Oversight

- Investors, and their advisors/consultants, will take comfort from the oversight of Lloyd's with syndicate business planning and performance monitoring.
- The role of a Managing Agent has strong similarities to that of an Alternative Investments Fund Manager.

Improved Operating Performance

- The turnaround in underwriting performance at Lloyd's is being noticed by investors.
- The performance of Quartile 1 and Quartile 2 syndicates is comparable with any global (re)insurer.

LLOYD'S

Lloyd's Investment Platform

Accessing the advantages of scale

Open architecture across asset classes

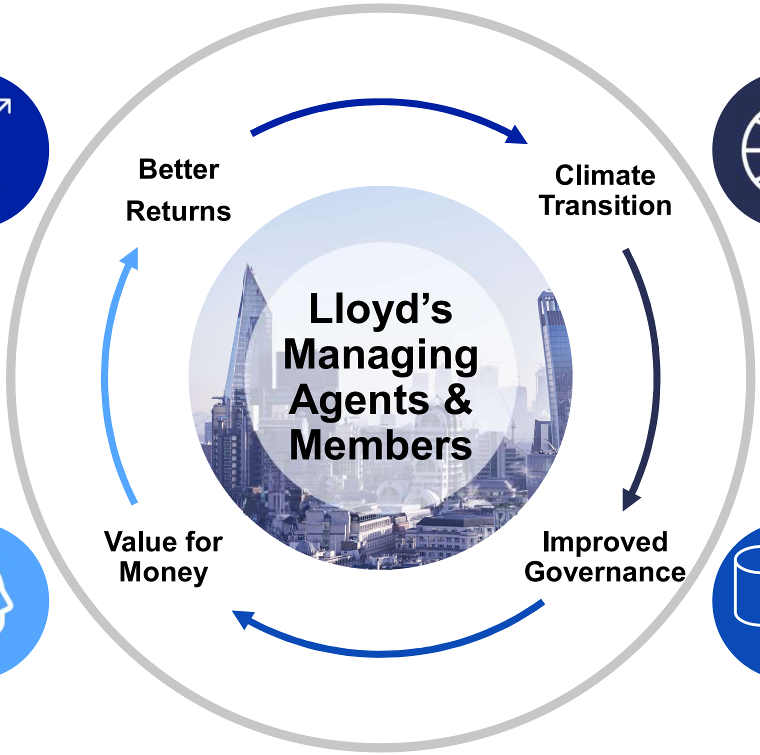
Access to private assets and other alternatives

Access to 'cash +' funds for more efficient liquidity management

Alignment to our shared ESG philosophy and goals

Investing for transition to a low carbon world

Preparedness for future regulatory change



Together all investors benefit from the economies of scale

Key metrics and costs reported and continually benchmarked

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.

LLOYD'S

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 straight through dealing within admissibility rules.

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.

LLOYD'S

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

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)

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

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

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**

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

Strategic imperatives

Strong progress made on strategic imperatives

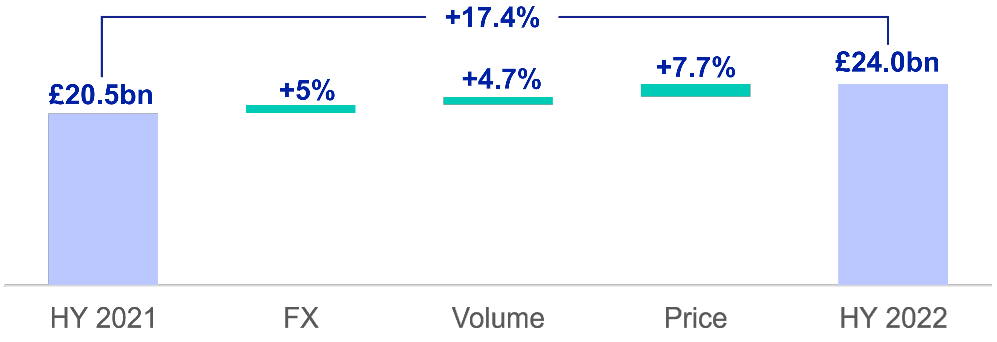
Four strategic pillars

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

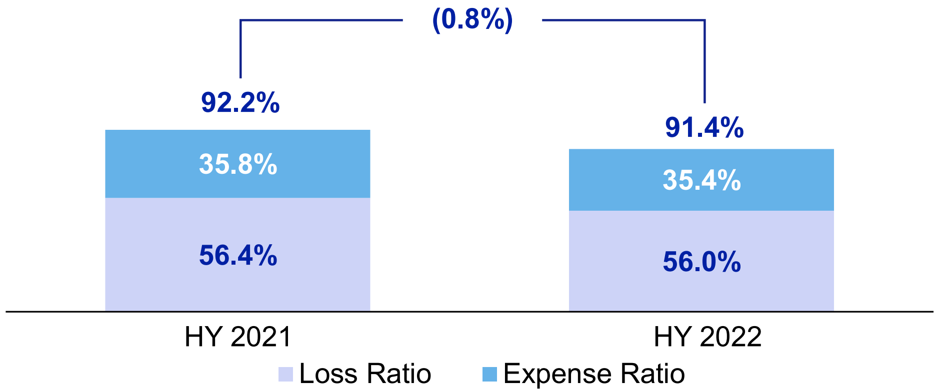
LLOYD'S

Continued sustainable performance and profitable growth

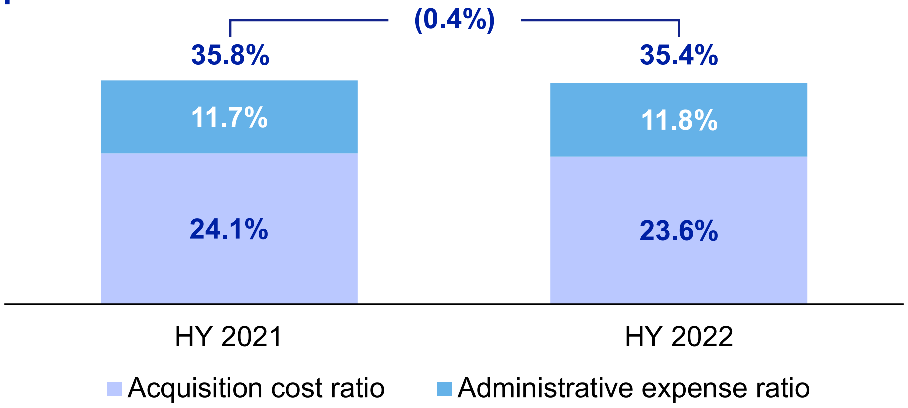
Gross written premium growth



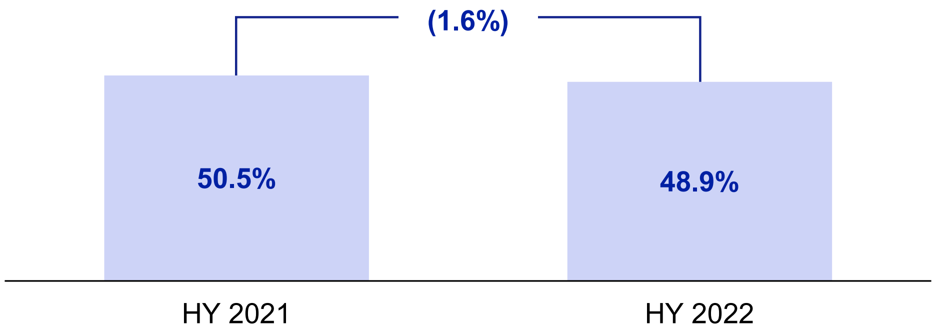
Combined ratio



Expense ratio



Attritional loss ratio



LLOYD'S

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

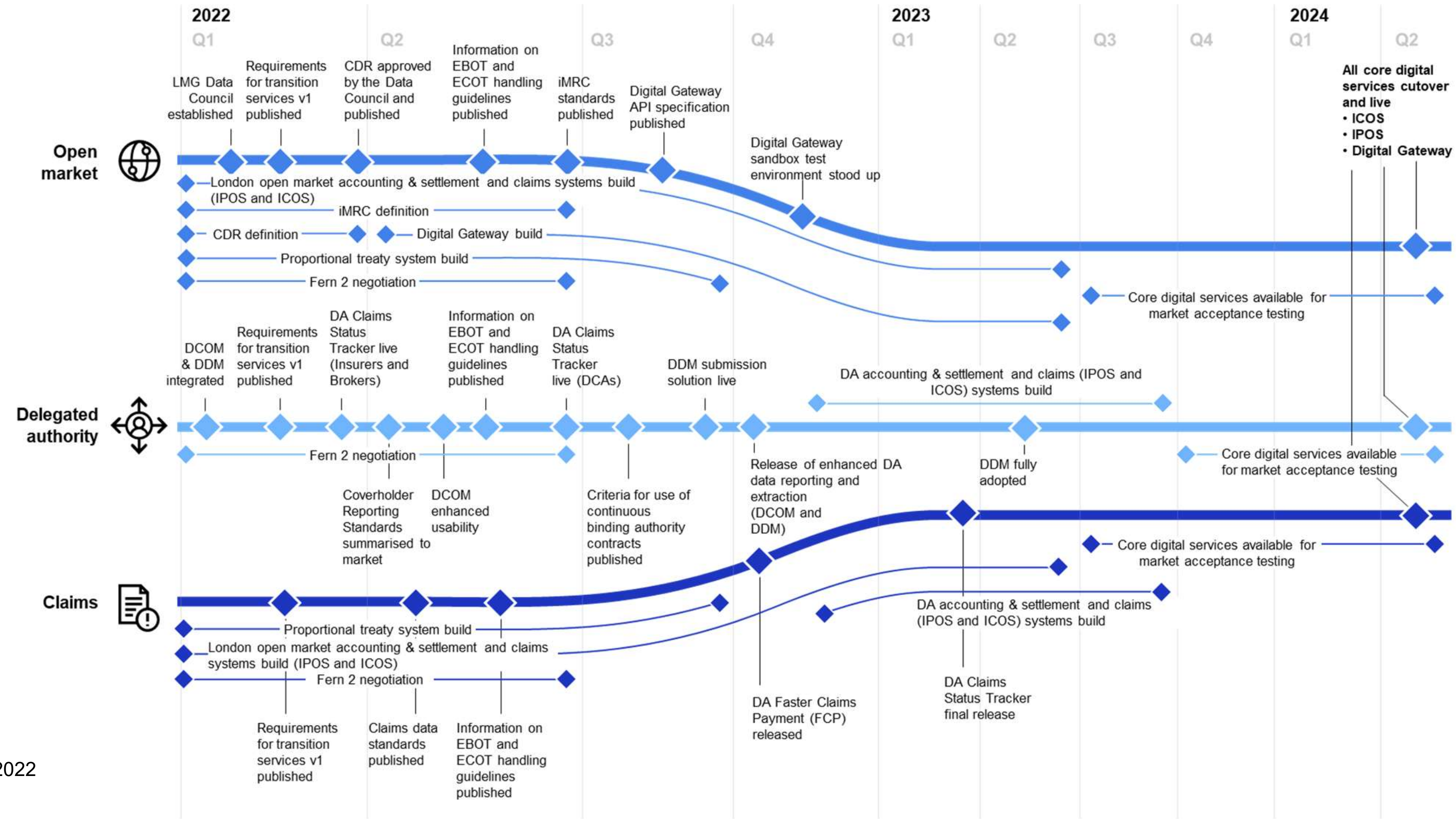
- Completing the processing transactions within placement and claims in seconds and minutes, rather than weeks

Cheaper

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

LLOYD'S

Digitalisation: The foundation of the programme is data



LLOYD'S

Purpose: Driving action leadership through Futureset

Geopolitics and Ukraine

- Two geopolitics reports published under the 'Shifting Powers' series on geopolitical climate risk and cyber physical risks
- Released landmark report exploring the medium to long term consequences of the Ukraine crisis on the risk landscape
- A follow up report exploring the action required from the (re)insurance sector will be published in October

Climate

- Continued delivery of climate action roadmap commitments, including event held in partnership with bp on Hydrogen technologies
- Delivery of new research, commercial insights and partnership with Lloyd's Lab and the Sustainable Markets Initiative to drive new products and services innovation to support the global transition to a low carbon economy

Supply chain and global interconnectivity

- Supply chain research to produce three 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
- The first report in the series, on the food and drink sector will be published this year

Cyber and emerging technologies

- Cyber focused research programme to help stakeholders effectively understand and manage cyber risks
- Lloyd's cyber summit taking place in November to spotlight the complexity and severity of the cyber challenge, establish cyber as a top priority for all business leaders and stakeholders and inspire all audiences to take action to better mitigate cyber risk

LLOYD'S

Purpose: Creating a more sustainable marketplace

Leading the industry to a sustainable future

- Lloyd's was invited to lead HRH The Prince of Wales' Sustainable Markets Initiative Insurance Task Force and will continue in 2022/23
- Most recently, the Task Force launched its Global Supply Chain Pledge (4th August) to drive greater sustainability across insurance supply chains

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)

Progressing Lloyd's Futureset

- Year two of Lloyd's Futureset: our global action leadership platform focused on climate, sustainability and systemic risk
- Delivered a number of educational event series, covering renewables and emerging risks 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

LLOYD'S

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

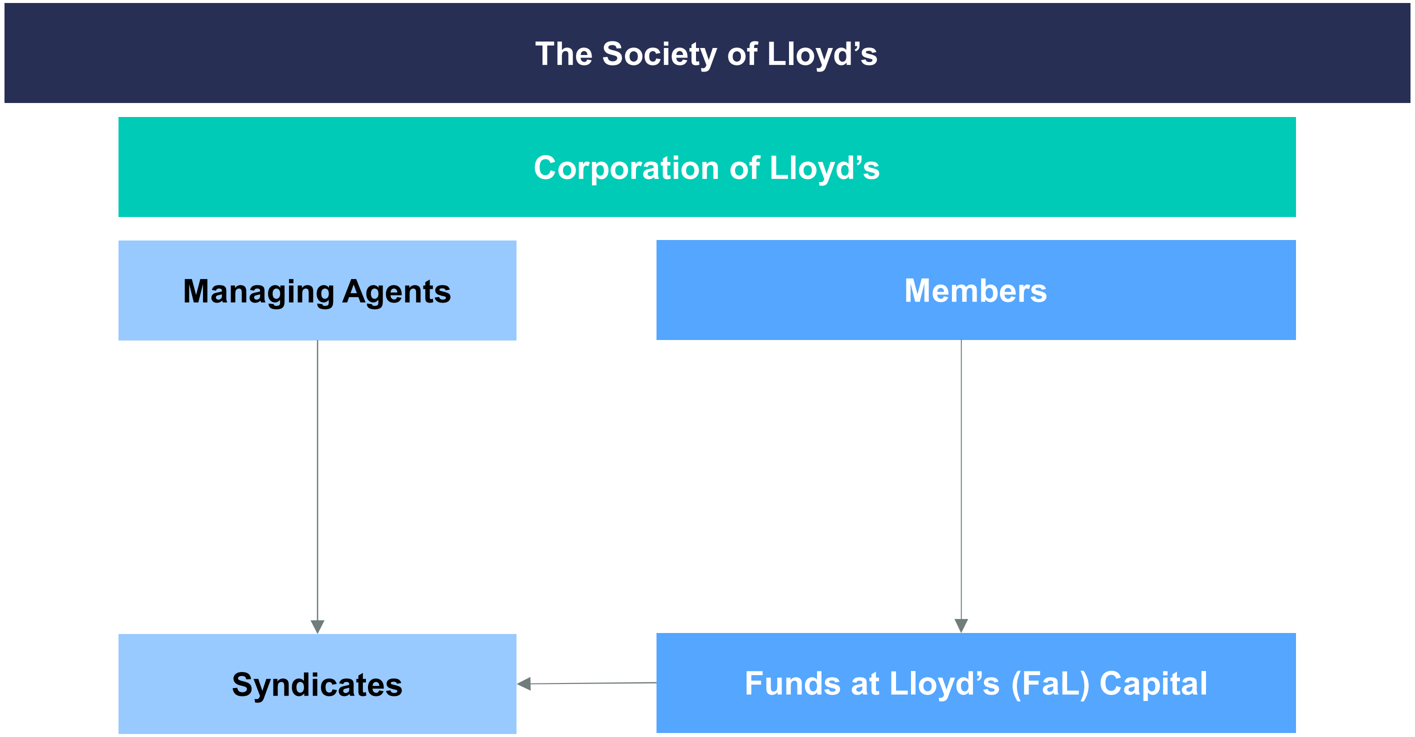
Market oversight
Culture assessed as part of our ongoing oversight of the market and forms an integral part of our new principles-based approach

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

Lloyd's capital structure

Chain of Security

Several Assets **Total £100.3bn**	**Premiums Trust Funds**	**£68.9bn 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)	**£31.4bn of regulatory capital** (76% fully paid: 24% 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 £5.1bn**	**The Central Fund £3.1bn**	**'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 £1,050m losses in aggregate **Aggregate 5 year term from 1/1/2021**		Additional reinsurance purchased from a panel of 6 global reinsurers providing cover above £600m
	£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 £36.5bn

Figures are as at Half Year Results 2022

Slide 47

GD1 Slides for AC 1 Sept
Gilman, Daniel, 14/09/2022

GD2 PFFS balance sheet at 30 June.
Gilman, Daniel, 14/09/2022

GD3 Central Fund net assets plus callable layer.
Gilman, Daniel, 14/09/2022

GD4 Net technical reserves per the PFFS at YE 2021 were £86.9bn, less £28.3bn = £58.6bn. Included members' balances (i.e. retained earnings), the total rises to £60.8bn, less central reserve of £267m = £60.6bn presented. The equivalent figures at HY 2022 are £101.1bn, less £33.7bn = £67.4bn. Including members' balances, this rises to £69.2bn, less £267m central reserve equals £68.9bn.
Gilman, Daniel, 14/09/2022

GD5 Sum of FAL plus syndicate assets.
Gilman, Daniel, 14/09/2022

GD6 LoC percentage is cash and cash equivalents per PFFS workings of £7.4bn / total FAL of £31.4bn = 24%
Gilman, Daniel, 14/09/2022

LLOYD'S

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)

LLOYD'S

Balance Sheet

£m	HY 2021	FY 2021	HY 2022
Cash and investments	81,556	83,998	88,756
Reinsurers' share of unearned premiums	5,425	4,076	6,722
Reinsurers' share of claims outstanding	21,156	24,208	26,993
Other assets	26,218	25,873	33,375
Total assets	**134,355**	**138,155**	**155,846**
Gross unearned premiums	(20,214)	(19,074)	(25,534)
Gross claims outstanding	(63,620)	(67,800)	(75,433)
Other liabilities	(14,011)	(14,728)	(18,378)
Net resources	**36,510**	**36,553**	**36,501**
Member assets	33,096	33,480	33,190
Central assets	3,414	3,073	3,311

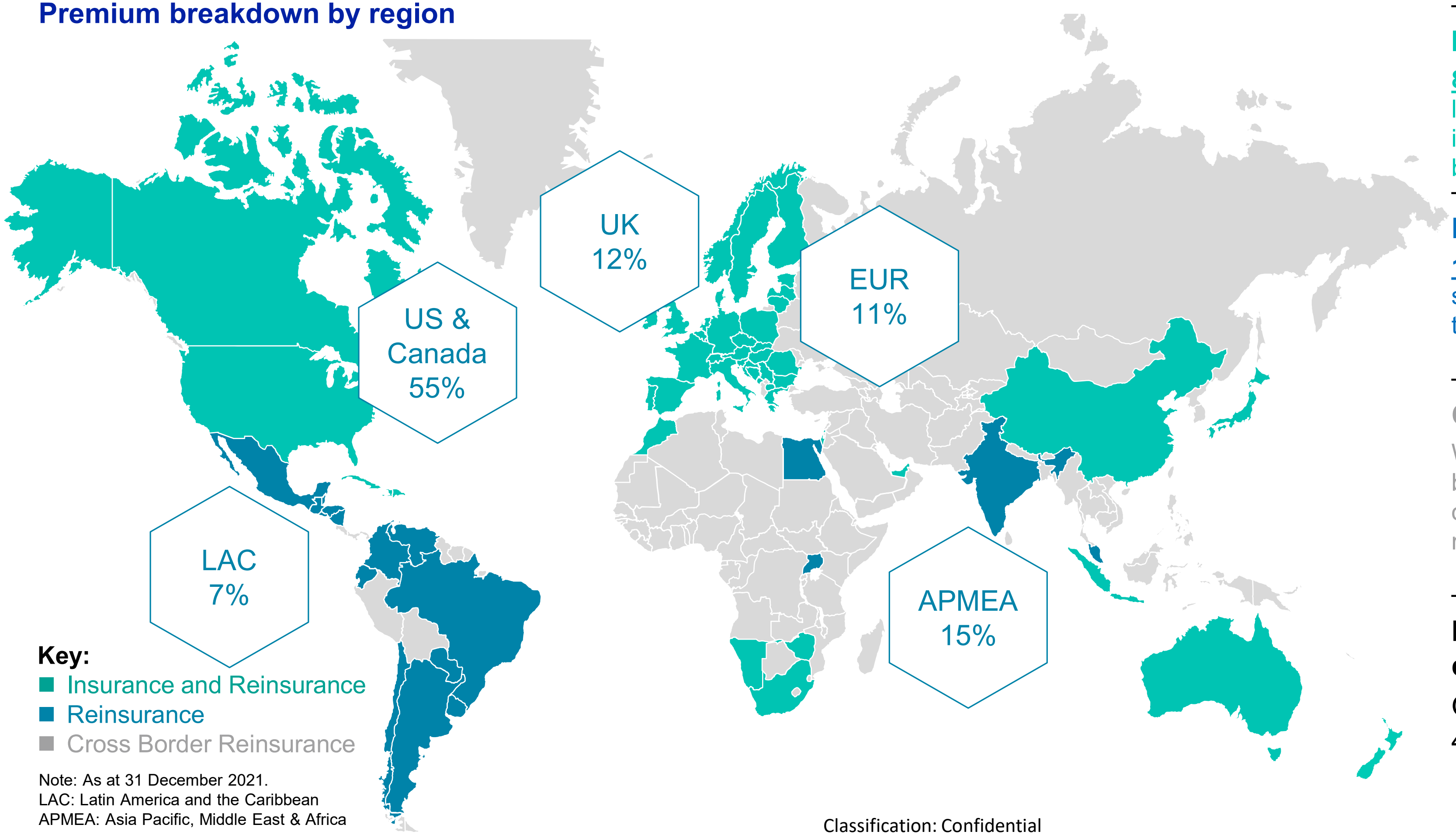
LLOYD'S

Participating in the Lloyd's market

LLOYD'S

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.

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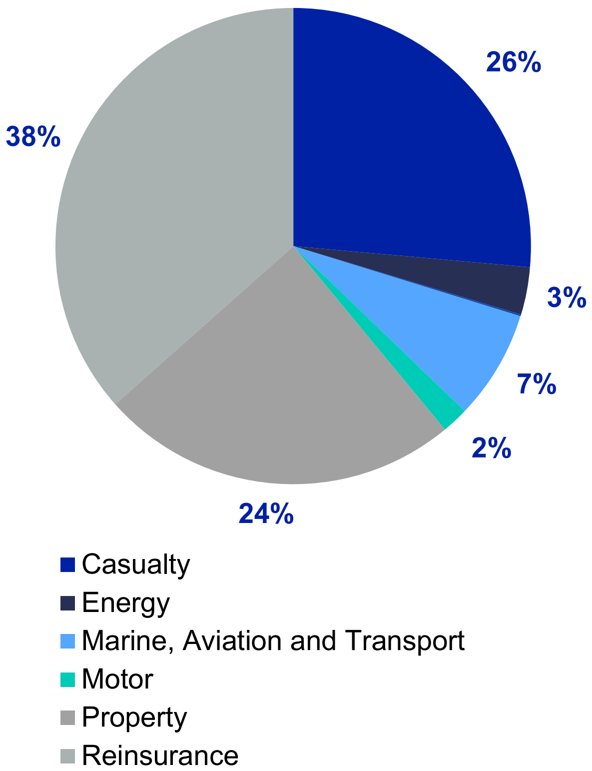
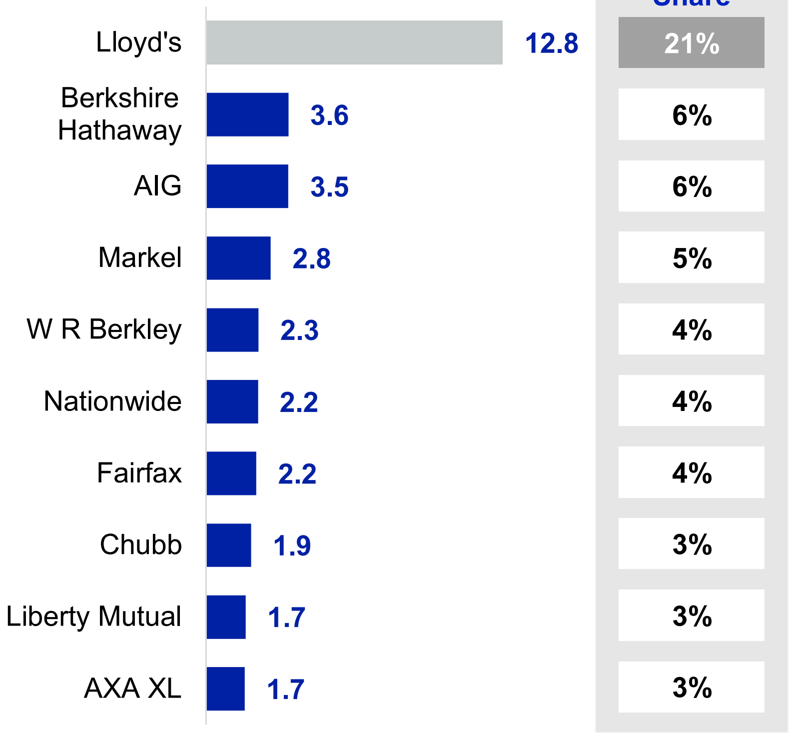
Diversification of risks

Premium by classes of business



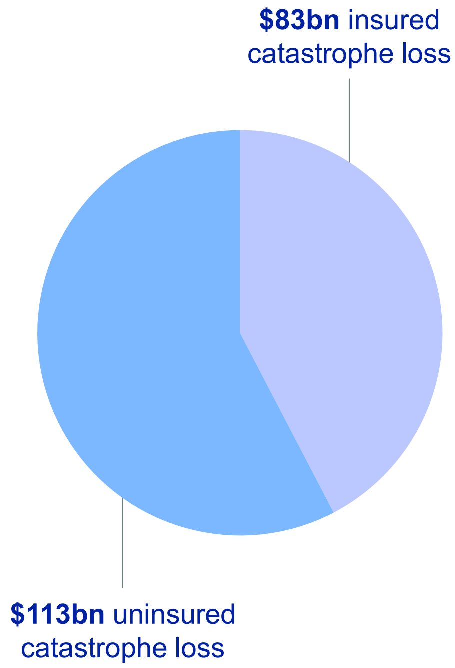
USA 2020 E&S Providers Ranking

Direct Written Premiums in USD bn



Source: AM Best

58% catastrophe losses were uninsured in 2020



Source: Swiss Re Institute, 2021

LLOYD'S

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

LLOYD'S

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.
- Within the Standard Strategic Asset Allocation, Funds at Lloyd's assets can be invested within the discretion of the Member.
- Multiple syndicate participation can diversify the overall risk profile, reducing the level of capital (Funds at Lloyd's) required at member level.
- Funds at Lloyd's can be provided by a first or third party via the Lloyd's sponsored London Bridge Protected Cell Companies.

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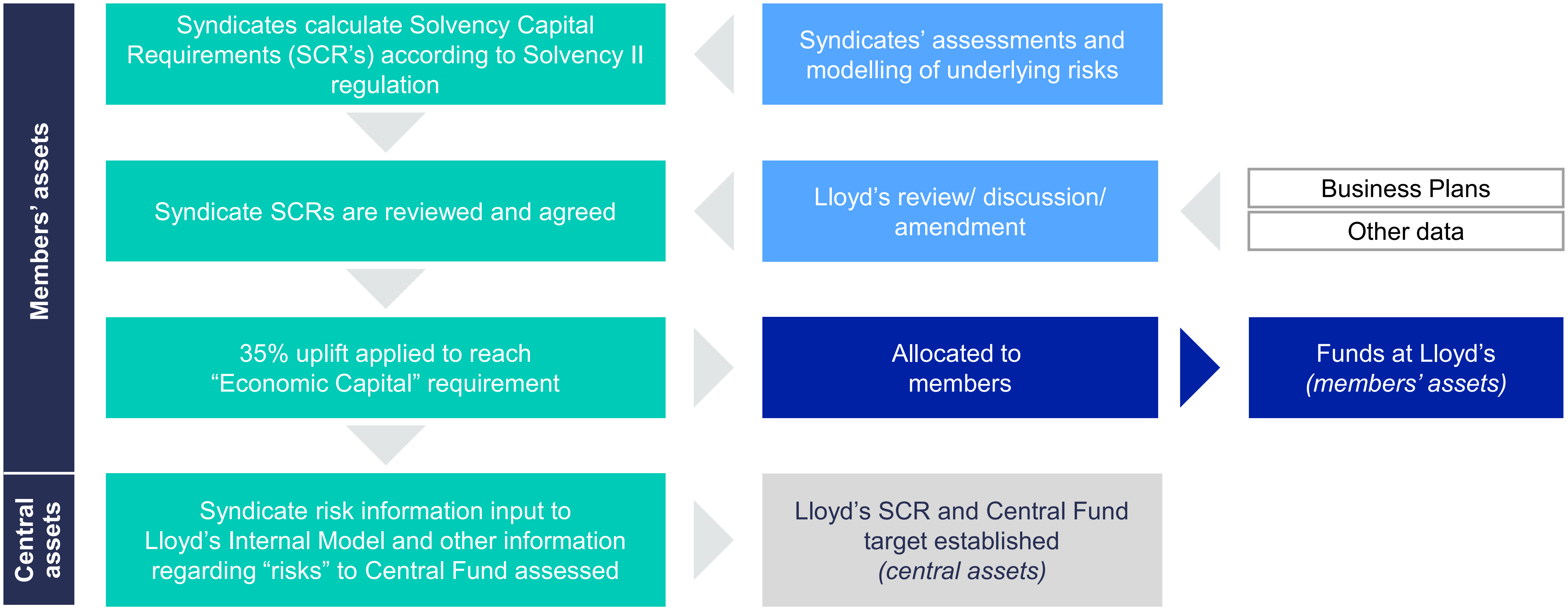
Member put up their required level of Capital



LLOYD'S

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 provides a key elements of the additional layers of security.

LLOYD'S

How can capital be provided into a Member?

Direct Deposit

- Traditional direct provision of capital from traditional names but is 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 Protected Cell Companies

- 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 the optionality has been expanded by the introduction of the new London Bridge 2 PCC.
- Ability to rapidly deploy capital through a pre-approved structure .

Becoming a managing agent

LLOYD'S

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.

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.

LLOYD'S

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

LLOYD'S

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