

LLOYD'S

# LLOYD'S QUICK GUIDE

AN INTRODUCTION TO WHO  
WE ARE AND WHAT WE DO



MAY 2011

# LLOYD'S QUICK GUIDE

Lloyd's is the world's specialist insurance market, conducting business in over 200 countries and territories worldwide – and is often the first to insure new, unusual or complex risks. We bring together an outstanding concentration of specialist expertise and talent, backed by excellent financial ratings which cover the whole market.

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## HISTORY FROM COFFEE BEANS TO COMPLEX RISKS

Lloyd's began over 300 years ago in Edward Lloyd's coffee house – a place where shipowners could meet people with capital to insure them.

Since then, Lloyd's has grown from its marine heritage to become the world's leading market for specialist property and casualty insurance.

To this day, Lloyd's remains a place where business is conducted face-to-face. Like any dynamic, innovative market it allows those with something to sell (underwriters providing insurance coverage) to make contact with those who want to buy (brokers, working on behalf of clients who are seeking insurance). Our strength is built upon the diversity of managing agents (underwriting agents responsible for managing a syndicate) who choose to operate at Lloyd's, supported by capital from diverse sources around the world.

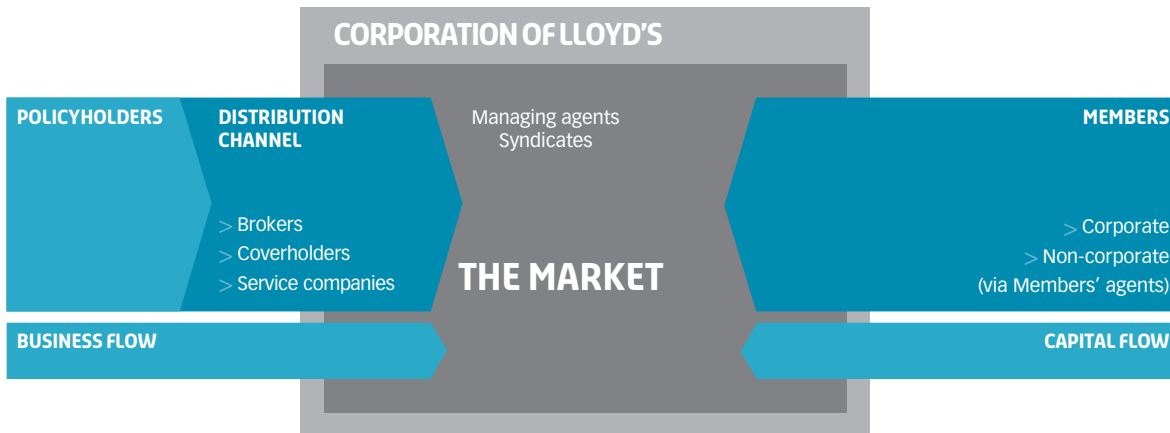
Follow the Lloyd's journey at  
[www.lloyds.com/history](http://www.lloyds.com/history)



# HOW LLOYD'S WORKS

## MARKET STRUCTURE

Lloyd's is not an insurance company. It is a market where members join together to form syndicates to insure risks. Much of Lloyd's business works by subscription, where more than one syndicate takes a share of the same risk.



### WHO'S WHO?

#### Policyholders

##### request insurance cover

Businesses, organisations, other insurers and individuals from around the world want to protect themselves against risks that could affect them. They approach a broker and explain their individual needs.

#### Brokers

##### place the risks

Most of Lloyd's business is placed with the assistance of a broker. In addition to being regulated by their national regulator, brokers must also meet Lloyd's own eligibility criteria. In the US, any surplus lines business transacted with Lloyd's must be through a licensed surplus lines broker.

#### Coverholders

##### place the risks

Coverholders are companies authorised by a managing agent to enter into contracts of insurance and/or issue insurance documentation, on behalf of the members of a syndicate.

#### Service companies

##### place the risks

A service company is an approved coverholder which Lloyd's has classified as a 'service company' by reason of it being a wholly owned subsidiary of either a managing agent or its holding company.

#### Syndicates

##### write the insurance risks

Underwriters decide on behalf of its members which risks a

syndicate will underwrite and on what terms. Much of Lloyd's business is conducted in the Underwriting Room, where face-to-face negotiations take place with brokers regarding the risks they want to place at Lloyd's.

#### Managing agents manage the syndicates

These are companies set up to manage one or more syndicates. The managing agent employs the underwriting staff and handles the day-to-day running of a syndicate's infrastructure and operations.

#### Members provide the capital

Members of Lloyd's provide the capital to support syndicates' underwriting. Members include

some of the world's major insurance groups and companies listed on the London Stock Exchange, as well as individuals and limited partnerships.

#### Corporation of Lloyd's supports the market

The Corporation oversees and supports the market and promotes Lloyd's around the world. This includes determining the capital that members must provide to support their proposed underwriting, working with the management of underperforming syndicates to improve performance, undertaking financial and regulatory reporting for the Lloyd's market, managing and developing Lloyd's global network of licenses, Lloyd's brand and representing Lloyd's to governments and regulators around the world.

# CHAIN OF SECURITY

## LINKS STRENGTH WITH STABILITY

SEVERAL ASSETS	FIRST LINK	SYNDICATE LEVEL ASSETS \$61,263m	
	SECOND LINK	MEMBERS' FUNDS AT LLOYD'S \$21,716m	
MUTUAL ASSETS	THIRD LINK	CENTRAL FUND \$2,017m CORPORATION \$254m	CALLABLE LAYER \$1,104m
		SUBORDINATED DEBT/ SECURITIES \$1,460m	

Closing exchange rate taken as at December 31, 2010 – £1=\$1.57

### Financial strength

#### The Chain of Security

Lloyd's unique capital structure, often referred to as the Chain of Security, provides excellent financial security to policyholders and capital efficiency for members.

The Chain of Security provides the financial strength that ultimately backs insurance policies written at Lloyd's and the common security underpins the market's ratings and licence network.

There are three links in the Chain of Security:

- > Syndicate level assets
- > Members' funds at Lloyd's
- > Central assets

The funds in the first and second links are held in trust, primarily for the benefit of policyholders whose contracts are underwritten by the relevant member. Members underwrite for their own account and are not liable for other members' losses. The third link contains mutual assets held by the Corporation which are available, subject to Council approval, to meet any member's insurance liabilities.

The Corporation is responsible for overseeing both member and central capital levels to achieve a level of capitalisation that is robust yet allows members the potential to earn superior returns.

# MANAGING AGENTS A DYNAMIC AND DIVERSE MARKETPLACE

As at December 31, 2010, the Lloyd's market consisted of 52 managing agents and 85 syndicates. In addition, a further four managing agents exclusively manage syndicates in run-off. All 56 are shown below. However, more important than the sheer scale of the market is the breadth and depth of specialist broking and underwriting expertise brought together under the Lloyd's umbrella.



## IN ACTION HOW WE'RE MOVING AHEAD

We continue to introduce ways to make Lloyd's an easier place to do business, increasing efficiency and standards of service.

Our processes may change, but mutuality of capital will remain central to Lloyd's, and is a key factor in maintaining our competitive position in the global insurance market while also underpinning our international licenses and strong financial ratings.

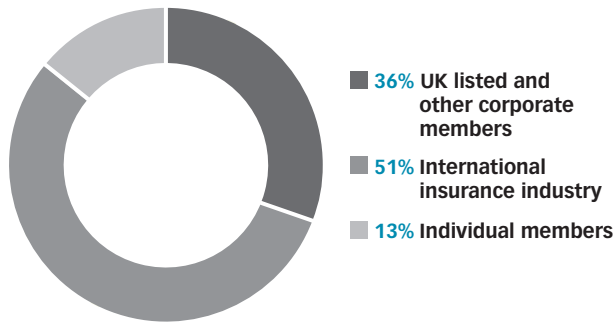
We continue our steady expansion into international markets to build our platform for the future. A major priority has been and continues to be managing performance throughout the cycle. Although our resolve has been tested over the past 12 months, our disciplined approach to underwriting and our conservative investment mix have ensured that we maintain our strong competitive position.



## 2010 FINANCIAL HIGHLIGHTS OUR STRENGTH AND RATINGS

Financial security is crucial and gives peace of mind to policyholders. Lloyd's strength and robust capitalization is reflected in our ratings.

### WHERE DOES OUR CAPITAL COME FROM?<sup>1</sup>



### LLOYD'S RATINGS<sup>2</sup>

**A<sup>+</sup>**

Standard & Poor's **A+ (Strong)**<sup>3</sup>  
Fitch Ratings **A+ (Strong)**<sup>4</sup>

**A**

A.M. Best **A (Excellent)**<sup>5</sup>

All Lloyd's syndicates benefit from Lloyd's central resources, including the Lloyd's brand, its network of global licenses and the Central Fund. As all Lloyd's policies are ultimately backed by this common security, a single market rating can be applied. The Lloyd's financial strength ratings apply to every policy issued by every syndicate at Lloyd's since 1993.

Three of the world's leading insurance rating agencies validate Lloyd's strengths, robust capitalization and the financial strength of the market. In 2010, all three rating agencies reaffirmed our ratings as outlined above. In addition, Standard & Poor's has upgraded Lloyd's Enterprise Risk Management rating from 'adequate' to 'adequate with strong risk controls'. This recognises Lloyd's ongoing improvements in risk management.

**"Lloyd's occupies an excellent position in the global general insurance and reinsurance markets as a specialist writer of property and casualty risks. Its competitive strength derives from its reputation for innovation and flexibility, which is supported by the pool of underwriting expertise in London."**

**A.M. Best**  
August 2010








<sup>1-2</sup> Lloyd's Annual Report 2010.  
<sup>3</sup> Standard & Poor's affirmed its Lloyd's financial strength rating and assigned a Stable Outlook, September 2010.  
<sup>4</sup> Fitch Ratings affirmed its Lloyd's financial strength rating and assigned a Stable Outlook, December 2010.  
<sup>5</sup> A.M. Best affirmed its Lloyd's financial strength rating with a Stable Outlook, July 2010.



## REACH WHERE WE'RE ACTIVE AROUND THE WORLD

Lloyd's accepts business from over 200 countries and territories worldwide. Our licenses in over 75 jurisdictions, supported by a network of local offices, ensure access to insurance markets large and small.

### LLOYD'S CLASS BREAKDOWN BY REGION<sup>6</sup>

	US & Canada	United Kingdom	Europe	Central Asia & Asia Pacific	Other Americas	Rest of the world	TOTAL
 <b>Reinsurance</b>	30%	29%	38%	46%	75%	62%	<b>37%</b>
 <b>Property</b>	31%	20%	14%	14%	7%	8%	<b>22%</b>
 <b>Casualty</b>	20%	22%	18%	28%	8%	12%	<b>20%</b>
 <b>Marine</b>	6%	5%	17%	6%	4%	7%	<b>7%</b>
 <b>Energy</b>	10%	2%	7%	3%	4%	3%	<b>6%</b>
 <b>Motor</b>	1%	21%	1%	1%	1%	2%	<b>5%</b>
 <b>Aviation</b>	2%	1%	5%	2%	1%	6%	<b>3%</b>
<b>TOTAL</b>	<b>43%</b>	<b>20%</b>	<b>16%</b>	<b>10%</b>	<b>7%</b>	<b>4%</b>	<b>100%</b>

### LLOYD'S IN NUMBERS

# 85

**SYNDICATES**  
of specialist underwriting experience and talent

# 178

**BROKERS**  
daily creating insurance solutions in over...

# 200

**COUNTRIES AND TERRITORIES**  
which covers...

# 94%

**OF THE FTSE 100**  
and...

# 97%

**OF DOW JONES**  
industrial average companies all underpinned by...

# 323

**YEARS OF UNDERWRITING EXPERIENCE**

# GLOBAL CONTACTS

<b>Argentina</b>	John Wilson	+54 11 4798 8975
<b>Australia</b>	Adrian Humphreys	+61 2 9223 1433
<b>Austria</b>	Dr Harald Svoboda	+43 (0)1 713 0713
<b>Belgium</b>	Ralph Van Helden	+31 10 205 2110
<b>Belize</b>	Derek Courtenay	+501 223 5701
<b>Brazil</b>	Marco Castro	+55 21 3266 1900
<b>Canada</b>	Deborah Moor	+1 416 360 1512
<b>Chile</b>	Emilio Sahurie	+56 2 676 9355
<b>China</b>	(LICCL) Eric Gao	+86 21 6162 8200
<b>Denmark</b>	Jes Anker Mikkelsen	+45 (0)7227 3586
<b>France</b>	Guy-Antoine de La Rochefoucauld	+33 1 4260 4343
<b>Germany</b>	Burkard von Siegfried	+49 (0)69 5970 253
<b>Greece/Cyprus</b>	Marianna Papadakis	+44 (0)20 7327 6802
<b>Hong Kong</b>	Alex Faris	+852 2918 9911
<b>Iberia (Spain/Portugal)</b>	Juan Arsuaga	+34 914 262 312
<b>Ireland</b>	Eamonn Egan	+353 16 44 1000
<b>Israel</b>	Sigal Schlimoff	+972 (0)3 612 2233
<b>Italy</b>	Enrico Bertagna	+39 02 637 8881
<b>Japan</b>	Iain Ferguson	+81 3 5656 6926
<b>Malta</b>	Mark Gollcher	+356 2569 1500
<b>Namibia</b>	Peter Grüttemeyer	+264 61 207 5111
<b>Netherlands</b>	Ralph Van Helden	+31 10 205 2110
<b>New Zealand</b>	Scott Galloway	+64 4 472 7582
<b>Norway</b>	Espen Komnaes	+47 2311 4560
<b>Poland</b>	Witold Janusz	+48 22 370 1618
<b>Singapore</b>	Kent Chaplin	+65 6538 7088
<b>South Africa</b>	Amit Khilosia	+27 11 884 0486
<b>Sweden</b>	Erik Börjesson	+46 8 5452 5540
<b>Switzerland</b>	Graham West	+41 44 266 6070
<b>United Kingdom</b>	Keith Stern	+44 (0)20 7327 5933
<b>US Atlanta</b>	Rodney Smith	+1 678 775 6832
<b>US Illinois</b>	Pat Talley	+1 312 407 6200
<b>US Kentucky</b>	Pat Talley	+1 502 875 5940
<b>US Los Angeles</b>	Anthony Joseph	+1 310 706 4100
<b>US New York</b>	Hank Watkins	+1 212 382 4060
<b>US Virgin Islands</b>	Henry Feuerzeig	+1 340 715 4443
<b>Zimbabwe</b>	David Birch	+263 4 369 913

**For general regulatory enquiries**  
**Lloyd's International Trading Helpdesk** +44 (0)20 7327 6677

Visit [www.lloyds.com/offices](http://www.lloyds.com/offices) for more information about our international offices.



Since merchants first met to insure their ships at Edward Lloyd's coffee shop over 300 years ago, nearly every aspect of the way we do business has changed. But one constant is the bold confidence proclaimed by our motto, reflected in both our unique appetite for risk and our worldwide reputation for settling valid claims.

Lloyd's America, Inc. is not licensed as an insurer in any state. Underwriters at Lloyd's are licensed only in Kentucky, Illinois and US Virgin Islands, and are approved surplus lines insurers in all US jurisdictions except Kentucky and US Virgin Islands. Any surplus lines business transacted with Lloyd's must be through a licensed surplus lines broker. Lloyd's is regulated in the United Kingdom by the FSA.

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**Lloyd's America, Inc.**

Telephone +1 212 382-4060 Fax +1 212 382-4070

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