



Lloyd's : The world's specialist (re)insurance market

Target Markets-Demystifying Lloyd's

Glenn Dorr, Northeast Director, Lloyd's

May 6, 2015

- 1. What is Lloyd's?**
- 2. What makes us unique?**
- 3. Lloyd's in the US**
- 4. What is a coverholder?**
- 5. Lloyd's financial position**

The logo consists of the word "LLOYD'S" in a white, serif, all-caps font, centered within a solid black rectangular box.

LLOYD'S

**The best known, least
understood brand in
(re)insurance**

What is Lloyd's?



A colorful history



Key milestones in our history

1688



1880



1906



1925



1920 – 30s



1939



Lloyd's key characteristics

Lloyd's is a **market**,
not a company



We have a **long history** of helping clients
manage risk
taking, dating
back to 1688



The Lloyd's
market **insures**
complex and
specialist risks



London based
international
business



Lloyd's expertise is based on 327
years of experience and a Performance
Management Directorate that oversees
responsible risk taking



Regulated by the
Prudential
Regulatory
Authority (PRA) and
the Financial
Conduct Authority
(FCA)



Products are
distributed
through
brokers and
coverholders





94
syndicates









219
brokers

3872
coverholders

327
years
of underwriting
experience

200
territories
A leading global
(re)insurer

The Lloyd's market consists of 94 syndicates managed by 59 managing agents

The world's leading **specialist** (re)insurance market

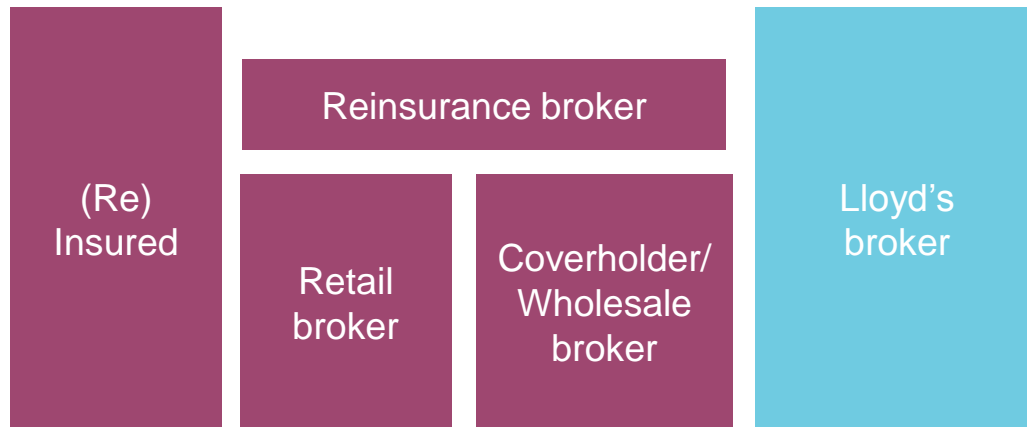




**A variety of risk appetites
can be found in the
Room, where business is
still done face to face**

Business streams at Lloyd's

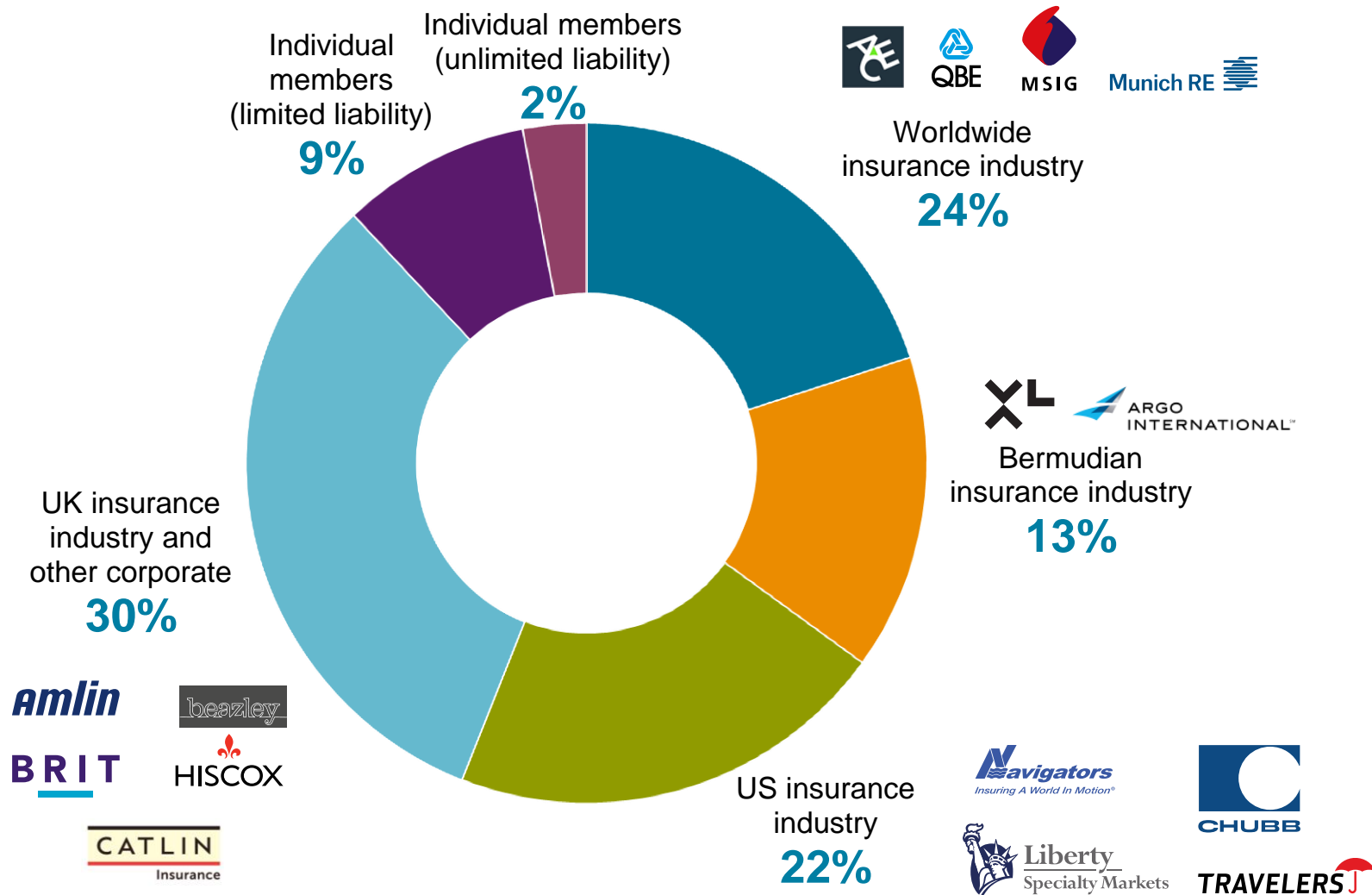
Business flow



Capital flow



Lloyd's syndicates - backed by some of the best known names in global insurance





Many of the world's leading insurers are within a stone's throw of the Lloyd's building...



Lloyd's + Overall London Company Market = Total 2014 income US\$83.63bn



**How is Lloyd's
unique?**

Lloyd's firsts

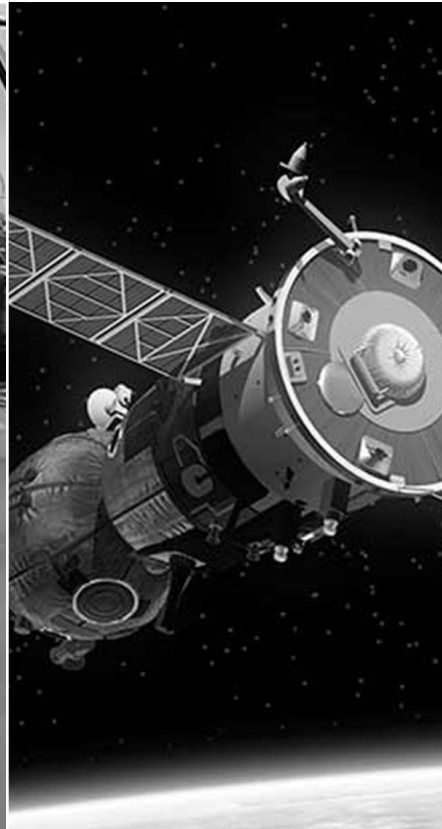
Motorcar



Aviation



**Commercial
space flight**



Terrorism



The Lloyd's market is known for its specialist expertise...





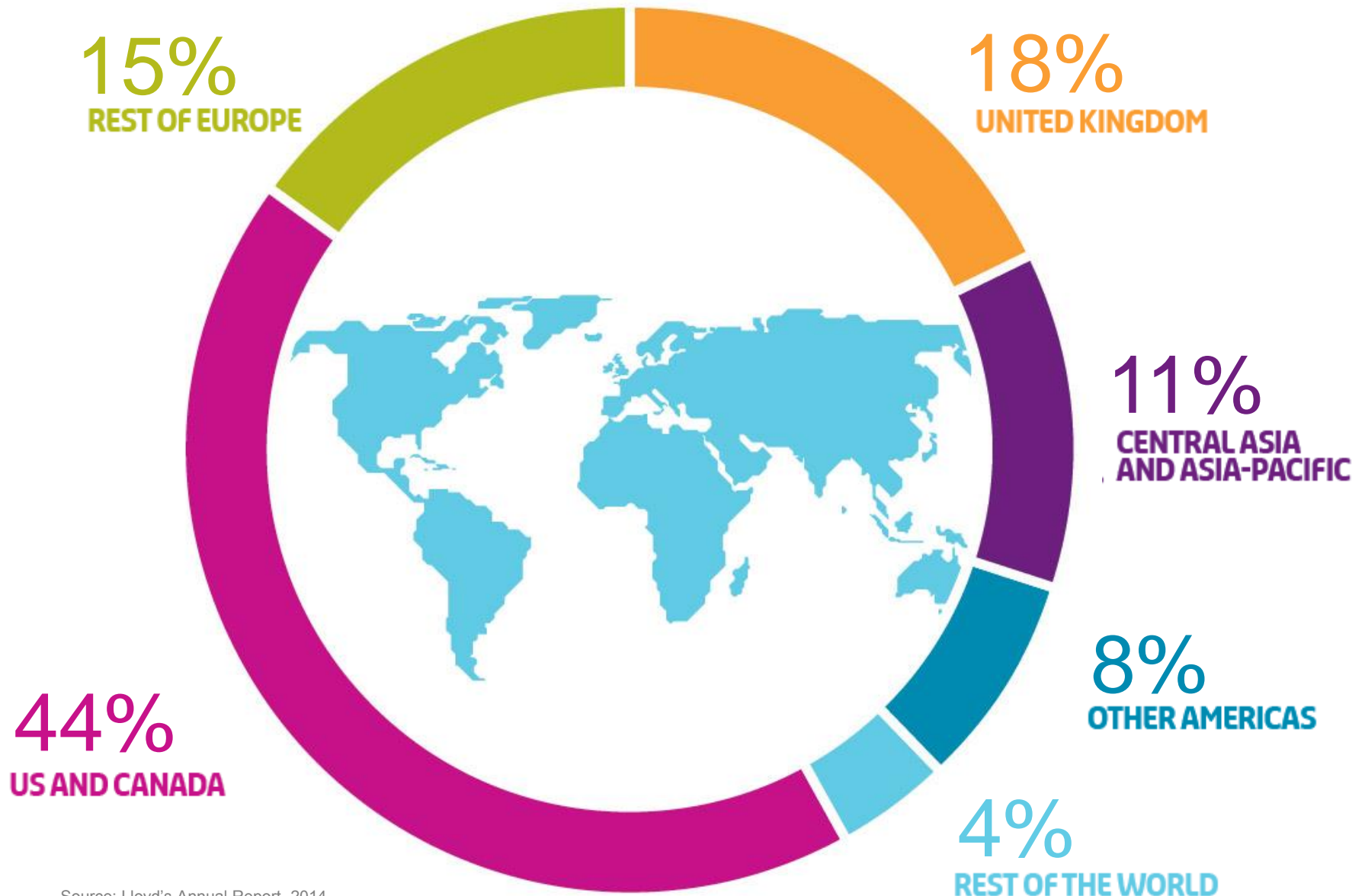
...and an appetite for unusual risks requiring innovative solutions



Global reach



Lloyd's global reach

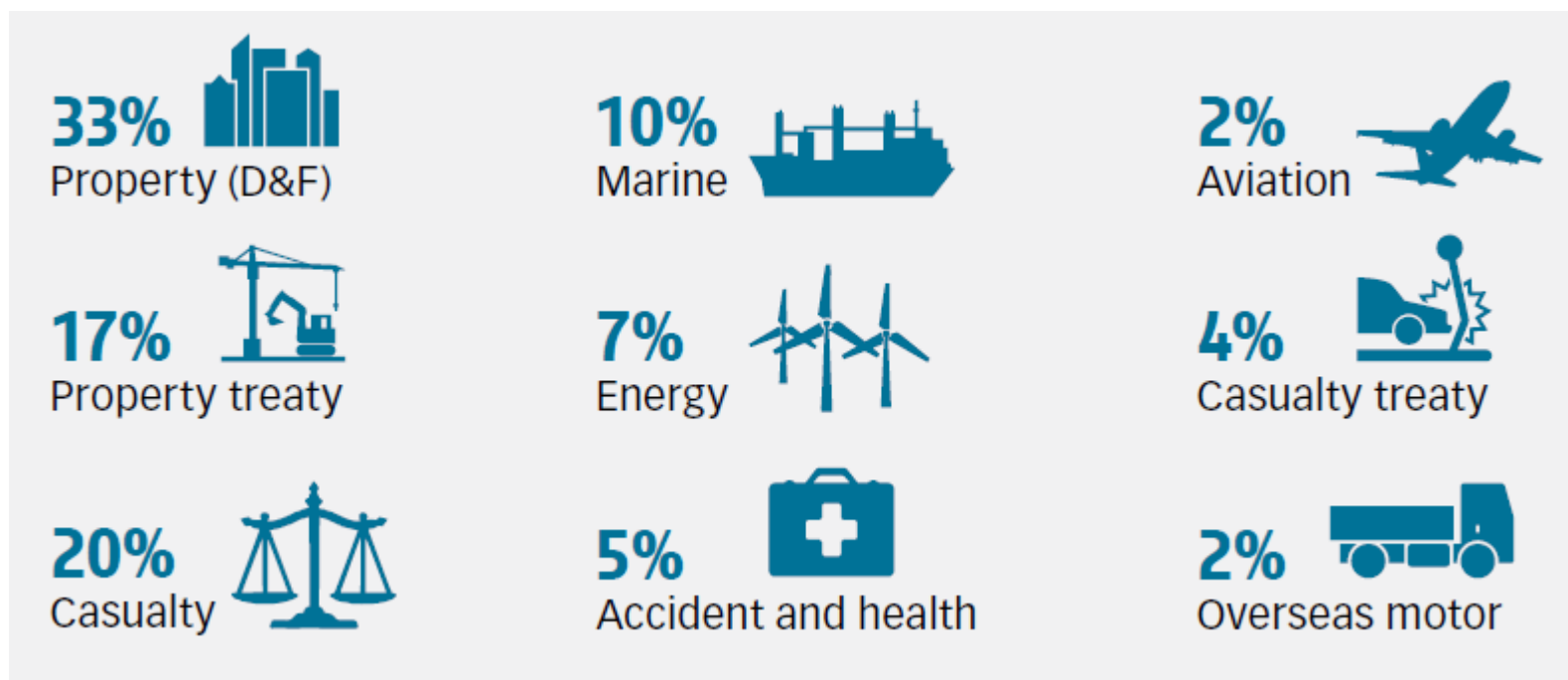
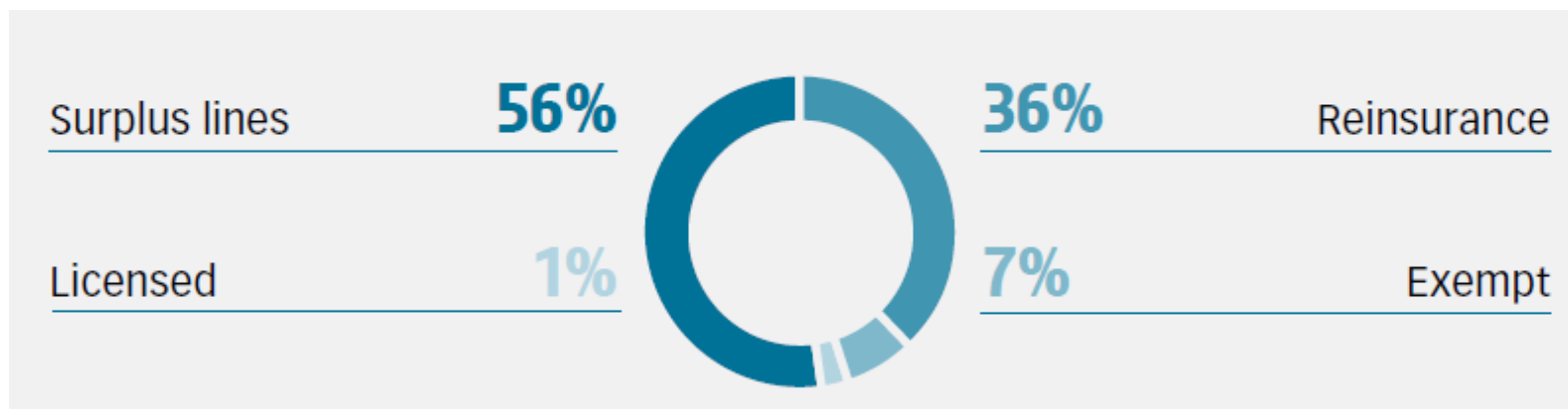


Source: Lloyd's Annual Report 2014

Lloyd's in the US



Breakdown of Lloyd's 2014 total US business



Lloyd's in the US – a major player

- ▶ Lloyd's is eligible to write surplus lines (E&S) and is an accredited reinsurer in all US jurisdictions.
- ▶ In 2014, the market holds its # 1 and # 2 positions in these segments, respectively.
- ▶ Underwriters at Lloyd's are licensed insurers in Illinois, Kentucky and the US Virgin Islands only.

38% of Lloyd's global premium comes from the US. In **2014** this accounted for **US\$14.6BN.**



Lloyd's **LEADS THE WAY** in the excess and surplus lines and reinsurance markets **IN THE US.**

Lloyd's America regional structure

Your key contacts

Locations

- 1 Atlanta, GA
- 2 Boston, MA
- 3 Chicago, IL
- 4 Frankfort, KY
- 5 Los Angeles, CA
- 6 New York, NY
- 7 US Virgin Islands



Rich Magrath
Western Regional Director
Los Angeles



Pat Talley
Central Regional Director
Frankfort, KY/
Chicago



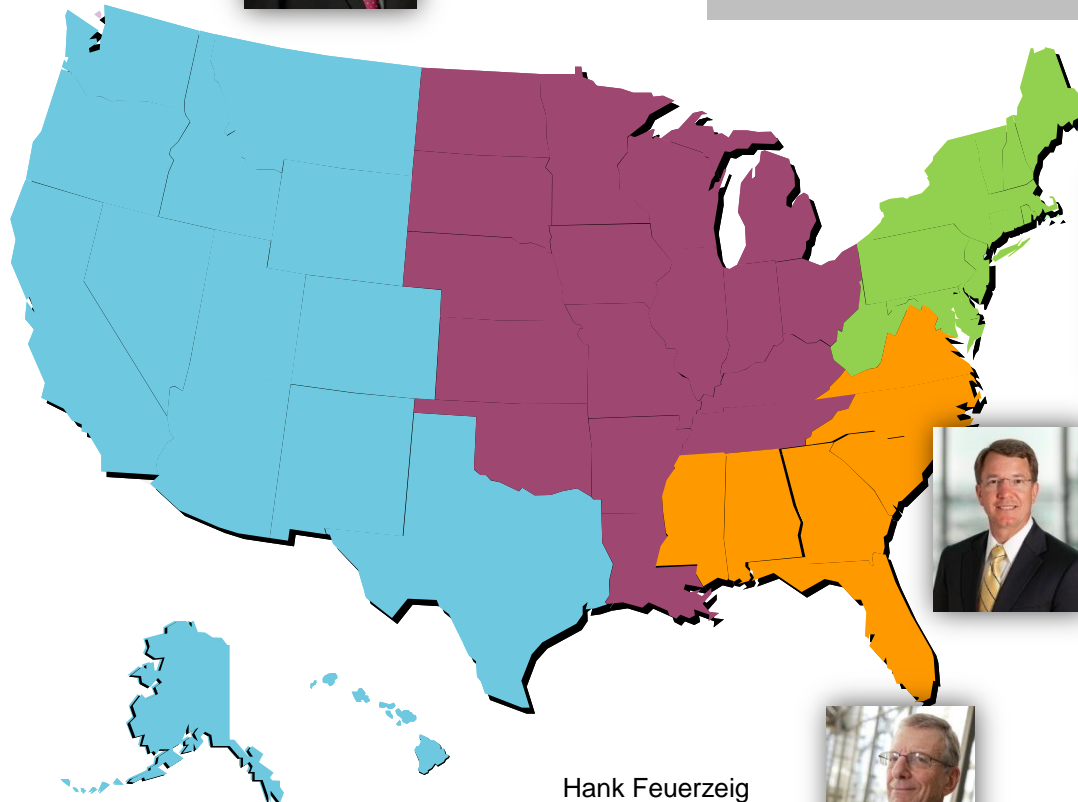
Hank Watkins
President, NA
New York



Joseph Gunset
General Counsel, US
New York



Kiran Bhovan
Senior Manager Comms
London



Glenn Dorr
Northeast Regional Director
Boston



Rodney Smith
Southeast Regional Director
Atlanta



Hank Feuerzeig
General Representative
US Virgin Islands

32 members of the team in total

Lloyd's America- 2015 Key Priorities

1. **Facilitate access to and understanding of** Lloyd's by our distribution partners (brokers & coverholders), cedants, capital providers, the media, general business community and academic institutions.
2. **Work with managing agents and brokers** to establish & maintain mutually productive and active engagement with key industry groups, supporting their business development activities. Groups include the following associations:



3. **Provide meaningful US market intelligence** to managing agents and brokers, in the process facilitating business plan development.
4. **Maintain the market's ability to access business** in the E&S, Licensed (IL, KY & USVI) and Reinsurance sectors via strong relationships with state / territory regulators and the Federal Insurance Office (FIO).



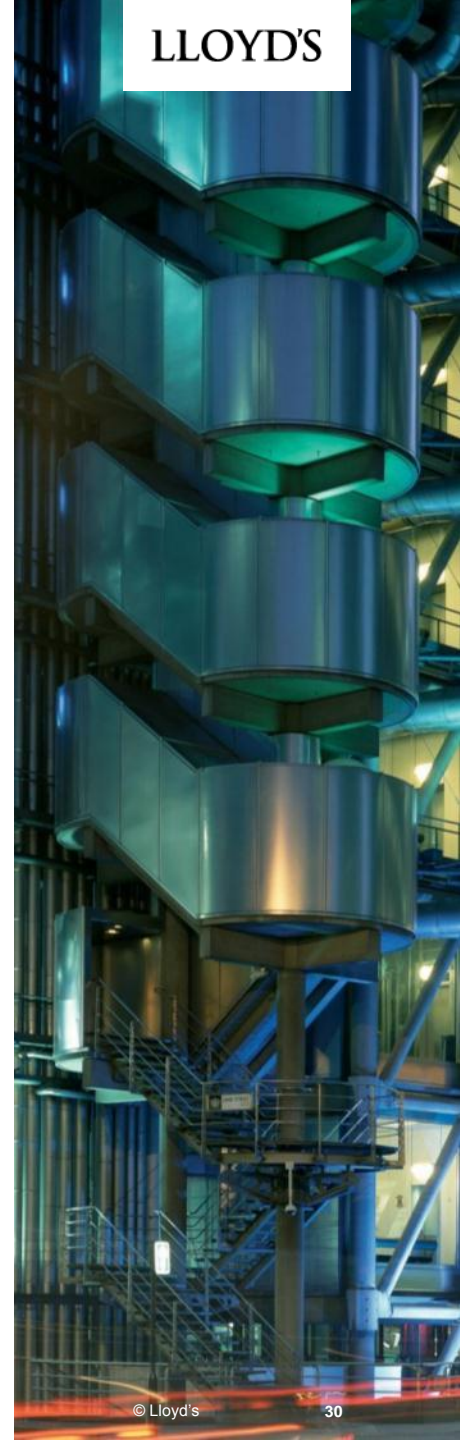
Coverholders at Lloyd's

Glenn Dorr, Lloyd's US Northeast Regional Director

Key Facts

- ▶ Globally there are approximately 3,900 approved coverholders at Lloyd's.
- ▶ They produce around 33% of Lloyd's premium income each year.
- ▶ 70% of coverholders have been with Lloyd's for more than 5 years.
- ▶ From a recent Lloyd's survey, some of the biggest advantages of being a coverholder for Lloyd's have been identified as:
 - Flexibility in underwriting solutions
 - Freedom to make own underwriting decisions
 - Access to Lloyd's brand and security rating

Lloyd's Definitions



What is a Lloyd's coverholder?

- ▶ A 'Lloyd's coverholder' is usually the same as a managing general agent (MGA).
- ▶ It's a company or partnership authorised to write contracts of insurance on behalf of the managing agent in accordance with the terms of a binding authority.
- ▶ They may also have authority to issue insurance policies and certificates of insurance.
- ▶ Some may have claims settlement authority

Name

- ▶ A member of the Society who is an individual and who trades on an unlimited basis.

Managing Agent

- ▶ An underwriting agent responsible for managing a syndicate, or multiple syndicates.

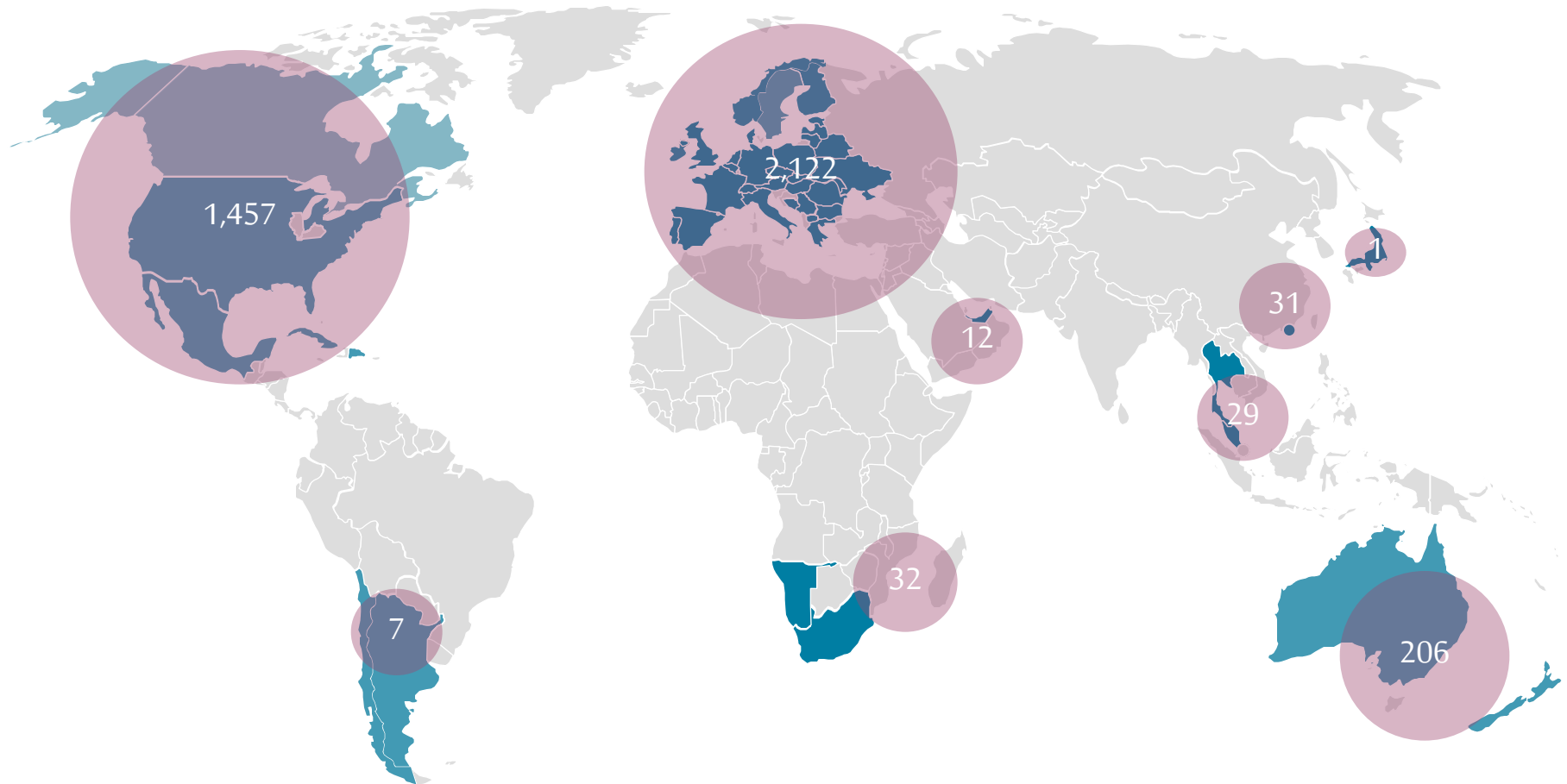
Syndicate

- ▶ A Member, or group of members underwriting insurance business at Lloyd's through the agency of a managing agent.

Service Company

- ▶ A service company means an approved coverholder that is associated with a managing agent by reason of it being a wholly owned subsidiary of the managing agent.

Global distribution of coverholders - 2015

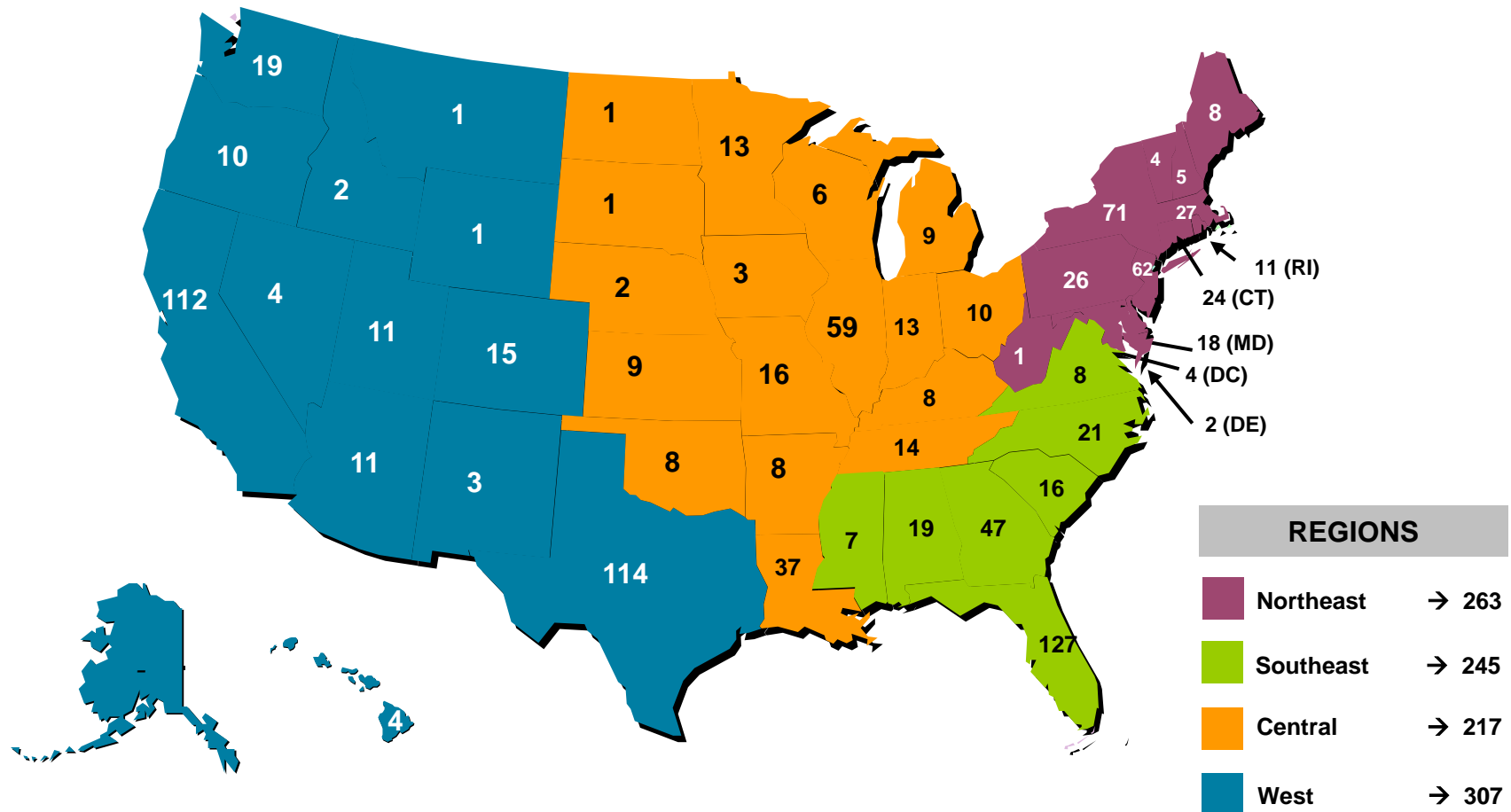


Source: Lloyd's Delegated Authorities as at March 2015

Lloyd's Coverholders in the US

Total premium written by Lloyd's coverholders (MGA's) in 2014 was approx. \$3bn.

Joint outreach to this key distribution force by London and Lloyd's US team remains a priority in 2015.



Benefits of being a Lloyd's coverholder

Underwriting authority

Claims handling authority

Flexibility and capacity to develop bespoke insurance solutions

Coverholder at **LLOYD'S**

Access to a wide range of insurance talent within the Lloyd's Market

Access to other territories through Lloyd's licenses

Benefits of being a Lloyd's coverholder continued



Lloyd's US offices
 Atlanta
 Boston
 Chicago
 Frankfort, KY
 Los Angeles
 New York

Dedicated Website for Coverholders

Market Intelligence Report

Access to model contracts of delegation

Country manager network

Local coverholder network

Lloyd's expectation of coverholders

Selection of suitability criteria:

- ▶ Memberships
- ▶ Human resources
- ▶ Controls and procedures
- ▶ Adequate capital and financial resources
- ▶ Capable and willing to comply with terms of any undertaking given by Lloyd's



Profitable underwriting > Professional people > Precise business plan > Financial stability

Binding authority agreement

- ▶ Establishing the exact terms and conditions of the binding authority will ensure coverholders understand what they can do and how they must act as an approved coverholder.
- ▶ The Binding Authority Registration website is an online market system for brokers and managing agents for the registration of Lloyd's binding authorities.



LLOYD'S

CONTACT US | USER MANUAL | GLOSSARY

BINDING AUTHORITY REGISTRATION

RODNEY.SMITH@LLOYDS.COM | LOG OUT

Coverholders
View approved coverholders

Advanced search
Search for binding authorities using a range of search criteria

Need help?
Select an option

Binding Authority Registration System
This site allows you to register or amend binding authorities and to view coverholder permissions.

Binding authorities
To amend, renew, cancel or withdraw a binding authority, enter its details below.

Search by binding authority date and number:

Coverholders
To register a new binding authority or to view a coverholder's permissions, enter its details below.

Search by coverholder name:

SEE ALSO

- User manual
- Related bulletins & information
- Most recent changes to this system
- Binding authority QA tool

SYSTEM INFORMATION
Version 2.2.2.0
→ BAR Version 2 has arrived

Certificates

- ▶ The certificate sets out the terms of the insurance contract between the policyholder (insured) and the managing agent.
- ▶ As a coverholder, the format and content of insurance documents issued must be agreed with the managing agent via the Lloyd's broker.



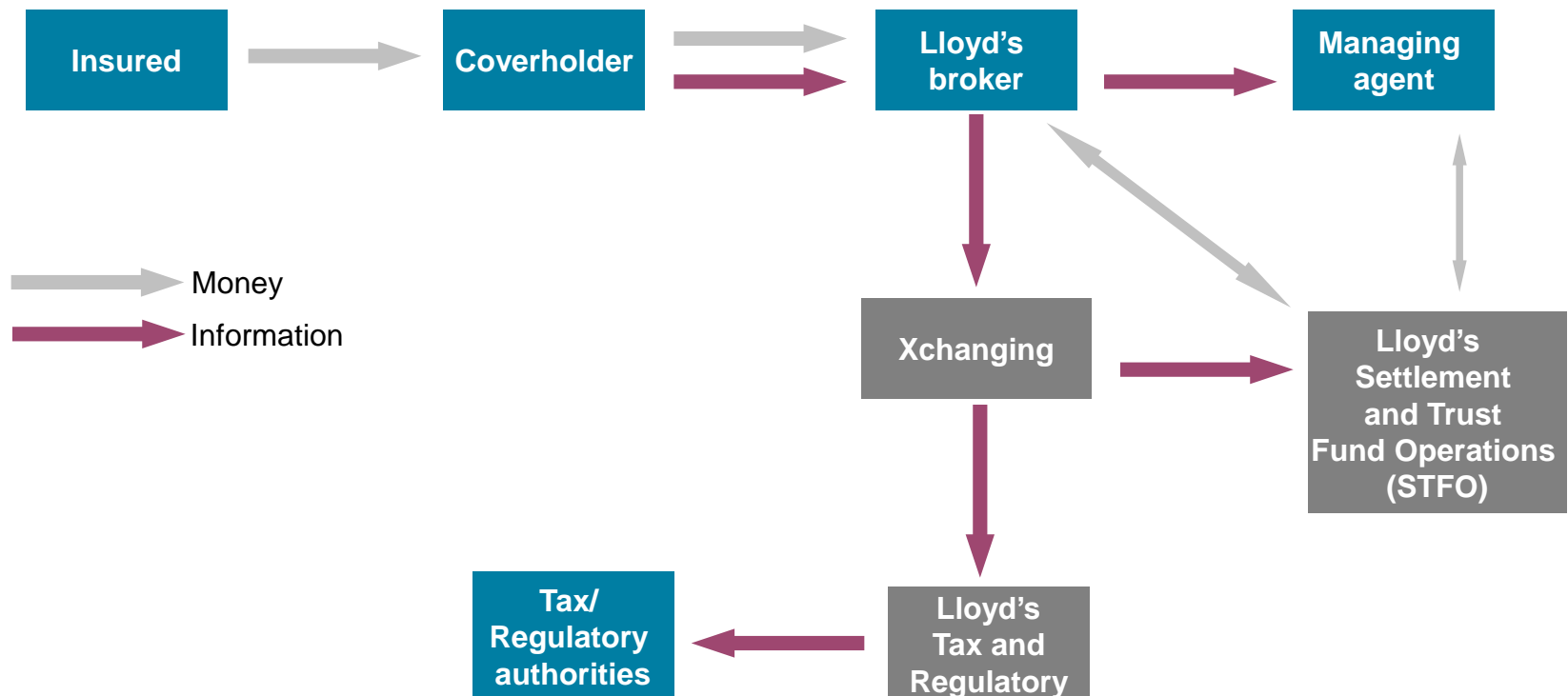
Risk handling process

- ▶ In the coverholder distribution channel, the coverholder is responsible for placing the risk. The coverholder informs the broker who in turn informs the managing agent of the risk.



Premium handling process

- In the coverholder distribution channel, brokers and coverholders are involved in the processing of premiums, on behalf of the managing agent.



Add to your coverholder network

LLOYD'S **ATLAS**

HOME SEARCH HELP LOGOUT

EXAMPLE COVERHOLDER LTD. (112896QON) IDENTITY: Lloyd's

SUMMARY DETAILS DOCUMENTS LLOYD'S BA DOCUMENTS BULK CHANGES PRINTS

Ongoing

Task/Change	Lloyd's broker	Managing agent	Status	Submitted	Changed
New Coverholder Application See all changes...	Atlantic (UK) Brokers Ltd	Brit Syndicates Limited	With Coverholder (for Approval)	13 Mar 2015	13 Mar 2015

CONTACT DETAILS

Pin: 112896QON

Telephone:

Trading address: *

Email address:

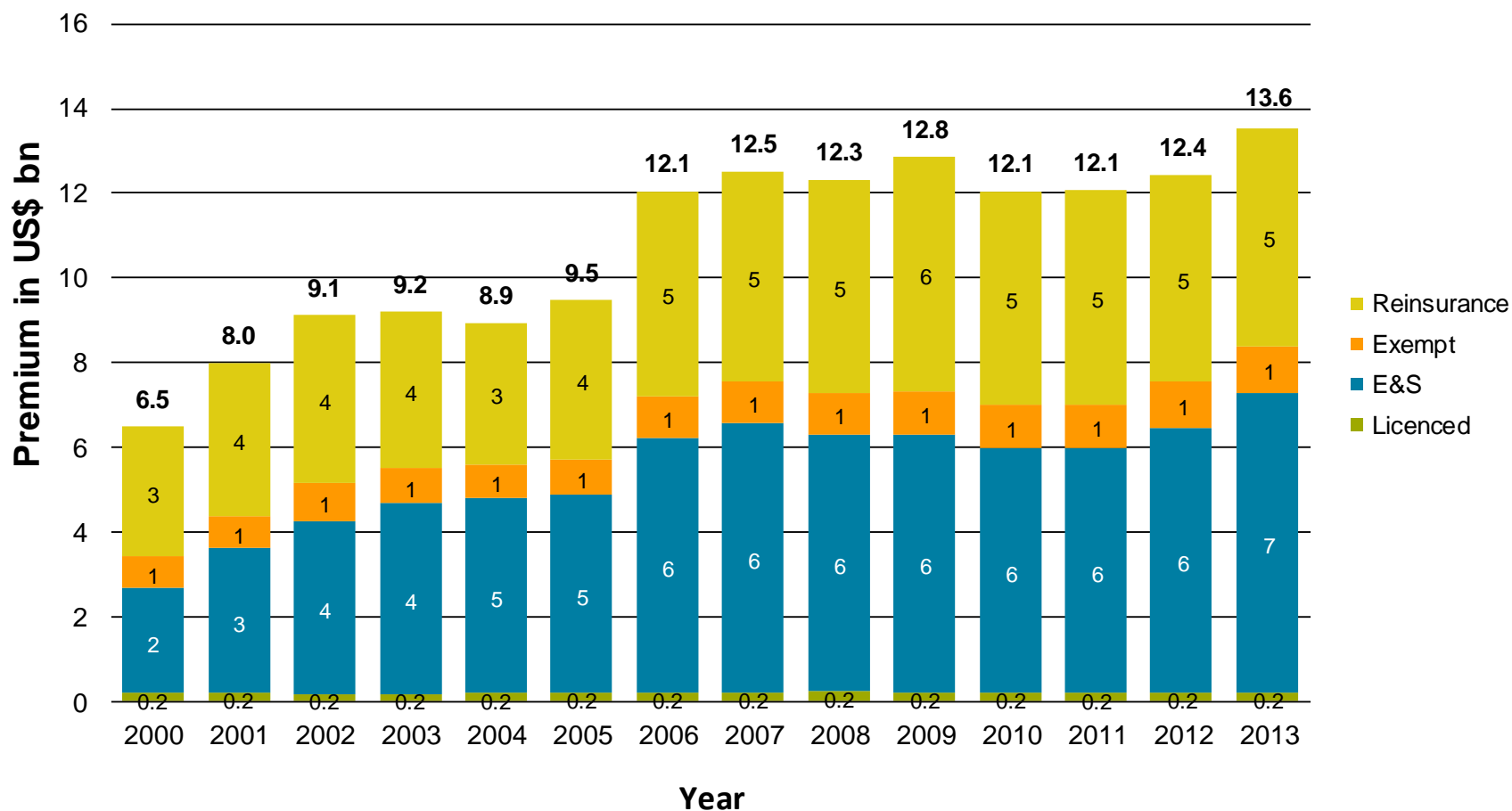
* Trading/Registered address may be different from the postal address.

Regulatory requirements

- ▶ In those countries where Lloyd's is licensed to underwrite business, we must comply with all applicable laws and regulations
- ▶ Lloyd's provides a number of tools including Crystal, the risk locator and interactive map to help meet these requirements.
 - **Quick and easy** access to Lloyd's regulatory and taxation information
 - **Key information** to support the writing of international business
 - **Multiple country and category** tailored searches
 - **Regular updates** on regulatory and fiscal requirements
 - An **interactive map** that provides a high level summary of Lloyd's trading status worldwide

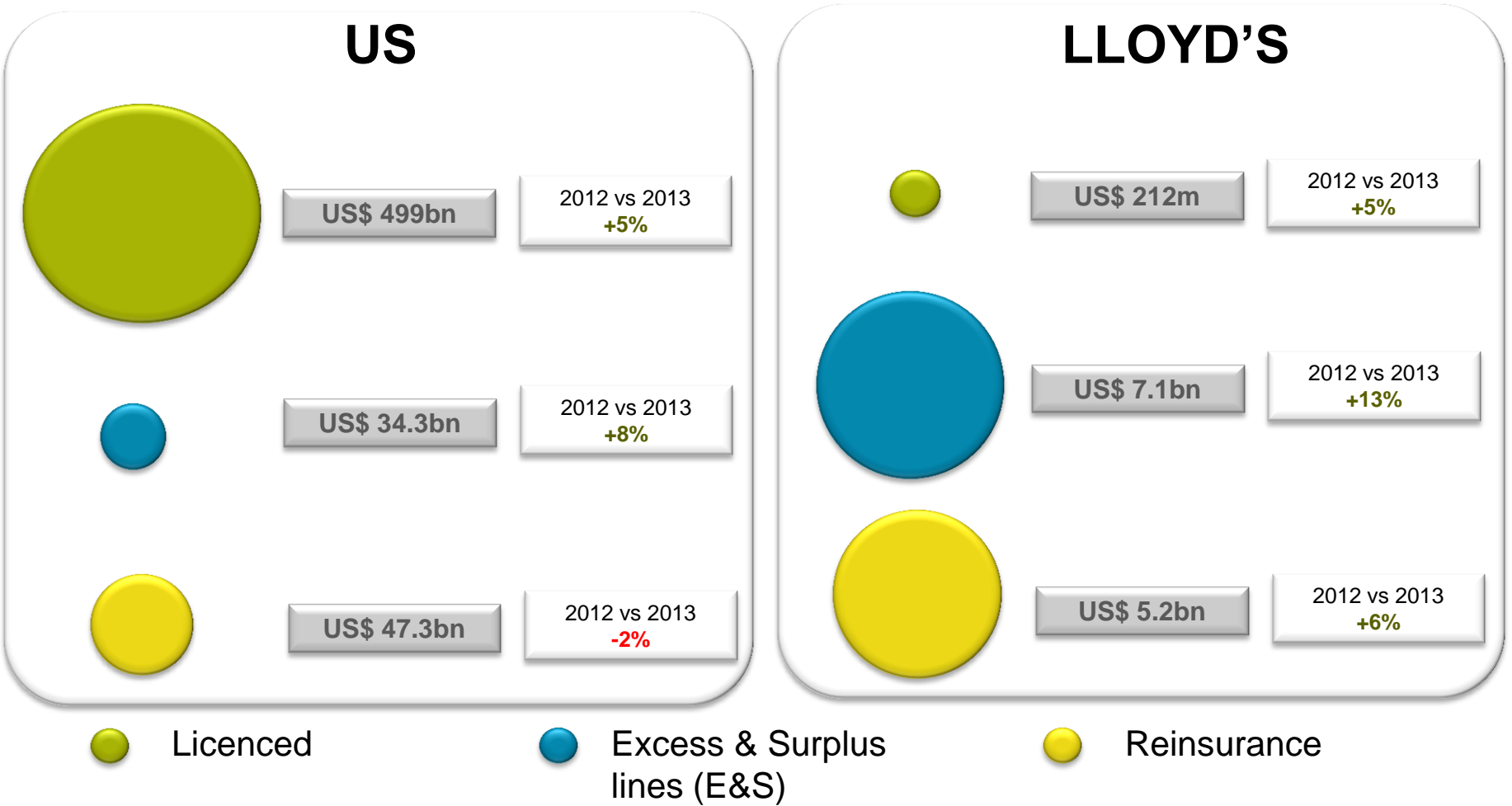


Lloyd's US total premium by segment



Source: Xchanging LEG720 (Jan 2014)

Total US Market vs Lloyd's - 2013



Not shown: \$1.1 billion Exempt business (interstate railroads, marine builder's risk, vessels, etc.)

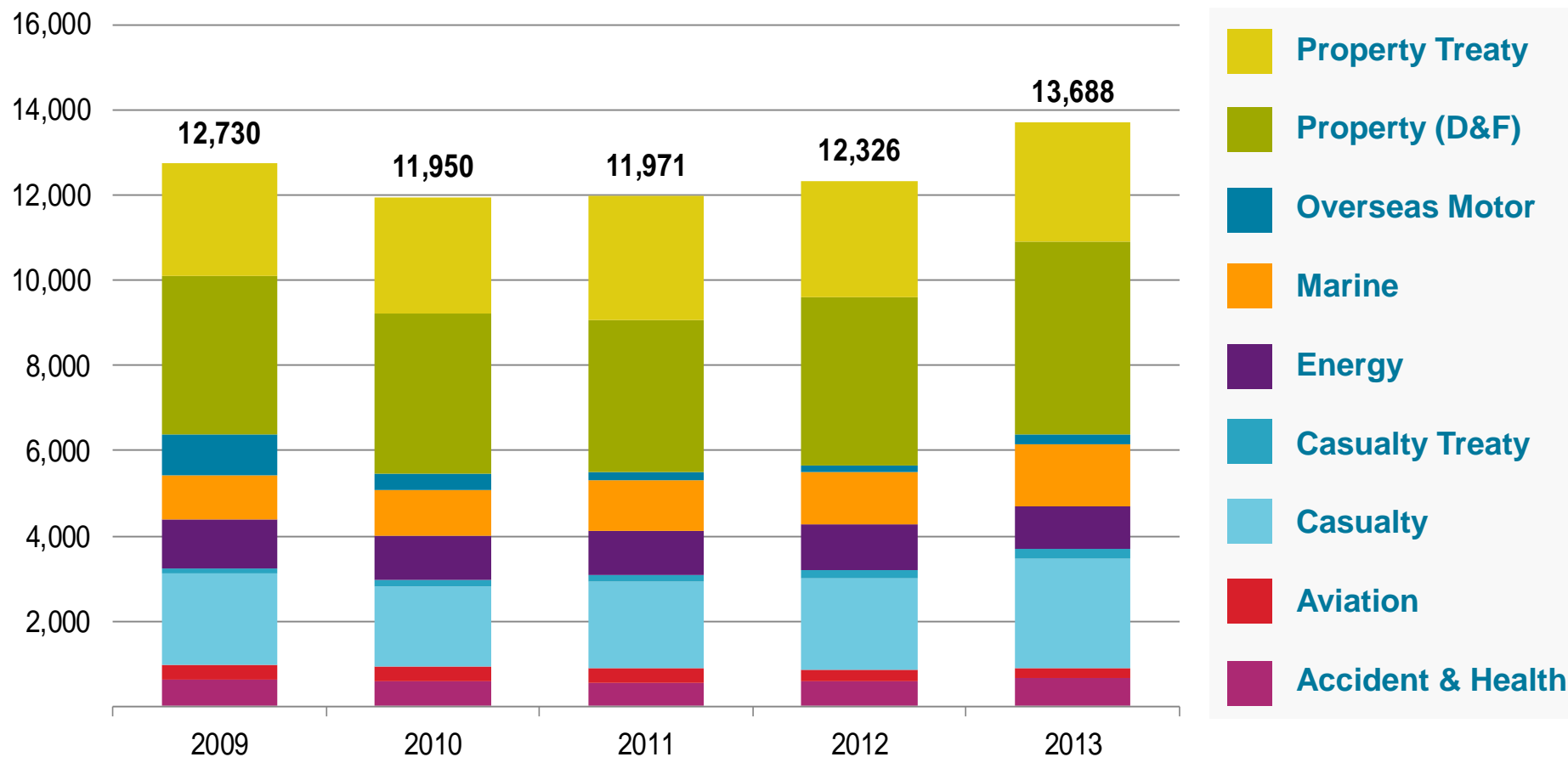
Note – 1) The figures above for the market include only US based entities plus Lloyd's figures
2) The above analysis does not include exempt business
Source: Market Intelligence based on: Lloyd's US reporting system, RAA Reinsurance Underwriting report, SNL Financial, (June 2014)

Lloyd's US premium – All segments

By class of business (Licenced, E&S, Exempt and RI) 2009 – 2013

Gross Signed Premiums in US\$ m

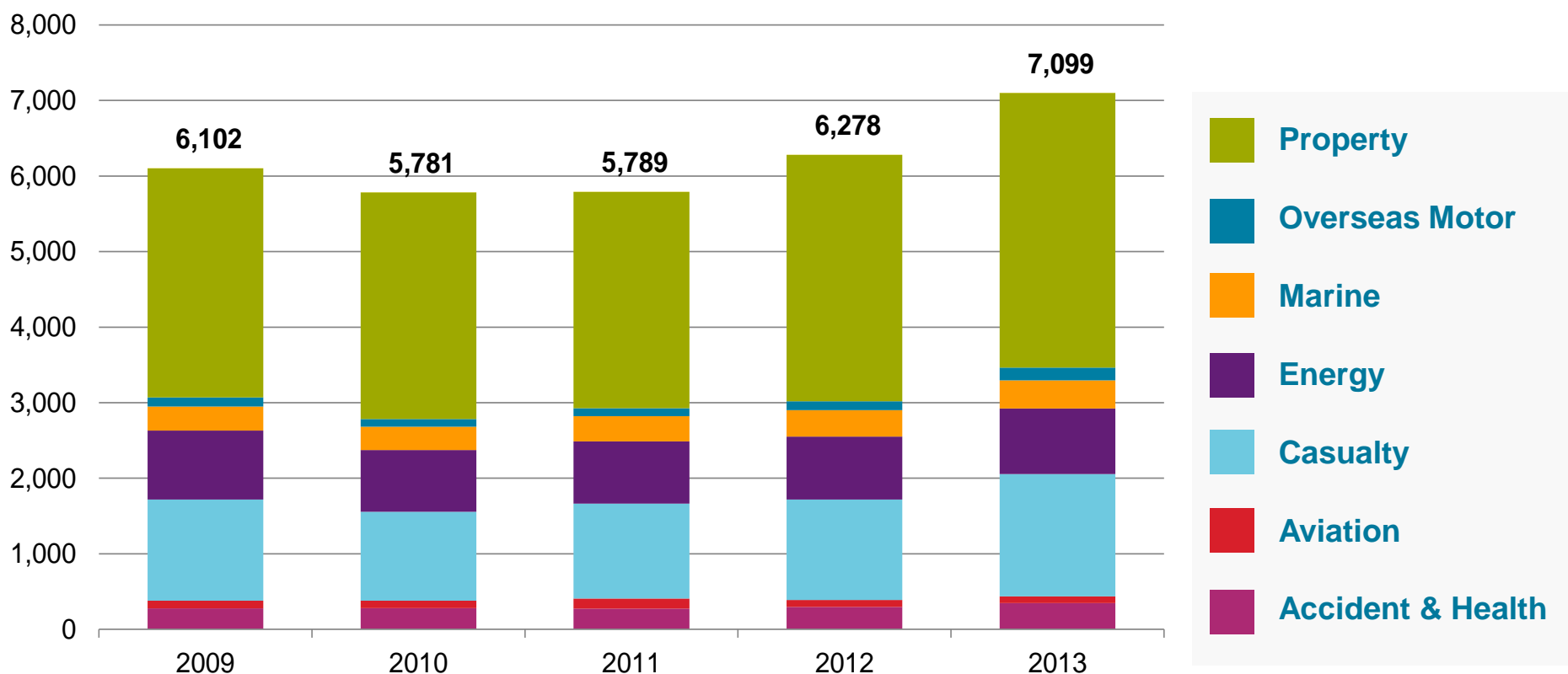
Total written premium increased by 11% (US\$ 1.4bn) in 2013



Lloyd's US premium – E&S

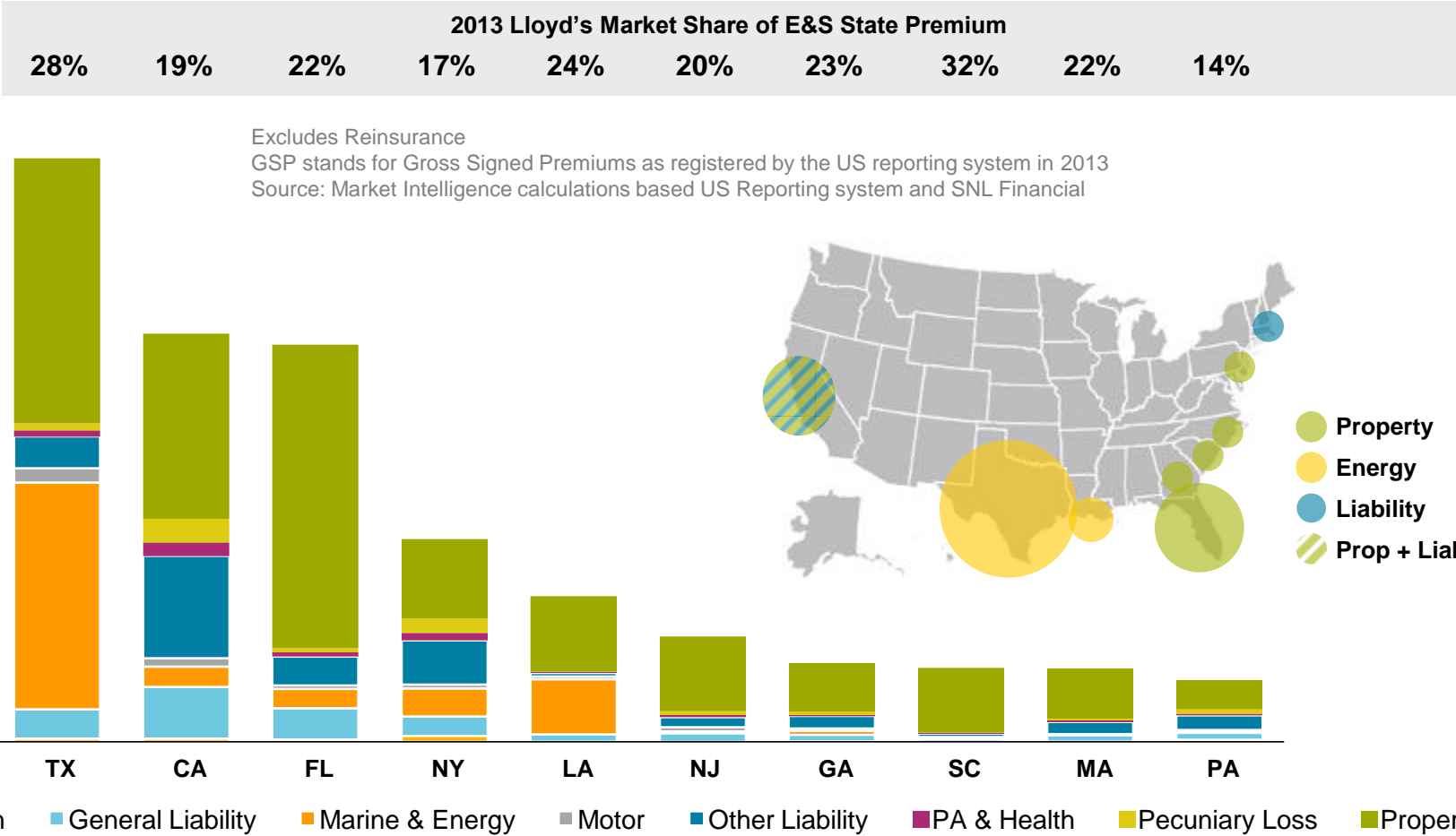
Gross Signed Premiums in US\$ m

Total written premiums grew by 13% (US\$ 821m) in 2013



Lloyd's E&S – Top 10 states

Lloyd's share of the E&S market in TX, LA, GA, MA, FL, NJ and SC ranges from 20 – 32%. Catastrophe capacity provided by Lloyd's fills a critical need in these states.

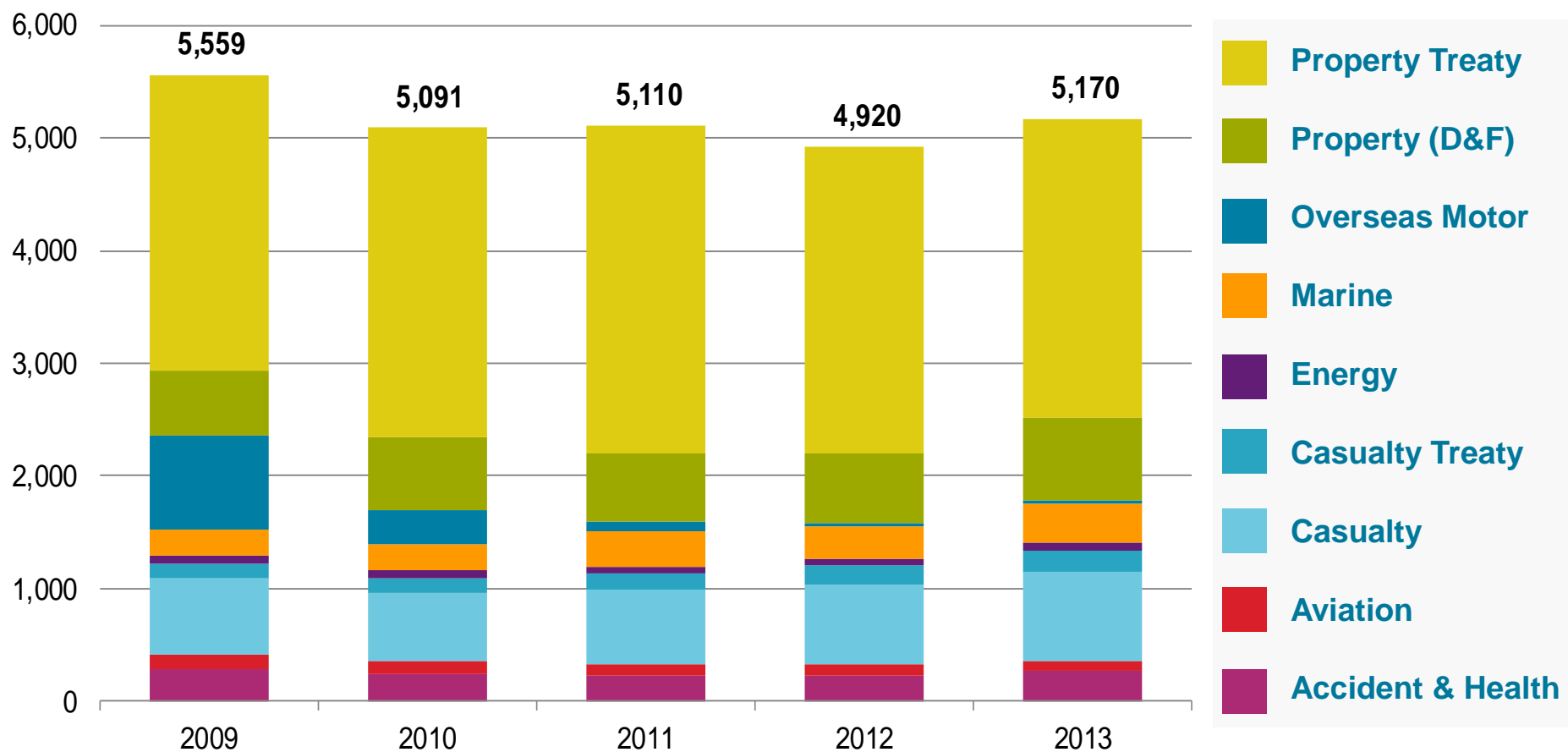


Please Note: These figures do not include Reinsurance premiums
Gross Signed Premiums as registered by the US reporting system in 2013
Source: Market Intelligence based on SNL financial and Lloyd's US reporting system (May 2014)

Lloyd's US premium – Reinsurance

2009 - 2013 RI Premium by Class of Business

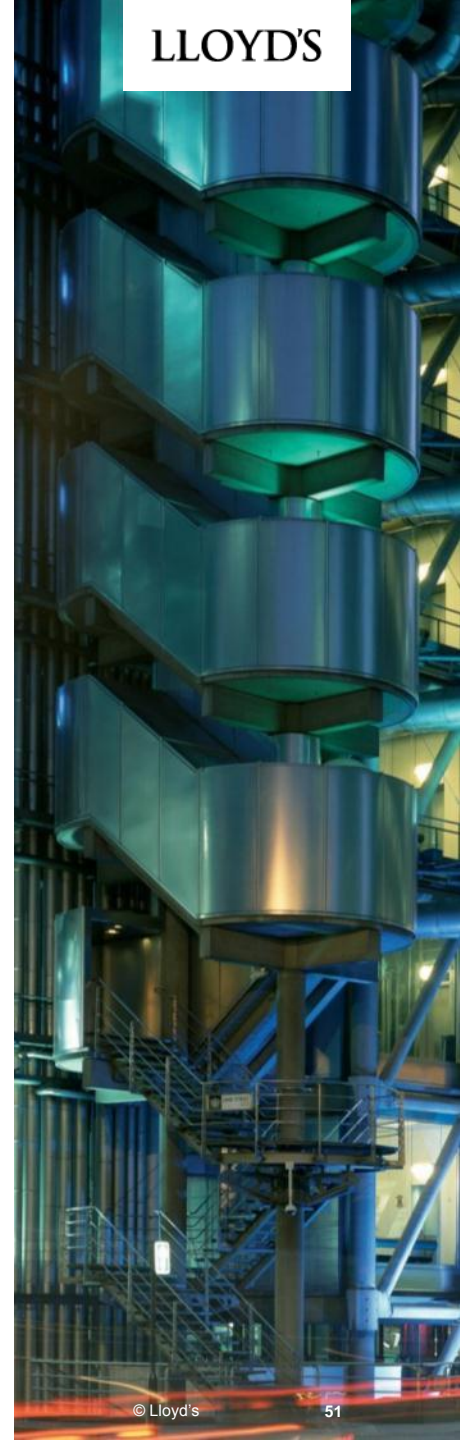
Gross Signed Premiums in US\$ m



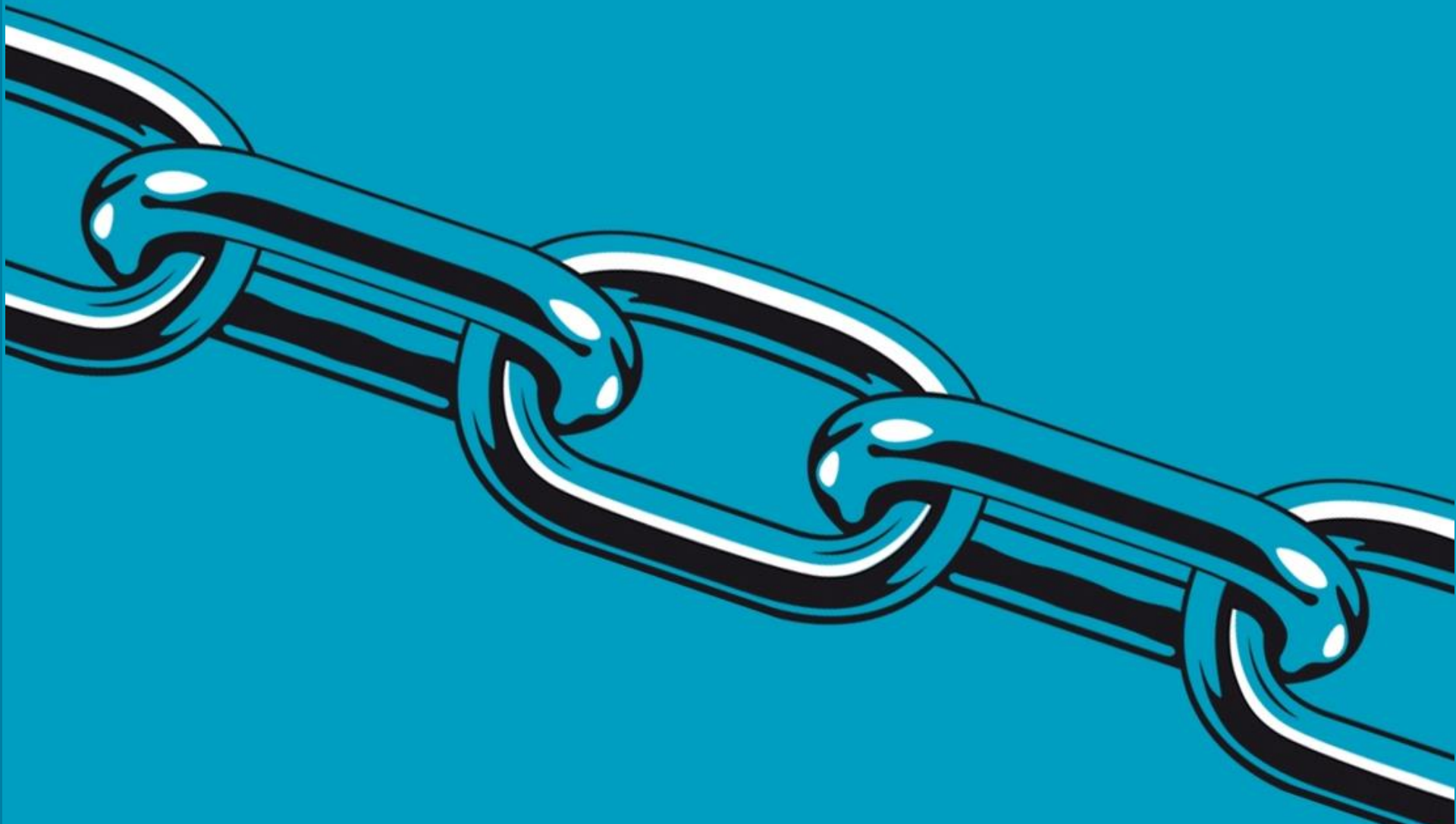
How does Lloyd's manage underwriting performance?

- ▶ The Lloyd's Performance Management Directorate has responsibility for overseeing syndicate performance on behalf of the Franchise Board. Its responsibilities include:
 - Reviewing annual syndicate business plans
 - Monitoring syndicate performance against business plans
 - Providing class of business management information and thought leadership to the market
 - Setting a framework of minimum standards for competence and performance

Financial Results



Lloyd's Chain of security - taking a closer look



Lloyd's 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 to members.

Several assets	First link	Syndicate level assets \$70,417m	<ul style="list-style-type: none">Members' premium trust funds and other assets held in trust at syndicate level.All premiums received are held in trust.Include international regulatory deposits and trust funds.
	Second link	Members' funds at Lloyd's \$24,498m	<ul style="list-style-type: none">Each member must provide sufficient capital to support their underwriting.Amounts required are calculated through syndicate individual capital assessment (ICA).Funds are held in trust for the benefit of policyholders.
Mutual assets	Third link	Central assets \$5,237m	<ul style="list-style-type: none">Available to meet any valid claim that cannot be met from a member's resources in the first two links.Include the Central Fund, funded by members' annual contributions and funds issued by the Corporation of Lloyd's

Financial Highlights-2014

- ▶ Strong results with a profit of \$4.9bn(2013: \$5.32bn) and a combined ratio of 88.1% (2013: 86.8%)
- ▶ Excellent Return on Capital of 14.7%¹ (2013: 16.2%)
- ▶ Robust capital and reserves which increased by 11.2% to \$41.7bn (2013: \$35bn)
- ▶ Strong and stable ratings with Fitch's upgrade to 'AA-' in June

Market highlights

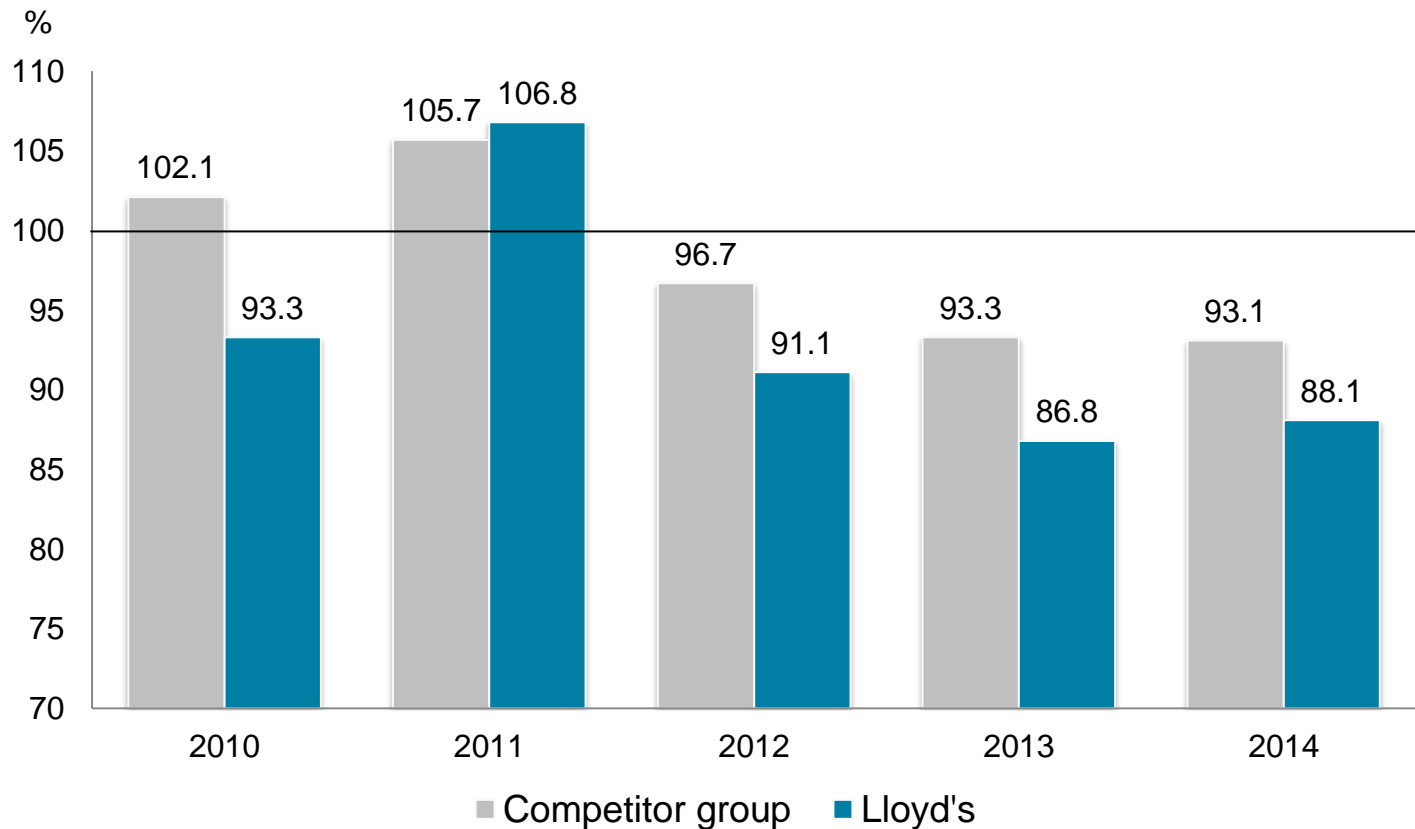
- ▶ M&A activity demonstrates attractiveness of Lloyd's
- ▶ Solvency II – working towards implementation in 2016
- ▶ Good progress on strategic priorities including
 - Global market access
 - Market oversight
 - Ease of doing business
 - Capital
- ▶ Turning challenges into opportunities by leveraging the London Market cluster

A five year view of Lloyd's performance

US\$m	2010	2011	2012	2013	2014
Gross written premiums	34,759 £22,425	337,339 £23,337	40,025 £25,173	39,959 £25,615	41,717 £25,283
Combined ratio	93.3%	106.8%	91.1%	86.8%	88.1%
Investment return	1,950 £1,258	1,528 £955	2,084 £1,311	1,309 £839	1,724 £1,045
Result before tax	3,446 £2,195	(800) (£516)	4,517 £2,771	5,320 £3,205	4,931 £3,161
Return on capital (pre-tax) %	12.1	(2.8)	14.8	16.2	14.7

Lloyd's outperforms competitor group

Combined Ratios



Source: Lloyd's pro forma financial statements, 31 Dec 2014; competitor group formed of 11 companies operating in US, European and Bermudan markets. These companies are Ace, AIG, Arch, Everest Re, Hannover Re, Mapfre, Munich Re, Partner Re, SCOR, Swiss Re, XL.

Lloyd's ratings

- ▶ Three of the world's leading rating agencies validate Lloyd's robust capitalisation and the market's financial strength.
- ▶ As all Lloyd's policies are backed by mutual security, the following ratings apply to the entire market.

A+**STANDARD
& POOR'S**

A+ (Strong)

AA-**FITCH
RATINGS**AA- (Very
strong)**A****A.M. BEST**

A (Excellent)

Our strengths

**Financial
security
and strong
ratings**



**Underwriting
expertise and
product
offering**



**Access to
business**



**Global
Licenses**



**Capital
Efficiency
and the
Chain of
security**



**Brand and
Reputation**



**Mutuality –
market
working
together**



**Market
Oversight**



Thank you! Stay in touch.

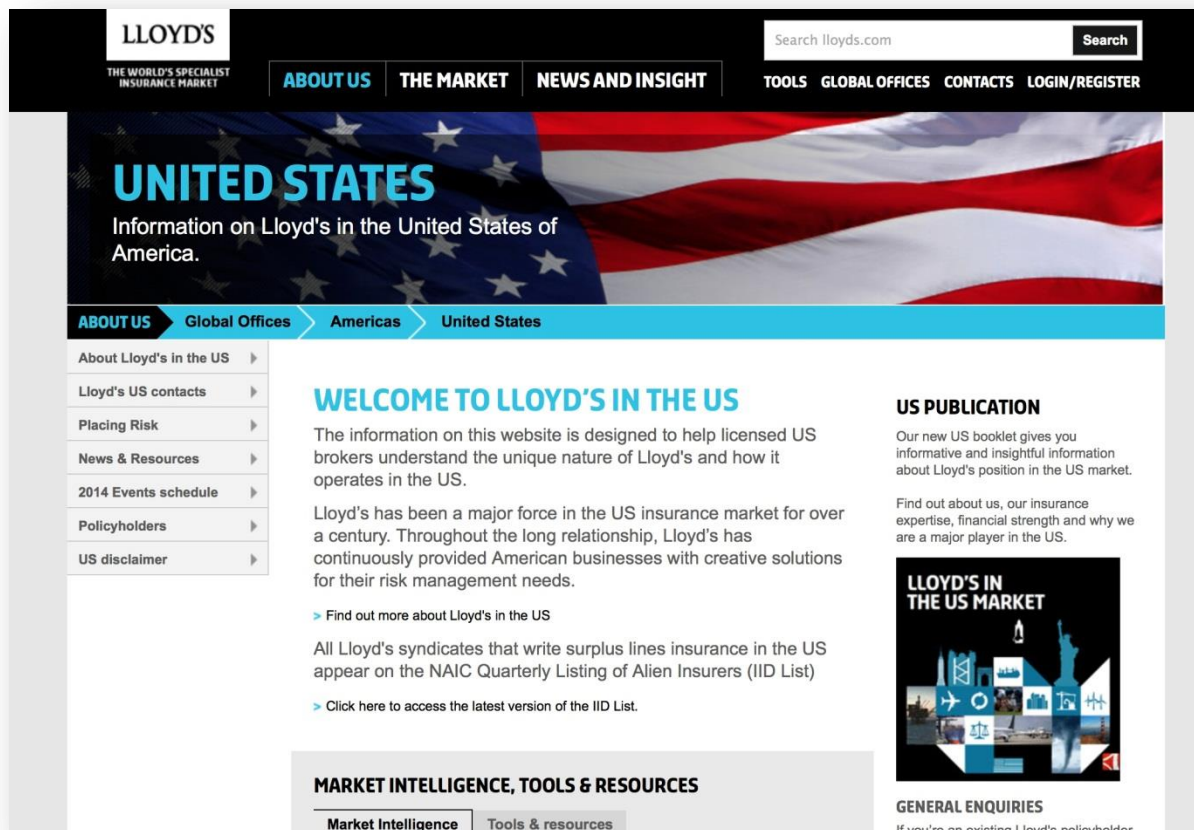
Email Glenn.Dorr@lloyds.com

Website lloyds.com/america

 lloyds.com/linkedin

 [@lloydsoflondon](https://twitter.com/@lloydsoflondon)

 facebook.com/lloyds



The screenshot shows the Lloyd's website interface for the United States market. The header includes the Lloyd's logo, a search bar, and navigation links for 'ABOUT US', 'THE MARKET', 'NEWS AND INSIGHT', 'TOOLS', 'GLOBAL OFFICES', 'CONTACTS', and 'LOGIN/REGISTER'. The main banner features an American flag and the text 'UNITED STATES Information on Lloyd's in the United States of America.' Below this, a breadcrumb trail shows 'ABOUT US > Global Offices > Americas > United States'. A left sidebar lists various topics like 'About Lloyd's in the US', 'Lloyd's US contacts', 'Placing Risk', 'News & Resources', '2014 Events schedule', 'Policyholders', and 'US disclaimer'. The main content area is titled 'WELCOME TO LLOYD'S IN THE US' and provides information about the website's purpose, Lloyd's history in the US market, and links to find out more or access the IID List. A 'US PUBLICATION' section mentions a new US booklet. At the bottom, there's a 'MARKET INTELLIGENCE, TOOLS & RESOURCES' section with links to 'Market Intelligence' and 'Tools & resources'. A 'GENERAL ENQUIRIES' section is also present, noting it's for existing Lloyd's policyholders.