

LLOYD'S OF LONDON

U.S. DISTRIBUTION & COVERHOLDERS

Adam Stafford – Lloyd's

Robert Dicks - Deloitte

Agenda

- Lloyd's in 2010
- Overview of Lloyd's Distribution in the U.S.
- The Strategic Review - Deloitte
- Taking Lloyd's forward in the U.S. – Lloyd's Strategy 2010 - 2012
 - E-Trading and the importance of 'standards'
 - The Exchange
 - Coverholder Focus
- Questions?

WHAT IS LLOYD'S?





THE WORLD'S LEADING SPECIALIST INSURANCE MARKET

**LLOYD'S
WROTE £22bn
OF INSURANCE
PREMIUM
IN 2009**

We're one of the best known brands in global insurance, and have been for over 300 years.

As we trade into the 21st Century, the Lloyd's market continues to be at the forefront of world insurance as a bold, vibrant, thriving, international business.



LLOYD'S KEY CHARACTERISTICS

MARKET

HISTORY

**COMPLEX AND
SPECIALIST RISKS**

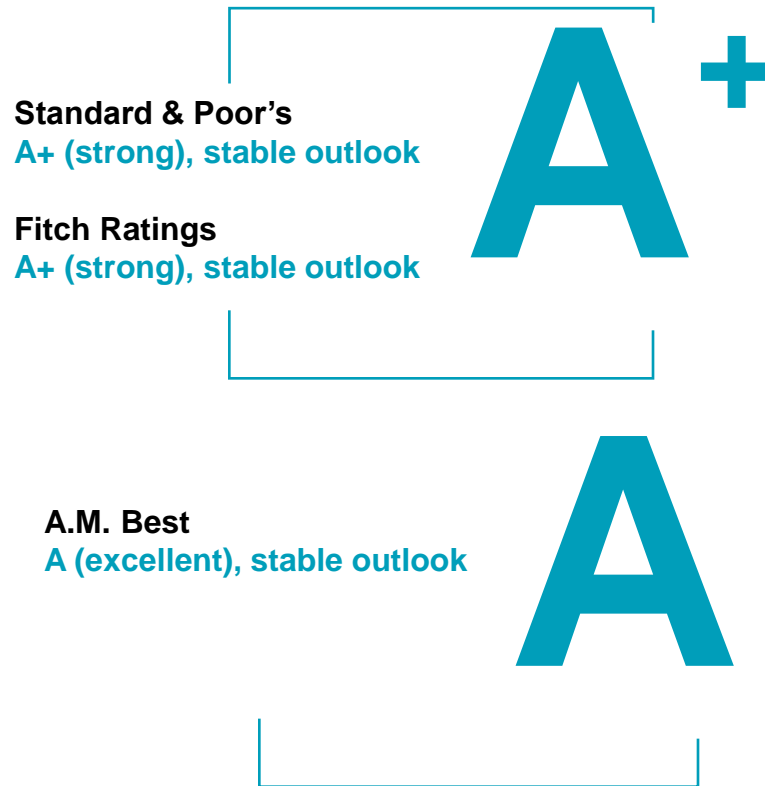
**RESPONSIBLE
RISK TAKING**

Lloyd's provides insurance for the majority of the world's largest companies

- **87%** of Dow Jones industrial average
- **96%** of FTSE 100
- **92%** of Fortune 500 - Top 50 European companies
- **86%** of Fortune 500 US companies

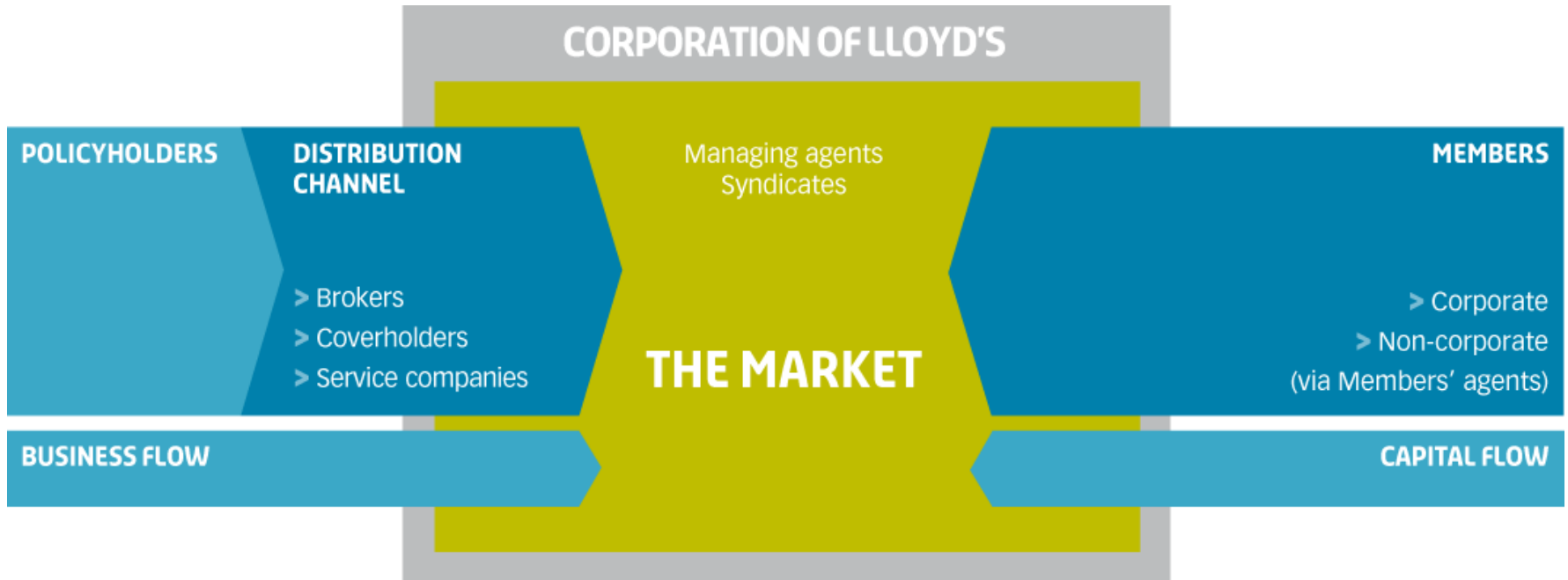
Source: Lloyd's customer data provided by Xchanging 2009

Ratings



Source: Lloyd's Annual Report 2009

Lloyd's market structure



All figures as at 31 December 2009.

LLOYD'S DISTRIBUTION IN THE U.S.

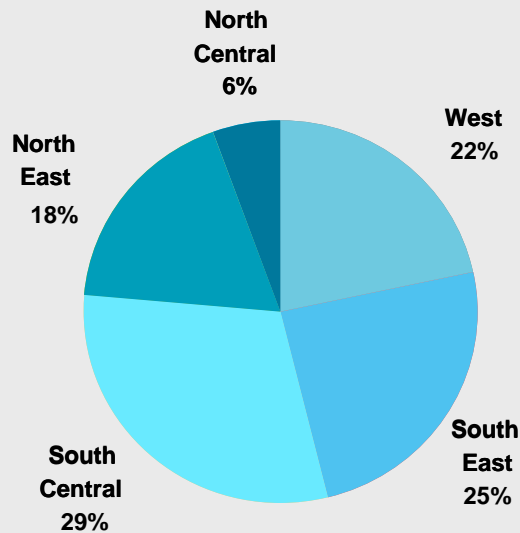
Lloyd's Portfolio Composition



- The majority of Lloyd's GWP is from North America (44%) and the UK (22%).
- The majority of North America GWP is reinsurance business written in the US and business written in the excess and surplus lines market where Lloyd's is the second largest insurer.
- The reliance on the US has been evident throughout the last decade although there was a reduction in business written following losses in 2001

Strong regional position in the US

Lloyd's US premiums split by region

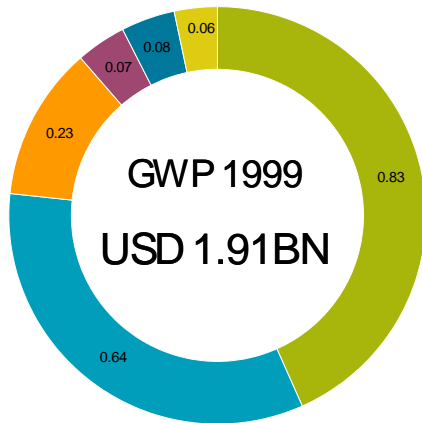


Lloyd's position by state

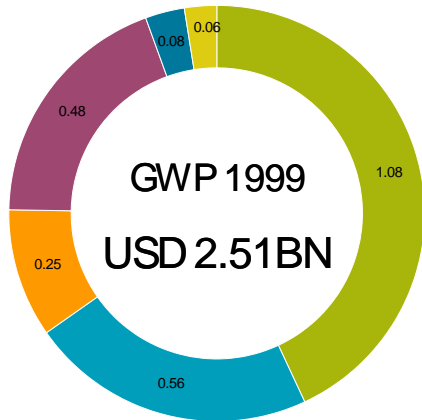
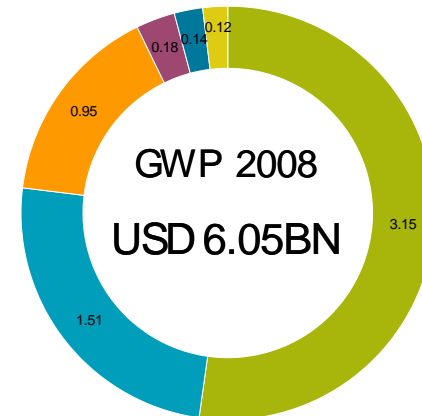
State	Lloyd's Premiums (USDbn)	Market Share 2008	Ranking 2008
California	1.0	18%	2°
Florida	0.8	19%	1°
Texas	1.2	33%	1°
New York	0.4	15%	2°

Source: Market Intelligence calculation on AM Best Surplus Lines Report – 2009 and Xchanging figures

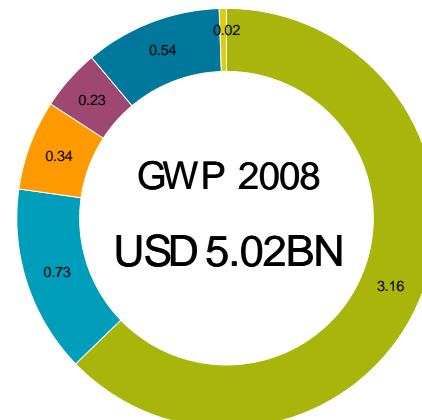
Consistent growth in Property and Liability lines over the last 10 years



EXCESS & SURPLUS
LINES premiums are
3.2X bigger

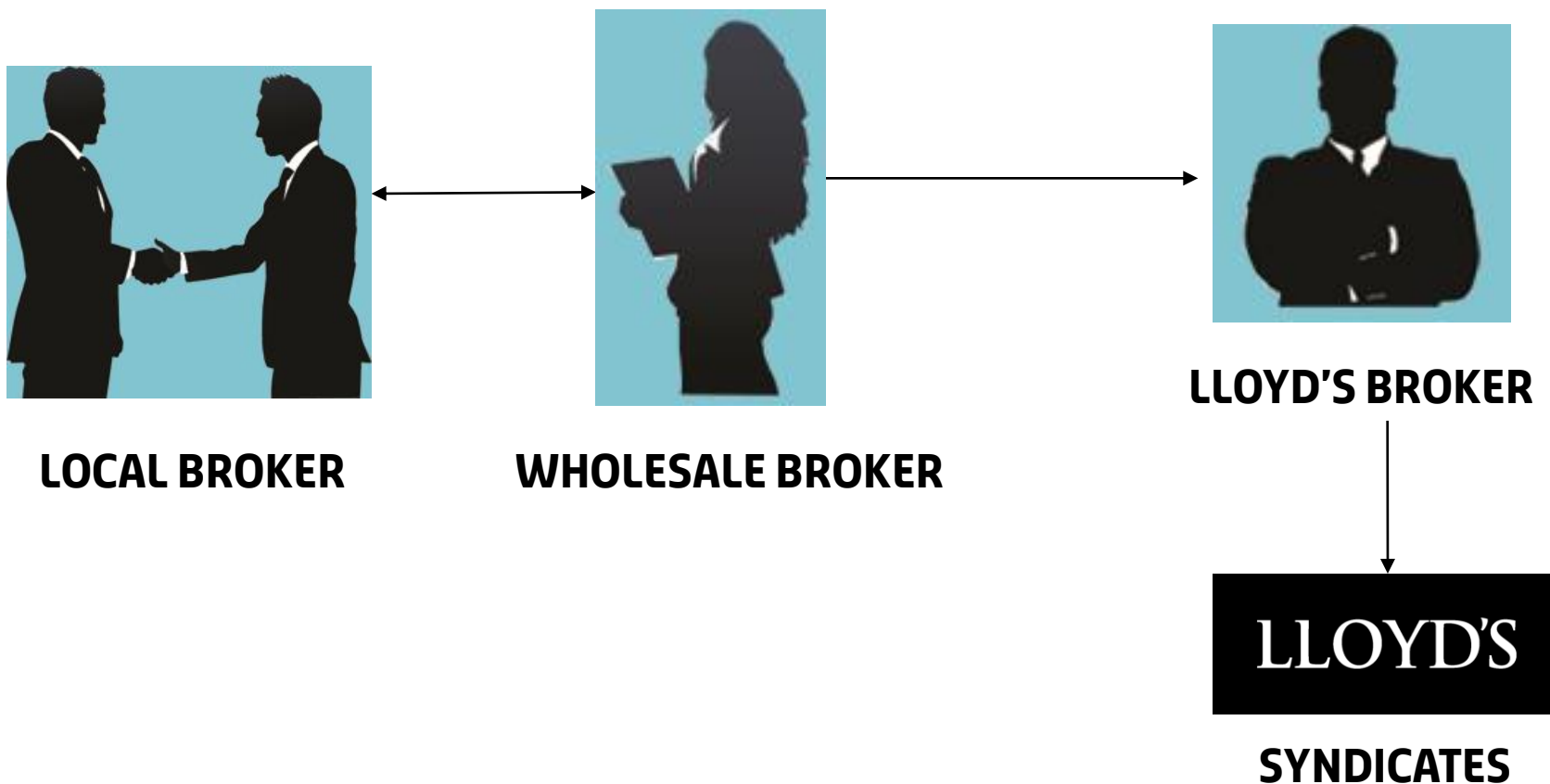


REINSURANCE
premiums are
2x bigger



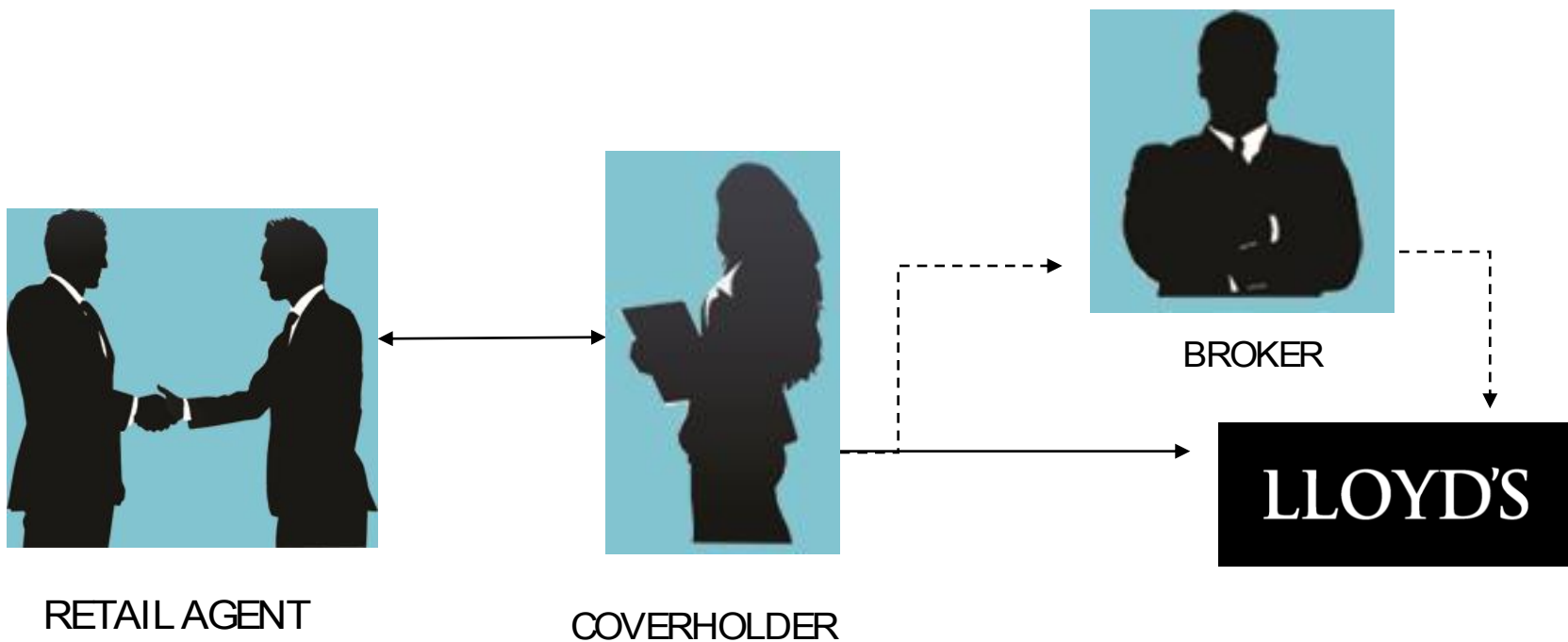
Source: Market Intelligence calculation on Xchanging figures

'Open Market' Distribution Chain in the U.S.



COVERHOLDERS IN THE U.S.

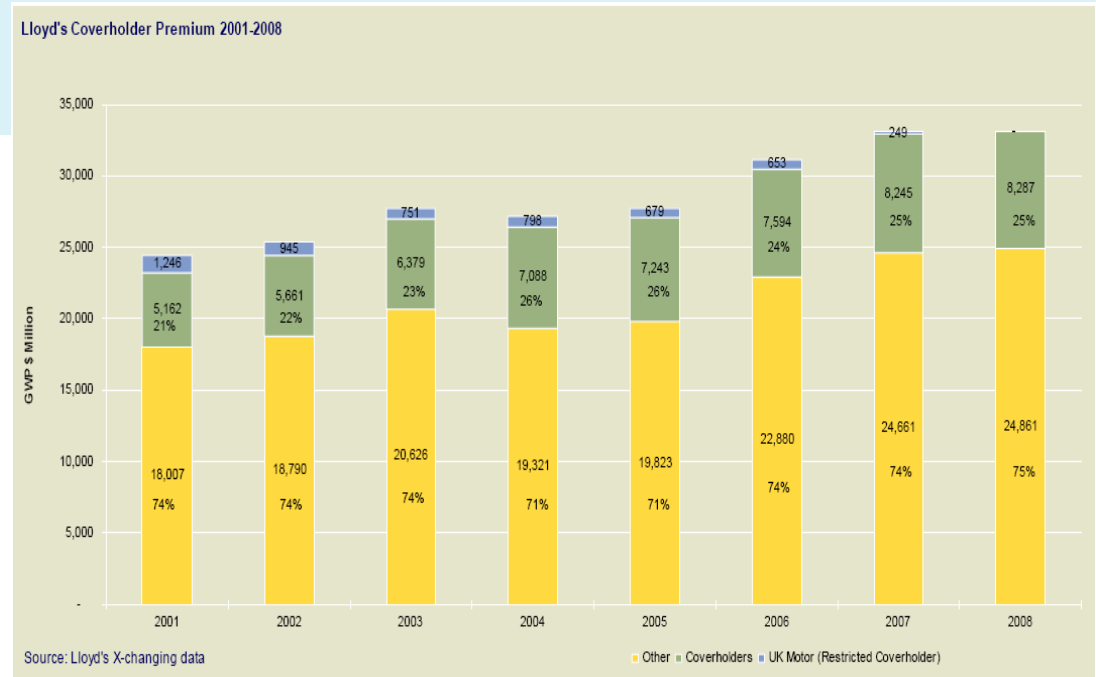
What is a Lloyd's coverholder?



Importance of coverholders

Coverholder business is strategically important to Lloyd's.....

- It accounts for over 25% of all premium written globally



- Coverholders allow Lloyd's to access small & medium sized business cost effectively.
- Over 2500 coverholders working with Lloyd's globally
- The coverholder channel holds significant opportunities for expanding business in certain territories.

Lloyds engaged Deloitte to assist with a review of its 3 year strategy

- Lloyd's of London decided to conduct an in depth review of its strategy this year given the significant changes in its external environment.
- Lloyd's sought external support and Deloitte won a competitive process versus big 4 rivals and strategy houses.
- Deloitte worked in partnership with Lloyd's strategy team, delivering the benefits of an Integrated team
 - Lloyd's executives and the Board participated in a series of workshops over a 6 month period
 - Frequent meetings with a broad stakeholder group (managing agents, brokers, capital providers and associations)

The team assessed a range of strategic issues

- The Executive team and Chairman highlighted priority issues for them –shaping the work effort.
- Workshops focused on all the major areas of Lloyd’s business model:
 - The challenges and opportunities of the external environment
 - The Lloyd’s market portfolio composition and balance
 - Distribution (both subscription market and coverholders)
 - Market Attractiveness (including diversity of the market)
 - Capital structure
 - The Market operating environment

Evolution not revolution

- The new Lloyd's strategy is evolutionary -- it does not need to be radical. Lloyd's is in a position of strength with a strong rating and stable capital base.
- The market is attractive to insurers, brokers, investors and clients.
 - The subscription model/ mutual capital structure is attractive in a risk averse world
 - Lloyd's continues to offer a breadth of access to business that is globally unrivalled.
 - The efficiency of Lloyd's capital structure with the Central Fund and diversity of the capital base is a real strength.
- Lloyd's vision for the market – to be the market of choice for insurance and reinsurance buyers and sellers to access and trade specialist property and casualty risks – remains relevant today.

That said, the world is changing and this project recommended ways to position Lloyd's for future success

External environment for Lloyd's is challenging for the market in key areas

London base

- Insurers moving away due to high UK corporate tax burden and ease of passporting.
- Threat to London cluster supporting Lloyd's.

Regulation

- Clear threat of spillover from changing banking regulation.
- Solvency II – Lloyds must get internal model approval to maintain capital advantages.

Shift East

- Economic activity shifting East to Asia.
- Opportunity for Lloyd's but must have access to markets.
- Singapore, China physical presence; otherwise will depend on brokers for access.

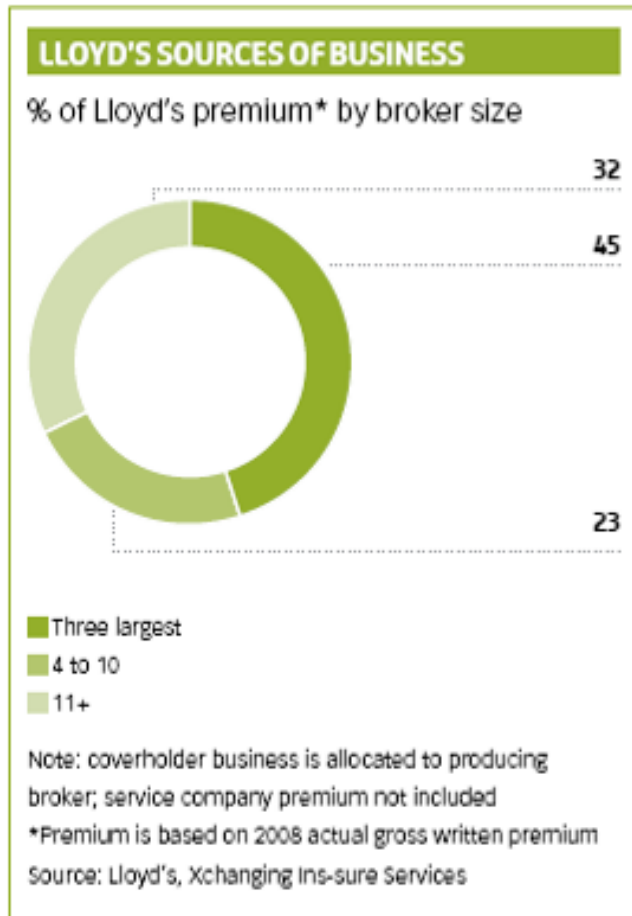
Economic uncertainty

- Winners will be disciplined and well capitalised underwriters.
- The Franchise Board framework has been successful; Lloyd's continued success depends on effective performance management.

Distribution findings – Coverholder business is a priority

- Coverholder business historically not been a focus area for the Corporation
- Significant opportunity for the future given its suitability for bringing diversifying business to the market in a low cost way.
 - US, Europe and emerging markets
- Coverholder markets are changing and Lloyd's will need to adapt
 - MGA's in existing markets growing and becoming more technology oriented
 - In emerging markets where there are risks in using delegated authority
- The processing environment for Coverholders also needs work
 - More efficiency and also improvements in the quality of monitoring
- Maintain robust standards to ensure coverholders are acting appropriately.

Distribution findings – Lloyd’s will remain a broker market



- The Corporation is clear that Lloyd's is and will remain a broker market
- Brokers are changing – they are increasingly placing in most 'efficient' markets and have greater reach internationally
- Winners will have scale or a strong niche position; Others will be challenged in the near term by the rate of change in the Lloyd's and wider environments
- The Corporation's focus is on reducing the cost of access to the Lloyd's market
- Existing Lloyd's brokers will be asked to play a role in managing the change successfully

Distribution findings – Lloyd’s operating environment will see significant change

- A number of changes to the market operating environment are planned
 - Lloyds Exchange – ACORD electronic messaging architecture
 - Information and Reporting Project – efficiency in reporting to the Corporation
 - Claims transformation – modernising and segmenting claims processes
- Taken together these will amount to a significant transformation, requiring active participation by brokers and managing agents

This change must occur in parallel with planning for Solvency II

TAKING LLOYD'S FORWARD IN THE UNITED STATES

What do we need to do?

- Reduce cost of access and be easier to do business with
- Standardize the sharing of information that supports the negotiation, Lloyd's must speak the ACORD language with clients!
- Ensure the distribution chain is flexible and transparent
- Allow agents and brokers to make their own technology choices



CHANGE

How: ACORD Standards & Technology

- **ACORD standards underpin everything we're doing to modernize**
- ACORD RLC Standards have been developed for all the key steps in the Lloyd's business process to support e-trading, which will:
 - Allow brokers across the world to place business with Lloyd's electronically
 - Reduce re-keying and improve data quality / integrity (key in light of greater regulatory scrutiny)
 - Reduce operating costs, increase efficiencies and improve settlement times
 - Underpin our future operating model

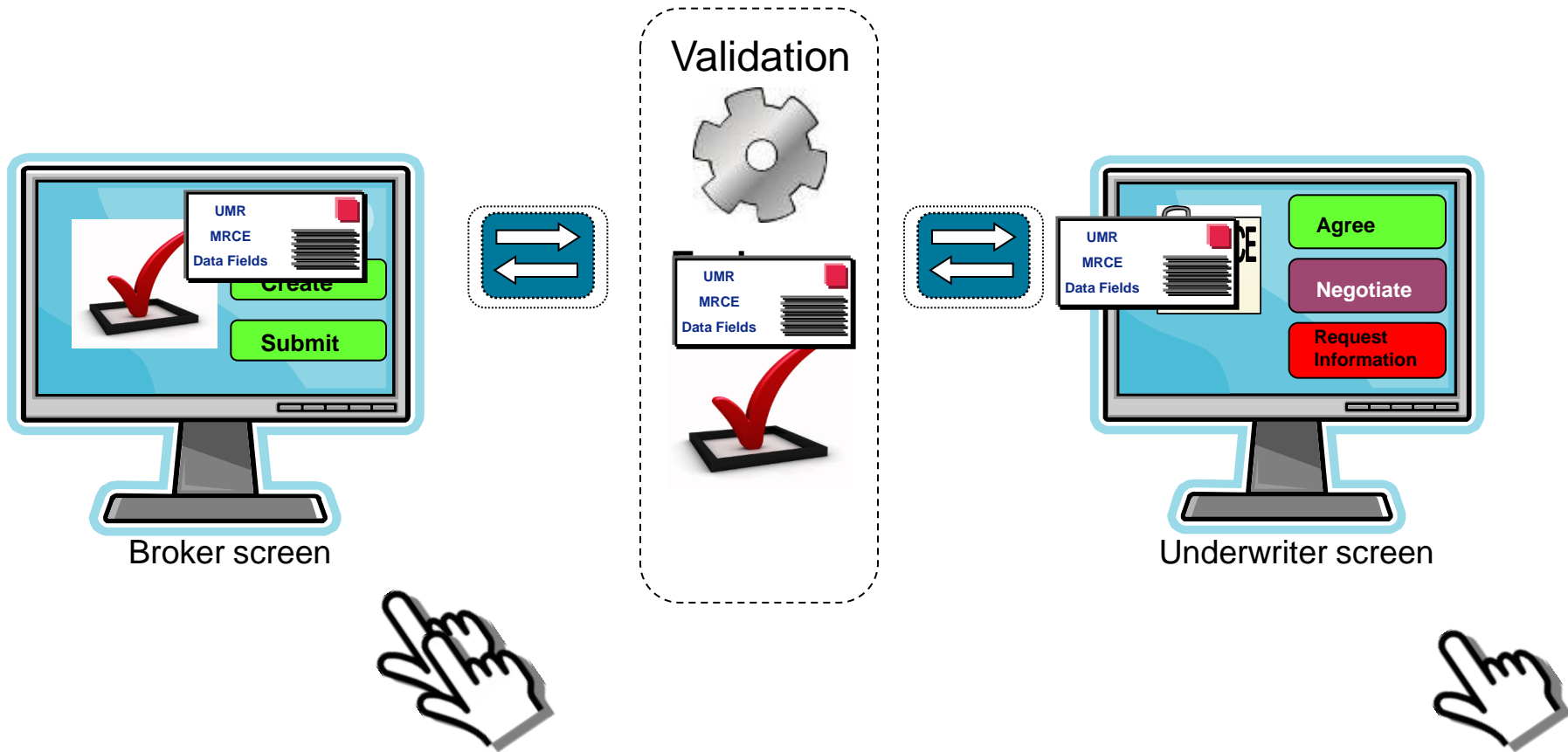


The Exchange

- A new messaging hub to support Lloyd's strategy for e-trading and modernization
- Information exchanged using ACORD RLC messages
- Allows a single connection to multiple parties (key in our subscription market)
- An ACORD 'checker' – validates messages and ensures compliance with the standard
- A Market Directory

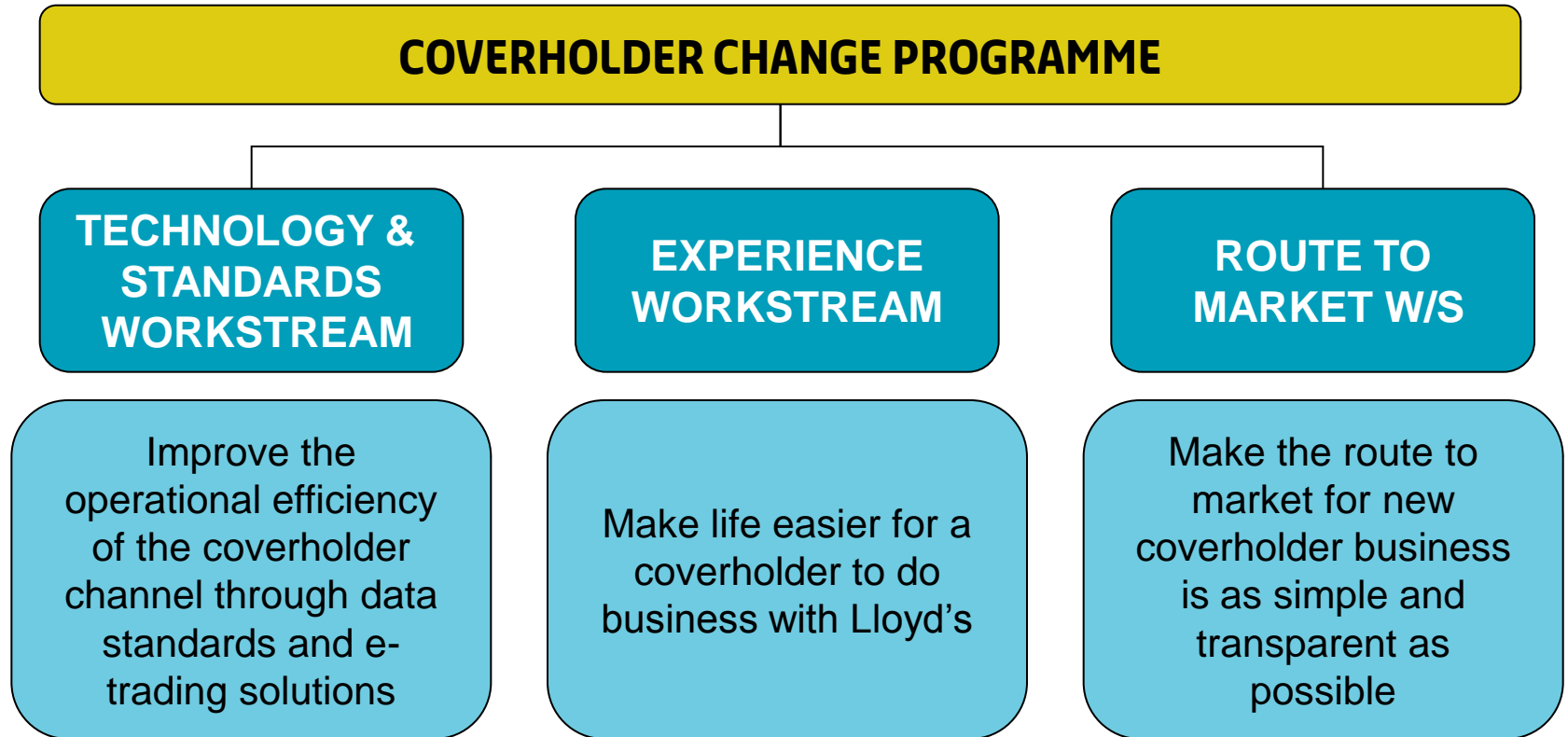


The Exchange - what does it do?



COVERHOLDER FOCUS

Coverholder Focus in London



Current model & business problems

- Different syndicates within Lloyd's requests different information
- Data is non standard and not structured
- Coverholders submissions to Lloyd's differ in format, level of detail, completeness
- London systems and processes not typically designed for coverholder business
- Time spent re-keying, re-formatting and cleaning data
- Typical submission is by monthly spreadsheet bordereau sent by coverholder to syndicate via Lloyd's broker
- Some examples of paper, PDF, XML submissions

Lloyd's vision – underlying principles

- ACORD Standard data flows between coverholders and Lloyd's market
 - Standard data requests
 - Standard data submissions
- Choice of system/service provider for all parties, to provide and/or receive data
- Flexibility of roles across the process
- More timely provision and receipt of information
- Vision to be implemented over next 5 years

Overview of Lloyd's vision

- Each new risk and each new claim to be reported
- Any change during the lifecycle of the risk or the claim to be reported

Examples: receipt of premium, change of terms, change of claim amount, renewal, cancellation, request for cash advance

- Periodic reporting and payment (net if possible) of premiums collected and claims paid

Proposed ACORD standards

- Lloyd's proposes standard information requirements for
 - Risk and premium
 - Claim
 - Accounting
- Use of existing ACORD standards where possible
- Work with ACORD to develop new standards where required
- Standards for within and outside Lloyd's market

How realistic is the vision?

- Some Lloyd's brokers already receiving real-time XML messages from coverholders
- Coverholder/MGA systems already providing standard ACORD data to other parties
- ACORD ER3001 already developed and in use for US property risks
- Lloyd's Exchange already being used for automated flows of business information for open market business

ACORD ER3001 – Risk Standard

- Property Cat risk standard with ACORD in 2009.
- Now live and 100% of Lloyd's binder brokers and Managing Agents committed to using it.
- New XML version due out in Q3 2010.



Solution Providers engaged

- Engaged with Vertafore (AIM) and Omni to ensure that they are able to provide ER3001 and future standards from their Agency Mgt Systems



Q&A

