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Analytics | Market Analysis

Lloyd's Update

August 2016

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Executive Summary

- Lloyd's operating performance has been strong over the past decade. The combined ratio and return on capital average 90.6% and 16.2% over this period, supported by relatively benign loss experience.

- Capital resources are currently at peak levels. Members' assets supporting underwriting now exceed GBP22 billion and calls on the Central Fund have been limited to GBP11 million over the last five years.

- Profitable growth is very hard to achieve in the current operating environment. At constant exchange rates, gross premiums written rose by 1.1% to GBP26.7 billion in 2015, despite an average renewal rate reduction of 4.6%.

- Underwriting and investment results both weakened in 2015. Pre-tax profit fell by 30% to GBP2.1 billion and the return on capital dipped to 9.1%.

- Lloyd's net expense ratio breached the 40% threshold for the first time in 2015. Efforts to streamline operations across the London market have gathered pace over the past year, as leading industry bodies cooperate to drive a five year modernisation plan.

- Access to international markets has been enhanced. A new platform has been established in Dubai and Lloyd's expects to be underwriting Indian reinsurance business on an onshore basis in time for the April 2017 renewals.

- Interest in setting-up at Lloyd's remains strong. For (re)insurers looking to develop an international or specialty franchise, the market offers an unrivalled combination of access to diversified business and capital flexibility.

- Recent industry consolidation has had a significant impact on Lloyd's. Eight corporate transactions involving a Lloyd's business were announced during 2015, affecting some 20% of market capacity.

- 'Brexit' is not expected to have a significant impact on the Lloyd's franchise. Only around 4% of Lloyd's total business is considered to be at risk from the potential loss of membership of the single European market.

Regulation and Governance

Lloyd's is subject to the supervision of the Prudential Regulatory Authority (PRA) and Financial Conduct Authority (FCA) under the Financial Services and Markets Act 2000. In December 2015, the PRA approved Lloyd's internal model for Solvency II purposes. The new regime formally came into effect on January 1, 2016.

Regulatory Framework

Lloyd's has established written co-operation agreements with both the PRA and the FCA, in order to reduce duplication of oversight activity:

- The PRA requires Lloyd's to meet various prudential requirements relating to capital and solvency and to demonstrate that the market is soundly managed.
- The FCA's focus is on ensuring that Lloyd's and its managing agents have systems and controls in place to manage conduct risk, with a view to securing an appropriate degree of protection for policyholders.

Underwriting at Lloyd's is conducted by the membership, who come together to form annual ventures known as syndicates. The latter have no legal form. Lloyd's is entrusted with setting the capital requirements for members, in line with the prevailing solvency regime in the UK, as it is the only organization with a complete view across the market. The PRA does not regulate members directly, but requires the membership as a whole to maintain continuous solvency, in line with other UK insurers.

The powers of the Lloyd's managing agents operating the syndicates are laid out in the Managing Agent's Agreement (between the members and the agency) and the Premiums Trust Deed (signed by the members and Lloyd's). They are directly regulated by the PRA and the FCA, as well as being supervised by Lloyd's. Each business is responsible for its own corporate governance, with Lloyd's providing a comprehensive market oversight framework, covering performance management, capital setting and risk management.

Lloyd's calculates the solvency capital necessary for the market to comply with Solvency II, a process which is independently overseen and validated by the PRA. It also conducts detailed analysis to assess the additional economic capital required to meet its risk appetite and to support the market's ratings and global licence network.

The Council of Lloyd's

The governing body of the market comprises six working members of Lloyd's, six external members and six nominated members. Its purpose is 'to maintain an organisation that will enable the long-term return from carrying out the business of insurance to be maximised for capital providers'.

In practice, many powers are delegated to the Franchise Board, established in 2003 and currently comprising three Lloyd's executives (Chairman John Nelson, Chief Executive Officer Inga Beale and Chief Financial Officer John Parry), three non-executives involved in the market and five independent non-executives.

The Council is solely empowered to:

- Set Central Fund levies and annual subscriptions/fees;
- Make and amend Lloyd's Byelaws;
- Appoint members of its delegated Committees and Boards; and
- Approve Lloyd's budget and the Franchise Board's three-year and annual Strategic Plans.

Two executives recently departed Lloyd's. Tom Bolt left in April 2016, after a seven year stint as Performance Management Director. Chief Risk Officer and General Counsel Sean McGovern has since resigned after 20 years' service. In addition, Lloyd's Chairman John Nelson has indicated that he will relinquish his role in May 2017.

The Corporation of Lloyd's

The Corporation is a separately-constituted legal entity with almost 1,000 employees worldwide, that oversees and supports the Lloyd's market. In order to fund its activities and the Central Fund it controls, Lloyd's collects subscriptions and levies from market participants.

The Corporation has two key functions:

1. Maintaining and developing the attractiveness of the market
   - Managing and developing Lloyd's global network of licences and the Lloyd's brand;
   - Preserving Lloyd's diversity and London-based business model; and
   - Taking action in the long-term interests of the market.

2. Ensuring that no individual business poses an undue threat to the Central Fund
   - Setting the level of capital Lloyd's members must provide to support their proposed underwriting and ensuring sufficient capital is in place to support Lloyd's ratings and financial strength;
   - Operating a minimum standards framework and monitoring syndicate performance in areas such as exposure management, cycle management, claims management and operational risk management;
   - Working with managers of underperforming syndicates to improve results, intervening directly where necessary; and
   - Managing financial and regulatory reporting for the market, including the production of its results.

The Performance Management Directorate (PMD)

The Corporation established the PMD in 2002 to oversee underwriting performance across the market. It reviews and approves syndicate business plans and ensures that Lloyd's underwriting standards are met, as well as working with individual managing agents to address potential performance issues. Some of the main improvements introduced by the PMD include:

- More robust challenge to syndicate business plans based on historical market peer data and average target ultimate loss ratios by business line;
- Emphasis on reducing reliance on reinsurance and gross underwriting exposure from major events;
- Setting out minimum underwriting and risk management standards in a publicly-available document; and
- Limiting gross and net exposure to a single Lloyd's specified aggregate exceedance probabilities (AEP) / Realistic Disaster Scenario (RDS) event to 80% and 30% of a syndicate's Economic Capital Assessment (ECA), except where specifically authorised.

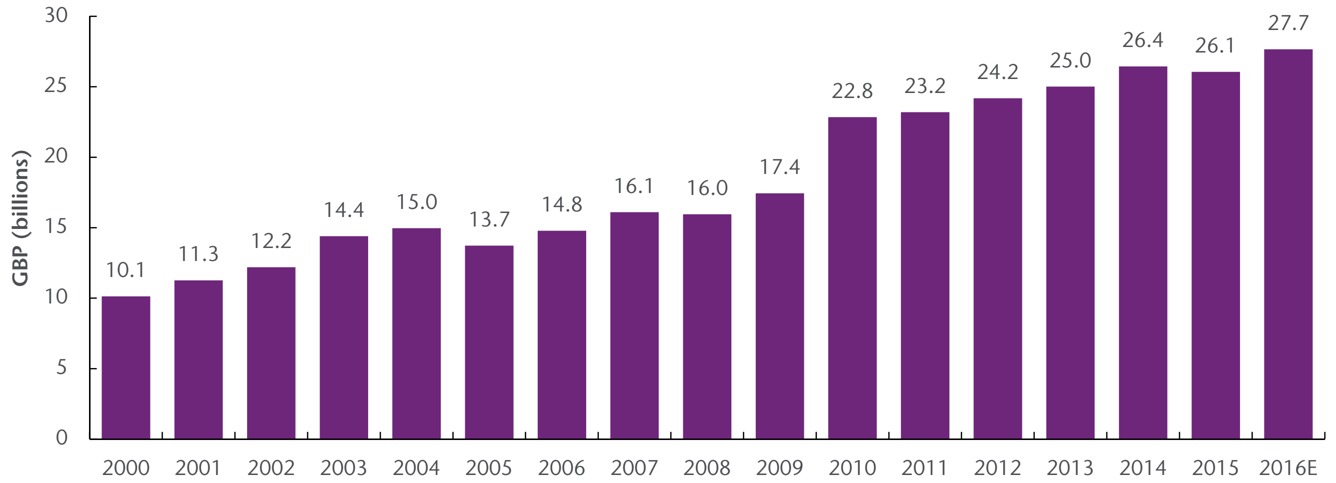
2016 Underwriting Capacity

The Lloyd's market began 2016 with 98 active syndicates and underwriting capacity of GBP27.7 billion, a year-on-year increase of 6%. A full listing of all active syndicates can be found at the back of this report.

Market Capacity

Higher capacity in sterling terms mainly reflects recent strengthening of the US dollar. 'Sidecar' quota share capacity supplied to host syndicates by 15 Special Purpose Syndicates (SPSs) stands at almost GBP0.6 billion. The average capacity of market-facing non-life syndicates in 2016 is GBP345 million.

Exhibit 1: Lloyd's Underwriting Capacity

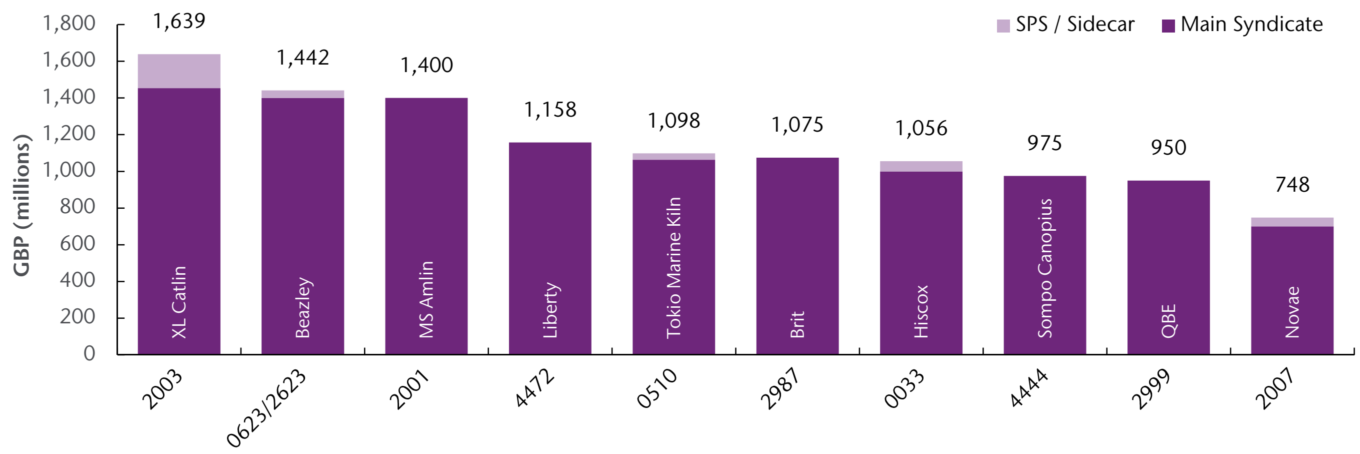


Source: Company reports, Lloyd's, Aon Benfield Market Analysis

Top 10 Lloyd's Syndicates

The combined capacity of the 10 largest syndicates (including supporting SPS capacity) rose by 6% to GBP11.5 billion for 2016, representing 42% of the total market.

Exhibit 2: Top 10 Syndicates by 2016 Capacity

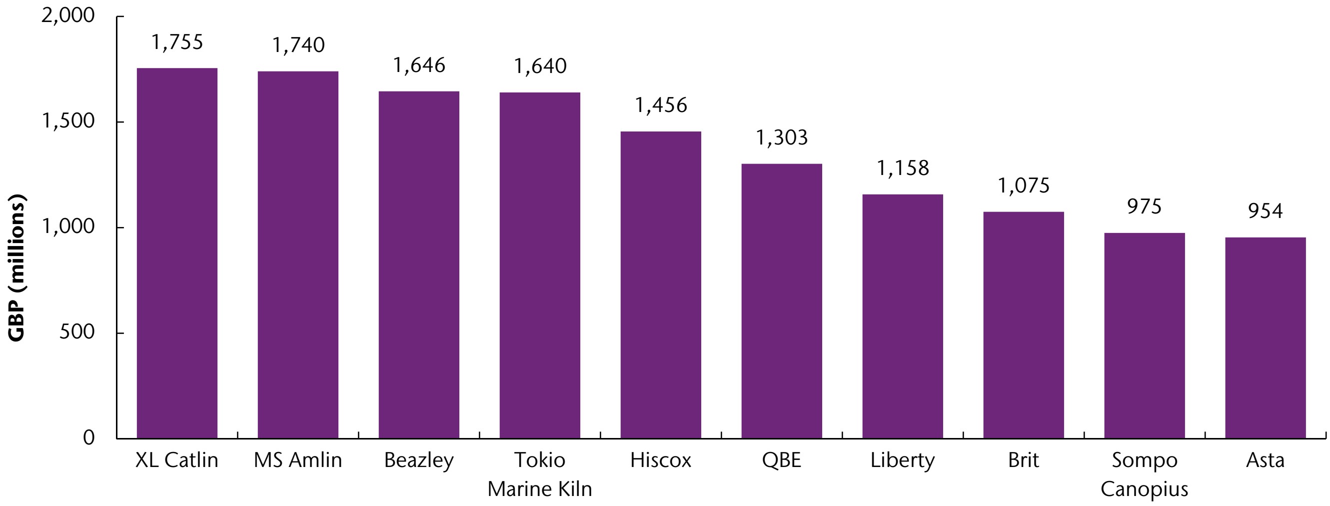


Source: Company reports, Lloyd's, Aon Benfield Market Analysis

Top 10 Lloyd's Managing Agents

The capacity overseen by the 10 largest managing agents aggregates to GBP13.7 billion in 2016, representing 50% of the total market.

Exhibit 3: Top 10 Managers of 2016 Capacity

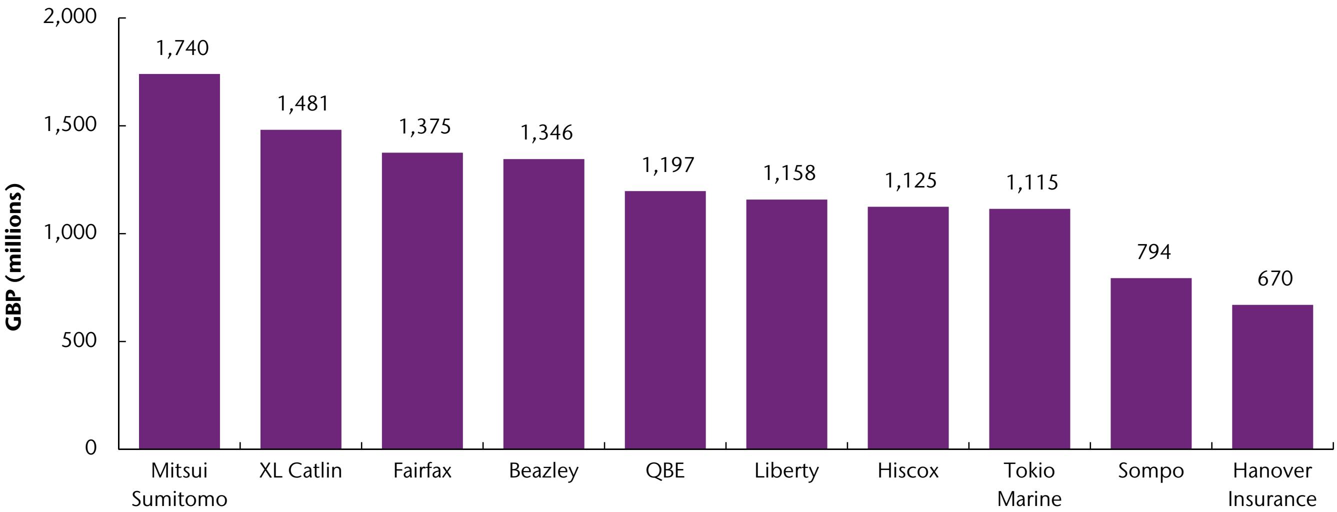


Source: Company reports, Lloyd's, Aon Benfield Market Analysis

Top 10 Capacity Providers

The capacity supplied by the 10 largest providers aggregates to GBP12.0bn in 2016, representing 43% of the total market.

Exhibit 4: Top 10 Providers of 2016 Capacity



Source: Company reports, Lloyd's, Aon Benfield Market Analysis

New Entrants

Lloyd's continues to offer a very attractive environment for new businesses, particularly for insurers looking to develop an international or specialty franchise. The global licence network, Solvency II compliance and strong financial strength ratings potentially provide access to diverse profitable business, while partial mutualisation and the permitted use of letters of credit convey capital advantages, potentially resulting in higher premium leverage and enhanced returns.

Exhibit 5: New Syndicates for 2016

Syndicate Number	Managing Agent	Details
1492	Capita	'Probitas' Syndicate led by Ash Bathia and backed by Panamanian carrier Istmo Re (62%). Commenced underwriting insurance and facultative risks in October 2015, with a focus on Latin American and other emerging markets. Capacity stands at GBP90 million in 2016.
1856	Barbican	'Arcus' Syndicate backed by Credit Suisse ILS funds. Commenced underwriting at January 1, 2016 targeting a global book of traditional reinsurance, with stamp capacity of GBP90 million.
2786	Asta	Led by Active Underwriter Paul Kneafsey and 100% backed by Everest Re. Commenced underwriting on January 1, 2016 as the hub of the group's international insurance operations, with stamp capacity of GBP71 million.
6125	Pembroke	SPS backed 100% by Patria Re of Mexico. Commenced writing a whole account quota share of Pembroke Syndicate 4000 from January 1, 2016, with stamp capacity of GBP13 million.
6126	Asta	'Agora' SPS led by Mike Pritchard and supporting Skuld Syndicate 1897 from January 1, 2016, backed by emerging market capital. Targeting direct and facultative non-marine business, with stamp capacity of GBP40 million.
6129	Novae	SPS backed 100% by Securis. Commenced writing US property excess and surplus lines business from January 1, 2016, with stamp capacity of GBP48 million.
6130	Chaucer	SPS announced in April 2016, awaiting necessary approvals. Backed by AXA, SPS 6130 will write specialty lines in Africa, such as political risks, energy and infrastructure, supporting Chaucer Syndicate 1084.

Source: Lloyd's, Aon Benfield Market Analysis

Effective access to global markets continues to attract new investors, in turn allowing Lloyd's to diversify its sources of capital. China Taiping, for example, signed an agreement with Lloyd's in October 2015, designed to facilitate the entry to the market of Taiping Re.

Mergers and Acquisitions (M&A)

Recent industry consolidation has had a significant impact on the Lloyd's market. Eight M&A transactions involving a Lloyd's business were announced during 2015, affecting some 20% of market capacity.

Exhibit 6: Recent Corporate Activity at Lloyd's

Acquirer	Target	Details
XL	Catlin	On May 1, 2015, XL Group (backer of Syndicate 1209) completed its acquisition of Catlin (backer of Syndicates 2003 and 3002; manager of Syndicates 2088, 6111, 6112, 6119 and 6121).
Fairfax	Brit	On June 5, 2015, Fairfax completed its acquisition of Brit (backer of Syndicate 2987). Brit operates on a decentralised basis, alongside Fairfax's other Lloyd's platforms (Newline 1218 and Advent 0780).
Endurance	Montpelier	On July 31, 2015, Endurance completed its acquisition of Montpelier (backer of Syndicate 5151).
Tokio Marine	HCC	On October 27, 2015, Tokio Marine (backer of Syndicates 0510 and 1880 and manager of Syndicate 0557) completed its acquisition of HCC (backer of Syndicate 4141).
Fosun	Ironshore	On November 23, 2015, Fosun completed its acquisition of the remaining 80% of Ironshore (backer of Pembroke Syndicate 4000), having initially acquired 20% in February 2015.
ACE	Chubb	On January 14, 2016, ACE (backer of Syndicate 2488) completed its acquisition of Chubb (backer of Syndicate 1882) and subsequently adopted the Chubb name and brand.
China Minsheng	Sirius	On April 18, 2016, China Minsheng completed its acquisition of Sirius (backer of Syndicate 1945) from White Mountains.
Mitsui Sumitomo	Amlin	On February 1, 2016, Mitsui Sumitomo (backer of Syndicate 3210) completed its acquisition of Amlin (backer of Syndicate 2001). Syndicate 3210 will merge into Syndicate 2001 for the 2017 year of account.
AmTrust	ANV	On April 19, 2016, AmTrust (backer of Syndicates 0044, 1206 and 2526) announced its intention to acquire ANV (backer of Syndicates 0779, 1861 and 5820). The transaction remains subject to regulatory approvals.

Source: Lloyd's, Aon Benfield Market Analysis

Alternative Capital

The SPS structure continues to be a popular vehicle for third party capital. Nephila and Credit Suisse, the two largest managers of alternative capital dedicated to insurance risk, have gone further and established their own syndicates, with combined capacity of GBP212 million in 2016. Securis is another active participant and other fund managers are looking to establish a presence in the market.

The UK government has been working with the London Market Group (LMG) to create a tax and regulatory infrastructure to enable insurance-linked securities (ILS) business to thrive in the UK. Lloyd's was planning to launch an insurance index alongside this initiative in mid-2016, but has decided to delay it to concentrate on the implications of the 'Brexit' vote and the ongoing demands of challenging market conditions. Ultimately, the intention is to leverage the market's extensive loss ratio history in a way that will give brokers and underwriters new derivative-type options for hedging risk, while offering alternative capital providers access to specialty business.

Operating Performance

Reported premium volumes in 2015 were boosted by strengthening of the US dollar, while underwriting and investment results both weakened. Pre-tax profit fell by 30% to GBP2.1 billion, representing a return on capital employed of 9.1%.

Exhibit 7: Lloyd's Pro-Forma Results

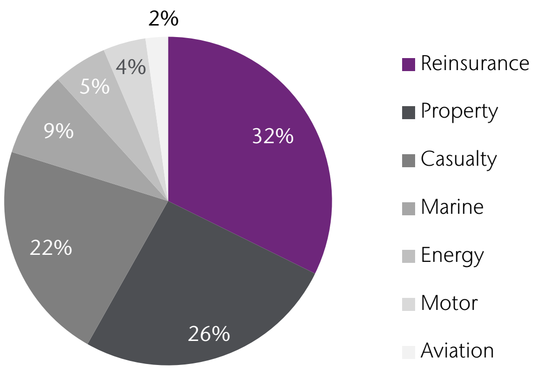
Income Statement GBP (millions)	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	1 Year Change
Gross premiums written	16,414	16,366	17,985	21,973	22,592	23,337	25,173	25,615	25,259	26,690	6%
Net premiums written	13,201	13,256	14,217	17,218	17,656	18,472	19,435	20,231	20,006	21,023	5%
Net premiums earned	12,688	13,097	13,796	16,725	17,111	18,100	18,685	19,725	19,499	20,565	5%
Underwriting result	2,368	1,984	345	2,389	915	-1,218	1,744	2,827	2,253	2,047	-9%
Investment result	1,661	2,007	957	1,769	1,258	955	1,311	839	1,038	402	-61%
Pre-tax result	3,662	3,846	1,899	3,868	2,195	-516	2,771	3,205	3,016	2,122	-30%
Key Ratios	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**1 Year Change**
Reinsurance cession ratio	24.1%	19.0%	21.0%	21.6%	21.8%	20.8%	22.8%	21.0%	20.8%	21.2%	0.4pp
Combined ratio	81.3%	84.9%	97.5%	85.7%	94.7%	106.7%	90.7%	85.7%	88.4%	90.0%	1.6pp
Investment yield	4.7%	5.6%	2.5%	3.9%	2.6%	1.9%	2.6%	1.6%	2.0%	0.7%	-1.3pp
Return on capital*	31.4%	29.3%	13.7%	23.9%	12.1%	-2.8%	14.8%	16.2%	14.1%	9.1%	-5.0pp

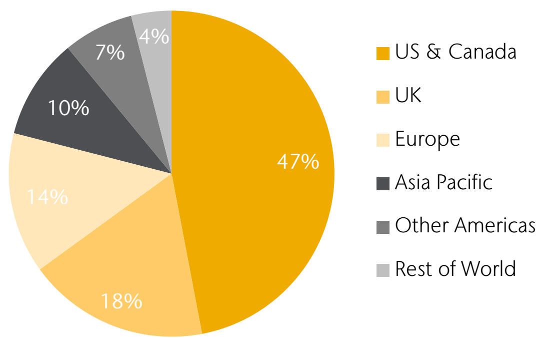
Source: Lloyd's, Aon Benfield Market Analysis **Capital and reserves*

Premium Income

Lloyd's gross premiums written (GPW) rose by 5.7% to GBP26.7 billion in 2015, split Insurance GBP18.1 billion (+7.9%) and Reinsurance GBP8.6 billion (+1.2%). The overall increase was 1.1% at constant exchange rates. The average risk-adjusted renewal rate change was a reduction of 4.6%.

Exhibit 8: Lloyd's 2015 Business Mix (GPW)





Source: Lloyd's, Aon Benfield Market Analysis

Insurance GPW

Property increased by 9.9% to GBP7.0 billion, driven by excess and surplus lines and binding authority business in the US. Casualty climbed by 16.2% to GBP5.8 billion, although rate increases were said to be below claims inflation assumptions, aided by growth in new areas such as cyber. Marine rose by 4.9% to GBP2.2 billion, while Energy fell by 7.7% to GBP1.4 billion, driven by the declining oil price (offshore property and construction premium fell by more than 30%). Motor fell by 7.7% to GBP1.1 billion, driven in part by the withdrawal of one major syndicate. Aviation rose by 1.0% to GBP0.6 billion.

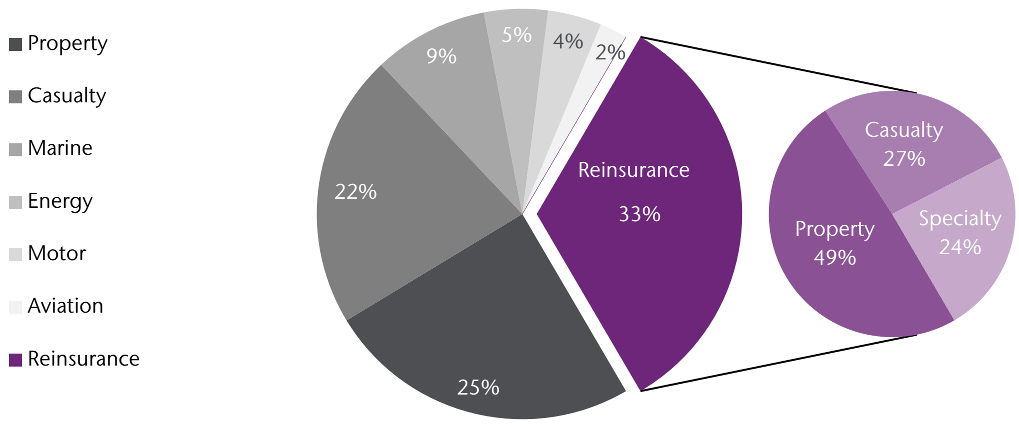
Reinsurance GPW

Property increased by 3.5% to GBP4.6 billion and Casualty rose by 1.0% to GBP1.8 billion. Specialty fell by 3.0% to GBP2.2 billion, split Marine GBP1.1 billion (+6.2%), Energy GBP0.6 billion (-21.7%) and Aviation GBP0.5 billion (+5.8%).

Net Account

Net premiums written (NPW) rose by 5.1% to GBP21.0 billion in 2015. The reinsurance cession ratio stood at 21.2%, up from 20.8% in 2014, with Lloyd's noting a moderate increase in the scale of coverage being purchased. Net premiums earned (NPE) rose by 5.5% to GBP20.6 billion, with growth in Reinsurance (+2.1%), Property (+11.5%), Casualty (+13.1%), Marine (+5.6%) and Aviation (+18.9%) out-weighing reductions in Energy (-5.6%) and Motor (-19.7%).

Exhibit 9: Lloyd's 2015 Business Mix (NPE)

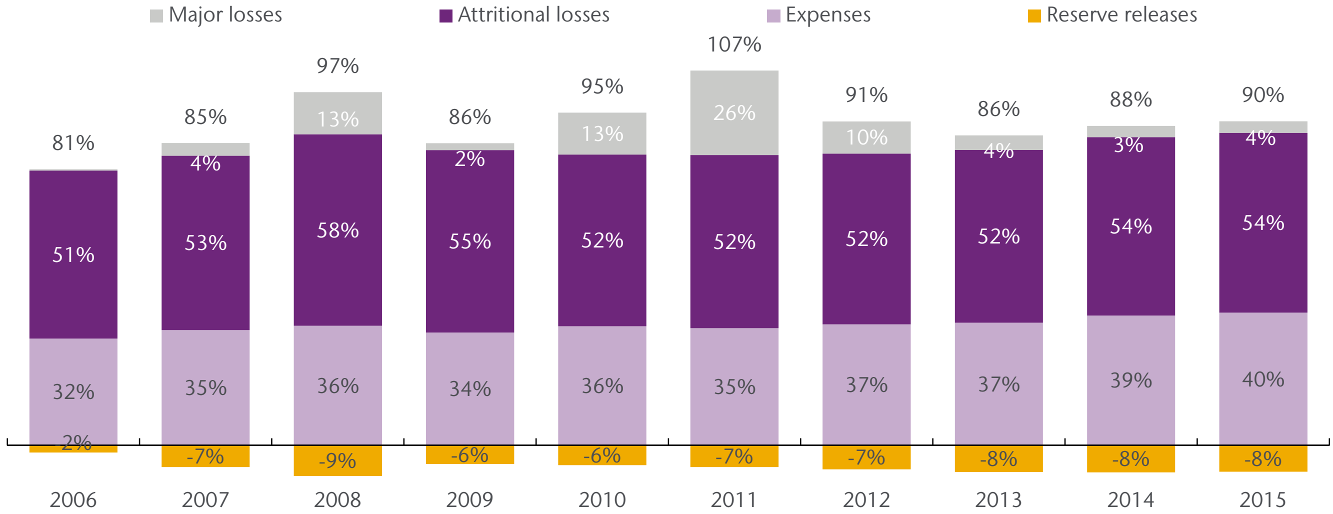


Source: Lloyd's, Aon Benfield Market Analysis

Underwriting

For 2015, Lloyd's reported a net combined ratio of 90.0% (2014: 88.4%), taking the five year average to 92.3%. Net losses incurred represented 49.9% (49.2%) of NPE, while net operating expenses contributed 40.1% (39.3%). Underwriting profit fell by 9.1% to GBP2.0 billion, driven by business mix changes and weakening pricing. Results continue to benefit from relatively benign major loss experience and favourable development of prior year loss reserves. On an accident year basis, the combined ratio deteriorated by 1.4 percentage points (pp) to 97.9%, reflecting the challenging market conditions.

Exhibit 10: Lloyd's Combined Ratios



Source: Lloyd's, Aon Benfield Market Analysis

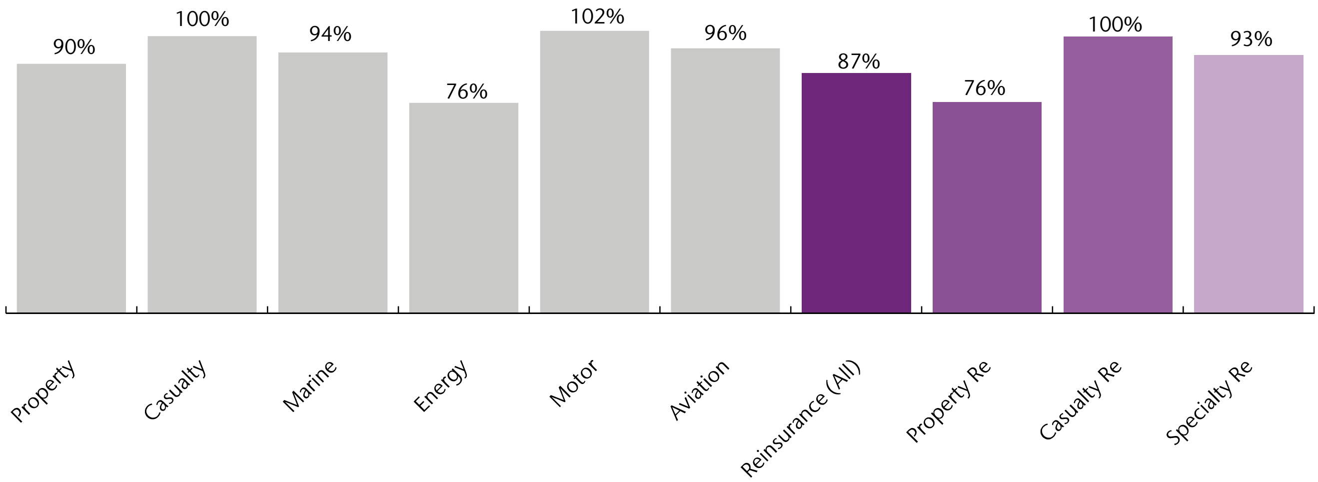
The attritional loss ratio for the 2015 accident year deteriorated by 0.4pp to 54.3%. Major losses of GBP724 million contributed an additional 3.5pp (less than half the ten year average of 7.8pp), compared with GBP670 million and 3.4pp in 2014. Notable losses were seen in the offshore energy and marine markets, including the warehouse explosion at Tianjin port in China and the Pemex oil rig fire in Mexico, as well as several aviation disasters. Claims from natural catastrophes were extraordinarily low at less than GBP100 million. Favourable development of prior year reserves was virtually unchanged at GBP1.6 billion, benefitting the loss ratio by 7.9pp (2014: 8.1pp). All major classes contributed.

Lloyd's net expense ratio breached the 40% threshold for the first time in 2015, giving renewed impetus to the London Market Target Operating Model programme (see page 16). Net acquisition costs as a proportion of NPE rose by 0.7pp to 28.8%, while the administrative expense component rose by 0.3pp to 11.4%.

Segmental Results

The segmental combined ratios in 2015 are shown in Exhibit 11. All classes reported underwriting profits, other than Casualty and Motor. On an accident year basis (i.e. excluding the development of prior year reserves), only Property, Energy and Property Reinsurance achieved positive results.

Exhibit 11: 2015 Segmental Combined Ratios



Source: Lloyd's, Aon Benfield Market Analysis

Investment Return

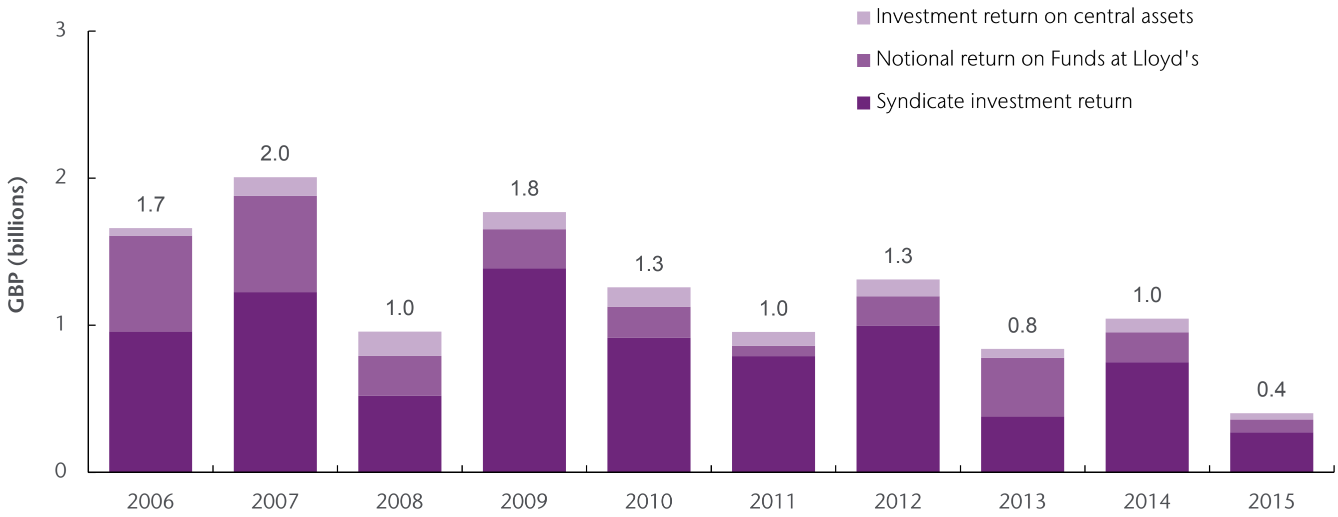
Lloyd's total investment return fell by 61% to GBP402 million in 2015, representing a record low yield of 0.7%. Only GBP63 million was earned in the second half of the year, a period marked by volatility associated with renewed concerns about the Greek debt situation, economic slowdown in China, falling energy prices and the first rate increase executed by the US Federal Reserve since 2006. Risk assets generally suffered amidst the market turbulence, while returns from cash and bond investments continued to be very low. The overall result included unrealised losses of GBP378 million, compared with unrealised gains of GBP159 million in 2014.

Exhibit 12: Lloyd's Investment Yield

Source: Lloyd's, Aon Benfield Market Analysis

The three components of the investment result are shown in Exhibit 13. The return on syndicate-level assets was GBP273 million (yield: 0.8%), the notional return on the capital supporting members' underwriting was GBP86 million (0.5%) and the return on Lloyd's central assets was GBP43 million (1.5%).

Exhibit 13: Lloyd's Investment Return

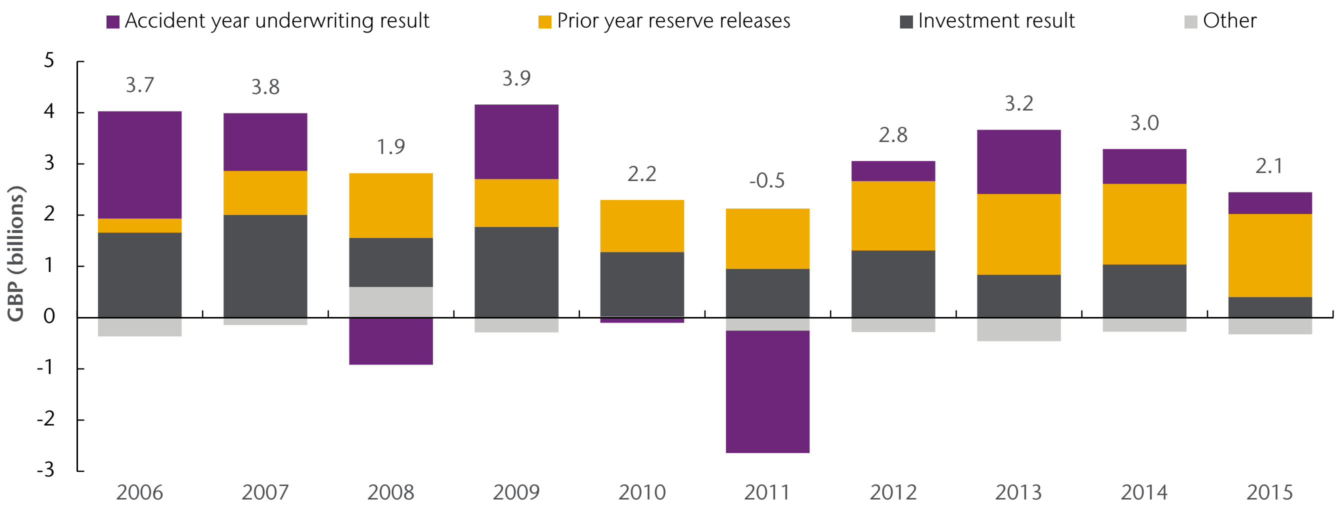


Source: Lloyd's, Aon Benfield Market Analysis

Pre-Tax Results

Lloyd's reported a pre-tax profit of GBP2.1 billion for 2015, a reduction of 30% relative to the prior year. Releases from prior year loss reserves represented 79% of the market's underwriting profit and 76% of the overall result.

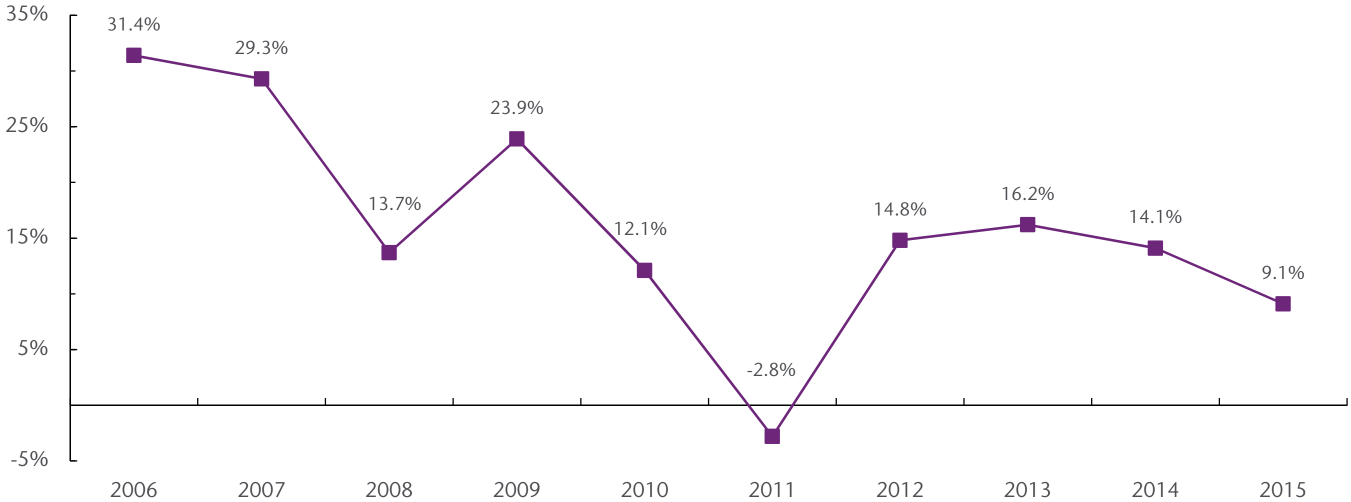
Exhibit 14: Lloyd's Pre-Tax Result



Source: Lloyd's, Aon Benfield Market Analysis

The reported pre-tax return on capital employed was 9.1% in 2015, compared with 14.1% in the prior year. The averages over the last five and ten years stand at 10.3% and 16.2%, respectively.

Exhibit 15: Lloyd's Return on Capital



Source: Lloyd's, Aon Benfield Market Analysis

Target Operating Model (TOM)

During 2015, a comprehensive five-year modernisation programme branded the London Market TOM was launched through a collaborative effort between Lloyd's managing agents, the broking community, company market carriers and the Corporation of Lloyd's. The over-arching aim is to create an efficient and accessible market utilising one-touch data capture and enhanced central services.

The TOM programme is run on a centralised basis by the London Market Group (LMG) and is governed by a Board of senior executives representing all market constituencies. The steering group has prioritised three key initiatives during 2016:

- The post-bind submission element of the Central Services Refresh Programme;
- Implementation of e-trading via Placing Platform Limited; and
- Improving Delegated Authority processes.

Central Services Refresh Programme (CSRP)

The CSRP, delivering standardised automated processing for premium and claims using global messaging standards, is due for roll-out in the latter part of 2016. The aim is to remove a large proportion of broker administration specific to the London Market.

Placing Platform Limited (PPL)

Designed to improve the accessibility of the market, PPL is a central placing platform that will allow brokers and insurers to quote, negotiate and bind business electronically. After extensive consultation, the system went live in July 2016 for standalone terrorism risks, with certain liability lines next to be rolled-out. It is understood the platform is targeting a launch across all classes within two years.

Delegated Underwriting

The LMG is in the latter stages of choosing a provider for a coverholder IT system that will form the centrepiece of its efforts to modernise binding authority processing. In particular, this initiative will address issues surrounding poor integration of data between systems and an improved coverholder approval process. It will also seek to reduce duplication of audits.

Business Position

Lloyd's has licences in more than 75 jurisdictions and accepts business from 220 countries and territories worldwide. Taken together, the market is a major commercial insurer and the 3rd largest non-life reinsurer globally.

Distribution

Lloyd's sources its business from a global network of 242 registered brokers (generating 68% of total premiums in 2015), 4,008 cover-holders (20%) and 381 service companies operating from local offices (12%).

Broker Facilities

The top 6 global brokers produce 50% of Lloyd's business. Management observed in the 2015 annual report that the commercial leverage of large brokers is stronger in a market like Lloyd's than for large unitary carriers. Broker facilities – where risks are placed with a pre-selected pool of insurers – have shown significant growth in recent years.

Delegated Authorities

Lloyd's is looking to develop new markets and classes of business in order to consolidate its business position. Delegated authorities allowing expertise to be available globally, but the underwriting ultimately to be conducted in London, are the preferred model. More than 300 new coverholder arrangements were approved in 2015, including the first in Mexico.

Coverholders are increasingly being used to create and offer niche products that allow Lloyd's to deliver on its longstanding reputation for innovation and relevance to its clients. They provide a way for underwriters to test the market by offering relatively small amounts of capacity via specialists that offer differentiated risk selection.

Recent initiatives designed to support the coverholder model include allowing multi-year binders and simplifying application and audit processes. These have been accompanied by more extensive reporting requirements, including focus on conduct risk, following an FCA review in June 2015. Straight-through processing and central compliance are being trialled in 2016, with the aim of improving transparency. Lloyd's has also indicated that it is making changes to its minimum standards and codes of practice relating to lineslips.

Consortium Underwriting

Lloyd's recently stated that it was keen to support any syndicates who wanted to work together to provide greater capacity, flexibility and expertise to their customers and brokers across the world. The objectives are:

- To bolster the market's competitiveness in classes requiring larger line sizes (e.g. open market property);
- To enable investment in research into emerging risks, product development and building economic resilience; and
- To enhance the market power of smaller members.

Recent arrangements include a USD30 million livestock facility led by Markel, a USD635 million specie facility led by Pembroke, Apollo and Navigators (the largest in Lloyd's) and a USD400 million property facility formed by eight leading syndicates, which is working with governments, municipalities and non-governmental organisations to boost natural catastrophe resilience in emerging markets.

Market Access

Lloyd's continues to improve its access to worldwide business, with a particular emphasis on developing markets. The main achievements in 2015 included the opening of a specialist underwriting platform in Dubai in February, the formation of a branch office in Beijing in March, the granting of an establishment authorisation in Finland in April and the launch of Lloyd's first representative office in Mexico in October. More recent developments are highlighted below.

China

Total business emanating from China now exceeds USD0.5 billion. Business written locally from the Lloyd's China platform is expected to double to 2.5 billion yuan in 2016 (around USD375 million). The two offices in Shanghai and Beijing now employ some 120 people between them (compared to around 400 in Singapore).

Colombia

In June 2016, Lloyd's opened a representative office in Bogotá, allowing syndicates to provide onshore reinsurance in Colombia. Facultative business is already written offshore, across a range of classes including energy, property, financial lines and aviation.

India

Lloyd's wrote USD160 million of Indian reinsurance business on a cross-border basis in 2015. Following long-awaited moves to open the market to foreign carriers, Lloyd's expects to be licensed to write onshore reinsurance business from Mumbai by the end of 2016 (i.e. in time for the April 2017 renewals). Lloyd's India will be similar to the current platform in Singapore, with participating syndicates operating via locally incorporated service companies.

Malaysia

Lloyd's currently operates as an offshore reinsurer from Labuan, but has now applied for a Tier 1 licence that will allow the market to operate within mainland Malaysia.

'Brexit'

In June 2016, the UK electorate voted to leave the European Union (EU). The UK government is currently in the process of formulating its negotiating position and is not expected to formally notify the EU of its intention to withdraw until early in 2017. Thereafter, the process itself is expected to take up to two years.

No Immediate Impact on Existing Trading Rights

Existing 'passporting' rights giving Lloyd's the ability to trade across the EU via branches and to write EU business on a cross-border basis from London will remain unaltered until the UK's departure from the EU is formalised. In the meantime, all existing and renewed policies, including multi-year policies, will remain legally binding. Lloyd's trading rights in territories outside of the EU are not impacted.

The 30 countries in the European Economic Area (EEA) generated 11% of Lloyd's GPW in 2015, or GBP2.9 billion. This includes GBP1.1 billion of reinsurance business and GBP0.6 billion of Marine, Aviation and Transport (MAT) business, which is unlikely to be materially affected by a potential loss of existing trading rights. The biggest cause for concern is GBP0.8 billion of non-MAT business written on a cross-border basis (4% of GPW).

Lloyd's remains committed to its European markets. Its specialist market access team is engaging with the UK government 'at all levels' and has also commenced discussions with regulators across the continent, with the aim of preserving its passporting arrangements. If these efforts do not succeed, Lloyd's has the option of establishing a separate subsidiary in an EU member state to achieve passporting rights throughout the EEA and facilitate the writing of non-MAT business.

Other Effects

The immediate financial impact on Lloyd's primarily arises from the material weakening in sterling and the decline in bond yields since the referendum. Gains/losses will vary by syndicate, depending on hedging policies and the extent of foreign earnings. Expense ratios will potentially benefit, given the significant amount of US dollar denominated business being set against a largely sterling cost base.

The market's capital position is protected. More than 50% of Funds at Lloyd's are held in US dollars and the Central Fund's investment portfolio contains unhedged US dollar exposure than will move in step with regulatory capital requirements. However, in sterling terms at least, further increases in underwriting capacity can be expected for 2017.

Share prices of the listed Lloyd's players have out-performed the broader market in the wake of the vote, as the devaluation has enhanced their earnings in the short-term and has potentially made them more attractive to foreign buyers.

Balance Sheet

Lloyd's balance sheet strength has been recognised by the leading rating agencies. Overall investment allocation remains relatively conservative, loss reserves have consistently developed favourably for more than a decade, capital resources are at record levels and legacy issues appear contained.

Exhibit 16: Lloyd's Balance Sheet Summary

Balance Sheet GBP (millions)	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	1 Year Change
Cash and investments	35,091	36,981	44,370	46,254	48,483	51,415	51,767	51,494	54,889	56,900	4%
Gross technical provisions	37,401	36,253	47,463	43,544	46,428	51,918	51,517	49,277	50,786	52,556	3%
Reinsurers' share	10,030	8,290	11,671	9,931	10,237	12,153	12,439	10,922	10,761	10,978	2%
Net technical provisions	27,371	27,963	35,792	33,613	36,191	39,765	39,078	38,355	40,025	41,578	4%
Net resources*	13,333	14,461	15,264	19,121	19,121	19,114	20,193	21,107	23,413	25,098	7%

Source: Lloyd's, Aon Benfield Market Analysis

**Capital, reserves, subordinated loan notes and securities*

Invested Assets

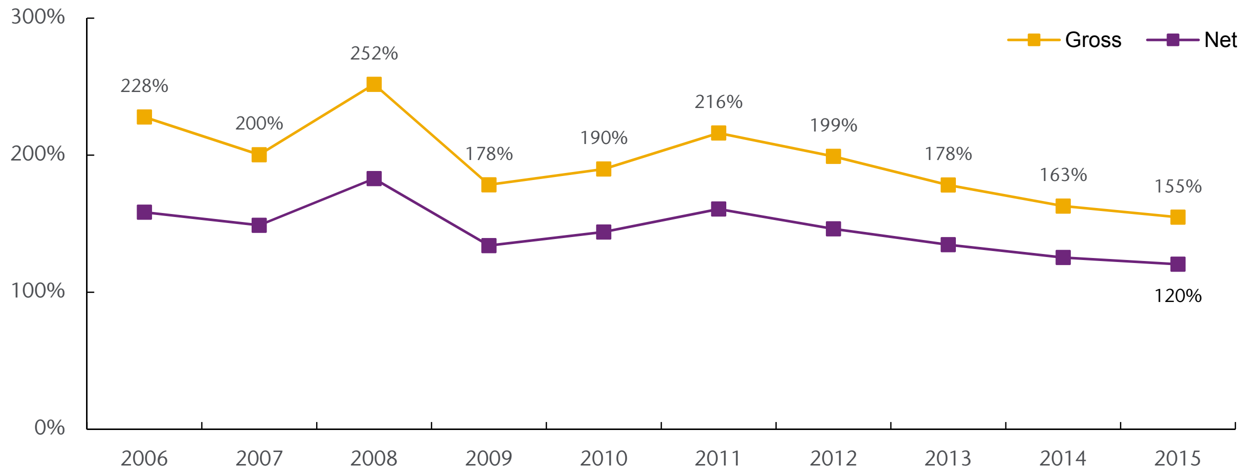
Lloyd's invested assets totaled GBP56.9 billion at December 31, 2015, an increase of 4% from the end of 2014. The overall allocation was investment grade bonds 64%, cash and equivalents (including letters of credit) 26% and equity and risk assets 10%. The splits across each asset pool within Lloyd's 'chain of security' were as follows:

- **Syndicate-level assets** overseen by Lloyd's managing agents totalled GBP36.3 billion, split investment grade bonds 80%, cash and equivalents 13% and equity and risk assets 7%;
- **Members' assets**, which are generally held centrally at Lloyd's, totalled GBP17.8 billion, split investment grade bonds 33%, cash 7%, letters of credit and bank guarantees 49% and equity and risk assets 11%; and
- **Lloyd's central assets** of GBP2.8 billion were split investment grade bonds 57%, cash and equivalents 14% and equity and risk assets 29%.

Technical Reserves

Gross provisions for outstanding claims totaled GBP38.8 billion at December 31, 2015, an increase of 2% relative to the prior year. The average liability duration increased marginally to 3.1 years. Reinsurers' share fell by 2% to GBP8.6 billion and net provisions rose by 3% to GBP30.2 billion. Leverage of gross and net claims reserves to Lloyd's overall net resources over the last decade is shown below.

Exhibit 17: Lloyd's Claims Reserve Leverage



Source: Lloyd's, Aon Benfield Market Analysis

Risk Management Developments

At December 2015, the reserve surplus across the market was estimated at 9% of total reserves or GBP2.6 billion, although the balance of the surplus was shifting towards property lines, from casualty. During the second half of 2015, Lloyd's conducted a focused review of casualty reserves held across the market for the 2013 and 2014 underwriting years. For 2016, Lloyd's introduced an oversight framework to manage possible cyber risk accumulations. Managing agents are now required to report gross exposures quarterly and must have a specific risk appetite for cyber attack, signed-off by their boards.

In June 2016, the Corporation announced a portfolio review of the lines of business that have been worst hit by the ongoing fall in rates and so have either the poorest historical performance or look most challenged for the future, including aviation, marine cargo, terrorism, energy exploration and production and international casualty, as well as property catastrophe risk. The bottom quartile of performers in these lines will be asked to take active steps to re-underwrite these books, reducing gross exposures and/or premiums, from July 2016 onwards. All syndicates will have to give Lloyd's a written explanation of how they are planning to do this as part of the submission of their 2017 plans to Lloyd's for approval.

Net Resources

Capital and reserves rose by 7% to GBP24.2 billion at December 31, 2015. Total net resources stood at GBP25.1 billion, including GBP0.9 billion of subordinated notes and perpetual subordinated capital securities.

Funds at Lloyd's (FAL) represents the capital that members deposit with Lloyd's to support their underwriting participations. It is held in trust for the benefit of policyholders and operates on a several liability basis. The total rose by 14% to a record high of GBP17.8 billion at December 31, 2015, of which 49% was held in the form of letters of credit and bank guarantees.

In the past, **Members' Balances** represented only undistributed profits or losses. More recently, Funds in Syndicate (FIS) can also be included, as Lloyd's has allowed members participating on only one syndicate to deposit supporting capital into their syndicate's premiums trust funds (PTFs). Members' balances fell by 10% to GBP4.6 billion at December 31, 2015, including GBP3.0 billion of FIS.

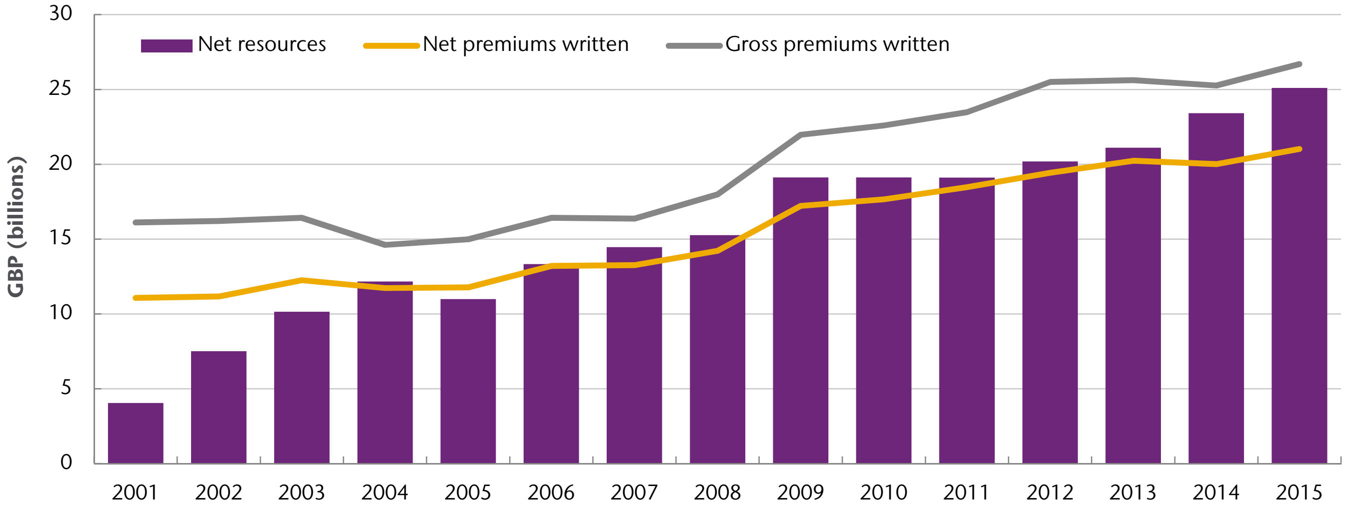
Including the subordinated notes and perpetual subordinated capital securities, Lloyd's central assets rose by 3% to GBP2.6 billion at December 31, 2015. Mutually-held central reserves rose by 4% to GBP1.8 billion, including the Central Fund at GBP1.7 billion.

Exhibit 18: Lloyd's Capital Base

Source: Lloyd's, Aon Benfield Market Analysis

Premium leverage across the Lloyd's market was at a historically low level at the end of 2015, as shown in Exhibit 19.

Exhibit 19: Gross and Net Premium Leverage

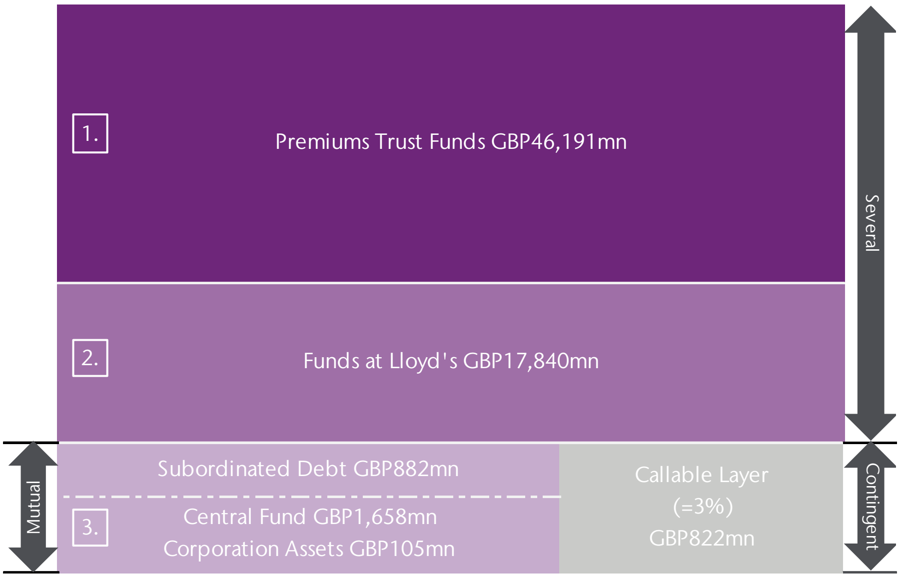


Source: Lloyd's, Aon Benfield Market Analysis

The Chain of Security

Lloyd's is a partially mutualised marketplace with a unique capital structure, known as the 'Chain of Security'. Premiums are held in trust at syndicate level for the benefit of policyholders. Members provide capital in support of their individual underwriting participations in line with Lloyd's requirements. Resources held centrally, including the mutually-supported Central Fund, underpin the security of all Lloyd's policies.

Exhibit 20: Lloyd's Chain of Security at December 31, 2015



Source: Lloyd's

The Chain of Security supports policies written for the 1993 and subsequent years of account for non-life business and all life business written at Lloyd's. Liabilities in relation to the 1992 and prior years of account for non-life business were reinsured into Equitas as at December 31, 1995, as part of 'Reconstruction and Renewal'. Subsequently, the 1992 and prior liabilities were subject to a statutory transfer to Equitas Insurance Limited under Part VII of the Financial Services and Markets Act in June 2009.

Sources and Priority for Funding Claims

First Link: Members' premiums trust funds (PTFs) and other assets held in trust at syndicate level

To protect the interests of policyholders, all premiums and other monies received or receivable in connection with a member's underwriting business are initially paid into the PTFs of the syndicate concerned. Payments from these funds may only be made to meet permitted trust outgoings: claims, reinsurance premiums, underwriting expenses and the like, including funding international regulatory deposits. Profit is not distributed until provision has been made for all outstanding liabilities.

There are separate PTFs for life business and non-life business. There is a further segregation in that a number of the PTFs are exclusively available to support certain international underwriting of members. The Lloyd's Dollar Trust Funds (LDTF) receive premiums in respect of US dollar denominated non-life business underwritten or incepting on or after August 1, 1995. The other international PTFs are the Lloyd's Canadian Trust Fund (LCTF), comprising members' receipts in respect of Canadian situs business, and the Lloyd's Asia trust funds, for general business written by members through service companies in Singapore.

Members must ensure that there are sufficient funds in the PTFs for the syndicate to meet all claims, necessary expenses and outgoings in connection with the syndicate business; they are required to meet a request to make such funds available (a 'cash call'). Cash calls are met by members from their own resources or, if necessary, from their FAL or, at the Council's discretion, the Central Fund.

PTFs are used to fund international regulatory deposits. The US situs business of each syndicate is supported by US situs syndicate level trust funds (for US situs surplus lines business, US situs reinsurance business as accredited reinsurers and for Illinois and Kentucky licensed business, respectively). In addition, separate joint asset trust funds provide joint security for members' US situs surplus lines, US situs reinsurance and Kentucky business respectively. These deposits would be available to meet judgement debts of a member in respect of business connected with the relevant international territory in the event that the relevant PTF, even after replenishment from other links in the Chain of Security and other free assets of the member in question, was inadequate. Underwriters also maintain regulatory deposit trust funds in Australia and South Africa and various deposits in other countries.

The total value of all the above funds was GBP46.2 billion at December 31, 2015.

Second Link: Member's capital provided to support their underwriting

The capital provided by every member is assessed in accordance with Solvency II requirements, adjusted to meet Lloyd's financial strength objectives. The process is as follows:

1. Managing agents are required to assess the Solvency Capital Requirement (SCR) for the prospective underwriting year for each syndicate they manage:
   - Solvency II requires that the SCR captures the risk that emerges over the next 12 months given a 99.5th percentile adverse outcome on a balance sheet to balance sheet basis;
   - Lloyd's has required risks to be considered on a more conservative 1:200 economic loss to ultimate basis for capital setting purposes ('uSCR') since January 1, 2013.
2. The uSCR covers insurance risk, market risk, credit risk and operational risk, with Lloyd's prescribing minimum standards on modelling and integrating it with the syndicates' business planning and approval process.
3. The uSCR of each syndicate is subject to review by Lloyd's and approval by the Lloyd's Capital and Planning Group.
4. Once agreed, Lloyd's applies a further uplift to the uSCR (35% in 2015/16) to arrive at an Economic Capital Assessment (ECA) deemed adequate to support the targeted level for Lloyd's minimum financial strength.
5. Various Solvency II accounting adjustments are then made to arrive at the level of capital required to be deposited at Lloyd's and that is available to policyholders.
6. The requirements at member level are derived from the syndicate ECAs, including any adjustments due to diversification or concentration within the member's portfolio.
7. The member's ECA is subject to a minimum of 40% of overall premium limits for the current underwriting year (25% for those underwriting predominately EU motor business).

The Corporation reviews the historical performance, business plans and risk appetite of each syndicate in assessing the adequacy of the capital level proposed. The PRA reviews a small sample of syndicate SCRs in order to validate the effectiveness of the reviews carried out by the Corporation.

FAL comprise the three trust funds in which members' assets may be held: the Lloyd's deposit, the special reserve fund and the personal reserve fund. These are each available to meet cash calls made on the member in respect of a syndicate. The assets in FAL must be readily realisable; this includes letters of credit and bank and other guarantees.

FAL is retained by Lloyd's until all of the underwriting member's obligations have been settled or provided for, normally through the reinsurance to close mechanism. The assets are generally held in trust and managed by Lloyd's in third party segregated custodian accounts (e.g. at Citibank). However, for corporate members, covenant and charge arrangements over assets held by the corporate member are permitted.

A member is required to have assets at least equivalent to the aggregate of its ECA and certain liabilities in respect of its underwriting business. The amount of FAL assets required will depend on the net open year underwriting position of the member. The member will be required to add additional FAL to cover any deficit and can use any surplus towards its ECA requirement, thus reducing the value of their assets to be held as FAL.

Individual members underwrite with unlimited liability and thus may be required to meet their share of claims to the full extent of their wealth. A corporate member may also have assets beyond its capital to support underwriting, which can be called upon to meet its underwriting liabilities.

At December 31, 2015, the total value of capital supporting underwriting held in trust by members amounted to GBP17.8 billion. A further GBP3.0 billion was held in members' PTFs as part of the first link ('Funds in Syndicate').

Third Link: Lloyd's central resources

The Central Fund has been established to be available, at the discretion of the Council of Lloyd's, to ensure that policyholders' claims are met in the event of members being unable to meet their underwriting liabilities relating to 1993 and post non-life business and all life business. In practice, this entails the payment of syndicate cash calls where a member is unable to do so from their FAL or their own resources. The Central Fund is funded by annual contributions from members. Net assets totalled GBP1,658 million at the end of 2015.

Subordinated loan notes issued in 2004 and 2014 and perpetual capital securities issued in 2007 were carried in the financial statements at GBP882 million. Payments on the notes are subordinated to certain payments which may be made out of central assets, including payments made to discharge the liabilities of insolvent members.

Central Fund assets may be supplemented by a 'callable layer' of up to 3% of members' overall premium limits in any one calendar year. These funds would be drawn from PTFs. In addition, the other assets of Lloyd's, totalling GBP105 million at December 31, 2015, are available to meet underwriting liabilities in the last resort.

In aggregate, the value of Lloyd's central resources (excluding the callable layer) stood at GBP2,645 million at December 31, 2015.

Claims Payment in Practice

Claims are normally agreed by the lead Lloyd's syndicate, unless the claims are deemed 'complex', in which case the second syndicate also has to agree. If the lead and second syndicate disagree, or if more than 50% of the following market so request, the claim will also be referred to the following market. Once agreed, Lloyd's claims service provider will notify the relevant syndicates of the funding requirements; these will be met from their PTFs through the Lloyd's central accounting system.

If the PTFs are inadequate, the managing agent will make a cash call on the syndicate members, drawing down on the members' FAL in the event that this is not met with new funds from outside Lloyd's. Should an agreed claim need to be funded from Lloyd's central resources, an application would be made for a draw-down on the Central Fund, which would have to be approved by the Council.

Member Capital Shortfalls

The free funds available to a member to meet its capital requirements may fall below the required level for two reasons: increases to syndicate uSCRs following a material change in risk profile, or erosion of funds due to losses. In either case, the timetable for recapitalisation and/or intervention by Lloyd's will depend on the extent of the shortfall.

All members must demonstrate that they have sufficient funds to meet their capital requirements in June and November each year, known as 'Coming Into Line'. Lloyd's has powers to require members to meet their ECA at all times, but will normally permit recapitalisation in accordance with this biannual timetable, provided that members' free funds remain above their uSCR.

If capital is eroded between assessments, the shortfall would be covered by Lloyd's central assets up to an aggregate level of 10% of members' ECAs, until the following exercise (in normal circumstances). Limited changes in risk relating to syndicate business plans would be covered in a similar way, provided that free funds at least equal to the uSCR level are maintained.

If a member's funds fall below their uSCR level, Lloyd's will require additional capital to be deposited without delay and underwriting restrictions may be imposed to mitigate risks in the interim. If a member's funds fall below the Minimum Capital Requirement (between 25% and 45% of the SCR), Lloyd's is likely to immediately suspend underwriting in accordance with the continuous solvency regime.

Managing Central Assets

The minimum security offered by the limited mutualisation of losses, via the central resources, allows Lloyd's to obtain its licences worldwide on behalf of all of its members collectively. The quality of this security is dependent on the available central resources relative to the declared and potential losses from businesses who have ceased trading (or may cease).

Lloyd's undertakes detailed analysis to determine the optimum level of central resources, based on continuous assessment of regulatory and commercial needs, as well as targeted rating requirements. Members finance the Central Fund via annual contributions at a rate determined by Lloyd's (currently 2.0% of premium limits net of acquisition costs for the first three years and 0.5% thereafter).

Legacy issues are currently minimal. Calls on the Central Fund have been limited to GBP11 million over the last five years and no payments were made in respect of insolvent members during 2015. Only four years of account were left open beyond the usual 36 months at the end of 2015 (due to reserving uncertainty).

Lloyd’s uses its aggregate internal model to submit its central SCR to the PRA, treating the Central Fund as a source of funding for claims which exceed syndicate and member capital. In setting member contribution levels, Lloyd’s aims to ensure that unencumbered central assets are at least equal to the greater of 200% of the central SCR or 80% of the market’s ECA, as set by the Franchise Board.

Lloyd’s has indicated that central assets are expected to remain stable at GBP2.6 billion in 2016.

Considerations for Policyholders

In line with the several liability of the members trading at Lloyd’s, the security offered by a Lloyd’s policy initially depends on the available resources of the syndicates underwriting the policy and the several resources of the members backing those syndicates, with all policies then underpinned by the minimum level of security offered by Lloyd’s central resources.

Policyholder claims are effectively made against the individual members of each syndicate for their share of the claim, the members being the legal entities issuing Lloyd’s policies. The member’s share of the pooled assets of the syndicate underwriting the policy is held in trust, purely for the policyholders of that syndicate; claims will initially be paid from this source. However, a member’s FAL is potentially exposed to the results of other syndicates on which it participates.

The market ratings reflect the minimum financial strength offered by the market. Relevant factors include the extent of the financial resources held centrally, the attractiveness of the market in terms of retaining its members and the controls to limit the impact of defaulting members on central resources.

Financial Strength Ratings

The Lloyd's market as a whole continues to be rated on an interactive basis by A.M. Best, Fitch and Standard & Poor's (S&P). All business written on Lloyd's paper benefits from these ratings.

Market Ratings

A.M. Best last affirmed its 'A' rating on July 21, 2016, reflecting Lloyd's strong and stable risk-adjusted capitalisation, excellent business profile and recent strong underwriting performance. After a three year period at positive, the outlook was revised to stable, owing to pressure on Lloyd's competitive position and prospective financial performance in an increasingly difficult operating environment.

Fitch last affirmed its 'AA-' rating on December 14, 2015, reflecting Lloyd's significant market position in both insurance and reinsurance classes, robust risk-adjusted capitalisation, low financial leverage and strong underwriting performance. The outlook remains stable.

S&P last affirmed its 'A+' rating on October 13, 2014. The outlook remains stable. In a full analysis report dated July 28, 2016, S&P stated that capital adequacy at the end of 2015 exceeded its 'AAA' benchmark and that the agency did not expect a potential 'Brexit' to materially impact Lloyd's franchise. The cost of doing business at Lloyd's has constrained S&P's assessment of the market's competitive position. Managing the expense ratio downwards is viewed as a key component of retaining business on the Lloyd's platform.

Exhibit 21: Lloyd's Market Financial Strength Ratings

	Rating	Outlook	Action
A.M. Best	A	Stable	Affirmed July 21, 2016
Fitch	AA-	Stable	Affirmed December 14, 2015
S&P	A+	Stable	Affirmed October 13, 2014

Source: Rating agencies

Syndicate Ratings/Assessments

The number of standalone syndicate ratings/assessments continues to decline, as the costs have become more difficult to justify. The ten A.M. Best Financial Strength Ratings (FSRs) and four S&P Lloyd's Syndicate Assessments (LSAs) that remain in effect are shown below.

Exhibit 22: Lloyd's Syndicate Ratings/Assessments

Syndicate Number	Managing Agent	A.M. Best FSR	S&P LSA
0033	Hiscox	'A' / Stable	
0386	QBE		'5' / Stable
0510	Tokio Marine Kiln	'A' / Stable	
0623	Beazley	'A' / Stable	
1225	AEGIS	'A' / Stable	
2001	MS Amlin	'A+' / Under Review Developing	'4+' / Stable
2003	XL Catlin	'A' / Stable	'5' / Stable
2010	Cathedral	'A' / Stable	
2623	Beazley	'A' / Stable	
2999	QBE		'5' / Stable
3000	Markel	'A' / Stable	
3622	Beazley	'A' / Stable	
3623	Beazley	'A' / Stable	

Source: Rating agencies

Appendix 1 – Lloyd's Ten Year Segmental Results

Exhibit 23: Lloyd's Ten Year Segmental Data

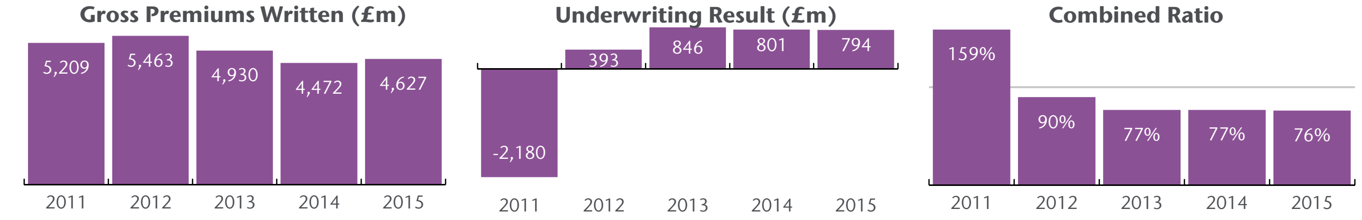
Reinsurance Segment	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Gross Premiums Written (GBP billions)	5.6	5.5	6.3	8.0	8.4	8.8	9.8	9.0	8.5	8.6
Net Premiums Earned (GBP billions)	4.2	4.3	4.5	5.8	6.1	6.4	6.7	6.8	6.7	6.8
Underwriting Result (GBP billions)	0.8	0.8	0.7	1.2	0.6	-1.9	0.6	1.3	1.2	0.9
Combined Ratio	81%	82%	84%	78%	90%	131%	91%	81%	82%	87%
Prior Year Reserve Release	-4%	5%	12%	6%	10%	8%	7%	11%	12%	10%
Accident Year Combined Ratio	77%	86%	96%	84%	100%	138%	98%	92%	93%	96%
Property Segment	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
Gross Premiums Written (GBP billions)	3.6	3.8	4.0	5.0	4.9	5.0	5.5	6.1	6.3	6.9
Net Premiums Earned (GBP billions)	2.7	3.0	3.1	3.9	3.7	3.8	4.0	4.6	4.6	5.1
Underwriting Result (GBP billions)	0.5	0.4	0.1	0.3	0.3	0.0	0.2	0.7	0.6	0.5
Combined Ratio	82%	86%	97%	92%	92%	100%	94%	85%	88%	90%
Prior Year Reserve Release	4%	6%	7%	3%	7%	6%	8%	8%	7%	4%
Accident Year Combined Ratio	86%	92%	103%	96%	99%	106%	103%	93%	95%	94%
Casualty Segment	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
Gross Premiums Written (GBP billions)	3.6	3.4	3.8	4.3	4.4	4.2	4.5	4.9	5.0	5.8
Net Premiums Earned (GBP billions)	3.0	2.8	3.0	3.4	3.4	3.5	3.5	3.8	3.9	4.4
Underwriting Result (GBP billions)	0.3	0.2	0.1	0.3	0.1	0.1	0.2	0.0	0.1	0.0
Combined Ratio	89%	93%	95%	91%	97%	97%	96%	99%	98%	100%
Prior Year Reserve Release	7%	9%	9%	8%	5%	2%	5%	2%	2%	4%
Accident Year Combined Ratio	87%	103%	111%	114%	99%	91%	100%	101%	100%	105%
Marine Segment	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
Gross Premiums Written (GBP billions)	1.2	1.2	1.3	1.6	1.7	2.0	2.1	2.2	2.1	2.2
Net Premiums Earned (GBP billions)	0.9	1.0	1.0	1.3	1.4	1.6	1.7	1.8	1.8	1.9
Underwriting Result (GBP billions)	0.1	0.1	0.2	0.1	0.1	0.1	0.0	0.1	0.1	0.1
Combined Ratio	89%	87%	85%	89%	91%	95%	100%	95%	95%	94%
Prior Year Reserve Release	10%	8%	8%	7%	8%	8%	4%	7%	9%	11%
Accident Year Combined Ratio	99%	95%	92%	96%	98%	102%	104%	103%	104%	105%
Energy Segment	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
Gross Premiums Written (GBP billions)	1.1	1.0	1.2	1.4	1.4	1.5	1.7	1.7	1.5	1.4
Net Premiums Earned (GBP billions)	0.7	0.8	0.8	1.0	1.0	1.1	1.1	1.2	1.1	1.0
Underwriting Result (GBP billions)	0.0	0.2	-0.2	0.2	0.2	0.1	0.3	0.2	0.2	0.2
Combined Ratio	99%	73%	124%	84%	83%	88%	76%	83%	83%	76%
Prior Year Reserve Release	-15%	4%	8%	6%	18%	10%	19%	11%	11%	21%
Accident Year Combined Ratio	84%	77%	132%	90%	102%	98%	95%	94%	95%	97%
Motor Segment	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
Gross Premiums Written (GBP billions)	0.9	1.0	0.9	1.1	1.1	1.2	1.2	1.2	1.2	1.1
Net Premiums Earned (GBP billions)	0.8	0.9	0.9	1.0	1.0	1.1	1.1	1.0	1.1	0.9
Underwriting Result (GBP billions)	0.0	0.0	0.0	-0.1	-0.5	-0.1	0.0	-0.1	-0.1	0.0
Combined Ratio	96%	98%	100%	108%	152%	107%	104%	109%	107%	102%
Prior Year Reserve Release %	5%	6%	1%	-4%	-37%	2%	1%	-4%	1%	8%
Accident Year Combined Ratio	102%	105%	101%	105%	115%	109%	105%	104%	107%	110%
Aviation Segment	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
Gross Premiums Written (GBP billions)	0.4	0.5	0.5	0.6	0.6	0.7	0.7	0.6	0.6	0.6
Net Premiums Earned (GBP billions)	0.3	0.3	0.4	0.3	0.5	0.6	0.5	0.5	0.4	0.4
Underwriting Result (GBP billions)	0.1	0.1	0.0	0.0	0.1	0.2	0.2	0.1	0.0	0.0
Combined Ratio	65%	85%	87%	97%	75%	65%	68%	81%	103%	96%
Prior Year Reserve Release	22%	18%	24%	17%	25%	27%	19%	24%	31%	17%
Accident Year Combined Ratio	87%	103%	111%	114%	99%	91%	86%	105%	133%	113%

Source: Lloyd's Statistics, Aon Benfield Market Analysis

Appendix 2 – Lloyd's Reinsurance Segment

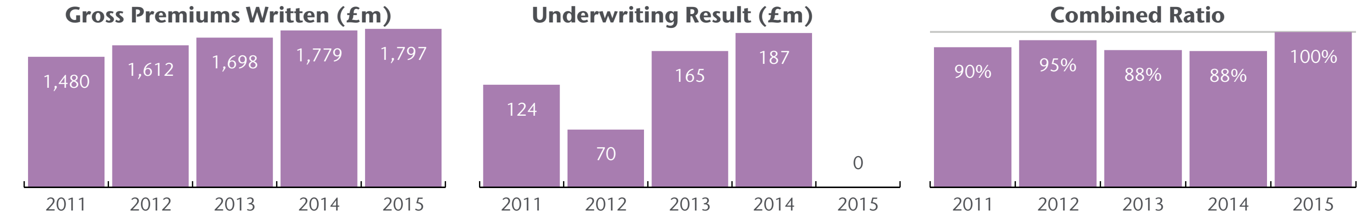
Reinsurance segment disclosure at the Lloyd's market level is now broken down to show the results of three individual sub-classes, as displayed in the exhibits below.

Exhibit 24: Property Reinsurance Segment Results



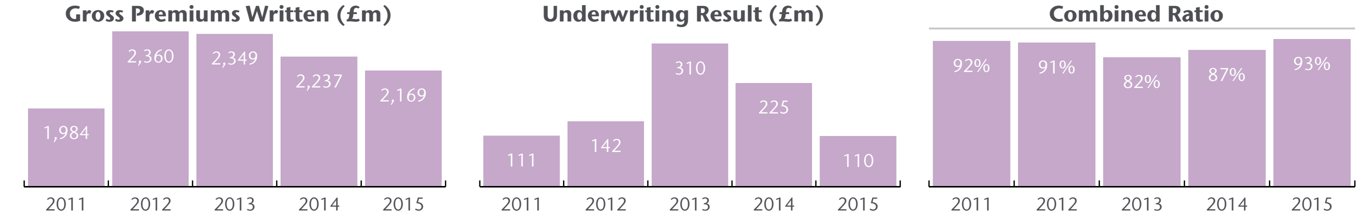
Source: Lloyd's Statistics, Aon Benfield Market Analysis

Exhibit 25: Casualty Reinsurance Segment Results



Source: Lloyd's Statistics, Aon Benfield Market Analysis

Exhibit 26: Specialty Reinsurance Segment Results



Source: Lloyd's Statistics, Aon Benfield Market Analysis

Appendix 3 – Active Syndicate Listing

Exhibit 27: Active Syndicate Listing

Syn. No.	Managing Agent	Agency Owner*	Largest Capital Provider in 2016*	2015 GPW GBPmn	2015 Combined Ratio	2015 Pre-Tax Result as % of NPE	2016 Capacity GBPmn
0033	Hiscox	Hiscox	Hiscox (73%)	847	76%	29%	1,000
0044	AmTrust	AmTrust	AmTrust	17	86%	14%	15
0218	ERS	Aquiline	Aquiline (61%)	394	100%	2%	360
0308	Tokio Marine Kiln	Tokio Marine	Tokio Marine (50%)	28	106%	-8%	32
0318	Beaufort	Munich Re	Munich Re (91%)	137	77%	27%	235
0382	CNA Hardy	CNA	CNA	268	106%	-5%	330
0386	QBE	QBE	QBE (70%)	335	89%	13%	353
0435	Faraday	Berkshire	Berkshire	227	71%	30%	400
0457	Munich Re	Munich Re	Munich Re	436	94%	7%	425
0510	Tokio Marine Kiln	Tokio Marine	Tokio Marine (55%)	1,163	88%	12%	1,063
0557	Tokio Marine Kiln	Tokio Marine	Hampden (56%)^	17	39%	62%	35
0566	*QBE*	*Operates as a trading division of Syndicate 2999*					
0609	Atrium	Enstar/Stone Point	Enstar/Stone Point (25%)	383	82%	19%	420
0623	Beazley	Beazley	Hampden (53%)^	248	84%	15%	258
0626	*Hiscox*	*Operates as a trading division of Syndicate 0033*					
0727	Meacock	Family-owned	Hampden (44%)^	68	91%	12%	81
0779	ANV	ANV	Hampden (41%)^	14	124%	-24%	22
0780	Advent	Fairfax	Fairfax	157	102%	-22%	200
0887	*MS Amlin*	*Operates as a trading division of Syndicate 2001*					
1036	*QBE*	*Operates as a trading division of Syndicate 2999*					
1084	Chaucer	Hanover Insurance	Hanover Insurance	839	88%	14%	650
1110	ProSight	ProSight Speciality	ProSight Specialty	212	102%	-2%	210
1176	Chaucer	Hanover Insurance	Hanover Insurance (57%)	27	32%	71%	35
1183	Talbot	Validus	Validus	666	86%	16%	600
1200	Argo	Argo	Argo (53%)	422	92%	9%	425
1206	AmTrust	AmTrust	AmTrust	154	113%	-13%	200
1218	Newline	Fairfax	Fairfax	96	84%	-21%	100
1221	Navigators	Navigators	Navigators	272	84%	15%	255
1225	AEGIS	AEGIS	AEGIS (93%)	333	77%	22%	330
1274	Antares	Qatar Insurance	Qatar Insurance (96%)	261	97%	3%	270
1301	StarStone	Enstar/Stone Point	Enstar/Stone Point	170	92%	6%	170
1414	Ascot	AIG (20%)	AIG (99%)	567	90%	10%	600
1458	RenRe	RenRe	RenRe	244	101%	1%	293
1492	Capita	Capita	Istmo Re (62%)	3	n.m.	n.m.	90
1686	Asta	Tawa/Paraline/Skuld	AXIS	118	133%	-37%	208
1729	Asta	Tawa/Paraline/Skuld	ProAssurance (58%)	66	110%	-10%	90
1856	Barbican	Barbican	Credit Suisse	*Commenced trading January 1, 2016*			90
1861	ANV	ANV	ANV	222	95%	7%	205
1880	Tokio Marine Kiln	Tokio Marine	Tokio Marine	184	89%	10%	360
1882	Chubb	Chubb	Chubb	98	123%	-19%	93
1884	Charles Taylor	Charles Taylor	Standard Club (40%)	33	216%	-117%	90
1886	*QBE*	*Operates as a trading division of Syndicate 2999*					
1897	Asta	Tawa/Paraline/Skuld	Skuld (67%)	97	104%	-5%	90
1910	Asta	Tawa/Paraline/Skuld	BTG / ADIC (71%)	275	71%	26%	121
1919	Starr	Starr International	Starr International	264	78%	21%	250
1945	Sirius	China Minsheng	China Minsheng	83	105%	-6%	92
1955	Barbican	Barbican	Barbican	328	98%	5%	200
1967	W.R. Berkley	W.R. Berkley	W.R. Berkley	139	94%	5%	225
1969	Apollo	Apollo	Apollo (40%)	188	93%	6%	180
1980	*Liberty*	*Operates as a trading division of Syndicate 4472*					
1991	R&Q	R&Q	SCOR (19%)	59	148%	-49%	130
2001	MS Amlin	Mitsui Sumitomo	Mitsui Sumitomo	1,654	92%	12%	1,400
2003	XL Catlin	XL Catlin	XL Catlin	1,921	99%	3%	1,454
2007	Novae	Novae	Novae	789	89%	12%	700
2010	Cathedral	Lancashire	Lancashire (58%)	199	67%	32%	306
2012	Arch	Arch	Arch	154	99%	2%	200
2014	Pembroke	Fosun/Ironshore	Hampden (52%)^	92	99%	1%	130

Exhibit 27: Active Syndicate Listing (continued)

Syn. No.	Managing Agent	Agency Owner*	Largest Capital Provider in 2016*	2015 GPW GBPmn	2015 Combined Ratio	2015 Pre-Tax Result as % of NPE	2016 Capacity GBPmn
2015	Channel	SCOR	SCOR	194	105%	-6%	181
2088	XL Catlin	XL Catlin	China Re	79	109%	-7%	89
2121	Argenta	Argenta	Argenta (85%)^	227	93%	8%	270
2232	Allied World	Allied World	Allied World	144	102%	-6%	204
2357	Asta	Tawa/Paraline/Skuld	Nephila	48	45%	55%	122
2468	Neon	American Financial	American Financial	210	138%	-37%	235
2488	Chubb	Chubb	Chubb	378	81%	19%	350
2525	Asta	Tawa/Paraline/Skuld	Hampden (46%)^	44	76%	24%	50
2526	AmTrust	AmTrust	AmTrust (99%)	29	258%	-156%	60
2623	Beazley	Beazley	Beazley	1,131	84%	18%	1,142
2786	Asta	Tawa/Paraline/Skuld	Everest Re	*Commenced trading 1 January 2016*			71
2791	MAP	MAP (90%)	Hampden (36%)^	149	69%	33%	400
2987	Brit	Fairfax	Fairfax	1,307	91%	7%	1,075
2999	QBE	QBE	QBE	991	81%	22%	950
3000	Markel	Markel	Markel	429	99%	4%	500
3002	XL Catlin	XL Catlin	XL Catlin	10	84%	16%	27
3010	Cathedral	Lancashire	Lancashire	47	87%	13%	100
3210	MS Amlin	Mitsui Sumitomo	Mitsui Sumitomo	370	83%	19%	340
3334	Hamilton	Hamilton	Hamilton	23	148%	-45%	59
3622	Beazley	Beazley	Beazley	13	114%	-13%	19
3623	Beazley	Beazley	Beazley	172	100%	1%	185
3624	Hiscox	Hiscox	Hiscox	400	92%	7%	400
3902	*Ark*	*Operates as a trading division of Syndicate 4020*					
4000	Pembroke	Fosun/Ironshore	Fosun/Ironshore	242	94%	7%	285
4020	Ark	Ark	Ark (40%)	337	92%	10%	400
4141	HCC	Tokio Marine	Tokio Marine	98	92%	4%	150
4242	Asta	Tawa/Paraline/Skuld	Labuan Re (15%)	111	71%	29%	95
4444	Sompo Canopius	Sompo	Sompo (81%)	827	93%	8%	975
4472	Liberty	Liberty Mutual	Liberty Mutual	1,152	95%	7%	1,158
4711	Aspen	Aspen	Aspen	331	110%	-11%	475
5000	Travelers	Travelers	Travelers	287	86%	15%	300
5151	Endurance	Endurance	Endurance	175	102%	0%	200
5555	*QBE*	*Operates as a trading division of Syndicate 2999*					
5678	Vibe	Soros/Pine Brook	Soros/Pine Brook	17	118%	-7%	32
5820	ANV	ANV	ANV (68%)	228	103%	-2%	131
6050	Beazley	Beazley	Korean Re	10	114%	-12%	13
6103	MAP	MAP (90%)	Hampden (49%)^	5	31%	74%	14
6104	Hiscox	Hiscox	Hampden (54%)^	33	25%	76%	56
6107	Beazley	Beazley	Hampden (33%)^	26	70%	20%	29
6111	XL Catlin	XL Catlin	Hampden (54%)^	131	95%	7%	116
6112	XL Catlin	XL Catlin	Everest Re	37	94%	7%	33
6117	Asta	Tawa/Paraline/Skuld	Hampden (98%)^	24	79%	20%	52
6118	Barbican	Barbican	ARIG/Labuan Re	48	96%	5%	90
6119	XL Catlin	XL Catlin	GIC Re	17	96%	5%	15
6121	XL Catlin	XL Catlin	Aioi Nissay Dowa	22	103%	-3%	19
6123	Asta	Tawa/Paraline/Skuld	Labuan Re (20%)	4	n.m.	n.m.	15
6125	Pembroke	Fosun/Ironshore	Patria Re	*Commenced trading January 1, 2016*			13
6126	Asta	Tawa/Paraline/Skuld	SCOR (20%)	*Commenced trading January 1, 2016*			40
6129	Novae	Novae	Securis	*Commenced trading January 1, 2016*			48
6130	Chaucer	Hanover Insurance	AXA	*Awaiting regulatory approval*			

Source: Lloyd's, Aon Benfield Market Analysis
**100% unless otherwise stated*
^Hampden and Argenta principally act as Lloyd's members' agents on behalf of third party capital providers

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