

Lloyd's Update

June 2015



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Executive Summary

- The Lloyd's market began 2015 with 92 active syndicates and slightly reduced underwriting capacity of GBP26.0 billion.
- This includes over GBP0.5 billion of 'sidecar' quota share capacity provided by 14 Special Purpose Syndicates (SPSs).
- Eight Lloyd's managing agents now oversee more than GBP1.0 billion of capacity, namely Catlin, Tokio Marine Kiln, Beazley, Hiscox, Amlin, QBE, Brit and Liberty.
- Including sidecar support, the capacity of the ten largest syndicates aggregates to GBP11.1 billion in 2015, or 42% of the total market. Average syndicate capacity stands at GBP331 million.
- China Re Syndicate 2088, a former SPS, now operates on a standalone basis and April 1, 2015 saw the launch of a new operation, Syndicate 1884, backed by The Standard Club.
- SPSs continue to be a popular entry route for new and existing investors, with four new vehicles established so far in 2015. Backers include Credit Suisse Asset Management and Korean Re.
- Four Lloyd's operations gained new owners in the first half of 2015 (Ariel Re, Brit, Catlin and Sportscover) and three further deals await customary approvals (Pembroke, Montpelier and HCC).
- Gross premiums written totalled GBP25.3 billion in 2014, up 2% at constant exchange rates. Reinsurance volumes fell by 10% to GBP8.5 billion, driven by lower property catastrophe pricing.
- Underwriting profit of GBP2.3 billion (2013: GBP2.6 billion) equated to a combined ratio of 88.1% (86.8%). Prior year reserve releases were stable at GBP1.6 billion, providing 8.0pp of benefit.
- The total investment return rose by 25% to just over GBP1.0 billion in 2014, a yield of 2.0% (2013: 1.6%), driven by unrealized gains on longer duration bonds.
- Overall operating performance remains strong. Pre-tax profit was almost unchanged at GBP3.2 billion in 2014, representing a return on capital employed of 14.7% (2013: 16.2%).
- Overall net resources (capital, reserves and subordinated liabilities) grew by 11% to a record level of GBP23.5 billion at December 31, 2014.
- Lloyd's has been liaising closely with the UK regulators over its preparations for the implementation of the Solvency II regime and these are nearing completion.

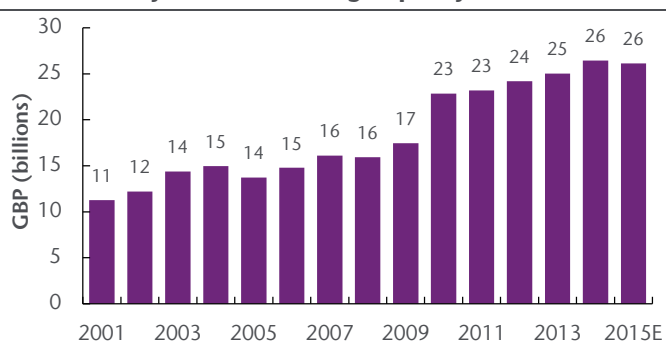
Lloyd's Market in 2015

Lloyd's began 2015 with 92 active syndicates and slightly reduced underwriting capacity of GBP26.0 billion. M&A activity has been dominating headlines within the reinsurance market in recent months and Lloyd's is no exception, with a number of deals involving Lloyd's businesses in progress or already completed.

2015 Capacity

Lloyd's has not publicly disclosed an overall market capacity figure since 2008, but individual disclosure from syndicates, managing agents and associated corporate groups suggests that the market saw an overall capacity de-emption going into 2015 for the first time in ten years. Total stamp capacity is estimated to have fallen by 1.5% to GBP26.0 billion at January 1, 2015. This includes over GBP0.5 billion of 'sidecar' quota share capacity supplied by 14 Special Purpose Syndicates (SPSs). Excluding life syndicates and SPSs, average syndicate capacity now stands at GBP331 million. A full list of active syndicates can be found in Appendix 3.

Exhibit 1: Lloyd's Underwriting Capacity

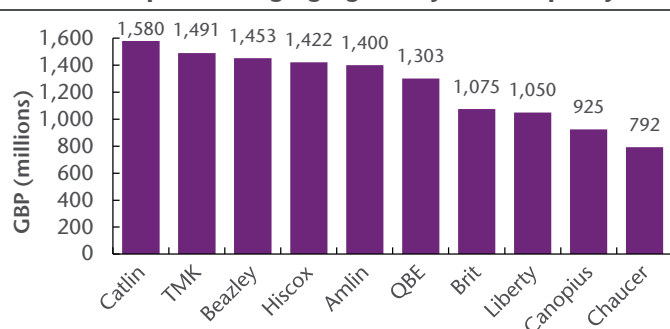


Source: Company reports, Lloyd's, Aon Benfield Market Analysis

Top 10 Lloyd's Managing Agents

Eight Lloyd's managing agents now oversee more than GBP1.0 billion of capacity, namely Catlin, Tokio Marine Kiln (TMK), Beazley, Hiscox, Amlin, QBE, Brit and Liberty.

Exhibit 2: Top 10 Managing Agents by 2015 Capacity

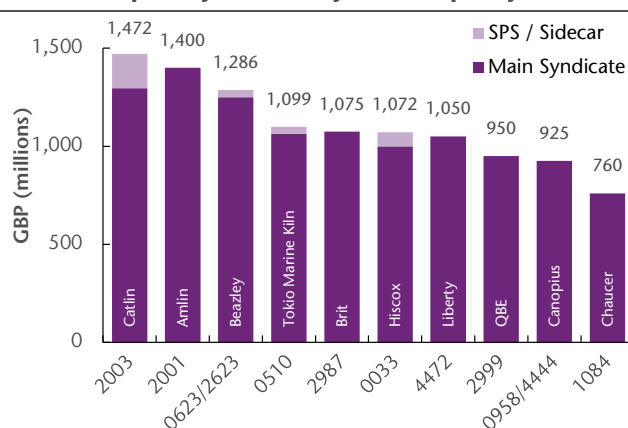


Source: Company reports, Lloyd's, Aon Benfield Market Analysis

Top 10 Syndicates

The aggregate capacity of the ten largest syndicates fell by 3% to GBP11.1 billion in 2015, representing 42% of the total market.

Exhibit 3: Top 10 Syndicates by 2015 Capacity



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

New Entrants and Departures

Lloyd's continues to attract new investors and interest from companies wanting to participate in a market that benefits from a global licence network and strong financial strength ratings. SPSs are proving a popular entry route - four have been launched so far in 2015, supported by a variety of new and existing capital providers. Former SPS 2088 (backed by China Re and managed by Catlin) re-launched as a standalone syndicate writing open-market business from January 1, 2015. Standard Club Syndicate 1884 launched on April 1, 2015 under the newly established Charles Taylor Managing Agency Ltd.

Three syndicates effectively ceased trading at the end of 2014. Canopus is renewing the business of Motor Syndicate 0260 into Syndicates 0958/4444, which write on a split stamp basis. SPSs 6113 and 6115 did not renew their respective quota share reinsurance participations on Barbican Syndicate 1955 and Canopus Syndicate 4444.

Exhibit 4: New Entrants in 2015

Syndicate Number	Managing Agent	Details
1884	Charles Taylor	New syndicate backed by The Standard Club and operated by new turnkey managing agent Charles Taylor. Launched April 1, 2015 with estimated capacity of £54m for the remainder of the year.
2088	Catlin	Formerly an SPS, China Re 2088 launched as a standalone syndicate from January 1, 2015, with capacity of £92m.
6050	Beazley	SPS backed by Korean Re, providing whole account quota share to Beazley Syndicate 0623/2623, in return for a quota share of Korean Re's commercial lines book.
6120	Barbican	SPS providing whole account quota share to Barbican Syndicate 1955 from January 1, 2015, with estimated capacity of £40m supported by Credit Suisse Asset Management (CSAM).
6121	Catlin	SPS; details unknown.
6123	Asta	SPS providing £8m of additional capacity to ICAT Syndicate 4242 through a variable quota share facility; commenced trading May 1, 2015.

Source: Lloyd's, Aon Benfield Market Analysis

Mergers & Acquisitions

Buying a Lloyd's business continues to be a popular way of gaining access to the market and the ownership of several operations has changed as a result of broader industry consolidation. Three transactions have completed so far in 2015 and four more are pending regulatory approval.

Exhibit 5: Corporate Activity in 2015

Date	Acquirer	Target	Details
Feb 2015	BTG Pactual	Ariel Re	Brazilian bank BTG Pactual and an Abu Dhabi sovereign wealth fund completed their acquisition of Ariel Re (including Syndicate 1910) on February 2, 2015.
Feb 2015	Fosun	Ironshore	On February 12, 2015, Fosun International (China) completed its purchase of 20% of the ordinary shares of Ironshore, (backer of Pembroke Syndicate 4000). In May 2015, Fosun announced an agreement to acquire the remaining 80% of Ironshore, subject to regulatory approvals.
Apr 2015	Hamilton	Sportscover	Hamilton Insurance Group (Bermuda) completed its acquisition of Sportscover Underwriting Ltd (manager of Syndicate 3334) on April 1, 2015.
May 2015	XL	Catlin	XL Group (backer of Syndicate 1209) completed its acquisition of Catlin (backer of Syndicates 2003 & 3002; manager of Syndicates 2088, 6111, 6112, 6119 & 6121) on May 1, 2015. The combined group has been re-branded 'XL Catlin'.
Jun 2015	Fairfax	Brit	Fairfax announced on February 16, 2015 that it had reached an agreement to acquire Brit plc (backer of Syndicate 2987). Brit will continue to operate on a decentralized basis, alongside Fairfax's other Lloyd's platforms, Newline (backer of Syndicate 1218) and Advent (backer of Syndicate 0780).
3Q 2015	Endurance	Montpelier	Endurance announced on March 31, 2015 that it had entered a definitive merger agreement to acquire Montpelier (backer of Syndicate 5151). The transaction remains subject to regulatory approval and is expected to complete in the third quarter of 2015.
4Q 2015	Tokio Marine	HCC	Tokio Marine (backer of Syndicates 0510 & 1880 and manager of Syndicate 0557) announced on June 10, 2015 that it had entered a definitive agreement to acquire HCC (backer of Syndicate 4141). The transaction remains subject to regulatory approval and is expected to complete in the fourth quarter of 2015.

Source: Lloyd's, Aon Benfield Market Analysis

Syndicate News

- Canopus announced on May 21, 2015 that Stuart Davies had been appointed Group CEO, succeeding Michael Watson (who remains Chairman). Mr Davies previously served as Managing Director of AEGIS London for ten years.
- AEGIS London announced on May 21, 2015 that David Croom-Johnson (Active Underwriter of AEGIS Syndicate 1225) had assumed the role of interim Managing Director and John Chambers (Deputy Active Underwriter) had assumed the role of interim Active Underwriter, following the immediate departure of Stuart Davies.
- ANV announced on April 20, 2015 that Lynsey Cross (Chief of Staff) would assume the role of interim Group CEO until further notice, following the immediate departure of founder Matthew Fairfield.
- Torus Group has announced that it will be transferring business from its company platforms into Syndicate 1301 during 2015. This includes Onshore Energy and Power and Utilities portfolios previously written by Torus Insurance UK Ltd, and Brazilian business previously written by Torus Specialty Insurance Company in the US.
- On April 1, 2015, management of Syndicate 2526 was novated from Asta Managing Agency Ltd to AmTrust at Lloyd's Ltd. AmTrust increased its participation on the syndicate to 99% during the capacity auctions for 2015.
- Following completion of its acquisition of Sportscover Underwriting Ltd on April 1, 2015, Hamilton Insurance Group re-named the Lloyd's managing agent Hamilton Underwriting Ltd and appointed Dermot O'Donohue (former CEO of Torus' international operations) as CEO.

Financial Strength Ratings

A.M. Best affirmed its 'A' rating of the Lloyd's market on July 24, 2014 and maintained the positive outlook assigned a year earlier. Standard & Poor's affirmed its 'A+' rating on October 13, 2014 and revised the outlook from positive to stable. Fitch upgraded its rating from 'A+' to 'AA-' in June and affirmed the rating with a stable outlook on October 14, 2014.

Exhibit 6: Lloyd's Market Financial Strength Ratings

	Rating	Outlook	Action
A.M. Best	A	Positive	Affirmed July 24, 2014
Fitch	AA-	Stable	Affirmed October 14, 2014
S&P	A+	Stable	Affirmed October 13, 2014

Source: Rating agencies

There are now only twelve syndicates carrying interactive standalone financial strength ratings from A.M. Best (four of which are owned or managed by Beazley), and five carrying interactive Lloyds Syndicate Assessment (LSA) grades from Standard & Poor's. A further 26 syndicates carry non-interactive LSA grades from S&P, which are based solely on public information.

Vision 2025

Lloyd's continues to implement 'Vision 2025', a long-term strategic plan aimed at ensuring that the market becomes the true global hub for specialist insurance and reinsurance business.

In support of Vision 2025, the market outlined eight strategic priorities during 2014: Market Oversight, Ease of Doing Business, Market Access, Capital, Innovation, Talent, Brand and Global Corporate Social Responsibility. Progress has already been made against each of these objectives. Having successfully completed her first year as Lloyd's CEO, Inga Beale has reiterated the importance of the partnership between the market and the Corporation in achieving Lloyd's vision, and ensuring that Lloyd's is recognized as the best place for writing specialty insurance and reinsurance business.

In May 2014, Lloyd's secured new trading rights in Poland, Denmark, Sweden and Colombia. In July, legislation was passed granting Lloyd's surplus lines eligibility in Kentucky, completing Lloyd's footprint across all fifty US states. In September, the Chinese government awarded Lloyd's a licence to establish a branch office in Beijing. In October, Lloyd's was granted a commercial licence and certificate of incorporation for a platform in Dubai, which opened in March 2015. In November, the market received approval to open a representative office in Mexico.

Exhibit 7: Lloyd's Syndicate Ratings/Assessments

Syndicate Number	Managing Agent	A.M. Best Financial Strength Rating	S&P Lloyd's Syndicate Assessment
0033	Hiscox	A / Positive	
0308	Tokio Marine Kiln		2 pi
0318	Beaufort		3 pi
0382	Hardy		3 pi
0386	QBE		5 / Stable
0435	Faraday		4 pi
0457	Munich Re		3 pi
0510	Tokio Marine Kiln	A / Positive	4 pi
0557	Tokio Marine Kiln		2 pi
0623	Beazley	A / Positive	
0727	S A Meacock		2 pi
0779	ANV		2 pi
1084	Chaucer		3 pi
1176	Chaucer		3 pi
1183	Talbot	A / Positive	
1206	AmTrust		1 pi
1218	Newline		2 pi
1225	Aegis	A / Positive	3 pi
1301	Torus		2 pi
1414	Ascot		3 pi
1919	Starr		2 pi
2001	Amlin	A+ / Positive	4+ / Stable
2003	Catlin	A / Positive	5 / Stable
2007	Novae		3- / Stable
2010	Cathedral	A / Positive	4 pi
2121	Argenta		2 pi
2468	Marketform		1 pi
2623	Beazley	A / Positive	
2791	MAP		3 pi
2987	Brit		3 pi
2999	QBE		5 / Stable
3000	Markel	A / Positive	3 pi
3334	Hamilton		1 pi
3622	Beazley	A / Positive	
3623	Beazley	A / Positive	
4020	Ark		3 pi
4242	Asta		2 pi

Source: Rating agencies

Note: This table only includes syndicates with either a standalone FSR from A.M. Best or LSA from S&P

2014 Results

Despite challenging market conditions, Lloyd's reported an unchanged pre-tax profit of GBP3.2 billion for 2014, representing a return on capital employed of 14.7%. Weakened underwriting performance relative to the prior year was balanced by improvement in the investment return.

Exhibit 8: Lloyd's Pro-Forma Results

Income Statement GBP (millions)	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	1 Year Change
Gross premiums written	14,982	16,414	16,366	17,985	21,973	22,592	23,477	25,500	25,616	25,283	-1%
Net premiums written	11,770	13,201	13,256	14,217	17,218	17,656	18,472	19,435	20,231	20,024	-1%
Net premiums earned	11,785	12,688	13,097	13,796	16,725	17,111	18,100	18,685	19,725	19,575	-1%
Underwriting result	-1,388	2,142	2,099	1,198	2,320	1,143	-1,237	1,661	2,605	2,329	-11%
Investment result	1,498	1,661	2,007	957	1,769	1,258	955	1,311	839	1,045	25%
Pre-tax result	-103	3,662	3,846	1,899	3,868	2,195	-516	2,771	3,205	3,161	-1%
Key Ratios	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	1 Year Change
Cession Rate	21.4%	24.1%	19.0%	21.0%	21.6%	21.8%	21.3%	23.8%	21.0%	20.8%	-0.2pp
Combined Ratio	111.8%	83.1%	84.0%	91.3%	86.1%	93.3%	106.8%	91.1%	86.8%	88.1%	1.3pp
Investment yield	4.3%	4.7%	5.6%	2.5%	3.9%	2.6%	1.9%	2.6%	1.6%	2.0%	0.4pp
Return on capital*	-0.9%	31.4%	29.3%	13.7%	23.9%	12.1%	-2.8%	14.8%	16.2%	14.7%	-1.5pp

Source: Lloyd's, Aon Benfield Market Analysis

*Capital and reserves

Premium Income

Additional capital flows from non-traditional sources continue to fuel increased competition in the market. Pricing remains under pressure and overall premium growth remains restrained while challenging market conditions continue. Given that interest rates remain low, an emphasis on underwriting discipline continues to be Lloyd's top priority.

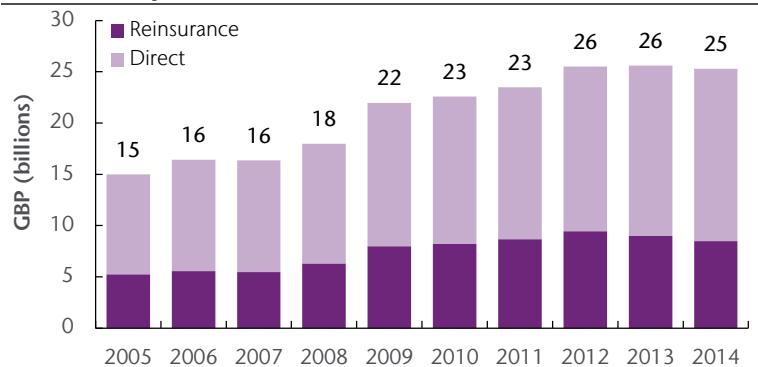
Gross premiums written totaled GBP25.3 billion in 2014, down 1.3% on a reported basis, but up 2.1% at constant exchange rates. In the aggregate, risk-adjusted rates fell by 3.3%, as global insurance capital growth continues to outpace demand, particularly in the reinsurance sector¹.

The Reinsurance segment accounted for 34% of Lloyd's gross premiums written in 2014. The total fell by 10.3% to GBP8.5 billion, mainly driven by the downturn in property catastrophe rates.

Exhibit 10 shows the distribution of 2014 gross premiums written by region across the seven high-level business segments used by Lloyd's for reporting purposes. Further segmental results can be found in Appendix 1.

¹Aon Benfield estimates that global reinsurer capital grew by 6% to USD575 billion in 2014.

Exhibit 9: Lloyd's Gross Premiums Written



Source: Lloyd's, Aon Benfield Market Analysis

Exhibit 10: Lloyd's Segment Breakdown by Region

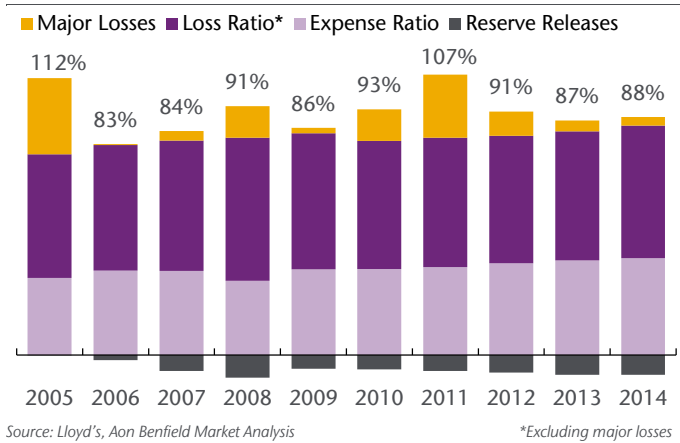
2014	US & Canada	Other Americas	UK	Europe	Asia Pacific	Rest of World	Total
Reinsurance	24%	74%	26%	34%	45%	62%	34%
Property	35%	6%	23%	17%	16%	9%	25%
Casualty	21%	8%	21%	19%	25%	10%	20%
Marine	7%	5%	6%	18%	8%	8%	8%
Energy	9%	5%	3%	6%	3%	3%	6%
Motor	2%	1%	20%	2%	1%	3%	5%
Aviation	2%	1%	1%	4%	2%	5%	2%
Total (GBPmn)	11,125	2,023	4,551	3,792	2,781	1,011	25,283

Source: Lloyd's

Underwriting Performance

Lloyd's recorded a strong underwriting performance in 2014, aided by prior year reserve releases and another benign catastrophe year. Technical profit of GBP2.3 billion (2013: GBP2.6 billion) equated to a combined ratio of 88.1% (86.8%). The five year average combined ratio stood at 93.2%. On an accident year basis, the underlying combined ratio excluding major losses rose by 2.3 percentage points (pp) to 92.7%, its highest level since 2002.

Exhibit 11: Lloyd's Combined Ratios

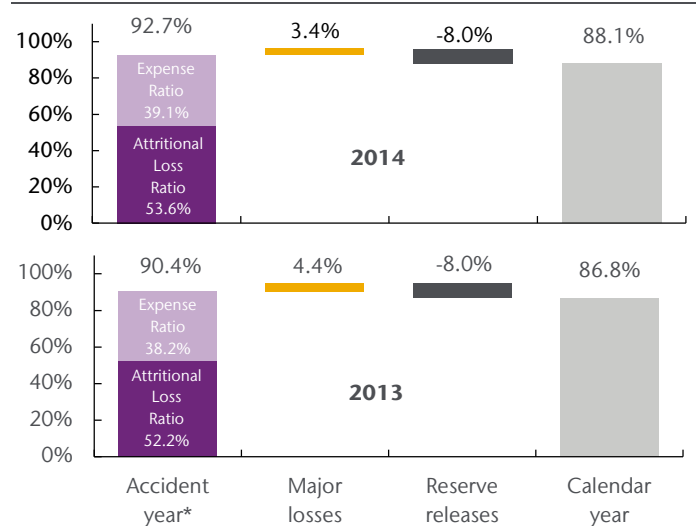


Both the expense and attritional loss ratios saw marginal deterioration in 2014, but this was largely mitigated by below-average major loss experience and positive prior year reserve development.

Major losses totaled GBP670 million (2013: GBP873 million), almost half of which were man-made in 2014, primarily relating to the unusually high incidence of aviation disasters. The largest natural catastrophe claim in 2014 related to Hurricane Odile, which made landfall in Mexico during September and was reserved at GBP153 million.

For the tenth successive year, Lloyd's reported an overall surplus on prior year reserves. This was broadly in line with 2013 at GBP1,571 million, providing 8.0pp of benefit to the combined ratio. Overall positive development was recorded in all major classes, although two reported underwriting losses in 2014. The Motor segment reported its sixth consecutive underwriting loss (GBP69 million), while Aviation reported its first underwriting loss since segmental reporting began (GBP8 million). Further segmental results can be found in Appendix 1.

Exhibit 12: Composition of Lloyd's Combined Ratio



Source: Lloyd's, Aon Benfield Market Analysis

*Excluding major losses

Investment Return

Lloyd's investments produced a total return of just over GBP1 billion, or 2.0% in 2014, compared to GBP839 million or 1.6% achieved in the prior year. The improvement was driven by better than expected performance by bond portfolios, particularly those with longer duration.

The three components of the result are shown in Exhibit 13 and Exhibit 14. The return on centrally-held mutual assets was GBP94 million (yield of 3.6%), the notional return on capital supporting members' underwriting was GBP202 million (1.3%) and the return on syndicate-level assets was GBP749 million (2.2%). The central assets portfolio achieved the highest yield, owing to a higher allocation to global equities.

Exhibit 13: Lloyd's Investment Return

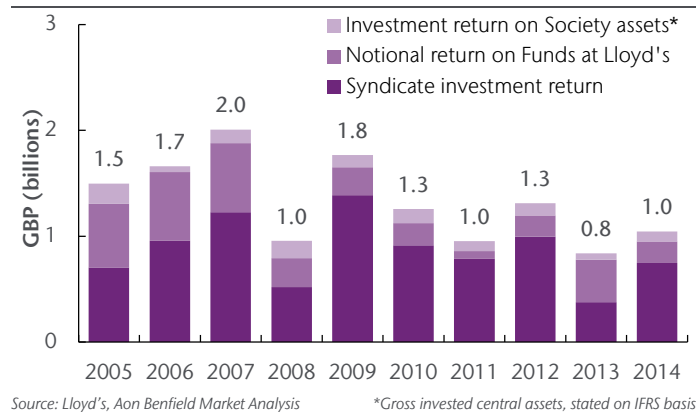
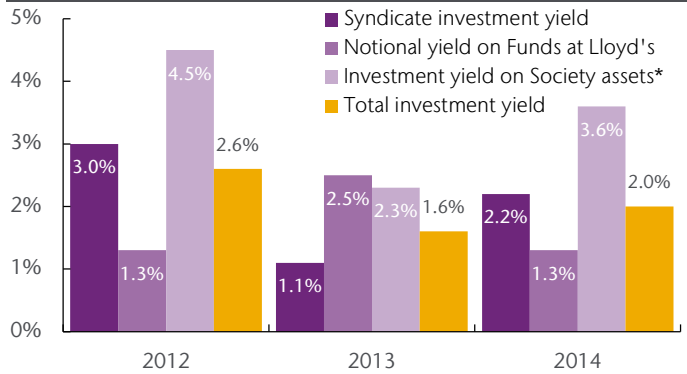


Exhibit 15 clearly shows the decline in investment yield since the global financial crisis of 2007. The 10 year average for Lloyd's stood at 3.2% and the five year average was 2.1%.

Exhibit 14: Lloyd's Investment Yield by Segment



Source: Lloyd's, Aon Benfield Market Analysis *Gross invested central assets, stated on IFRS basis

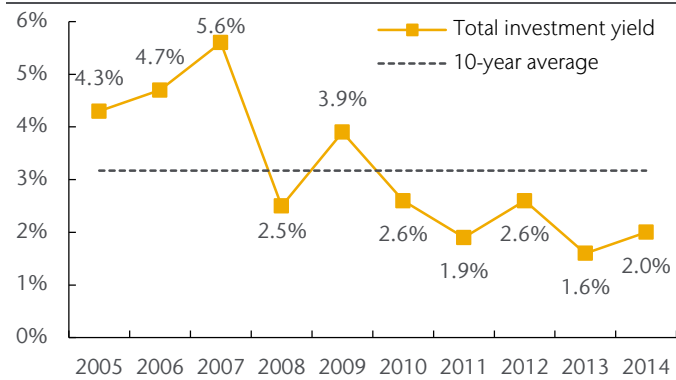
Pre-Tax Results

Lloyd's reported a pre-tax profit of GBP3.2 billion in 2014, in line with the prior year. Weaker underwriting performance was offset by an increased investment return.

Exhibit 17 demonstrates the significant influence of prior year reserves on Lloyd's results in recent years. In 2014 these represented 67% of underwriting profit and 50% of the pre-tax result.

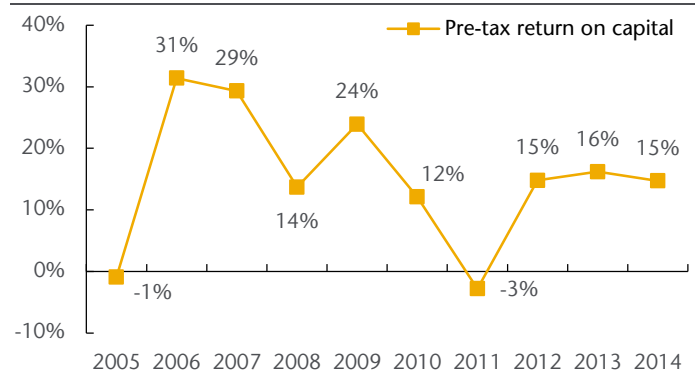
The pre-tax return on capital was 14.7% in 2014, compared with 16.2% in the prior year. The five and ten year averages were 11.1% and 14.7% respectively.

Exhibit 15: Lloyd's Investment Yield



Source: Lloyd's, Aon Benfield Market Analysis

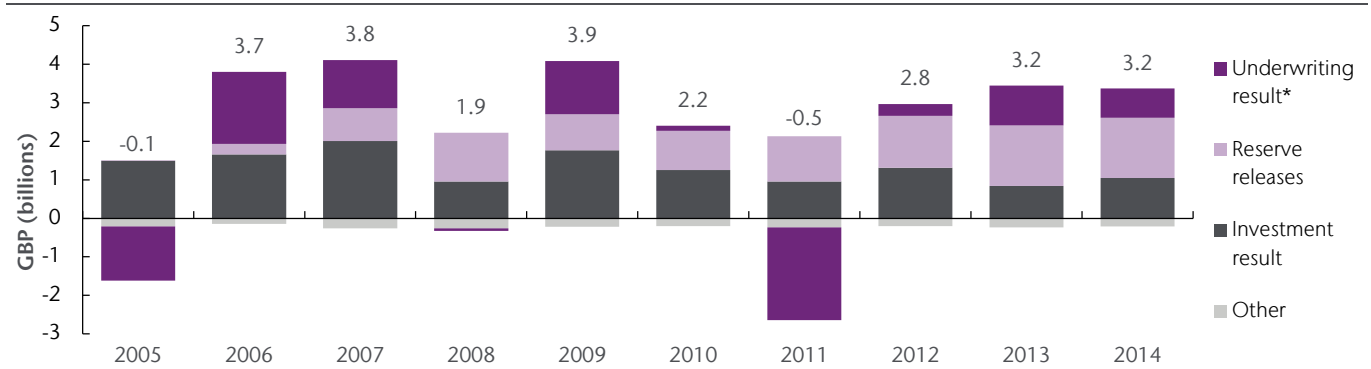
Exhibit 16: Lloyd's Return on Capital*



Source: Lloyd's, Aon Benfield Market Analysis

*Capital and reserves

Exhibit 17: Lloyd's Pre-Tax Result Composition



Source: Lloyd's, Aon Benfield Market Analysis

*Accident year

Balance Sheet at December 31, 2014

Lloyd's balance sheet strength has been recognized by the leading rating agencies. Overall investment allocation remains relatively conservative, capital resources are at record levels and legacy issues appear contained. The Corporation has been liaising closely with the UK regulators in order to gain all necessary approvals for the implementation of Solvency II in January 2016.

Exhibit 18: Summary Lloyd's Balance Sheet

Balance Sheet GBP (millions)	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	1 Year Change
Cash and investments	35,012	35,091	36,981	44,370	46,254	48,483	51,415	51,767	51,494	54,860	6.5%
Gross technical provisions	44,548	37,401	36,253	47,463	43,544	46,428	51,918	51,517	49,277	50,696	2.9%
Reinsurers' share	15,146	10,030	8,290	11,671	9,931	10,237	12,153	12,439	10,922	10,746	-1.6%
Net technical provisions	29,402	27,371	27,963	35,792	33,613	36,191	39,765	39,078	38,355	39,950	4.2%
Net resources*	10,992	13,333	14,461	15,264	19,121	19,121	19,114	20,193	21,107	23,471	11.2%

Source: Lloyd's, Aon Benfield Market Analysis

*Capital, reserves, subordinated loan notes and securities

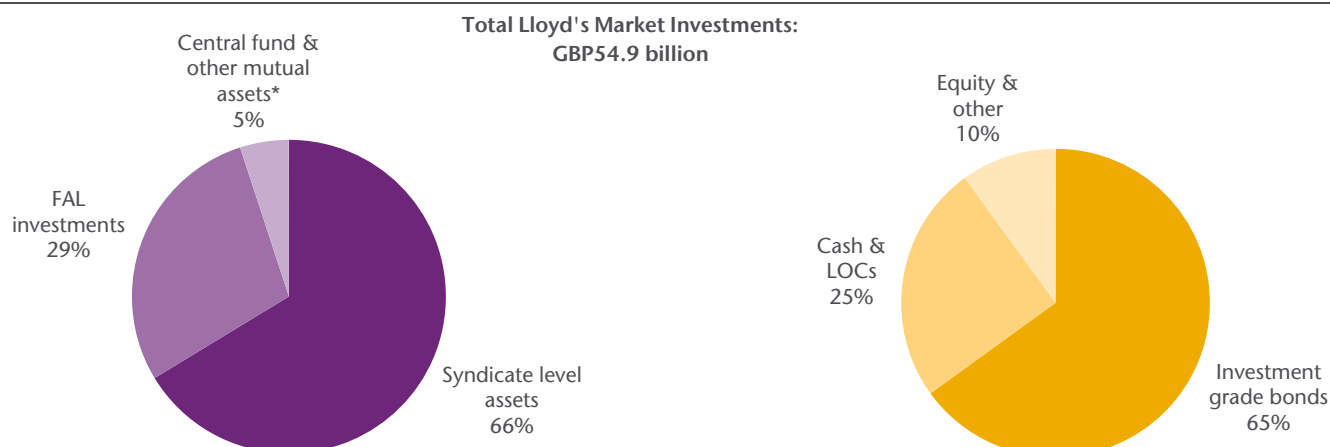
Investments

Cash and investments totaled GBP54.9 billion at December 31, 2014, up 6.5% from the end of 2013. Syndicate level assets valued at GBP36.4 billion accounted for the largest portion and remained relatively conservative overall, although some managing agents have gradually begun increasing allocations to more riskier asset classes in recent years. Bonds accounted for 80% of syndicate level assets at December 31, 2014, with an average duration of 2.3 years.

Assets held at the member level, known as Funds at Lloyd's (FAL) accounted for 29% of Lloyd's market investments. The total of GBP15.7 billion was made up of bonds (30%), cash (6%), LOCs / bank guarantees (50%), and equity / other investments (14%).

Central investments, including the central fund and other mutually held assets, accounted for the remaining GBP2.8 billion. This portion of the investment portfolio generally employs a higher risk appetite and a slight increase was observed in 2014. Bonds represented 54% of the portfolio, down from 63% at the end of 2013, with a higher weighting towards government debt. Allocations to global equities (16%), cash (9%) and unlisted short-term deposits (6%) were all increased and senior secured loans emerged as a new asset class (3%). Investment in hedge funds, emerging market & high yield bonds and emerging equity was unchanged at 5%, 4% and 2% respectively.

Exhibit 19: Investment Allocation at December 31, 2014



Source: Lloyd's, Aon Benfield Market Analysis

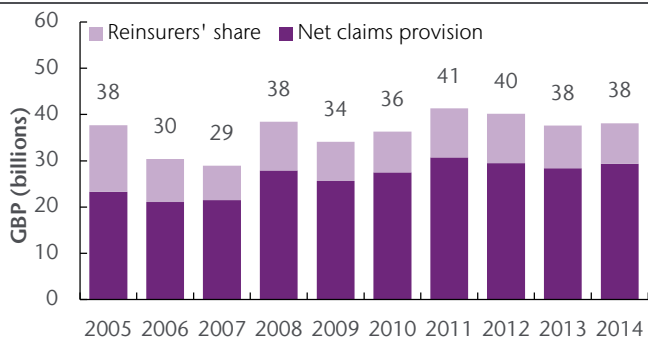
*Gross invested central assets, stated on IFRS basis

Technical Reserves

Gross provisions for outstanding claims fell by 1% to GBP38.1 billion over the year. Reinsurers' share fell by 4% to GBP8.8 billion. The ratio of claims reserves to overall net resources stood at 162% on a gross basis and 125% net of reinsurance.

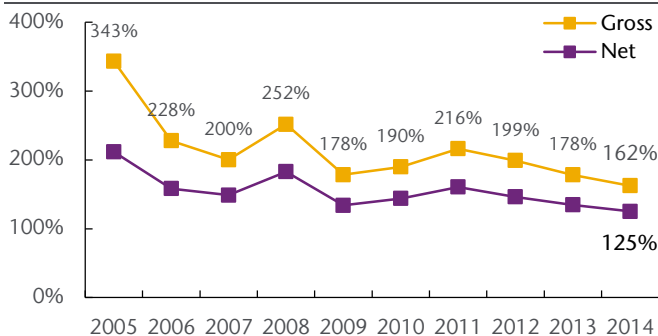
Unearned premium reserves increased by 8% to GBP12.6 billion over the year. Reinsurers' share rose by 13% to GBP2.0 billion.

Exhibit 20: Lloyd's Gross Claims Provision



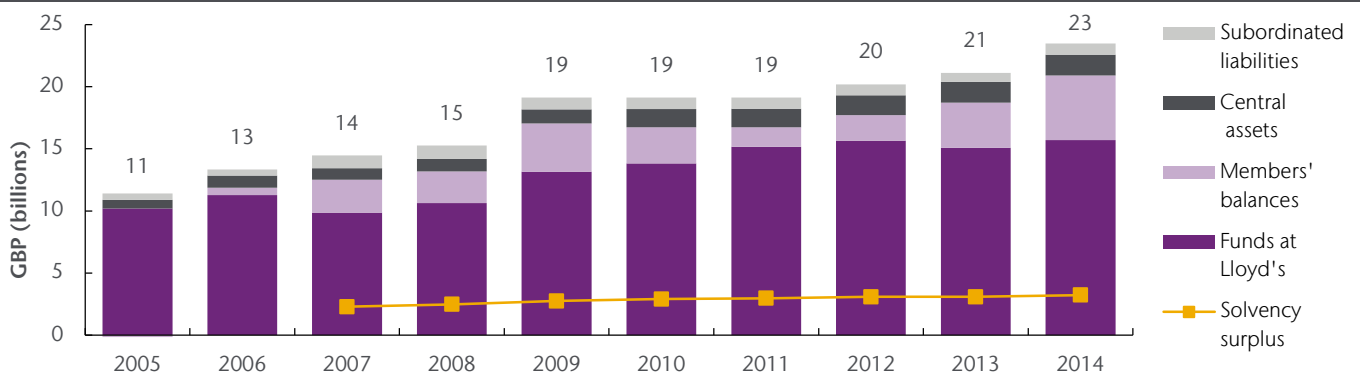
Source: Lloyd's, Aon Benfield Market Analysis

Exhibit 21: Lloyd's Claims Reserve Leverage



Source: Lloyd's, Aon Benfield Market Analysis

Exhibit 22: Lloyd's Capital Base



Source: Lloyd's, Aon Benfield Market Analysis

Capital

Lloyd's is a partially mutualized market and does not hold conventional equity. The components of the capital base are shown in Exhibit 22. Both Funds at Lloyd's (FAL) and members' balances operate on a several liability basis.

Overall net resources (capital, reserves and subordinated loan notes and securities) grew by 11% to a record level of GBP23.5 billion during 2014, mainly due to an increase in members' balances. Assets admissible for solvency purposes were estimated to exceed solvency deficits by GBP3.2 billion.

FAL represents capital lodged and held in trust to support members' underwriting commitments. The total grew by GBP0.6 billion to GBP15.7 billion at the end of 2014, of which 50% was held in the form of letters of credit (LOCs) and bank guarantees.

Members' balances represent the net profit/(loss) to be distributed/(collected) by syndicates to/(from) capital providers. The total increased by GBP1.6 billion to GBP5.2 billion over the year, reflecting foreign exchange gains, increased syndicate profits and an increase in funds held within syndicate balance sheets.

Central assets rose by 8% to GBP2.6 billion at the end of 2014, including GBP0.9 billion of subordinated debt. Lloyd's successfully issued GBP0.5 billion of ten-year subordinated loan notes in October. Mutual assets stood at GBP1.7 billion, including the Central Fund at GBP1.6 billion.

The Chain of Security

The resources available to pay claims at Lloyd's are linked together in a 'Chain of Security' as follows:

1. **Syndicate assets:** Premium Trust Funds (PTFs) of GBP45.1 billion. All premiums received by syndicates are held in trust as the first resource for paying policyholders' claims. Until all liabilities have been provided for, no profits can be released. Every year, each syndicate's reserves for future liabilities are independently audited and receive an actuarial review.
2. **Members' assets:** FAL of GBP15.7 billion. Each member, whether corporate or individual, must provide sufficient capital to support their underwriting at Lloyd's. The capital is held in trust for the benefit of policyholders, but is not available to support the liabilities of other members. Assets supporting FAL requirements must be liquid but may include LOCs and bank guarantees.
3. **Central resources:** Society of Lloyd's net assets of GBP1.7 billion, plus subordinated debt of GBP0.9 billion.

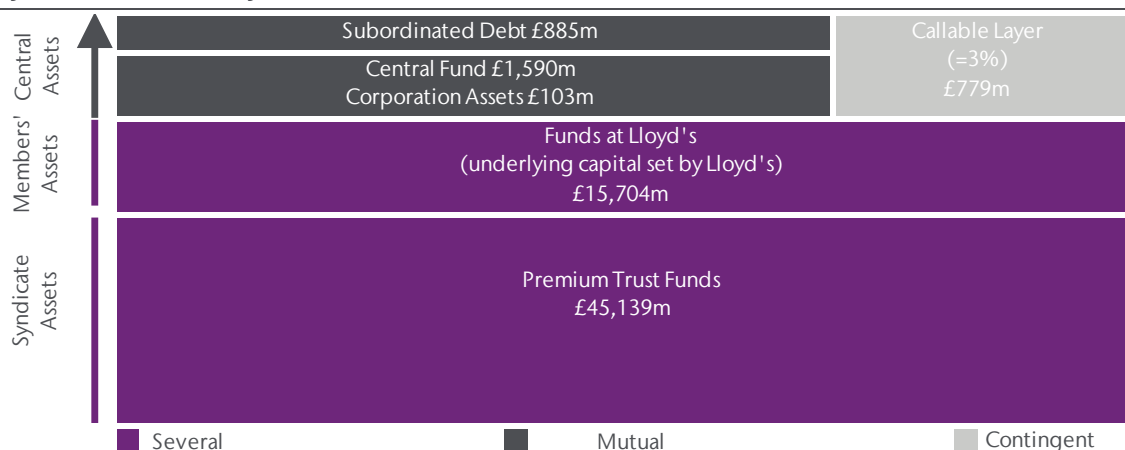
If the first link needs additional funds, the second link ensures members have resources available. In the rare event that both are insufficient, central resources can be made available at the discretion of the Council of Lloyd's to ensure valid claims are paid.

Capital Setting at Lloyd's

Since January 2013, managing agents have been required to prepare an Individual Capital Assessment (ICA) for each syndicate, in accordance with the provisions of Solvency II. This is the level of capital required to cover underlying business risks at a 99.5% confidence level. Lloyd's reviews all ICAs to assess the adequacy of the proposed capital level. When agreed, each ICA is then 'uplifted' by 35% to ensure there is sufficient capital to support the market's ratings and financial strength. This uplifted ICA is known as the syndicate's Economic Capital Assessment (ECA) and drives members' capital levels. With Solvency II now finally set to come into effect from January 2016, Lloyd's is nearing completion of its preparations and expects the vast majority of its managing agents to have met requirements when the market makes its final application to the Prudential Regulation Authority (PRA) for its internal model approval. As an additional inducement, Lloyd's advised its managing agents that during the 2015 capital setting process it would apply an additional 20% capital loading where progress was inadequate.

Central assets are currently managed to a minimum of 250% of the ICA prepared centrally for the market as a whole. The Corporation regularly runs detailed analyses aiming to balance the need for financial security with the need for cost-effective mutuality of capital. Members' contributions to the Central Fund remain at 0.5% of gross premiums written for 2015.

Exhibit 23: Lloyd's Chain of Security at 31 December 2014

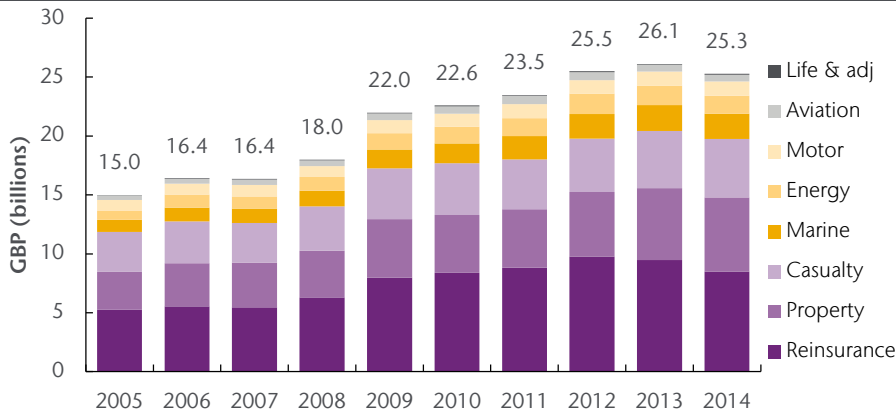


Source: Lloyd's

Appendices

Appendix 1 – Lloyd's Ten Year Segmental Results

Exhibit 24: Lloyd's Gross Premiums Written by Segment

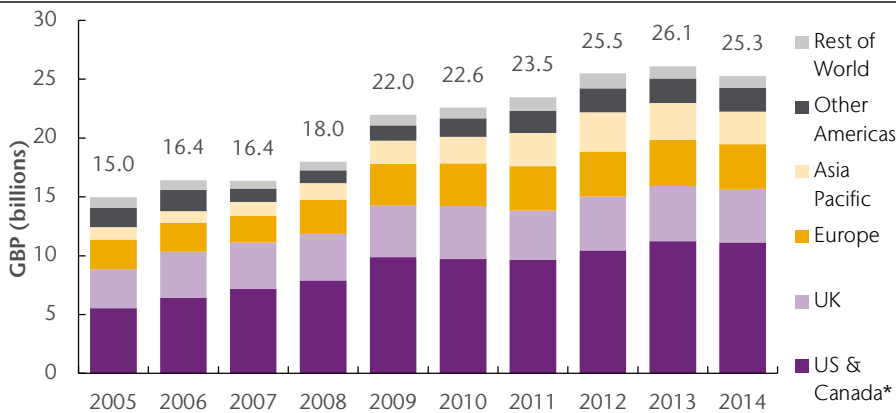


Source: Lloyd's, Aon Benfield Market Analysis

The Reinsurance segment reported a 10.3% reduction in gross premiums written to GBP8.5 billion in 2014.

Direct insurance classes generated gross premiums written of GBP16.8 billion in 2014, up 1% on the prior year. Growth in Property (+2.9%), Casualty (+2.3%), Motor (+2.4%) and Aviation (+3.6%) was partly offset by reductions in Marine (-2.4%) and Energy (-8.1%).

Exhibit 25: Lloyd's Gross Premiums Written by Region

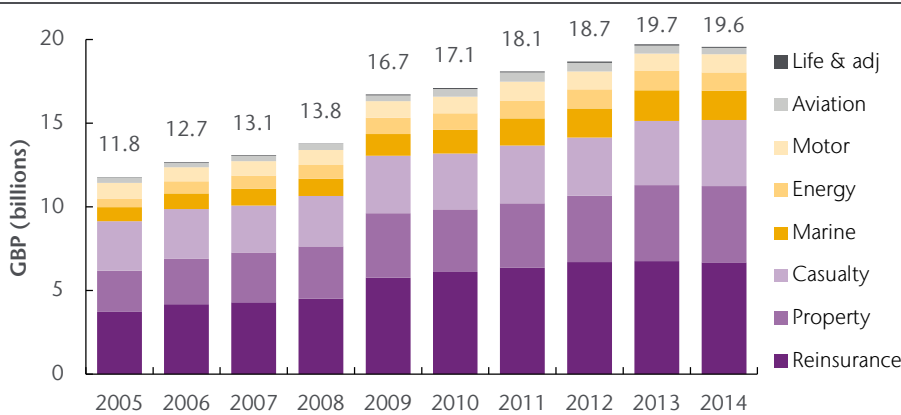


Source: Lloyd's, Aon Benfield Market Analysis

*Prior to 2007 Canada was included in Other Americas

The geographic spread of the portfolio was North America 44% (2013: 43%), United Kingdom 18% (18%), Europe 15% (15%), Asia Pacific 11% (12%), Other Americas 8% (8%) and Rest of the World 4% (4%).

Exhibit 26: Lloyd's Net Premiums Earned by Segment



Source: Lloyd's, Aon Benfield Market Analysis

Growth in net premiums earned by segment in 2014 was as follows: Reinsurance -1.2%, Property +0.5%, Casualty +3.0%, Marine -4.1%, Energy -7.5%, Motor +6.7% and Aviation -22.3%.

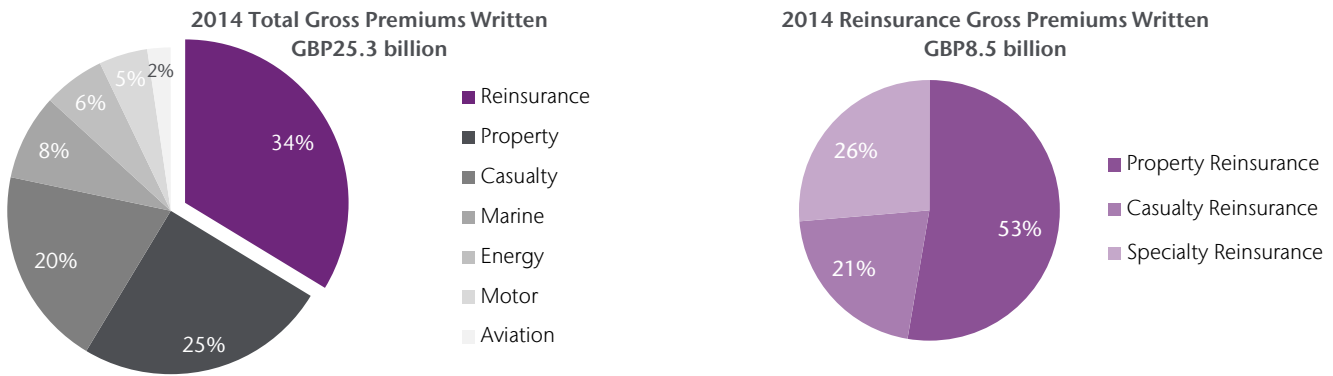
Exhibit 27: Lloyd's Ten Year Segmental Data

Reinsurance Segment	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Gross Premiums Written (GBP billions)	5.3	5.6	5.5	6.3	8.0	8.4	8.8	9.8	9.0	8.5
Net Premiums Earned (GBP billions)	3.7	4.2	4.3	4.5	5.8	6.1	6.4	6.7	6.8	6.7
Underwriting Result (GBP billions)	-1.3	0.8	0.8	0.7	1.2	0.6	-1.9	0.6	1.3	1.3
Combined Ratio	135%	81%	82%	84%	78%	90%	131%	91%	81%	81%
Prior Year Reserve Release	-1%	-4%	5%	12%	6%	10%	8%	7%	11%	12%
Accident Year Combined Ratio	134%	77%	86%	96%	84%	100%	138%	98%	92%	93%
Property Segment	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Gross Premiums Written (GBP billions)	3.2	3.6	3.8	4.0	5.0	4.9	5.0	5.5	6.1	6.3
Net Premiums Earned (GBP billions)	2.5	2.7	3.0	3.1	3.9	3.7	3.8	4.0	4.6	4.6
Underwriting Result (GBP billions)	-0.5	0.5	0.4	0.1	0.3	0.3	0.0	0.2	0.7	0.6
Combined Ratio	119%	82%	86%	97%	92%	92%	100%	94%	85%	87%
Prior Year Reserve Release	1%	4%	6%	7%	3%	7%	6%	8%	8%	7%
Accident Year Combined Ratio	120%	86%	92%	103%	96%	99%	106%	103%	93%	95%
Casualty Segment	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Gross Premiums Written (GBP billions)	3.4	3.6	3.4	3.8	4.3	4.4	4.2	4.5	4.9	5.0
Net Premiums Earned (GBP billions)	2.9	3.0	2.8	3.0	3.4	3.4	3.5	3.5	3.8	3.9
Underwriting Result (GBP billions)	0.2	0.3	0.2	0.1	0.3	0.1	0.1	0.2	0.0	0.1
Combined Ratio	94%	89%	93%	95%	91%	97%	97%	96%	99%	98%
Prior Year Reserve Release	-4%	7%	9%	9%	8%	5%	2%	5%	2%	2%
Accident Year Combined Ratio	80%	87%	103%	111%	114%	99%	91%	100%	101%	100%
Marine Segment	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Gross Premiums Written (GBP billions)	1.0	1.2	1.2	1.3	1.6	1.7	2.0	2.1	2.2	2.1
Net Premiums Earned (GBP billions)	0.9	0.9	1.0	1.0	1.3	1.4	1.6	1.7	1.8	1.8
Underwriting Result (GBP billions)	0.1	0.1	0.1	0.2	0.1	0.1	0.1	0.0	0.1	0.1
Combined Ratio	91%	89%	87%	85%	89%	91%	95%	100%	95%	95%
Prior Year Reserve Release	7%	10%	8%	8%	7%	8%	8%	4%	7%	9%
Accident Year Combined Ratio	99%	99%	95%	92%	96%	98%	102%	104%	103%	104%
Energy Segment	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Gross Premiums Written (GBP billions)	0.8	1.1	1.0	1.2	1.4	1.4	1.5	1.7	1.7	1.5
Net Premiums Earned (GBP billions)	0.5	0.7	0.8	0.8	1.0	1.0	1.1	1.1	1.2	1.1
Underwriting Result (GBP billions)	-0.2	0.0	0.2	-0.2	0.2	0.2	0.1	0.3	0.2	0.2
Combined Ratio	147%	99%	73%	124%	84%	83%	88%	76%	83%	83%
Prior Year Reserve Release	2%	-15%	4%	8%	6%	18%	10%	19%	11%	11%
Accident Year Combined Ratio	149%	84%	77%	132%	90%	102%	98%	95%	94%	94%
Motor Segment	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Gross Premiums Written (GBP billions)	0.9	0.9	1.0	0.9	1.1	1.1	1.2	1.2	1.2	1.2
Net Premiums Earned (GBP billions)	0.9	0.8	0.9	0.9	1.0	1.0	1.1	1.1	1.0	1.1
Underwriting Result (GBP billions)	0.1	0.0	0.0	0.0	-0.1	-0.5	-0.1	0.0	-0.1	-0.1
Combined Ratio	91%	96%	98%	100%	108%	152%	107%	104%	109%	106%
Prior Year Reserve Release %	6%	5%	6%	1%	-4%	-37%	2%	1%	-4%	1%
Accident Year Combined Ratio	97%	102%	105%	101%	105%	115%	109%	105%	104%	107%
Aviation Segment	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Gross Premiums Written (GBP billions)	0.4	0.4	0.5	0.5	0.6	0.6	0.7	0.7	0.6	0.6
Net Premiums Earned (GBP billions)	0.3	0.3	0.3	0.4	0.3	0.5	0.6	0.5	0.5	0.4
Underwriting Result (GBP billions)	0.1	0.1	0.1	0.0	0.0	0.1	0.2	0.2	0.1	0.0
Combined Ratio	71%	65%	85%	87%	97%	75%	65%	68%	81%	102%
Prior Year Reserve Release	10%	22%	18%	24%	17%	25%	27%	19%	24%	31%
Accident Year Combined Ratio	80%	87%	103%	111%	114%	99%	91%	86%	105%	133%

Appendix 2 – Reinsurance Segment

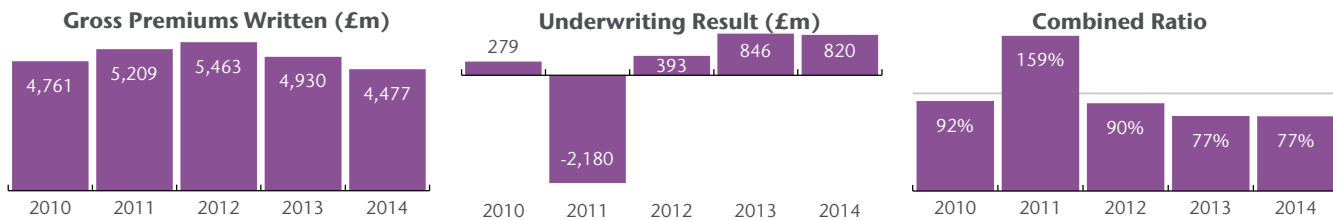
The Reinsurance segment accounts for just over one third of Lloyd’s business. Gross premiums written fell by 10.3% to GBP8.5 billion in 2014, driven by competitive market conditions and renewal rate reductions. Reinsurance segment disclosure at the market level was broken down in 2014 to show the results of individual reinsurance classes, as shown in the exhibits below. This section also contains a selection of charts showing the results of the main reinsurance-writing syndicates at Lloyd’s in 2014.

Exhibit 28: Lloyd’s Reinsurance Premiums



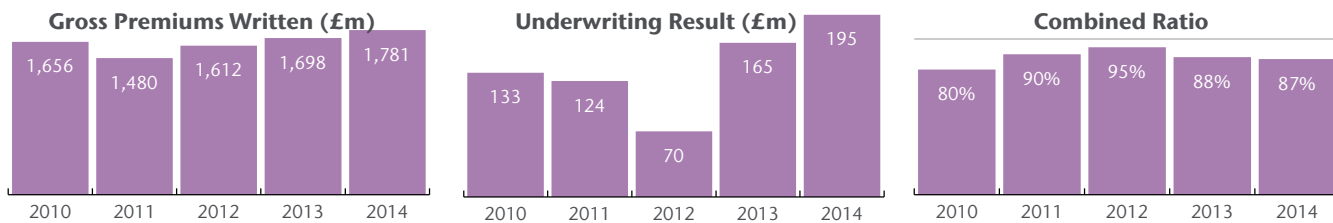
Source: Lloyd’s, Aon Benfield Market Analysis

Exhibit 29: Property Reinsurance Segment Results



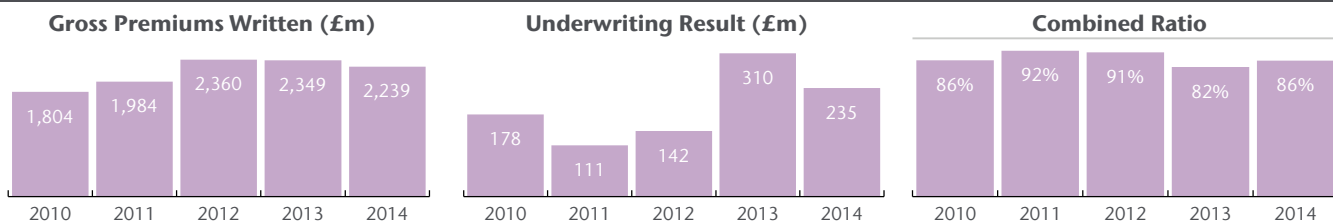
Source: Syndicate annual reports, Aon Benfield Market Analysis

Exhibit 30: Casualty Reinsurance Segment Results



Source: Syndicate annual reports, Aon Benfield Market Analysis

Exhibit 31: Specialty Reinsurance Segment Results

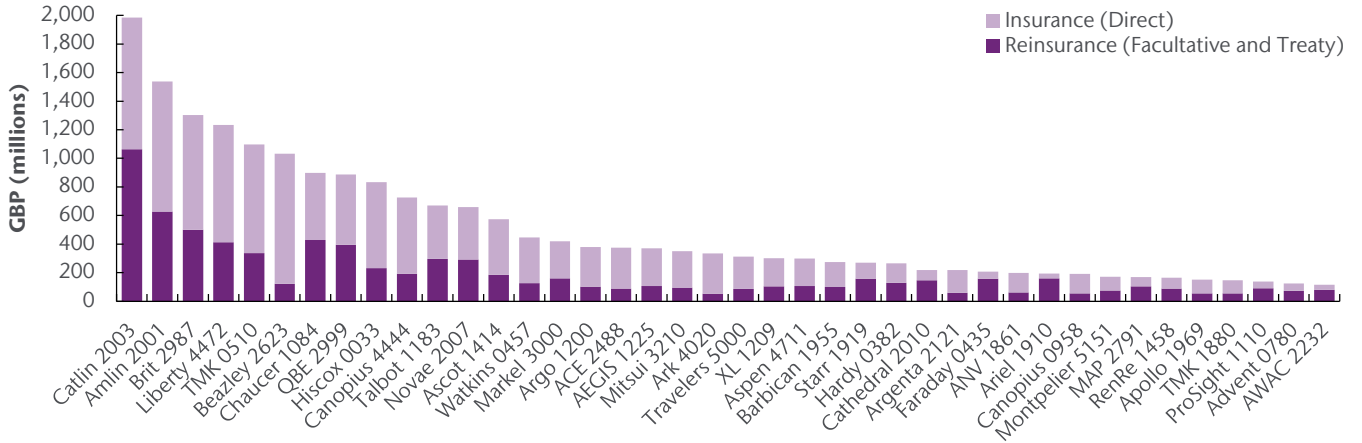


Source: Syndicate annual reports, Aon Benfield Market Analysis

Lloyd's Reinsurers – Syndicate Peer Study

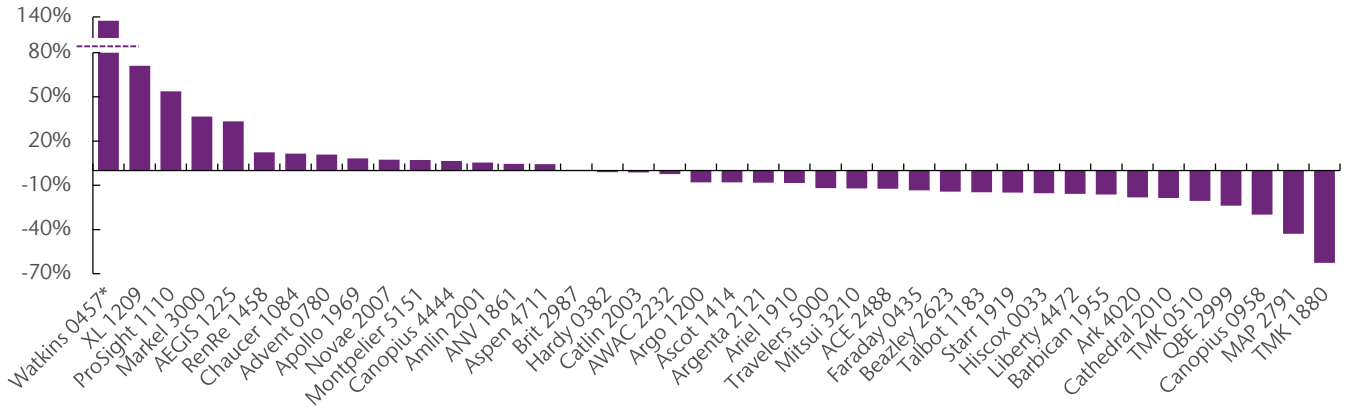
The following charts summarize the results of the 40 Lloyd's syndicates with the largest reinsurance books in 2014, based on the segmental disclosure in the separately filed UK GAAP accounts. Beazley Syndicate 3623 is excluded, as the majority of its reinsurance business is accepted from an intra-group quota share. AXIS Syndicate 1686 and Acappella Syndicate 2014 rank 38th and 39th in terms of the size of their reinsurance books in 2014, however due to lack of prior year comparative data they are excluded from the charts.

Exhibit 32: Lloyd's Reinsurers' 2014 Gross Premiums Written



Source: Syndicate annual reports, Aon Benfield Market Analysis

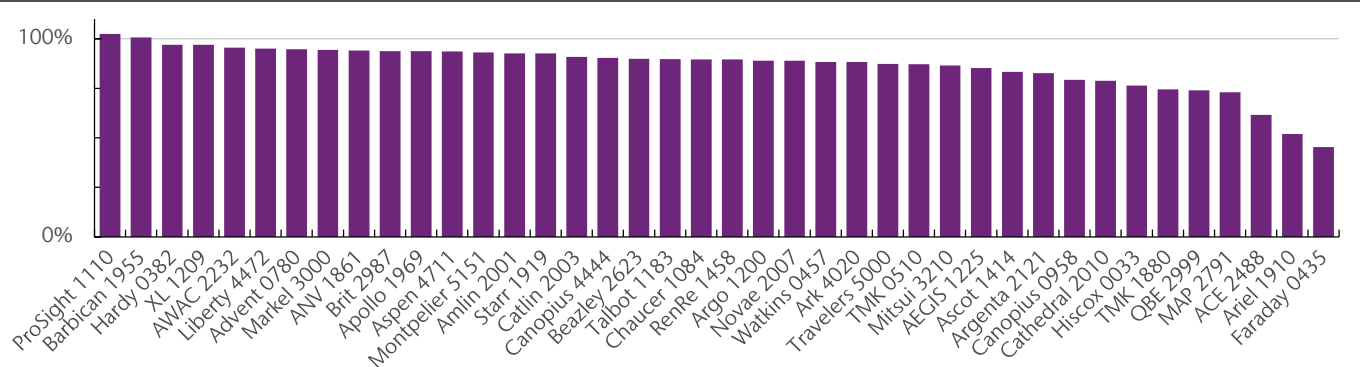
Exhibit 33: Lloyd's Reinsurers' 2014 Reinsurance Gross Premiums Written, % Change



Source: Syndicate annual reports, Aon Benfield Market Analysis

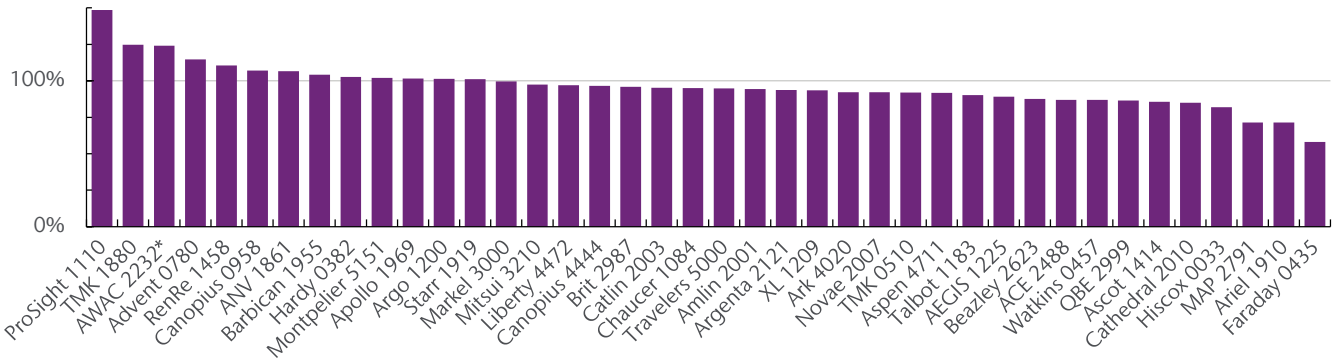
*Re-classification of business segments

Exhibit 34: Lloyd's Reinsurers' 2014 Combined Ratios



Source: Syndicate annual reports, Aon Benfield Market Analysis

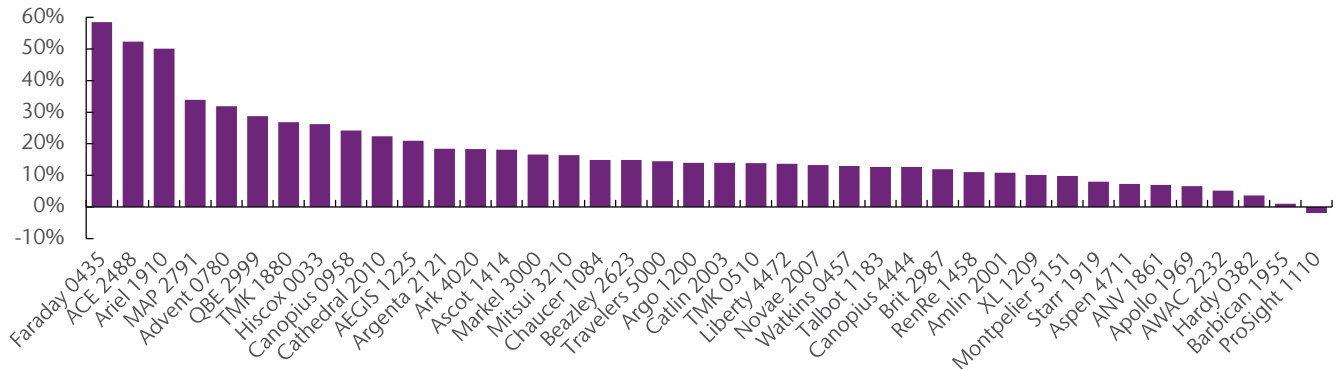
Exhibit 35: Lloyd’s Reinsurers’ Five Year Average Combined Ratios (2010-2014)



Source: Syndicate annual reports, Aon Benfield Market Analysis

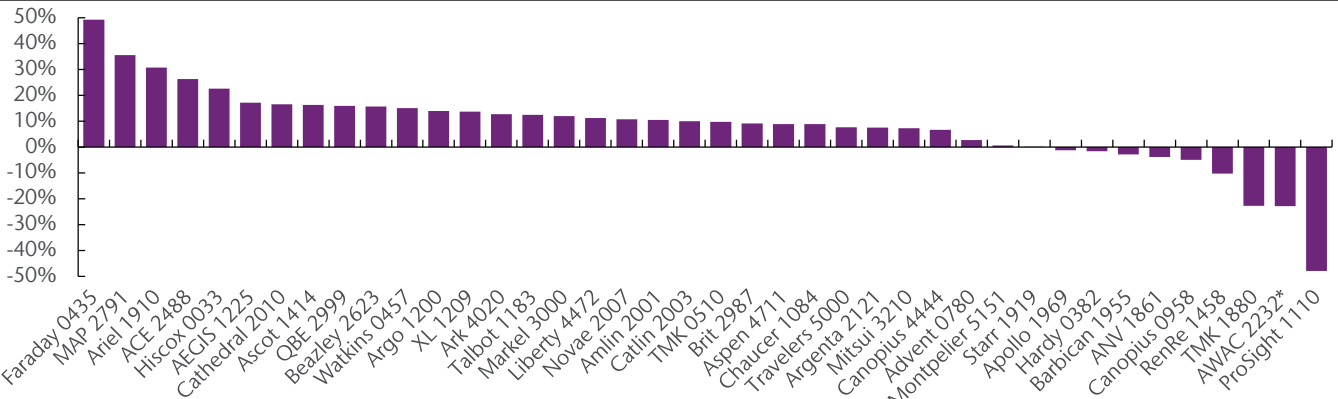
*4-year average

Exhibit 36: Lloyd’s Reinsurers’ 2014 Pre-Tax Results as % of Net Premiums Earned



Source: Syndicate annual reports, Aon Benfield Market Analysis

Exhibit 37: Lloyd’s Reinsurers’ Five Year Average Pre-Tax Results as % of Net Premiums Earned (2010-2014)



Source: Syndicate annual reports, Aon Benfield Market Analysis

*4-year average

A total of 75 P&C syndicates were available for the acceptance of third party business in 2014; additional data and bespoke peer analysis is available from Aon Benfield’s Market Analysis team upon request.

Appendix 3: Active Syndicate Listing

Exhibit 38: Active Syndicate Listing

Syn. No.	Managing Agent	Agency Owner*	Largest Capital Provider in 2015*	2014 GPW GBPmn	2014 Combined Ratio	2014 Pre-Tax Result as % of NPE	2015 Capacity GBPmn	
0033	Hiscox	Hiscox	Hiscox (73%)	832	76%	26%	1,000	
0044	AmTrust	AmTrust	AmTrust	15	75%	14%	13	
0218	ERS	Aquiline	Aquiline (61%)	388	101%	2%	350	
0308	Tokio Marine Kiln	Tokio Marine	Tokio Marine (50%)	27	97%	3%	32	
0318	Beaufort	Munich Re	Munich Re (91%)	136	76%	24%	235	
0382	Hardy	CNA	CNA	266	97%	4%	330	
0386	QBE	QBE	QBE (70%)	333	92%	13%	353	
0435	Faraday	Berkshire	Berkshire	208	45%	58%	325	
0457	Munich Re	Munich Re	Munich Re	446	88%	13%	425	
0510	Tokio Marine Kiln	Tokio Marine	Tokio Marine (55%)	1,097	87%	14%	1,064	
0557	Tokio Marine Kiln	Tokio Marine	Hampden^	20	56%	46%	35	
0566	QBE	Operates as a trading division of Syndicate 2999						
0609	Atrium	Enstar/Stone Point	Enstar/Stone (25%)	365	85%	16%	420	
0623	Beazley	Beazley	Hampden^	227	88%	14%	230	
0626	Hiscox	Operates as a trading division of Syndicate 0033						
0727	Meacock	Family-owned	Hampden^	68	80%	24%	81	
0779	ANV	ANV	Hampden^	16	94%	7%	22	
0780	Advent	Fairfax	Fairfax	126	95%	32%	200	
0887	Amlin	Operates as a trading division of Syndicate 2001						
0958	Canopus	Sompo	Sompo (61%)	192	79%	24%	185	
1036	QBE	Operates as a trading division of Syndicate 2999						
1084	Chaucer	Hanover Ins	Hanover Ins	899	90%	15%	760	
1110	ProSight	ProSight	ProSight Specialty	138	102%	-2%	210	
1176	Chaucer	Hanover Ins	Hanover Ins (57%)	24	22%	83%	32	
1183	Talbot	Validus	Validus	669	90%	13%	625	
1200	Argo	Argo	Argo (59%)	380	89%	14%	350	
1206	AmTrust	AmTrust	AmTrust	183	118%	-15%	200	
1209	XL	XL	XL	302	97%	10%	300	
1218	Newline	Fairfax	Fairfax	102	92%	43%	100	
1221	Navigators	Navigators	Navigators	234	89%	15%	215	
1225	AEGIS	AEGIS	AEGIS (93%)	371	85%	21%	330	
1274	Antares	Qatar Insurance	Qatar Ins (79%)	251	93%	9%	225	
1301	Torus	Enstar/Stone Point	Enstar/Stone Point	141	99%	1%	175	
1414	Ascot	AIG (20%)	AIG (97%)	574	83%	18%	650	
1458	RenRe	RenRe	RenRe	165	90%	11%	167	
1686	Asta	Tawa/Paraline/Skuld	AXIS	87	160%	-60%	110	
1729	Asta	Tawa/Paraline/Skuld	ProAssurance (58%)	41	125%	-25%	75	
1861	ANV	ANV	ANV	198	94%	7%	185	
1880	Tokio Marine Kiln	Tokio Marine	Tokio Marine	147	74%	27%	360	
1882	Chubb	Chubb	Chubb	88	95%	6%	89	
1884	Charles Taylor	Charles Taylor	Standard Club	Commenced trading April 1, 2015			54	
1886	QBE	Operates as a trading division of Syndicate 2999						
1897	Asta	Tawa/Paraline/Skuld	Skuld (67%)	91	110%	-10%	90	
1910	Asta	Tawa/Paraline/Skuld	BTG Pactual	193	52%	50%	164	
1919	Starr	Starr International	Starr International	270	93%	8%	245	
1945	Sirius	White Mountains	White Mountains	67	92%	8%	105	
1955	Barbican	Barbican	Barbican	274	101%	1%	172	
1967	W.R. Berkley	W.R. Berkley	W.R. Berkley	150	95%	6%	185	
1969	ANV	ANV	Argenta^	152	94%	7%	160	
1980	Liberty	Operates as a trading division of Syndicate 4472						
1991	R&Q	R&Q	Argenta^	35	209%	-109%	150	
2001	Amlin	Amlin	Amlin	1,538	93%	11%	1,400	
2003	Catlin	XL	XL	1,985	91%	14%	1,297	

Exhibit 38: Active Syndicate Listing (continued)

Syn. No.	Managing Agent	Agency Owner*	Largest Capital Provider in 2015*	2014 GPW GBPmn	2014 Combined Ratio	2014 Pre-Tax Result as % of NPE	2015 Capacity GBPmn	
2007	Novae	Novae	Novae (93%)	659	89%	13%	575	
2010	Cathedral	Lancashire	Lancashire (58%)	219	79%	22%	306	
2012	Arch	Arch	Arch	151	98%	8%	200	
2014	Pembroke	Ironshore	Hampden^	60	109%	-9%	100	
2015	Channel	SCOR	SCOR	162	105%	-5%	168	
2088	Catlin	XL	China Re	47	88%	15%	92	
2121	Argenta	Argenta	Argenta^	218	83%	18%	240	
2232	Allied World	Allied World	Allied World	116	96%	5%	131	
2357	Asta	Tawa/Paraline/Skuld	Nephila	20	52%	48%	73	
2468	Marketform	American Financial	American Financial (70%)	191	124%	-19%	200	
2488	ACE	ACE	ACE	375	62%	52%	350	
2525	Asta	Tawa/Paraline/Skuld	Hampden^	42	73%	29%	42	
2526	AmTrust	AmTrust	AmTrust (99%)	39	173%	-71%	64	
2623	Beazley	Beazley	Beazley	1,032	90%	15%	1,020	
2791	MAP	MAP (90.0%)	Hampden^	170	73%	34%	400	
2987	Brit	Fairfax	Fairfax	1,303	94%	12%	1,075	
2999	QBE	QBE	QBE	888	74%	29%	950	
3000	Markel	Markel	Markel	419	94%	17%	500	
3002	Catlin	XL	XL	10	84%	16%	16	
3010	Cathedral	Lancashire	Lancashire	45	94%	6%	100	
3210	Mitsui	MS&AD	MS&AD	351	86%	16%	340	
3334	Hamilton	Hamilton	Hamilton/Wild Goose	56	118%	-17%	32	
3622	Beazley	Beazley	Beazley	13	114%	-13%	17	
3623	Beazley	Beazley	Beazley	152	96%	5%	150	
3624	Hiscox	Hiscox	Hiscox	324	103%	-2%	350	
3902	Ark	<i>Operates as a trading division of Syndicate 4020</i>						
4000	Pembroke	Ironshore	Ironshore	250	103%	-1%	270	
4020	Ark	Ark	Ark	335	88%	18%	340	
4141	HCC	HCC	HCC	81	94%	10%	120	
4242	Asta	Tawa/Paraline/Skuld	Paraline (50%)	82	64%	36%	90	
4444	Canopus	Sompo	Sompo (79%)	727	90%	13%	740	
4472	Liberty	Liberty	Liberty	1,234	95%	14%	1,050	
4711	Aspen	Aspen	Aspen	299	94%	7%	410	
5000	Travelers	Travelers	Travelers	312	87%	14%	300	
5151	Montpelier	Montpelier	Montpelier	172	93%	10%	180	
5678	Vibe	Soros/Pine Brook	Soros/Pine Brook	5			26	
5820	ANV	ANV	ANV (51%)	239	101%	-1%	131	
6050	Beazley	Beazley	Korean Re					
6103	MAP	MAP (90.0%)	Hampden^	9	13%	96%	13	
6104	Hiscox	Hiscox	Hampden^	49	31%	70%	72	
6105	Ark	Ark	Argenta^	40	96%	5%	60	
6107	Beazley	Beazley	Hampden^	47	65%	27%	28	
6111	Catlin	XL	Hampden^	129	88%	15%	104	
6112	Catlin	XL	Everest Re	39	88%	15%	30	
6117	Asta	Tawa/Paraline/Skuld	Hampden	33	85%	15%	38	
6118	Barbican	Barbican	ARIG/Labuan Re	71	95%	5%	48	
6119	Catlin	XL	GIC	16	96%	5%	14	
6120	Barbican	Barbican	Credit Suisse	<i>Commenced trading January 1, 2015</i>				
6121	Catlin	XL		<i>Commenced trading January 1, 2015</i>				
6123	Asta	Tawa/Paraline/Skuld		<i>Commenced trading May 1, 2015</i>			8	

Source: Lloyd's, Aon Benfield Market Analysis
*100% unless otherwise stated

[^]Hampden and Argenta are Lloyd's members' agents acting on behalf of third party capital providers

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