LLOYD'S ANNOUNCES £2.2 BILLION (US$3.4BN) PROFIT FOR 2010

Wed 30 Mar 2011

Lloyd's, the world's specialist insurance market, today announced a profit of £2,195 million (US$3,446m) for 2010.

Financial highlights:

- Profit before tax of £2,195m (US$3,446m) (2009: £3,868m)
- Combined ratio of 93.3% (2009: 86.1%) compares favourably with an estimated average of: 101.5% for US property and casualty insurers ; 95.4% for US reinsurers ; 90.8% for Bermudian insurers and reinsurers ; and 101.0% for European insurers and reinsurers
- Record level of central assets at £2,377 million (US$3,732) (2009: £2,084m)
- Investment return of £1,258 million (US$1,975m) (2009: £1,769m)
- Release of prior year reserve surpluses of £1,016 million (US$1,595) (2009: £934m).

Commenting on the results, Chairman of Lloyd's Lord Levene said:
"In 2010, Lloyd's made a profit of US$3.4bn despite facing significant claims from the tragic earthquakes in Chile and New Zealand, the floods in Australia and the loss of the Deepwater Horizon oil rig in the Gulf of Mexico. The catastrophes of 2010 and 2011 have shown the crucial role insurance plays in helping communities rebuild after a crisis.

"We must also keep in mind that insurance is part of a wider financial services industry that is essential to Britain's economic recovery. We look to the government to protect the competitiveness of our industry and its contribution to both society and the economy."

Lloyd's Chief Executive Richard Ward said:
"This is a solid result in a year with a slightly higher than average number of natural catastrophes. And 2011 has already been an extraordinary year of tragic natural disasters. We extend our deepest sympathies to those affected and we are working hard to make sure claims are dealt with swiftly so communities in Japan, New Zealand and Australia can rebuild and recover.

"These are challenging times for insurers. Rates have been softening, there is excess capital across the industry and investment returns are down. In 2011, we must help the market steer through the cycle, ensuring they underwrite for profit and not growth. At the same time we are positioning the market to take advantage of future opportunities by expanding in new economies and making it even easier to do business with Lloyd's.

"Another challenge in 2011 is Solvency II and I am confident we are making good progress. However, I am increasingly concerned by the cost and complexity of this exercise. We must make sure this one piece of regulation doesn't do lasting damage to our international competitiveness – either for Lloyd's or the industry more widely."

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Notes to Editors

1. A copy of Lloyd’s 2010 Annual Report can be accessed at www.lloyds.com/2010annualreport
2. A combined ratio is a measure of an insurer’s underwriting profitability based on the ratio of net incurred claims plus net operating expenses to net earned premiums. A combined ratio of 100% is break even (before taking into account investment returns). A ratio less than 100% is an underwriting profit.
3. Central assets include the assets of the Central Fund and the other assets of the Corporation. In aggregate, the value of Lloyd’s central assets, excluding the callable layer and the liability in respect of the subordinated debt and securities, amounted to £2,377m ($3,732m) at December 2010. The Society financial statements are drawn up under IFRS.
4. Members’ resources operate on a several basis and are only available to meet each member’s share of claims. Central assets are available at the Council’s discretion to meet the liabilities of any member on a mutual basis.
5. The results ultimately attributable and distributable to members are determined in proportion to their share in each syndicate for each underwriting year of account. In accordance with this, the 2008 year of account has closed at 36 months with a net profit of £1,645m ($2,583m) at 31 December 2010 rates of exchange. This comprises a surplus on 2007 and prior years reinsured into 2008 of £875m ($1,374m) and a pure year profit of £770m ($1,209m). Years of account in run-off during 2010 reported a profit of £127m ($199m).
6. This press release includes forward-looking statements. These statements are based on currently available information and consistent accounting policies as applied at 31 December 2010. They reflect Lloyd’s current expectations, projections and forecasts about future events and financial performance. All forward-looking statements address matters that involve risks, uncertainties and assumptions. Based on a number of factors, actual results could vary materially from those anticipated by the forward-looking statements. These factors include, but are not limited to, the following:
   - Rates and terms and conditions of policies may vary from those anticipated.
   - Actual claims paid and the timing of such payments may vary from estimated claims and estimated timings of payments, taking into account the preliminary nature of such estimates.
   - Claims and loss activity may be greater or more severe than anticipated, including as a result of natural or man-made catastrophic events.
   - Competition affecting the basis of pricing, capacity, coverage terms or other factors may be greater than anticipated.
   - Reinsurance placed with third parties may not be fully recoverable, or may not be paid on a timely basis, or such reinsurance from creditworthy reinsurers may not be available or may not be available on commercially attractive terms.
   - Developments in the financial and capital markets may adversely affect investments of capital and premiums, or the availability of equity capital or debt.
   - Changes in legal, regulatory, tax or accounting environments in relevant countries may adversely affect (i) Lloyd’s ability to offer its products or attract capital, (ii) claims experience, (iii) financial return, or (iv) competitiveness.
   - Economic contraction or other changes in general economic conditions could adversely affect (i) the market for insurance generally or for certain products offered by Lloyd’s, or (ii) other factors relevant to Lloyd’s performance.
   - The foregoing list of factors is not comprehensive, and should be read in conjunction with other cautionary statements that are included herein or elsewhere. Lloyd’s undertakes no obligation to update or revise any forward-looking statement, whether as a result of new information, future developments or otherwise.
7. Foreign exchange rates may materially fluctuate from the rates prevailing at 31 December 2010 (£1 = US$ 1.57, £1 = €1.17)

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