

# STRATEGIC OVERVIEW

## BUSINESS HIGHLIGHTS

# IN 2009 THE CORPORATION CONTINUED TO DRIVE SUCCESS AND SUPPORT THE MARKET.

- > The Performance Management Data Project (PMDP) successfully delivered enhanced risk and management information with which to understand syndicate underwriting performance. This data is played back to managing agents through monthly reporting
- > The Franchise Board approved the long-term vision for claims management and a pilot study for a new claims agreement framework
- > The Corporation secured the FSA's agreement in principle that the current basis of supervision will be maintained as far as possible under Solvency II
- > Progress on The Exchange has exceeded plans with 79% of managing agents (by capacity) connected or planned to connect and similarly 63% of brokers (by premium volume). In addition, the three largest global broking firms agreed to pilot The Exchange for endorsements using ACORD standards
- > The Corporation has continued to work with the market to attract and develop talent via the Lloyd's graduate and leadership schemes
- > The Equitas-Berkshire Hathaway Part VII transfer was approved by the High Court in London
- > Lloyd's financial strength and ratings were maintained
- > New representative offices were opened in Brazil and the Nordic region and Lloyd's secured a new licence in Portugal
- > Two events on emerging risk were held in conjunction with NATO in London and New York as part of Lloyd's 360 programme
- > Lloyd's retained commitment to the European Federation of Insurance Intermediaries' (BIPAR) high-level principles for the placement of risks in the subscription market
- > Lloyd's carried out an in-depth strategic review, with extensive market consultation. The results have been reflected in Lloyd's most recent strategic plan (Lloyd's Strategy 2010-2012)

## CHIEF EXECUTIVE OFFICER'S INTRODUCTION

# LLOYD'S STRATEGY DEFINES THE KEY PRIORITIES FOR THE CORPORATION AND THE MARKET.



Our success is built on a resolute focus on underwriting discipline and risk management.



Lloyd's Chief Executive Officer, Richard Ward, discusses Lloyd's 2009 successes and its recently published 2010-2012 plan.

**Q. Why was Lloyd's so successful in 2009?**

A. Our success is built on a resolute focus on underwriting discipline and risk management, coupled with a strong balance sheet and a conservative investment strategy. In essence, we have skilled underwriters and a prudent approach to managing our capital. This meant that during testing times for the financial services industry, we continued to be a stable partner for businesses seeking to manage their risks. Although, of course, the market benefited in large measure from a limited number of major catastrophes – particularly, a relatively inactive hurricane season.

**Q. How was Lloyd's performance affected by the wider economic environment?**

A. The stabilising of worldwide financial markets certainly benefited Lloyd's and the insurance industry as a whole. There were few, if any, significant failures among insurance businesses in the year. Insurers whose balance sheets were weakened by the financial turmoil saw their capital levels largely replenished as confidence was restored and stock market values increased. That said, our outlook for 2009 was dominated by concerns about the impact of the financial crisis and this will remain the case during 2010.

**Q. How do you plan to build on the success of 2009?**

A. Our model, as a subscription market backed by a layer of mutual security, is unique and it is serving us and the customer well. This will continue to be the basis for building on our success. At the start of this year, we launched Lloyd's Strategy 2010-12, which followed extensive consultation with the market and a considerable data analysis exercise. While our vision – to be the market of choice for insurance and reinsurance buyers and sellers to access and trade

specialist property and casualty risks – remains unchanged, the Strategy provides clarity of direction. The market's strategic priorities for the next three years are: to maintain and develop the attractiveness of the market and a resolute focus on underwriting discipline and risk management.

**Q. What are the challenges you face in 2010?**

A. The market faces five strategic challenges in 2010. First, we must maintain underwriting discipline. Market rates are low in many different classes of business and we need to keep clear sight of the need to write profitable business. Second, we must maintain London's position as the leading centre for specialist insurance and reinsurance. Third, we must concentrate on how businesses can access the market in the face of a changing distribution landscape. Fourth, we need to ensure that Lloyd's stays attractive compared to other markets and, finally, we must protect our capital, licences and ratings amidst a changing regulatory landscape.

**Q. How do you intend to remain the market of choice?**

A. We will remain the market of choice by continuing to deliver bespoke risk-management solutions along with a better, faster service to our clients. We need to make it easier to do business with Lloyd's – ensuring information flows freely around the marketplace and helping brokers to bring business to London. In addition, we are looking at how we can work with local markets to source business. We will keep a close eye on the market's geographic reach and product diversification with the aim of improving our overall risk profile.

The Corporation will build on Lloyd's strong reputation for fair and efficient claims handling through the Claims Transformation project. This work began in 2009 and a primary aim is to improve the speed of claims processing. We are also helping more market participants make use of The Exchange, which allows them to connect with one another via a simple messaging hub that ensures that we are all using core standards. And we will continue to invest in our main asset – our people – developing skills and talent across the Lloyd's market.

**Q. How is Lloyd's progressing with implementing Solvency II?**

A. This is a key priority for the Corporation in 2010. Our aim is to implement it in a way that protects, and where possible, enhances Lloyd's capital structure and efficiency. We are working closely with the FSA to gain approval for Lloyd's internal model.

**Q. Will Lloyd's remain a London-based international market?**

A. Yes. The clustering of underwriting, claims, broking and other correlated skills makes London the pre-eminent centre for specialist insurance and reinsurance business. But we cannot be complacent and the market, both as a whole and individually, must work to protect London's competitive position.

**Q. What are your priorities for 2010?**

A. The Corporation will concentrate on five areas. Unsurprisingly, performance management will remain a top priority, particularly as we expect a challenging year in 2010 given softening rates. We will also drive through reforms on claims handling. We will push for a higher usage of The Exchange and work with the broker community to look at how we can ensure businesses can access the market – but without compromising key controls. And of course, we will also need to work hard on Solvency II.

The delivery of this Strategy will require a strong partnership between the Corporation, the managing agents and the brokers working in the market. Only by working together, will we maintain our position as the market of choice in helping businesses to manage their risks. Having seen the partnerships and unity of purpose across Lloyd's, I am confident that we will achieve this.

## STRATEGY

# LLOYD'S VISION IS TO BE THE MARKET OF CHOICE.

Lloyd's vision remains:

"To be the market of choice for insurance and reinsurance buyers and sellers to access and trade specialist property and casualty risks."

This vision reflects the strength of Lloyd's as a market. Being a market continues to be a virtue; the competition and diversity inherent in a market, whether in relation to business mix, market participants or capital make Lloyd's an attractive place for insurance investors, brokers and buyers.

Much has been achieved in the last few years in embedding changes to the way Lloyd's does business, raising standards in underwriting and risk management and building the market's capital strength. These changes helped the Lloyd's market cope well with the financial crisis. The market remains a demonstrably attractive place to do business and is well positioned to continue taking advantage of opportunities over the coming years.

Many of the defining characteristics of Lloyd's are at the core of its centuries' long heritage as an insurance market. Lloyd's is not a unitary insurance company but a subscription marketplace for specialist (re)insurance business which is owned by its members.

The existence of the Central Fund, which provides an additional layer of capital for the protection of policyholders, is unique to Lloyd's and underpins its capital strength, licences, ratings and the market's reputation for claims payment.

The individual actions within Lloyd's Strategy 2010-2012 are not in themselves a radical change in direction. However clarity has been achieved around Lloyd's key characteristics.

These are:

- > Lloyd's model – **a subscription market backed by a layer of mutual security** – is one which positions the market well over the plan period
- > Lloyd's is **a broker market** – brokers continuing to access the market on behalf of their clients is critical to the market's ongoing success
- > Lloyd's is **a London-based international business** – it is a major role of the Corporation to maintain and enhance market access and to ease the flow of business into the market
- > **Diversity** underpins the market's attractiveness – this includes diversity in the market portfolio (product and geographic balance) and in the size and structure of market participants and capital providers

## THE ROLE OF THE CORPORATION

Lloyd's Strategy does not fundamentally change the Corporation's role and its relationship with the market from that set out at the time of the establishment of the Franchise Board in 2003. The role of the Corporation is as follows:

- > To undertake the overall risk and performance management of the market
- > To maintain and develop the attractiveness of the market for capital providers, distributors and customers while preserving Lloyd's diversity and London-focused business model

Lloyd's Strategy has been developed in consultation with the market – managing agents, capital providers and brokers. It is built around the needs of Lloyd's market participants and expresses what the Corporation can do to support their business aims. The Corporation will take action where necessary in the long-term interests of the market, but in general its actions are guided by market-need and demand.



For further information please read  
Lloyd's Strategy 2010-2012 at  
[www.lloyds.com/strategy](http://www.lloyds.com/strategy)

# LLOYD'S POSITION IN THE GLOBAL ECONOMY.

## HIGH LEVEL OVERVIEW OF THE CURRENT COMPETITIVE ENVIRONMENT

### GLOBAL ECONOMY

The global economy appears to be beginning its nervous recovery from the recent economic downturn. However, the path of recovery is uncertain, with few commentators agreeing on its likely speed and smoothness.

It is not clear when governments and central banks will pull back from their interventions into world markets and how and when significant fiscal deficits will be addressed. The approach taken to these issues will affect the speed of recovery, the likely trajectory of inflation and the availability of investment returns over the coming years.

Generally speaking, the availability of liquidity and credit is improving. However, such options are likely to be available only to quality businesses. For others it will be constrained and the cost will undoubtedly be higher. This will make businesses with strong underlying performance and capital strength well positioned to face the uncertainty which will continue to dominate the global economy.

### INSURANCE INDUSTRY

The non-life insurance industry is emerging relatively unscathed from the turmoil of the wider financial services market both in terms of financial and reputational impact. The fundamental differences between the non-life insurance and banking business models mean that the sector has been resilient and has functioned normally.

Non-life insurers are focused on managing risk and they tend to adopt prudent investment strategies. This combined with a lack of significant balance-sheet leverage, means the vast majority of businesses have withstood the market turmoil. The uncertainty around the economic recovery will, however, present non-life insurers with challenges in trying to maximise investment returns and manage the impact of inflation on the claims environment.

### REGULATION

The regulatory landscape for financial services businesses is under the microscope and policymakers and governments are reviewing how to address the systemic failures in the banking sector. Insurers need to guard against being burdened with inappropriate and potentially damaging regulation primarily aimed at the banking sector.

The European insurance industry is investing heavily in preparation for the introduction of Solvency II, the most significant regulatory change for 30 years. The industry must ensure these changes do not adversely affect its ability to compete in the global insurance market. In addition, while some have questioned the economic utility of some aspects of the financial markets, the non-life insurance industry has a compelling story to tell and needs to promote actively the social value of its services.

### DEMAND FOR INSURANCE

The financial crisis and the recessionary pressures which followed have led to changes in the behaviour of non-life insurance buyers. Risk managers are seeking to spread risk by diversifying business across a range of insurers and are also under pressure to reduce the cost of insurance cover, for example through increased retentions. This could result in lower demand for non-life insurance which would also feed through into lower growth or even a contraction in the reinsurance market.

### BUSINESS FLOWS

As globalisation continues, greater regionalisation of both political influence and trade is occurring. The growth of the emerging economies (eg Brazil, China, new EU members) and regional insurance centres (eg specialist insurance business written in local or regional markets, such as Singapore) have the potential to disrupt the traditional flows of insurance business. In response, many major brokers are creating regional placement centres and insurers domiciled in London are taking steps to ensure their business models enable them to compete globally.

### CHANGING RISKS AND PRODUCTS

The world is becoming a riskier place. Claims severity is increasing for both natural and man-made events and new risks continue to emerge. This is a challenge for the industry, but it also allows businesses to innovate and develop new products to respond to policyholders' changing needs.

Environmental concerns, and climate change in particular, will continue to grow in importance. Insurers must take climate change into account in their risk modelling and product development. The industry's own operations and business development must be undertaken in a thoughtful and sustainable manner. The industry must also continue to use its position to influence society to help reduce and address climate-related risks.

## BUSINESS ENVIRONMENT

### INSURANCE TRENDS CONTINUED

The growth of capital market products within the insurance industry has slowed, but it would be wrong to assume an end to this trend. The value of the catastrophe bond market, while below its peak, is still substantial, with nearly \$3.4bn in new issuances during 2009. We can expect innovation in this area to resume as confidence returns to the sector.

#### UNDERWRITING CONDITIONS

Underwriting conditions over the next three years are expected to remain challenging in the absence of a major event materially impacting the rating environment. In the main, the non-life insurance industry is currently well capitalised. This, alongside greater competition resulting from the splintering of underwriting teams at some insurers, increases the supply of capacity to the industry. Combined with the potential for falling demand discussed previously, these pressures are expected to suppress any increases in rates.

#### LLOYD'S POSITION

The strong performance of the Lloyd's market, against a challenging economic backdrop, is primarily due to a number of factors:

- > An absence of major catastrophe events in 2009
- > Underwriting discipline and expertise ensuring a focus on underwriting profit
- > A conservative investment strategy
- > A strong balance sheet
- > Limited participation in the insurance lines most exposed to the impact of the economic downturn

The attractiveness of the Lloyd's market to insurance investors and buyers has been evidenced both in the number of businesses interested in joining the market over recent years and in the increasing importance of the subscription market to customers and brokers.

The stability and security of the Lloyd's market is very attractive to brokers and clients. This, combined with the ability to diversify risk placement through the Lloyd's and London subscription markets and Lloyd's underwriters' reputation for product innovation, has ensured that Lloyd's operating performance has been strong throughout the recent economic crisis. This positions the market well for the future.



#### TRANSFORMING CLAIMS

Lloyd's has a reputation for fair and efficient claims handling. This remains a true competitive advantage for the market. In order to build on these strong foundations, a Lloyd's market steering group spent the first half of 2009 developing a long-term view of how claims should be managed. In July, the group set out a vision for revolutionising claims handling by 2012. Its principles will be tested during 2010 in the Claims Transformation Pilot, which includes the following key initiatives:

- > Enhancing current claims segmentation
- > Introducing the option to either manage claims in-house or outsource
- > Strengthening the Corporation's governance role

Pilot claims will be split into three tranches – Standard, Mid and Complex. Standard claims will be managed solely by the lead underwriter. Lead and second underwriters will administer Mid and Complex claims, and can either outsource them or manage the claims in-house. The objective is that, over time, London will become more accessible for both notification and settlement of these claims.

As part of the pilot, Lloyd's will take on an increased governance role which will provide protection for the following market. A review of the underlying technical infrastructure will proceed in parallel with the other two initiatives.

## 2010 PRIORITIES

# UNDERSTANDING THE CHALLENGES FACING THE MARKET DETERMINES LLOYD'S PRIORITIES.

### CHALLENGES FACING THE LLOYD'S MARKET

#### > Maintain underwriting discipline

A commitment to maintaining underwriting discipline now is necessary if the Lloyd's market is to use its strengths to exploit future opportunities

#### > Maintain London's position as the leading centre for specialist (re)insurance

The clustering of underwriting, claims, broking and other correlated skills makes London the pre-eminent centre for specialist (re)insurance business. That said, international competition, higher tax rates and increasing City regulation have put London's position as a global financial centre at risk. Against this backdrop, market participants need to continue to work both individually and collectively to protect London's position. This will include promoting the market internationally; lobbying government on ways to improve London's competitive position, including the UK tax regime; and continuing to improve the efficiency of business processes

#### > Maintain access to business in the face of a changing distribution landscape

The development of regional insurance centres may threaten the flows of some business into London. Many Lloyd's participants are keen to ensure that they have the ability to access local markets to both grow and diversify their businesses. If the Lloyd's market is not to be marginalised in the long term, it is necessary to make it as efficient as possible to attract business to London and also provide access to those regional insurance centres where there is sufficient demand from Lloyd's market participants

#### > Maintain the attractiveness of Lloyd's compared to other specialist insurance markets

It has become the norm for specialist global insurers to have multiple operations across a number of locations, including the US, EU, Bermuda, Switzerland and at Lloyd's (the multi-platform model), which offer complementary access to flows of (re)insurance business. Approximately 80% of participants at Lloyd's now have access to other insurance platforms outside the Lloyd's market. The Corporation must ensure that the attractions of the market are understood and continue to attract specialist insurance business

#### > Protect Lloyd's capital, licences, brand and ratings

In an increasingly demanding regulatory environment, Lloyd's must ensure there is no erosion of its relative capital, brand and licensing advantages, which in turn could weaken Lloyd's market ratings

### THE MARKET'S STRATEGIC PRIORITIES FOR 2010-2012

#### Maintain and develop the attractiveness of the Lloyd's market

- > London: work with other stakeholders to maintain and promote the competitiveness of London as a financial services centre
- > Operating environment: continue to improve the efficiency of business flows and placement, accounting and claims handling
- > Regulatory environment: continue to influence the evolving regulatory landscape to maintain Lloyd's capital and licensing advantages

#### Resolute focus on underwriting discipline and risk management

- > Performance management framework: continued application of minimum standards and guidelines to drive ongoing performance improvements across the market
- > Risk management: ensure high quality, robust risk management practices are developed and embedded at both individual market participant and aggregate market levels as part of Solvency II implementation

### CORPORATION PRIORITIES FOR 2010

#### Performance management

- > A resolute focus on underwriting discipline and risk management

#### Solvency II

- > Implementing Solvency II at Lloyd's in a way that protects, and where possible, enhances Lloyd's capital structure and efficiency

#### The Exchange

- > Increasing adoption and use of The Exchange

#### Claims Transformation

- > Driving a transformation in the way the Lloyd's market handles claims to enhance the experience of the customer

#### Access to business

- > Improving access to business through streamlining coverholder management

## INTERNATIONAL REACH

Lloyd's has an extensive global licence network, with authorisation to write direct insurance in over 80 jurisdictions and the ability to conduct reinsurance business in over 200 countries and territories.

Lloyd's global reach is supported by offices around the world – ranging from third-party legal representatives who maintain our licences, to larger offices with country managers operating under licence as well as playing a key market development role.

During 2009, significant steps were taken to strengthen Lloyd's international trading position. We appointed new staff, acquired new licences and negotiated enhanced trading arrangements for Lloyd's syndicates. We also provided additional resources to support managing agents' decision-making:

### Regional watch

This tool gives managing agents access to insurance market intelligence on over 70 territories worldwide. In 2009, Regional Watch was extended to include market intelligence available for brokers.

### Market presentations

Lloyd's country and regional managers are now scheduled to give market presentations on the insurance environment and Lloyd's business in the territories they represent. Those presentations are advertised and given to managing agents and the brokers who have a specific interest in developing business in those territories.

### International events programme

An international events calendar has been created to support the business plans of Lloyd's international offices.

## NORTH AMERICA

Lloyd's has established offices in New York, Illinois, Kentucky and Montreal. In March 2010, a new permanent office will be opened in Toronto to assist in building Lloyd's profile in Canada's largest business and insurance centre. Lloyd's also maintains representative offices in Los Angeles and the US Virgin Islands.

# DURING 2009, SIGNIFICANT STEPS WERE TAKEN TO STRENGTHEN LLOYD'S INTERNATIONAL POSITION.

Lloyd's is the number two surplus lines provider in the US. We are licensed to write surplus-lines insurance in 49 states and to write admitted insurance in Illinois and Kentucky. We are one of the largest providers of commercial lines coverage in Canada and licensed to write all major commercial classes of business in all provinces and territories. In 2009, we continued to work closely with the regulators in both countries to ensure that Lloyd's ability to access these markets was preserved in the face of significant changes in regulatory oversight and reporting.

## LATIN AMERICA

Lloyd's was the first 'admitted' reinsurer in Brazil and in April 2009 we opened our official representative office in Rio de Janeiro. There are six managing agents with a permanent presence in Brazil, four of which are co-located within the Lloyd's office (as at 31 December 2009). Lloyd's also has representatives in Argentina, Belize and Chile.

## EUROPE

Lloyd's has an extensive network covering Europe's major insurance markets, with established offices in France, Germany, Italy, Spain, Ireland, Poland and Switzerland. In 2009 Lloyd's opened its first Nordic area manager's office in Stockholm – in addition to legal representatives in Norway, Denmark and Sweden – to support the market in developing business across the whole Scandinavian region.

In 2009 Lloyd's also obtained an establishment licence in Portugal to enable business to be written locally via coverholders. Lloyd's is currently looking to set up a new office to support business in the Netherlands and Belgium.

## INDIA, MIDDLE EAST AND AFRICA

Lloyd's is closely monitoring opportunities in these areas for future development. In India, for example, we are awaiting changes in the legislation that would allow foreign reinsurers to establish branches in the country.

## ASIA AND PACIFIC

Lloyd's has a number of established offices in Australia, Hong Kong (SAR) and Singapore. We are exploring options to obtain new licences or improved trading positions in South Korea and Vietnam.

In mainland China, reinsurance business is accessed via Lloyd's Reinsurance Company (China) Ltd (LRCCL). There are currently five managing agents with underwriters based in China and 12 managing agents that access business from London.

Lloyd's sources significant reinsurance business from Japan and has developed a more flexible operating model to facilitate the writing of insurance business through Lloyd's Japan which is a wholly-owned subsidiary of the Corporation and a Lloyd's coverholder. It is now possible for managing agents to participate in three ways – via a general binding authority; with independent binding authorities underwritten on behalf of syndicates by Lloyd's Japan; or through dedicated underwriting divisions deploying managing agents' own staff within Lloyd's Japan.

Singapore is fast becoming a hub for specialist non-life (re)insurance in the Asia Pacific region. There are currently 15 managing agents underwriting business through the service companies based there and we have been working with regulators, local brokers and managing agents to enhance the way that business is transacted.



More information on Lloyd's international reach can be found inside the fold-out front cover.



For more information on Lloyd's licenses worldwide visit: [www.lloyds.com/worldwide](http://www.lloyds.com/worldwide)

For market intelligence on key territories please visit: [www.lloyds.com/marketintelligence](http://www.lloyds.com/marketintelligence)



An exterior shot of the school in Yunnan Province in China

## CEMENTING RELATIONS IN CHINA

In 2007, Lloyd's donated £50,000 to build and equip a new school and playground in Yunnan Province in China, providing educational facilities for 280 children across eight classes. It was officially opened in October 2009 in a ceremony attended by representatives of the Corporation, the Lloyd's market and officials from the Chinese Ministry of Foreign Affairs.

The project came about as a result of the ministry's scheme to raise funds for the people of remote villages of Jinping Autonomous County which were devastated by a landslide caused by flooding in July 2007. Buildings in the villages were destroyed and families forced to relocate.

"Lloyd's is delighted to be able to help build this school in conjunction with China's Ministry of Foreign Affairs and to enable these children to continue with their education," said Lord Levene, Chairman of Lloyd's. "Our market has a long association with China and I hope this school will help to forge a new relationship with a younger generation."

## KEY PERFORMANCE INDICATORS

# MEASURING PERFORMANCE AT LLOYD'S.

Key performance indicators (KPIs) are used by the management team to evaluate both the Lloyd's Market and the Society's performance. Lloyd's has a range of metrics used internally for tracking and performance management. Those shown here best illustrate Lloyd's financial performance and progress in delivering against strategic initiatives in 2009.

Some of the measures may become more sophisticated and change over time as more comparative information becomes available or to reflect any substantive changes in strategy. Directional trends are important, even in a market made up of independent businesses.

### MARKET PERFORMANCE

#### Combined ratio

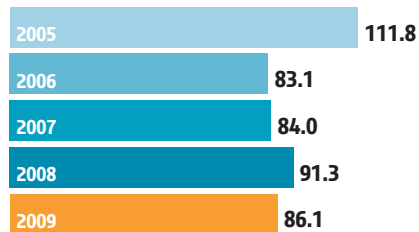
- > Definition: The combined ratio is an expression of net incurred claims and expenses against net earned premium. Any figure that is less than 100% signifies a technical underwriting profit
- > Rationale: Headline financial indicator for measuring underwriting performance. Lower is better
- > Progress: Excellent performance in 2009 reflecting ongoing underwriting discipline, further prior year releases and the absence of severe catastrophes

#### Investment return

- > Definition: Realised and unrealised return on investments as a percentage of total investments
- > Rationale: Investment return can have a significant impact on overall profitability for insurers/reinsurers
- > Progress: Solid return of 3.9% despite the low interest rate environment as some confidence returned to the financial markets

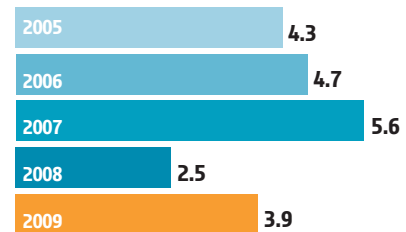
#### COMBINED RATIO

%



#### INVESTMENT RETURN

%



### STRATEGIC PERFORMANCE

#### PERFORMANCE FRAMEWORK

#### Solvency deficit

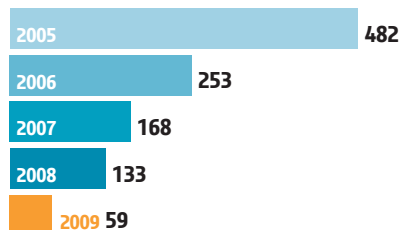
- > Definition: The aggregate shortfalls for all members where the member's assets are insufficient to cover its underwriting liabilities and member capital requirement
- > Rationale: Indication of success at mitigating Central Fund exposure. Lower is better
- > Progress: Further reduction in solvency deficits as reserve releases and investment income produced profits for run-off members supported by the Central Fund

#### Cost of mutuality

- > Definition: Central fund contribution rate charged to members. This includes the syndicate loans charged in 2005 and 2006, and subsequently repaid in 2007
- > Rationale: Medium-term cost indicator for the operational efficiency of mutually available assets. Lower is better
- > Progress: The 2009 contribution rate of 0.5% represents a cost-effective benefit of mutuality to members; the rate for 2010 is set to remain at 0.5%

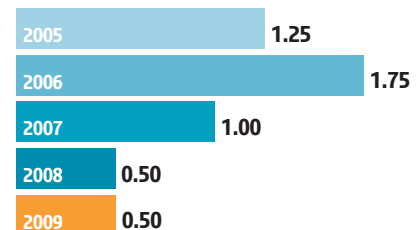
#### SOLVENCY DEFICIT

%



#### COST OF MUTUALITY

%



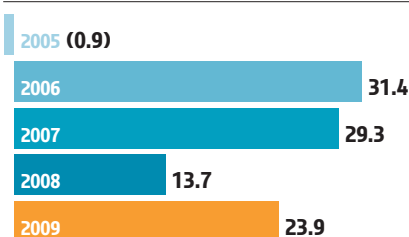
## CAPITAL ADVANTAGES

### Pre-tax return on capital

- > Definition: Profits on ordinary activities before tax as a proportion of average capital and reserves held
- > Rationale: Indicates the capital efficiency of Lloyd's. The goal of the Franchise Board and Council is to support the market in monitoring cross-cycle returns to all capital providers
- > Progress: Excellent return of 23.9% through a combination of strong underwriting results and solid investment returns

## PRE-TAX RETURN ON CAPITAL

%



## SECURITY & RATINGS

### Financial strength rating

- > Definition: Lloyd's financial strengths as evaluated by the world's leading insurance rating agencies, taking into account operating performance, capitalisation, global competitiveness and financial flexibility
- > Rationale: Indicates the financial robustness of Lloyd's
- > Progress: Lloyd's ratings from all three ratings agencies are at the target level and were reaffirmed in 2009

	Actual	Target
<b>STANDARD &amp; POOR'S</b>	<b>A+</b>	✓
<b>FITCH RATINGS</b>	<b>A+</b>	✓
<b>A.M. BEST</b>	<b>A</b>	✓

## MARKET ACCESS

### Brand strength

- > Definition: Non-financial indicator – independent survey of brokers and policyholders run biennially. The brand 'health score' is a combination of scores for brand affinity (familiarity, favourability, trust and endorsement) and awareness (percentage of respondents who, unprompted, mentioned Lloyd's as one of the first insurance/reinsurance brands which came to mind). The measure is an index and tracks relative changes in perception over time
- > Rationale: A leading global brand and reputation helps managing agents win and retain preferred business
- > Progress: Lloyd's has maintained strong brand health in the insurance sector with consistently high scores across all brand measures (scoring 75 out of a possible 100 for brand affinity and with 35% unprompted awareness). In the insurance sector the Lloyd's brand continues to grow in strength, particularly in relation to favourability (scoring 83 out of 100 for brand affinity and with 39% unprompted awareness). Relation to favourability

### INSURANCE



### REINSURANCE



Maximum brand index score: 200

## OPERATING ENVIRONMENT

### Customer satisfaction levels

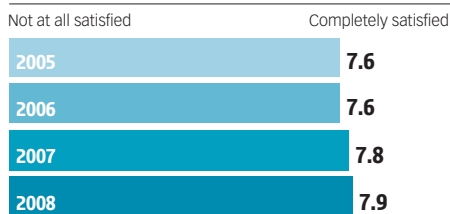
- > Definition: A non-financial indicator measuring satisfaction levels of brokers, coverholders and insurance and reinsurance policyholders with Lloyd's overall service, taken from an independent survey
- > Rationale: Recognition of business process reform and its importance to the end customer
- > Progress: This survey was not conducted in 2009

### Managing agent satisfaction levels

- > Definition: A non-financial indicator measuring Lloyd's managing agents' overall satisfaction levels with Lloyd's service, taken from an independent survey
- > Rationale: Recognition of managing agents as customers of the Lloyd's platform and the importance of tracking their satisfaction
- > Progress: Managing agent satisfaction (measured with senior contacts) has seen an improvement on last year with a score of 7.1 out of 10. This improvement appears to have been driven partly by the Corporation acting as a more customer focused business partner and providing more tailored communications

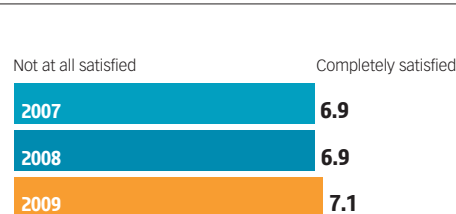
### CUSTOMER SATISFACTION LEVELS

Average score out of 10



### MANAGING AGENT SATISFACTION LEVELS

Average score out of 10



Comparative score for senior management respondents. Score shown in 2007 annual report was 7.1, based on a broader audience base.

## RISK MANAGEMENT

# LLOYD'S RESPONSE TO SOLVENCY II WILL FURTHER ENHANCE THE EFFECTIVENESS OF ITS RISK MANAGEMENT.

Lloyd's uses a comprehensive and unique risk management framework that works alongside the assurance processes of Internal Audit, Compliance and Financial Control to enable robust oversight of risk at all levels.

Managing risk is an explicit responsibility for all employees in the Corporation and the market. For Corporation staff, these responsibilities are set out in the Lloyd's Risk Policy. To ensure they are clearly understood, all new employees receive risk management training as part of their induction. Risk management is also monitored as a key capability within the employee performance management framework and all employees are assessed against it in their annual appraisals.

The Risk Management Minimum Standards set out key principles for managing agents. They are backed by the Risk Management Toolkit, which provides practical advice and guidance to help the market meet the required high standards of risk management.

The risk management framework pulls together the risks facing the market and the Corporation so that they can be assessed on a common basis. It provides assurance to the Executive Team and Franchise Board that these key risks are being identified and managed effectively. The framework has a dual focus. Risks at the syndicate and managing agent level are monitored through the Syndicate Risk Matrix, where key issues are analysed and considered by senior Lloyd's managers. The Lloyd's Risk and Control Framework, overseen by the Lloyd's Risk Committee, addresses Corporation-specific and overall Lloyd's market-level risks.

### THE SYNDICATE RISK MATRIX

The Syndicate Risk Matrix (SRM) is designed to create a wider understanding of syndicate and market-wide risk. It also helps highlight performance issues in order to improve coordinated management, decision-making and action planning.

Syndicates are assessed against key risk and performance indicators that are gathered from across the Corporation. Senior Lloyd's managers then analyse this information within the SRM in order to have structured, risk-based discussions at monthly meetings. Their focus is individual syndicates or issues of concern – as well as determining and monitoring appropriate actions.

The key areas monitored include compliance with underwriting standards; adequacy of the control environment; regulatory compliance; and capital adequacy. Issues identified at the monthly meetings are shared with the Executive Team and also with the FSA, to avoid unnecessary duplication of supervisory activities. These issues are also fed into the Lloyd's Risk and Control Assessment.

### THE LLOYD'S RISK AND CONTROL FRAMEWORK

The Lloyd's Risk and Control Framework is managed by the Risk Analysis team. It is overseen by the Risk Committee, a sub committee of the Executive Team that provides it – and the Franchise Board – with assurances that Corporation and market-level risks are identified and managed in accordance with approved risk policy and appetite. Although the committee is not intended to consider risks within individual syndicates or managing agents, it will discuss any such risks that are relevant at Lloyd's market level.

The Risk Committee oversees the identification, assessment and management of risk processes as follows.

## RISK IDENTIFICATION

Risks are identified through a number of information channels, including the Lloyd's Risk and Control Assessment (LRCA) process; environment scanning; the Emerging Risk team; and the Executive Team/Franchise Board risk assessments. They are documented and managed using the Lloyd's Risk Register.

The LRCA is a continuous self-assessment process embedded in the business. It is run by the Risk Analysis team and is the main channel for identifying new risks or changes to the profile of known risks.

The Risk Analysis team engages in environment scanning to look for significant issues. This includes a systematic review of the press, websites and internal communications – as well as regular liaison with internal and external stakeholders.

The Emerging Risk team forms part of the Performance Management Directorate within the Corporation. Its remit is to consider new risks (such as nanotechnology) and existing risks where new information suggests the level of risk is changing unexpectedly – for example, the impact of climate change on flood risk. The team aims to capture early warning information and ensure it is used effectively. The primary focus of the Emerging Risk team is insurance risk, the dominant category of risk that Lloyd's faces. However, where emerging risks impact other categories, the team also considers their wider implications.

The annual Executive Team and Franchise Board Risk Assessment was conducted in November. The final output was approved by the Franchise Board. The primary purpose of this exercise was to identify the key risks facing Lloyd's and to ensure that these risks (see page 33) and associated controls and actions were adequately articulated in the Risk Register. The output will also form the basis for the reporting of key risks to the Franchise Board during 2010.



Andrew Marr, Pen Hadow, Nick Mabe and David Smith discuss major risks we face today at the 360 Risk Insight event in London

## LEADING THE DEBATE ON EMERGING RISK

Lloyd's has been a leader in risk analysis and management throughout its 322-year history. Our leading position in the global insurance industry is, in part, due to our ability to identify and monitor emerging risks. One of the key aims of our 360 Risk Insight programme is to generate debate on emerging risk issues by bringing together experts from different fields to discuss them and plan for how they can be tackled. The programme also aims to demonstrate the expertise of the Lloyd's market in managing emerging risks and to bring together the public and private sector and other organisations to tackle major global risk issues.

To develop wide-ranging and insightful analysis on emerging risk, we collaborate with world-leading policy and research organisations to tackle some of the major risks we face today. For this reason we started working with NATO in 2008 and in October last year co-hosted two major 360 Risk Insight conferences in London and New York. Entitled 'Managing Risk in the Twenty-First Century', the conferences examined three major potential security risks: climate change, piracy and cyber risk.

The London conference took place on 1 October and was hosted by Lloyd's Chairman Lord Levene. More than 200 leaders from the Lloyd's market, business, government, academic institutions and policy organisations heard NATO Secretary-General Anders Fogh Rasmussen deliver a keynote speech, where he explained that "[Both NATO and Lloyd's] are focused on predicting threats, taking steps to reduce their likelihood and, when necessary, managing the effects".

Richard Ward, CEO of Lloyd's, hosted the follow-up conference in New York a few weeks later. The keynote speaker was NATO's Deputy Supreme Allied Commander, Admiral Luciano Zappata. Unsurprisingly, given the calibre of the attendees, both events captured widespread media attention and generated a great deal of discussion, including potential solutions to these huge risks.

In 2010 the 360 Risk Insight programme will continue to explore the key emerging risk issues facing business and the insurance industry. Among other topics, it will explore the emerging risks facing business as a result of increasing globalisation, water scarcity, energy security and digitalisation.



For further information on Lloyd's 360 Risk Insight programme please visit:  
[www.lloyds.com/360](http://www.lloyds.com/360)

## RISK MANAGEMENT CONTINUED

### RISK ASSESSMENT

All the risks identified by the processes outlined on the previous page are monitored. Each risk is allocated to an appropriate owner – supported by a network of control and action owners across the Corporation – who becomes the key contact for the management of that particular risk. Risks are assessed by their owner, then scrutinised by the Risk Committee, for their potential impact on Lloyd's and the probability that they will occur within the next 12 months.

Risk assessment and control measurement is independently verified. This ensures that the self-assessment process stands up to robust challenge, provides a coordinated view of risk and that we have an integrated approach to risk management. The key sources of verification are:

**Internal Audit (IA):** The IA team uses the Risk Register to plan and conduct audits throughout the year. The Risk Analysis team uses audit output to challenge risk and control self-assessments.

#### Compliance and Financial Control:

These departments jointly conduct a monthly review to capture any internal control failures, or breaches of compliance with legislation or regulation, across the Corporation.

**The Syndicate Risk Matrix (SRM):** The SRM is designed to support the monitoring of risk at syndicate level, but the data it captures may be relevant at Lloyd's market level. Such data is analysed and fed into the Risk Committee reporting process to ensure consistency between the two key risk reporting channels.

### RISK MANAGEMENT AND MITIGATION

Risks are assessed on a 'residual' (after controls) basis in terms of impact and probability. A risk appetite is determined for each one, which is then entered in the Risk Register as target risk score (also assessed in terms of impact and probability). Where a residual risk exceeds the target, mitigating actions are recorded in the Risk Register. The LRCA process tracks these actions by milestones to ensure the gap between residual and target risk is reduced within the desired timeframe.

The results of the formal LRCA updates are reported to, and agreed by, the Risk Committee on behalf of the Executive Team. The committee uses these results to oversee the risks and satisfy the Franchise Board that they are being managed effectively, and that internal controls are robust.

### INDIVIDUAL CAPITAL ASSESSMENT

The risk management framework is also used in the calculation of the Lloyd's Individual Capital Assessment (ICA) – the level of capital resources required to withstand a one-in-200 year event over a three-year timeframe. Each element within the risk framework is assessed to ensure it is treated appropriately from a capital perspective – as part of the stochastic model (a tool for estimating the probability of outcomes by allowing for random variation in one or more inputs over time); as part of the stress and scenario testing; or through control by alternative methods.

There is extensive stochastic modelling of insurance risk – and some other factors, such as credit risk. But where they lie outside the stochastic model, the risk framework is used to identify appropriate stress and scenario tests. These tests are based on potential events where one or more of the risks in the framework could occur and they assess the potential loss from a significant event. The results are fed into the calculation of the Lloyd's ICA.

### SOLVENCY II

Solvency II, a regulatory regime that will apply to all EU insurers and reinsurers, is due to come into effect in 2012. It sets out solvency requirements that better reflect the risks that companies face and will feature a supervisory system that is consistent across all member states.

In response to Solvency II, and as part of the ongoing development of Lloyd's risk management capability, we developed detailed implementation plans in late 2009. These plans focus on key areas such as risk governance, risk framework, risk appetite and risk culture and outline the developments that will take place before the new regulation comes into effect. This work will further enhance the robustness and effectiveness of risk management at Lloyd's by building on the structures and processes that are already in place.

## KEY RISK ISSUES

RISK ISSUE	POTENTIAL IMPACT	MITIGATION
<b>FAILURE TO MANAGE LLOYD'S RESPONSE TO THE INSURANCE CYCLE</b>	Lloyd's businesses suffer operational losses and/or erode their capital base through inadequate pricing and reserving	<ul style="list-style-type: none"> <li>&gt; Implemented significant improvements to control environment, including the introduction of Performance Management Data</li> <li>&gt; Reviewed and agreed business plans, Realistic Disaster Scenarios and Individual Capital Assessments</li> <li>&gt; Continued oversight of performance through reviews of premiums written, rate changes, loss ratios, reserving and compliance with minimum standards</li> </ul>
<b>FAILURE TO MONITOR THE IMPACT OF THE UNSTABLE ECONOMIC AND FINANCIAL CLIMATE</b>	Lloyd's suffers increased insurance liabilities, decreased asset values and capital constraints	<ul style="list-style-type: none"> <li>&gt; Established additional, more detailed claims monitoring processes to identify and track losses related to financial climate</li> <li>&gt; Developing enhanced control framework for monitoring syndicate investment risk</li> </ul>
<b>FAILURE TO DEVELOP AND APPLY A COMPREHENSIVE, SOLVENCY II-COMPLIANT RISK APPETITE FRAMEWORK</b>	Lloyd's suffers from poor decision-making, missed opportunities and regulatory sanctions	<ul style="list-style-type: none"> <li>&gt; Work underway to further enhance the structure of the risk appetite framework within Lloyd's under Solvency II</li> <li>&gt; Development of catastrophe risk appetite to apply at syndicate and market level. This will become operational during the first half of 2010</li> </ul>
<b>FAILURE TO RECOGNISE AND UNDERSTAND THE POTENTIAL IMPACT OF SOLVENCY II</b>	Lloyd's suffers regulatory sanctions, disadvantageous capital requirements and damage to reputation	<ul style="list-style-type: none"> <li>&gt; Comprehensive programme in place, including steering and working group oversight and communication</li> <li>&gt; Working closely with FSA regarding implementation of Solvency II at Lloyd's</li> <li>&gt; Continuing to lobby policymakers regarding key issues around Solvency II</li> <li>&gt; Working with the LMA, and the market as a whole, to support development in areas covered by Solvency II, including detailed guidance and templates</li> </ul>
<b>FAILURE OF MARKET OPERATIONS INITIATIVES</b>	Lloyd's is unable to maintain its competitive position and deliver process improvements to create a more efficient marketplace	<ul style="list-style-type: none"> <li>&gt; Lloyd's and the market continue to work together to agree, prioritise and deliver improvement on all market initiatives</li> <li>&gt; Developing a clear 'end vision' to demonstrate how market operations initiatives contribute to the overall vision</li> </ul>
<b>FAILURE TO ATTRACT OR RETAIN SUITABLE INDIVIDUALS TO KEY ROLES</b>	Lloyd's oversight of the market is impaired by the lack of appropriately skilled senior management	<ul style="list-style-type: none"> <li>&gt; Robust recruitment and induction processes in place, ensuring individuals with the appropriate skill sets are recruited</li> <li>&gt; Established succession plans for senior management; talent management programmes are in place</li> <li>&gt; Planning to further enhance the control framework for mitigating key person risk</li> </ul>



## THE EXCHANGE

London's reputation for underwriting expertise needs to be matched by a reputation for quick, efficient and streamlined processing of information. This will only be achieved through the shared use of ACORD standards and by establishing messaging protocols in the London market. This is an area where technology has moved on, allowing for structured information to be exchanged electronically.

Electronic messaging using The Exchange will reduce market costs by removing inefficient manual processes, queries and rekeying. It will simplify and speed up the exchange of information with all market participants, reduce operational risk within businesses and ensure that a single global standard is in use.

The move to electronic messaging is a step towards modernising the market. It will deliver significant cost savings for businesses using the Lloyd's platform and improvements to the service we provide to our customers.



For further information on The Exchange please visit:  
[www.lloyds.com/exchange](http://www.lloyds.com/exchange)

## PEOPLE STRATEGY

# LLOYD'S AIMS TO ATTRACT AND RETAIN THE BEST PEOPLE FOR BOTH THE MARKET AND THE CORPORATION.

Being an Employer of Choice is the key strategic priority for Human Resources (HR) at the Corporation of Lloyd's. During 2009, HR worked hard to improve staff skills, embed a high-performance culture and motivate employees.

## 2009 PROGRESS

### COMMUNICATION

The Chairman, Chief Executive Officer and Executive Team engaged Corporation staff on a range of topics at quarterly Staff Forums during 2009. These were strongly supported by staff in Chatham and London, and for the first time international offices joined in using a video link. The forums provided an excellent opportunity to announce the winners of Ovation – awards to recognise individuals or teams who have exceeded expectations on a specific task.

The Corporation has increased its links between UK headquarters and its international offices. In Shanghai, Tokyo, Singapore, New York, Illinois, Paris, Madrid and Milan this was through a videoconferencing system. The Corporation intranet, C-Net, also provides constant updates on activities across the organisation. These were supplemented by regular media update emails outlining key news concerning the Lloyd's market.

Smaller groups had the opportunity to discuss current issues with the CEO at monthly staff lunches. Directorates and teams continue

to hold regular meetings, ranging from large 'town hall' meetings for upwards of 100 people to smaller 'work in progress' sessions.

The CEO also launched the ViewFinders project in 2009 where we sought feedback from Corporation staff on what they think is working well, notable individual achievements and areas for improvement. The aim is to give staff the opportunity to shape the future direction of the Corporation.

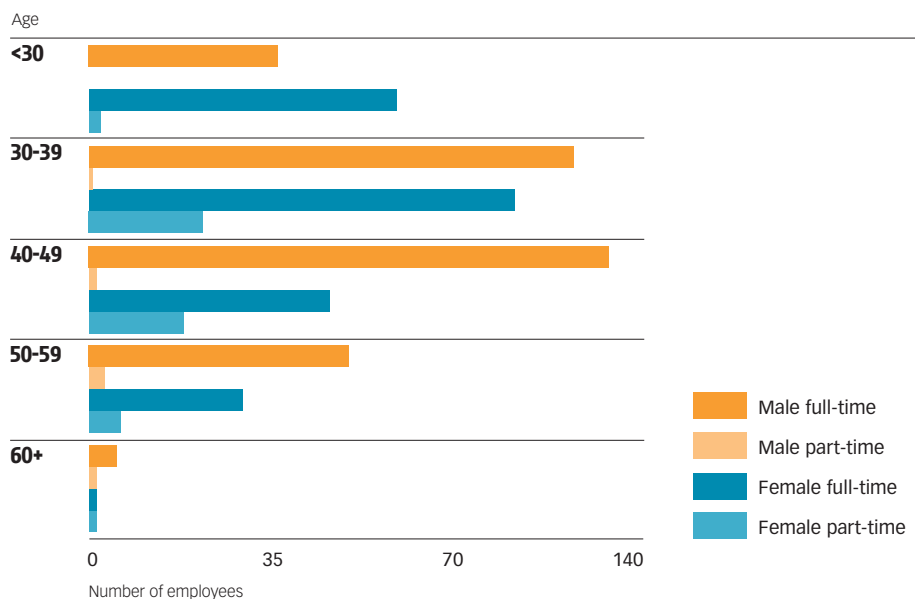
### LEADERSHIP DEVELOPMENT

Lloyd's has successfully worked with the London Business School over the past three years to deliver the Developing Leaders at Lloyd's programme, which enhances leadership skills and capabilities. Four cohorts, totalling 107 delegates drawn from the Corporation and market firms, have now completed the programme.

A review conducted in December 2009 recommended enhancing the programme, including implementing a more formal alumni offering and improvements to both content and structure. These changes will ensure that Leaders at Lloyd's remains an extremely effective tool for leadership development.

Figure 7

### UK CORPORATION EMPLOYEE PROFILE



A record number of applications were received for the fifth cohort which began in January 2010 – the programme attracted more than two applicants for each available place.

**GRADUATE RECRUITMENT AND DEVELOPMENT**

The 2008 intake of graduates successfully completed their final placement in March 2010, after secondments to the market, and have now taken up roles within the Corporation, the market or externally. Seven graduates joined the Lloyd’s scheme in September 2009. Assessment centres were held from December 2009 to March 2010 for the third cohort, due to start in September 2010.

**PERFORMANCE DEVELOPMENT**

HR reviewed and benchmarked the Performance Development Framework in 2009 to drive the Corporation further towards a high-performance culture. The project was split into two phases, with the first simplifying the current process and the second testing new materials on pilot groups in Market Operations and Market Services. Roll-out to the Corporation is underway.

**EMPLOYEE ENGAGEMENT SURVEY**

The Lloyd’s Corporation employee engagement survey entered its fourth year in 2009. It measures employee satisfaction and engagement through an online survey conducted by independent research firm Ipsos MORI. While providing valuable information on staff perceptions and motivation, the survey also identifies key areas requiring continued improvement and focus.

**GLOBAL BENEFITS AND POLICIES**

Building on the comprehensive review and audit of global benefits undertaken in 2009, we have identified priorities for implementation in Australia, Canada, China, Singapore, South Africa, Spain and US. Longer-term activities will be planned later in 2010. HR will roll out international HR policies and procedures combined with comprehensive employee handbooks in two regions, ensuring a consistent approach across international Corporation offices.

**DIVERSITY**

The Diversity Steering Group continued its efforts to raise awareness of diversity issues, in particular by ensuring increased coverage in internal communications. The Group is currently reviewing a range of benchmarking opportunities with a view to conducting a diversity survey in 2010. Lloyd’s is a founder member of the newly established industry-wide Insurance Diversity Forum.

**POLICY AND CONTRACT REVIEW**

In 2009 we launched our revised employment policies. Lloyd’s practices are consistent with those of the best employers – ahead of them in some cases, particularly in respect to family-friendly provisions and benefits related to health and well-being.

HR undertook an audit of UK employees’ contracts in 2009 to review legal compliance and results confirmed that the Corporation has a compliant and proper contractual landscape. A similar audit of International employment contracts will take place in 2010.

**2010 INITIATIVES**

**EMPLOYER OF CHOICE**

Being an Employer of Choice helps Lloyd’s attract and retain the best people for the market and the Corporation. Working within the market context, this includes the Leadership Development Programme and Graduate Programme. For the Corporation, the Employer of Choice focus will be on developing talent, embedding a performance culture and providing access to world-class training courses. Our overall objective for both areas is increasing well-motivated and high quality staff.

To remain an Employer of Choice, HR will focus on operational excellence; optimising performance; developing leadership and talent; learning and development; engagement and communication; and HR transformation.

**IMPROVING HOW WE WORK**

In 2008, the Corporation launched Project Jazz to determine whether to replace or upgrade the HR, payroll, pensions, recruitment and benefits solutions. Project Jazz continued into 2009, the project should be fully operational by the end of 2011.

It will allow for integrated management of the employee life-cycle and support effective approaches to talent development.

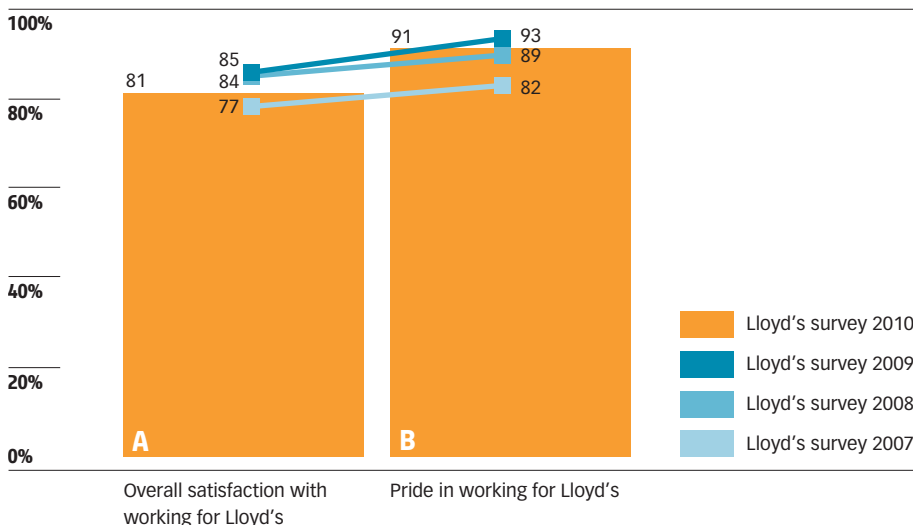
**HEALTH AND WELL-BEING REVIEW**

HR is developing a new health and well-being strategy – the review of the current offering will be completed and enhancements implemented during the first half of 2010. Working in partnership with health-benefit providers, HR’s aim to create a high quality, visible, accessible and valued suite of benefits and will actively promote health awareness and wellness throughout the Corporation.

Figure 8

**EMPLOYEE OPINION SURVEY**

% in agreement



## PEOPLE STRATEGY CONTINUED



### MOVING FORWARD TOGETHER

ViewFinders is a Corporation development initiative launched in 2009 by Richard Ward. The idea is to make a difference to the way the Corporation works together and for everyone to have a say about how Lloyd's can move forward. To that end, 25 employees were appointed as ViewFinders, and during a three-month period they had conversations with over 600 employees.

Each conversation is focused on the individual, their successes and strengths, and also looks to identify any obstacles that stand in the way of their continued progress. The interviewees have an opportunity to talk about what they think is working well, any individual achievements that the Corporation can learn from and any areas for improvement.

At the end of the conversation, each individual is encouraged to pass on one message that they would like the ViewFinder to take back to the Executive Team – and commits to taking one action away with them.

This feedback has enabled the Corporation to gain an understanding of how its own people aspire to move the organisation's culture forward – which in turn has helped to create future direction statements. Richard Ward and the Executive Team have used these statements to inform key priorities for 2010.

### TALENT AND DEVELOPMENT

We will introduce a number of key talent and development initiatives at Lloyd's during 2010.

#### MANAGEMENT DEVELOPMENT

We will look to further enhance overall management capability within Lloyd's through the implementation of a management development programme. This is designed to encourage new ways of working which will help achieve organisational change and enable employees to better deal with market changes.

#### MENTORING

A mentoring scheme piloted during 2009 allowed individuals to seek guidance outside their reporting line – helping them to acquire knowledge, share experiences and encouraging creative thought. A formal programme will be launched in 2010 to develop high-potential employees within the mentoring programme.

#### INTERNS

A centralised summer internship programme will start in 2010. The aim is to raise Lloyd's profile among penultimate year undergraduates, and give students meaningful work experience within the insurance industry. The programme will also enrich the selection process and identify candidates for the graduate scheme.

#### LLOYD'S AND THE LONDON MARKET INTRODUCTORY TEST (LLMIT)

Lloyd's has committed to delivering an enhanced LLMIT offering in 2010. This will involve a transition from a paper-based examination to online assessment.

#### TALENT REVIEW

We started a talent review in 2009 with the Lloyd's Management team and this will be rolled out across all levels of the Corporation in 2010. These will be reviewed annually to identify and implement development opportunities for employees as well support succession planning.

## CORPORATION EMPLOYEE DEMOGRAPHICS

### UK EMPLOYEE TURNOVER AND ABSENCE

	2009 number	2008 number
Employees as at 1 January 2009	719	694
Total joiners	131	130
Total voluntary leavers	(40)	(47)
Total involuntary leavers (redundancies, dismissals)	(43)	(23)
Total retirements	(2)	(5)
Contracts completed	(26)	(30)
<b>Employees as at 31 December 2009</b>	<b>739</b>	<b>719</b>

### UK EMPLOYEE TURNOVER AND ABSENCE

	2009 %	2008 %
Total turnover	15.2	14.6
Turnover (excluding contracts completed)	11.7	10.4
Industry average turnover	16.6	17.5
Voluntary turnover	5.5	6.5
Industry average voluntary turnover	10.2	12.5
Absence	1.9	2.5
Industry average absence	3.0	3.0

### TOTAL EMPLOYEES

	2009 number	2008 number
UK	739	719
US	34	33
Canada	6	6
Asia	57	45
Europe	42	40
Africa, Australia and South America	8	8
	<b>886</b>	<b>851</b>

The Corporation regularly monitors the level of staff turnover and absence against suitable industry benchmarks and corrective action is taken if required. During 2009, UK voluntary staff turnover, excluding redundancies, dismissals, retirements and contracts completed, continued to be below the industry average at 5.5%, as did the sickness absence record at 1.9%. The Corporation considers the performance against these benchmarks in a fast-moving environment to be very positive.

The Corporation's UK employee segmentation and profile as at 31 December 2009 is shown below:

UK employee segmentation	Executive		Head of function		Manager		Professional/ technical		Admin		Total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Figures in numbers												
Male	7	6	25	25	137	135	189	174	27	29	385	369
Female	1	1	8	8	73	67	166	163	106	111	354	350
Total	8	7	33	33	210	202	355	337	133	140	739	719
Figures in years												
Average age	52	51	47	46	42	42	39	39	37	38	40	40
Average service	5	5	9	9	9	9	8	8	6	6	7	6

The segmentation as shown above includes nine male and 66 female part-time employees as at 31 December 2009 (31 December 2008: six male; 63 female). The employee demographics shown above include both permanent staff and those working on a contract basis.

## CORPORATE RESPONSIBILITY COMMUNITY

# CELEBRATING 20 YEARS OF LLOYD'S COMMUNITY PROGRAMME.

In 2009 we celebrated 20 years of Lloyd's Community Programme (LCP), which encourages volunteering and acts as a catalyst for the Lloyd's market to improve the lives of our neighbouring communities.

Despite bordering on the City and being home to Canary Wharf, East London has some of the country's highest levels of social deprivation. Since its inception, the LCP has worked to address some of the main socioeconomic challenges in our neighbouring boroughs through educational support, training and employment.

The 20-year milestone establishes the LCP as one of the longest-running community involvement schemes in the City of London. To mark the 20th anniversary, it set a goal of reaching 1,000 volunteers during 2009 – a target that would have been impossible without the increased support from companies and volunteers from the Lloyd's market.

Despite the scale of the task, the LCP was proud to announce its end-of-year figure as 1,278 volunteers, a rise of 35% on the 941 who took part in activities during 2008. This took involvement with the programme to the highest level in its history (see Figure 9).

Lloyd's Community Programme hosted its 20th Anniversary Celebration Event in July at the Lloyd's Building to acknowledge the ongoing contribution of these volunteers and the programmes they support. In his address to guests at the event, Lloyd's CEO Richard Ward highlighted their outstanding achievements and the importance of the LCP.

"Just a three-minute walk east of the Lloyd's building are some of London's poorest communities," he said. "We need to engage with this issue and this is what the Lloyd's Community Programme is all about – enabling people from across the Lloyd's market to share their time to take part in volunteering initiatives that focus on improving the opportunities and environment for those people living and working in our local community."

In recognition of the exceptional dedication of LCP volunteers and community workers, Nick Furlonge, Director of Beazley and Chairman of Lloyd's Community Programme, announced special awards to nine scheme participants for "going that extra mile."

Three of the winners were nominated by school contacts and by their fellow volunteers – Kirat Nandra (Ace) for supporting Bethnal Green Technology College in Tower Hamlets;

Kerry Moore (Aon) for supporting Downsview School in Hackney; and Eva Bocci (Corporation of Lloyd's) for her work with Oaklands School in Tower Hamlets. Six further awards were presented to employees of the Lloyd's market and to local teachers who work together to facilitate the involvement of hundreds of volunteers from the Lloyd's market each week.

Both the students and the volunteers themselves benefit from the programme, explained Gill Nichols, Learning and Development Manager at Liberty Syndicates and the LCP's longest-serving volunteer. Speaking about her involvement with the Reading Partners programme, she told guests: "It's not just about reading, but communicating with your student as well – you read a little and you chat a little with your student. We learn about their lives, they learn about our lives and at the same time we're helping them improve their reading skills."

A highlight of the event was a short film featuring a special address from HRH The Prince of Wales, who formally launched Lloyd's Community Programme in 1989. Prince Charles praised the programme for going from "strength to strength" over the past 20 years, highlighting volunteers' "commitment that has touched thousands of people in these communities".

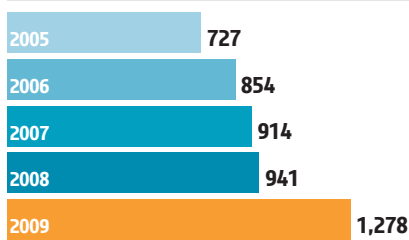
Prince Charles reminded the audience that problems in communities near the City continue to exist and that the area's young people need help as much now as they ever did – many leave school with few qualifications. "They lack self-confidence and self-worth, and feel as if they belong nowhere and to no-one. You help them fulfil useful lives in their communities," he said. His message was pertinent: recent headlines have highlighted that the number of school leavers not in education, employment or training (NEET) is now the highest on record, at over one million.

That makes one of the projects launched to celebrate the 20th anniversary of the LCP – internships for teenagers as part of the Ready for Work initiative – all the more significant. The programme works in collaboration with the City of London's City Business Traineeship programme and The Brokerage Citylink, which arranges paid internships for local inner London students following completion of their A levels. As a result, 21 local students were placed in 15 companies throughout the

Figure 9

### LLOYD'S COMMUNITY PROGRAMME VOLUNTEER INVOLVEMENT

Number of volunteers





Nick Furlonge, Chairman of Lloyd's Community Programme (third from right) with Ilya at an award ceremony for internships

Lloyd's Market during 2009. Feedback on the scheme has been very positive. A number of companies commented on the high quality of the students. "It's a fantastic opportunity to show what the insurance industry is about – and also a great way to encourage people into the profession," explained one company (see case study opposite).

Despite the ongoing need for engagement, conditions in East London have improved over the past 20 years. For example, only 30% of pupils in Tower Hamlets gained five A\* to C grades including maths and English for their GCSEs in 2005; by 2009, it had risen to 45.8%, the best results the borough has ever seen. Hackney's secondary schools have made exceptional progress in the past academic year with a 10% increase in the proportion of pupils achieving five A\* to C grades, taking the overall attainment to around 5% above the national average in 2009. And 80% of the borough's secondary schools individually achieved results higher than last year's national average.

LCP volunteers can take pride that their efforts have contributed towards this improvement and it is estimated that they have committed more than 13,983 hours of their time last year alone.

Education and employability is central to the LCP's aims. But we also believe that sport has an important role to play in inner-city children's lives. It encourages health and fitness, discipline – and most of all fun.

Over the years, the LCP has held various tournaments, including regular football competitions and an annual cricket tournament at the Brit Insurance Oval. In 2009, we also hosted the celebratory Lloyd's Games, the programme's largest event ever for young people. This huge sports day in Mile End Park Stadium, within sight of the Olympic Park, was supported by over 60 volunteers from the Lloyd's market working as scorers, team captains and managers or sports organisers for 500 primary school pupils. The children took part in eight sports – including track and field events, football, hockey, handball and volleyball – giving them an early taste for sports they might see at the London 2012 Olympic Games and Paralympic Games.

## 20 FOR 20

To mark 20 years of Lloyd's Community Programme, chief executives from the market made a commitment at the start of the year to provide 20 paid internships for local students in 2009. This enabled local young people to get valuable employment experience – and, for at least one intern, proved to be a greater opportunity than he originally imagined.

Antares syndicate was so impressed by intern Ilya Karpenko (pictured above, centre) that it extended his paid placement by six months. Nigel Cole, Ilya's line manager, said that although Antares took on an intern because it is "good to give back", the company had seen a real contribution from him. "The benefit of interns is that they come in and do a real job," he explained. "It was genuinely good to have an extra pair of hands in the office and in the Lloyd's box."

Ilya's role within the company was Facilities and Premises Technician. But he also enjoyed participating in each team within the company and gained particularly useful experience in the Catastrophe Modelling team.

Feedback from interns participating in the Lloyd's programme highlighted that many would now consider a career in insurance. "The work placement at Antares left me with no doubt as to my future career," said Ilya. "I definitely want to become an underwriter." Ilya's ambition is to work his way up in the industry and he intends to complete both the ACII and LLMIT qualifications to further his career.

At an award ceremony in the Old Library at Lloyd's, Ilya was recognised as a highly commended trainee and received a certificate from the Mayor of London.

## LLOYD'S COMMUNITY PROGRAMME MEMBERS

Ace European Group	Hiscox plc
Advent Underwriting Ltd	HSBC Insurance Brokers Ltd
Amlin plc	Ince & Co
Aon Ltd	Jardine Lloyd Thompson Group plc
Ascot Underwriting Ltd	Kiln plc
Atrium	Liberty Syndicates
BMS Group Ltd	Lloyd's
Barlow Lyde & Gilbert	Lockton
Beazley Group plc	Markel
Brit Insurance Holdings Ltd	Marketform Group
Canopus Managing Agents Ltd	Mazars
Capita	Miller Insurance Services Ltd
Catlin Underwriting Agencies Ltd	Munich Re Underwriting Ltd
Chaucer Syndicates Ltd	Newline Underwriting Management Ltd
Clyde & Co	Novae
Cooper Gay & Co Ltd	Omega Underwriting Agency Ltd
Dewey & LeBoeuf	PricewaterhouseCoopers
Edwards Angell Palmer & Dodge UK LLP	QBE Insurance Group
Ernst & Young	Reynolds Porter Chamberlain
Faraday Underwriting Ltd	Talbot Underwriting Ltd
Glencairn Ltd	Travelers
Hampden Agencies Ltd	Xchanging Claims Services
Hardy Underwriting Group plc	XL London Markets Ltd
Heath Lambert Group	

## CORPORATE RESPONSIBILITY

### LLOYD'S CHARITIES TRUST

# LLOYD'S CHARITIES TRUST HAS BEEN GIVING SUPPORT TO NATIONAL CAUSES ON BEHALF OF THE LLOYD'S MARKET SINCE 1953.

In 2009, we provided donations to three partner charities as well as charities supported by individuals working within the Lloyd's market. In 2009 the recipient of the Lloyd's Special Award was Whitechapel Homeless Mission.

#### LLOYD'S MARKET CHARITY AWARDS

At a time when smaller local charities, in particular, are struggling for funding, Lloyd's Market Charity Awards provide a much-needed injection of finance prompted by the personal involvement of people working in the Lloyd's market.

To date, 84 donations have been made through the Lloyd's Market Charity Awards scheme which gives people working in the Lloyd's market an opportunity to apply for an award of £1,000 for a cause they support. "These awards shine a spotlight on the great work our colleagues in the Lloyd's market undertake for charities close to their hearts," says Graham White, former Chairman of Lloyd's Charities Trust and Managing Director of Argenta Private Capital. Each year between 20 and 30 grants of £1,000 are made to the charities supported by the successful applicants.

Now in its third year, the awards scheme continues to highlight the fantastic work carried out on behalf of a wide variety of charities by those working in the Lloyd's community. Our colleagues support these organisations – many of which are smaller, local causes – through giving time, raising money or acting as trustees.

The awards also recognise charities that have helped improve the lives of the applicants or their families when illness has struck; or provided support after the loss of a loved one.

#### PARTNER CHARITIES

Lloyd's Charities Trust's funding for its partner charities – Coram, FARM-Africa and Samaritans – will be coming to a close in 2010 at the end of three-year partnerships that have resulted in successful projects for each of the charities. Lloyd's donated £150,000 to each

of the charities over that period under the umbrella theme of helping those most at risk.

The funding enabled Coram to develop its London-based Concurrent Planning Adoption Programme, a unique adoption and fostering project working with the most vulnerable babies who are the subject of care proceedings. By placing babies with specialised foster carers, who are approved adopters and in a position to adopt the child should the courts decide the baby cannot go back to their natural parents, Coram are ensuring that babies do not drift around the care system. Working closely with the birth parents and carers, the project is able to prevent serious disruption to the lives of the babies.

As a result of Lloyd's Charities Trust's funding, FARM-Africa's Household Recovery Programme in Southern Sudan has already benefited thousands of refugees, returning to their homes following the end of the 20-year civil war in the area. These refugees are extremely poor and at risk from a number of factors including lack of access to markets and the impact of climate change. The Household Recovery Programme provides them with the capacity to reduce these risks and kick-starts poverty alleviation through access to clean water, high-yield seed, agricultural tools, livestock and 'village vet' training. The communities have witnessed the results of their hard work quickly. For example, in 2009 alone 40,800 households were expected to benefit from improved water resources thanks to the drilling of six boreholes, the repair of 28 further boreholes, the training of 31 pump mechanics, digging of 14 shallow wells and the formation of three Water Management Committees.

Samaritans used its three-year funding to pioneer a Suicide and Self Harm Response Service – a training programme to equip teachers, parents and other professionals (including GPs, social workers and nurses) to work positively with young people and reduce the contagion effect of suicide and self harm incidents in schools. Self harm is a significant and growing public health concern, with an estimated 24,000 young people admitted to hospital each year after deliberately hurting themselves. The project will also develop skills and resources in order to support schools and communities during the aftermath of an attempted or completed suicide.

#### FUTURE FOCUS

In 2009, the trustees of Lloyd's Charities Trust conducted a review of its charitable giving, consulting individuals from the Lloyd's market to ascertain their views on the future direction and activities of the trust. Based on the outcomes of this review, a new mission statement and revised funding priorities have been developed.

The Lloyd's Market Charity Awards scheme will continue, allowing anyone who works in the Lloyd's market to apply for a donation to a charity or community organisation with which they are actively involved. And from 2010, Lloyd's Charities Trust will maximise the impact of its charitable giving by focusing on three key areas, each reflecting an aspect of the market's unique character and business.

The first area of focus will be charitable projects in London that tackle disadvantage and foster opportunity. The Lloyd's building is based in a true world city where there are opportunities for many – but where disadvantage still exists and poverty rates are among the highest in the country. So Lloyd's Charities Trust will be looking for a London-based project to become a partner charity for the years 2010 to 2012.

Being aware that, particularly in developing countries, not every disaster or major loss is covered by insurance, Lloyd's Charities Trust will also help organisations respond to emergencies around the world. The trust is keen to support charities in their efforts to relieve suffering and help people rebuild lives when disaster strikes. Donations will be made in response to emergency and disaster situations – in countries where we do business and in those where people can't afford the safeguard of insurance.

Funding will also be directed to providing individuals and communities with the ability to meet the challenges of a rapidly changing world by equipping them with valuable, up-to-date skills, information and the resources they need to be better prepared for the future. Lloyd's Charities Trust is looking for a project within this area to become a partner charity for 2010 to 2012, while also reflecting this area of support throughout its other funding programmes.

The review also considered the funding strategy for the Cuthbert Heath Fund, established in 1959 to commemorate the centenary of the birth of one of Lloyd's most distinguished members. The trustees of Lloyd's Charities Trust are responsible for this fund, which for 50 years has been supporting bursaries at nine public schools (including Cuthbert Heath's school and others in and around London) for students who would otherwise struggle to meet the fees.

The review highlighted a desire to see the monies benefit a greater number of young people, with a particular focus on local London communities. As a result, Lloyd's Community Programme management board has been asked to consider how the funds could be used to benefit local children and young people. The Fund will continue in the spirit it began – to support education – and from 2010 it will be known as the Lloyd's Education Fund, in memory of Cuthbert Heath.

### LLOYD'S PATRIOTIC FUND

With the ongoing conflict in Afghanistan, Lloyd's Patriotic Fund has responded during the year by undertaking fund raising efforts amongst companies and individuals in the market and increasing its donations to organisations supporting serving and former service men and women. Lloyd's Patriotic Fund has supported Britain's armed forces continuously ever since its foundation in 1803 and, with the help of its long-term partner the Soldiers, Sailors, Airmen and Families Association, the charity continues to identify individuals and families who are in urgent need of financial help. It made grants to 160 families during the year.

Donations were also made to Combat Stress – the leading charity specialising in the care of British Veterans who have been profoundly traumatised by harrowing experiences during their Service career, and to BLESMA – the charity helping limbless serving and ex-service men and women. Recognising the struggles that some service personnel have adjusting to life outside the armed forces, Lloyd's Patriotic Fund also made donations to organisations working with homeless veterans and ex-offenders. The Fund ended the year with a Christmas appeal for homeless veterans which resulted in 600 practical gifts being donated by people in the Lloyd's market for residents of a Veterans Aid hostel in East London.

### LLOYD'S BENEVOLENT FUND

Founded in 1829, the Lloyd's Benevolent Fund is a registered charity which aims to assist all those in need who work in, or have worked within, the Lloyd's community. Dependents and others are also eligible for assistance at the discretion of the Trustees. It offers financial assistance in the form of grants and can provide practical help for those unable to cope with everyday problems. Anyone connected to Lloyd's who finds themselves in need of support should contact the Fund at One Lime Street.

### LLOYD'S TRICENTENARY FOUNDATION

The Lloyd's Tercentenary Foundation was established by Lloyd's in 1988 to mark the 300th anniversary of the market. It is a charitable trust that provides funding for medical, scientific, technical and business-related research and education. In 2009, the Foundation supported the new Insurance Intellectual Capital Initiative, which commissioned its first research programme to study the London and Bermuda insurance markets. Although it is now focused on project-based work, Lloyd's Tercentenary Foundation also continues to support its existing Lloyd's Research Fellows to undertake their post-doctoral research until 2011.



For further information and to read case studies of past award winners, please visit [www.lloyds.com/charityawards](http://www.lloyds.com/charityawards)



Graham White (right) presents Tony Miller from Whitechapel Mission with the £50,000 donation

### LLOYD'S SPECIAL AWARD FOR WHITECHAPEL MISSION

In recent years, Lloyd's Charities Trust has made an annual donation of £50,000 to a charity making a positive contribution to an issue of interest to the Lloyd's market – the Lloyd's Special Award. The 2009 beneficiary was the Whitechapel Mission, a small charity based only a mile from the Lloyd's building that was feeling the effects of the economic downturn on both its beneficiaries and its running costs.

Whitechapel Mission has worked in the East End of London for over 100 years and is dedicated to providing a lifeline to the poor and homeless people of London who struggle each day against hunger, poverty and exclusion. It opens 365 days a year, providing hot breakfasts, access to showers and clean clothes – and offering advice and training in life skills to help homeless people become self-confident, independent and successful.

The £50,000 donation from Lloyd's Charities Trust was immediately put to good use, helping Whitechapel Mission meet the costs of staying open throughout the nights when the temperature drops below freezing. The donation was also used to help fund the costs of a new life skills worker who will support clients to develop the skills necessary to make positive changes to their lives.

"We are extremely grateful for the support we're receiving from Lloyd's of London," says Tony Miller, Director of Whitechapel Mission (pictured above, left). "Thanks to this donation it will be possible to expand our Life Skills programme and seed a major expansion to our service delivery. Lloyd's has demonstrated a true commitment to supporting the homeless community – and to supporting their own staff who have already given generously of their time to support all of our core services."

## CORPORATE RESPONSIBILITY ENVIRONMENT

# LLOYD'S IS COMMITTED TO GOOD ENVIRONMENTAL PRACTICES ACROSS OUR BUSINESS LOCATIONS.

"There are three very good reasons why insurance companies are at the forefront of the fight against climate change. They need to identify and assess the impacts it will have across their business. They must price their products to reflect the developing awareness of the risk it poses. And they have strong vested interests in reducing that risk, by supporting the transition to a low-carbon economy. Insurance also offers an important contribution within a wider framework of adaptation, building resilience within communities by helping customers to recover after extreme weather incidents, and sharing climate research so that the risks to society can be better understood."

'ClimateWise: second year review',  
November 2009

### LLOYD'S AND CLIMATEWISE

Lloyd's was a founding signatory of the ClimateWise principles for the insurance industry in September 2007. The initiative encourages insurance companies worldwide to respond to the challenge of climate change as quickly and as effectively as possible. Forty insurance companies are members, including 15 managing agents in the Lloyd's market.

In November 2009, ClimateWise produced its second annual review of the progress that member organisations are making against its six core principles. Highlights of Lloyd's progress are set out below, where we provide updates throughout the year on the work we are undertaking.

### SUPPORT RISK ANALYSIS

Our 360 Risk Insight team worked with the International Institute for Strategic Studies to illustrate the impact of climate change – and other resource challenges – on security issues. The report looked into water stress, food shortage, energy security, population growth, migration and even geo-engineering.

A critical example is the recent stress to the world's food resources. In recent years the needs of a rising population have been met by the 'Green Revolution' making use of new high yielding seeds, fertilisers and non-renewable water sources. Unfortunately, these key elements have largely exhausted their potential. World grain production has been outrun by consumption in seven of the past eight years, halving world grain reserves compared to a decade ago. Anxiety about the future availability and price of food is already causing a rapid growth in deals between countries. Our report used this among other examples of how resource scarcity combined with climate change may lead to political tension around the world – unless early action is taken.

We are not alone in this view. In July, Lloyd's Chairman Lord Levene addressed a NATO Strategic Concept meeting about our concerns over the impact climate will have on security and commerce. We co-hosted two conferences with NATO later in the year, in London and New York, which included debates on the security risks of climate change.

### INFORM PUBLIC POLICY MAKING

In April we helped launch "Resilient Coasts: A Blueprint for Action" – a report on the impact of natural hazards for coastal regions and suggested actions to make them more resilient. The report is a collaboration between several major insurance groups (including Lloyd's), policymakers, banks, property developers and two major think tanks. It calls for risk-based land use planning; building codes that consider future risk; flexible solutions to recognise that the pace of climate change is uncertain; strengthening ecosystems as a first line of defence; and incorporation of climate risk into due diligence and lending criteria.

Our new office in Brazil wasted no time in promoting the debate on climate change. Working with the Brazilian Foundation for Sustainable Development, we sponsored four leading Brazilian scientists to comment on the implications of climate change in the region. Their work looked at extreme weather, energy volatility, agriculture and sea level rise. The report was launched at a meeting in November attended by key stakeholders in Brazil.

We also worked with our colleagues at the Geneva Association – the leading insurance think tank – to produce a major report on the implications of climate change for the industry. This was published at a meeting in Kyoto, along with a general statement for action which was ratified by 50 CEOs from major insurance groups. The association then held a side event at the Copenhagen climate change conference in December at which Lloyd's CEO Richard Ward urged negotiators to empower insurers further to help reduce climate risk (see case study opposite).

### SUPPORT CLIMATE AWARENESS

In November we published a 360 Risk Insight white paper on opportunities in the developing world, in partnership with the Microinsurance Centre. Up to three billion policies from this type of cover could be created to benefit people from developing regions, but only a small fraction are currently protected. By 2015, some 375 million people may be suffering the effects of climate change, according to Oxfam. If microinsurance products can be designed to work with existing methods of risk management in developing regions, this presents a major opportunity, both for the



For further information about the highlights of Lloyd's please visit  
[www.lloyds.com/climatewise](http://www.lloyds.com/climatewise)

industry and those affected. There is still much to do to build trust among these potential customers – but in the longer term we believe the peace of mind and economic stability that insurance can bring will be a great benefit to them.

### INCORPORATE CLIMATE CHANGE INTO OUR INVESTMENT STRATEGIES

At Lloyd's we believe we should use our shareholder power to influence the behaviour of the companies in which we invest – and persuade them to respond more effectively to the impact of climate change. This approach is designed to support measures that will improve the long-term performance of investee companies.

So in 2008, we appointed an overlay investment manager to engage with companies in which Lloyd's Central Fund invests, and to exercise the fund's voting rights in pursuit of environmental, social and governance (ESG) issues. Since then, the investment manager has voted 84 times on the segregated accounts managed for the fund; our investment in a pooled fund is voted by its fund manager. They engaged with 642 companies in which we are invested, including those in the pooled fund, leading to a significant number of instances where companies changed their approach to ESG issues. The investment manager typically asks for better measurement, monitoring and management of emissions and for the development of enhanced climate change strategies.

A good example is the investment manager's engagement with the independent directors and CEO of Exxon Mobil on the company's climate strategy and its unwillingness to experiment with, or invest in, renewable energies. In mid-2009 the company announced its first notable investment in renewable energy.

We have shared our assessment of the impacts of climate change with our pension fund trustees through a presentation on Lloyd's response to climate change and the action that we are taking with respect to investments.

### REDUCE OUR ENVIRONMENTAL IMPACT

Lloyd's Environmental Working Group meets regularly to develop – and monitor progress against – an environmental action plan for the



Richard Ward is interviewed at the Climate Change Summit in Copenhagen

## TAKING A STAND ON CLIMATE CHANGE

The United Nations Copenhagen Climate Change Summit took place from 7-18 December 2009. As world leaders attempted to hammer out a new political agreement on climate change, the Corporation took the opportunity to raise awareness of the issues and engage with its own employees on the role they can play.

Corporation employees were greeted on the first day of the Climate Change Summit with a message from Richard Ward, encouraging them to educate themselves about the issues. Over the next fortnight, colleagues who had initiated projects to help Lloyd's make progress on climate change were profiled on the intranet, explaining their work on the issue, such as reducing energy consumption at the Lloyd's building or lobbying for legislation on sustainable claims. Employees were challenged to submit ideas about the role their team could play in helping Lloyd's make progress on the ClimateWise principles. Arctic explorer Pen Hadow also spoke at a meeting packed with Corporation employees on the role of scientific exploration in understanding climate change.

In Copenhagen itself, Richard Ward spoke of how insurers are helping to contribute to a low carbon future by insuring new technology; and highlighted how insurers are coming together to tackle the shared challenge of climate change.

Corporation of Lloyd's. This group includes departmental representatives from Finance, Operations, Property Services, IT, Catering, Supplier Management and Community Affairs. Its primary objective is to reduce the environmental impact of Lloyd's operations and any physical assets under our control. The Environmental Action Plan focuses on energy consumption, but also covers issues such as waste, transport and procurement.

We buy renewable electricity for the Lloyd's Building in London and Fidentia House in Chatham – our two main offices – and we're implementing initiatives to help reduce our energy consumption at these locations. In 2009, this included the refurbishment and upgrading of air-conditioning and chilling equipment at the Lloyd's Building to improve energy efficiency, a programme due to be completed mid-2010. We have also introduced videoconferencing technology in our UK and international offices to provide an alternative to business travel.

Engineering consultancy Scott Wilson helped to calculate greenhouse gas emissions derived from our UK operations. In 2009, the total was 14,961 tonnes (2008: 14,349), of which 1,904 were Scope 1 emissions; 11,904 Scope 2 and 1,719 Scope 3. Further information is available at [www.lloyds.com/carbonemissions](http://www.lloyds.com/carbonemissions)

Each year, Lloyd's also implements the winning idea from the Green Award – an opportunity for Corporation employees to put forward their own environmental improvement ideas.

### REPORT AND BE ACCOUNTABLE

[www.lloyds.com/climatewise](http://www.lloyds.com/climatewise) is the section of our website dedicated to ClimateWise issues. Anyone wishing to find out more about our activities in this area should click the 'our progress' button which opens up a detailed table of our work to date. Our Director of Finance, Risk Management and Operations, Luke Savage, is responsible for overseeing Lloyd's commitment to delivering action on the ClimateWise principles.