

LLOYD'S ACCEPTS BUSINESS FROM OVER 200 COUNTRIES AND TERRITORIES WORLDWIDE.

OUR 80 LICENCES, SUPPORTED BY A NETWORK OF LOCAL OFFICES, ENSURE ACCESS TO INSURANCE MARKETS LARGE AND SMALL.



Key to map

US & Canada
United Kingdom
Europe
Other Americas
Central Asia & Asia Pacific
Rest of the World

Lloyd's total business by class

Reinsurance	35%
Property	22%
Casualty	21%
Marine	8%
Energy	6%
Motor	5%
Aviation	3%



Lloyd's total business by region

US & Canada	44%
United Kingdom	22%
Europe	16%
Other Americas	6%
Central Asia & Asia Pacific	8%
Rest of the World	4%



For more information on Lloyd's international reach please see page 27.

CLASS OF BUSINESS	TOTAL BUSINESS BY CLASS	TOTAL BUSINESS BY REGION*		
		US & CANADA 44%	OTHER AMERICAS 6%	UNITED KINGDOM 22%
REINSURANCE <small>More information on page 61.</small>	35%	30%	77%	27%
PROPERTY <small>More information on page 62.</small>	22%	30%	8%	19%
CASUALTY <small>More information on page 63.</small>	21%	21%	8%	24%
MARINE <small>More information on page 64.</small>	8%	5%	4%	6%
ENERGY <small>More information on page 65.</small>	6%	10%	1%	3%
MOTOR <small>More information on page 66.</small>	5%	1%	1%	20%
AVIATION <small>More information on page 67.</small>	3%	3%	1%	1%

All figures as at 31 December 2008

*Geographical split is based on Xchanging Ins-sure Services data, as at 31 December 2008



Lloyd's is well placed to face the challenges ahead. Here's why...

Through the past year's financial turmoil, Lloyd's has stood firm. Our ability to cover complex risks in such an unstable climate reflects the strengths outlined below, which are described in more detail throughout this report.

OUR UNDERLYING CAPABILITIES

AGILITY

Lloyd's entrepreneurial approach is founded on its collective experience, expertise and appetite for risk. These enable Lloyd's underwriters to adapt quickly to new, unusual and emerging risks.

[More information on pages 8-9.](#)



STRENGTH

The Lloyd's market has been built, and tested, to withstand extreme demands – such as the need to finance rapid reconstruction after major catastrophes.

[More information on pages 20-21.](#)



EXPERTISE

We constantly monitor, measure and anticipate risk – and refine the market's response capability – so that Lloyd's underwriters can assess evolving challenges and be prepared to address them.

[More information on pages 28-29.](#)



FLEXIBILITY

As risks change, Lloyd's is structured to respond flexibly. Our resilience comes from constantly reshaping ourself, and the Lloyd's platform provides security and rigour without excessive rigidity.

[More information on pages 38-39.](#)



STABILITY

Lloyd's maintains a disciplined approach to the insurance cycle. Writing for profit, rather than market share, helps to keep the Lloyd's market and its participants stable and profitable.

[More information on pages 48-49.](#)

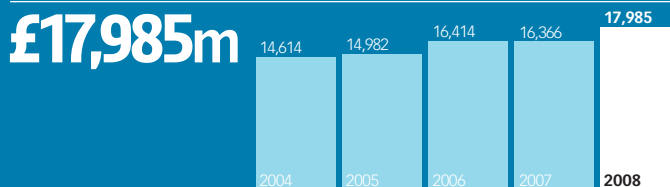


EUROPE	16%	CENTRAL ASIA & ASIA PACIFIC	8%	REST OF THE WORLD	4%
35%		44%		58%	
16%		15%		7%	
20%		26%		14%	
18%		7%		9%	
6%		5%		3%	
1%		1%		2%	
4%		2%		7%	

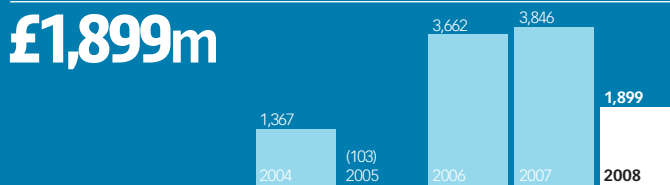
2008 FINANCIAL HIGHLIGHTS

- Lloyd's achieved a profit before tax of £1,899m (2007: £3,846m) and a combined ratio of 91.3% (2007: 84.0%). This was a solid performance during an exceptionally turbulent year for the financial sector. Higher levels of catastrophes and attritional claims were partially offset by currency movements and prior year releases.
- Return on investments of 2.5% (2007: 5.6%) benefited from a conservative investment strategy.
- Surplus on prior years of £1,265m (2007: £856m) based on strong reserves.
- Central assets increased further to £2,072m (2007: £1,951m).

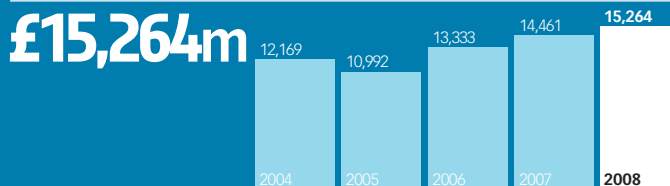
Gross written premium* (£m)



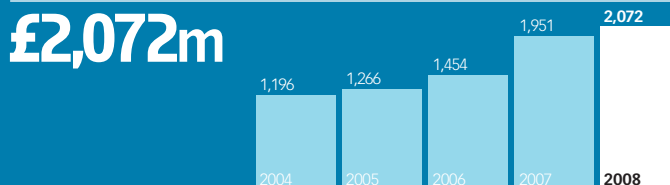
Profit/(loss) before tax (£m)



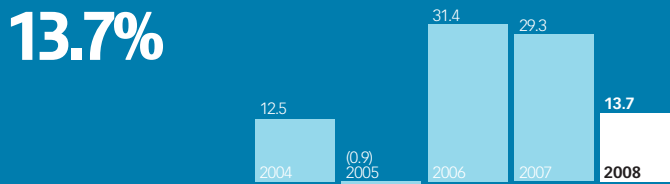
Capital, reserves and subordinated debt and securities (£m)



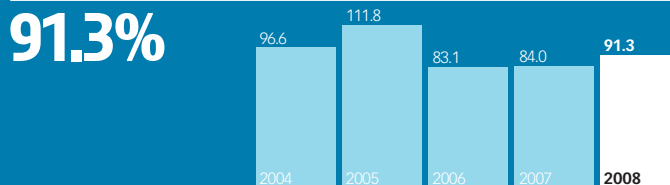
Central assets* (£m)



Return on capital (%)



Combined ratio* (%)



*See Glossary on page 140.

2008 BUSINESS HIGHLIGHTS

- A.M. Best, Fitch Ratings and Standard & Poor's affirmed their Lloyd's security ratings of A (Excellent), A+ (Strong) and A+ (Strong) respectively.
- New trading licences obtained in Brazil – where Lloyd's was the first 'Admitted' reinsurer – Poland and Austria.
- By the end of 2008, over 90% of in-scope claims and 96% of original premiums were processed electronically through the Electronic Claims File and Accounting & Settlement repositories.
- Lloyd's successfully lobbied for the inclusion of letters of credit in the EU's Solvency II framework.
- Lloyd's governance arrangements have been modernised and access to the market widened following the passing of the Legislative Reform Order.
- The US regulatory authorities are considering a new framework that, when implemented, will reduce US collateral requirements necessary to conduct reinsurance business.
- HM Revenue & Customs agreed to reduce the tax burden for corporate members by introducing tax relief in the form of a Claims Equalisation Reserve.

STRATEGY

VISION


OUR VISION IS TO BE THE PLATFORM OF CHOICE

WE HAVE A CLEAR STRATEGY TO ACHIEVE OUR VISION

Lloyd's has set out its vision to be the platform of choice for insurance and reinsurance buyers and sellers to access and trade specialist property and casualty risks.

STRATEGIC PRIORITIES:

- Managing the cycle
- Market access
- Operating environment

 For more information on Lloyd's strategy see page 30.

BENEFITS OF OPERATING AT LLOYD'S

1 PERFORMANCE FRAMEWORK →	An overarching, consistent performance management framework across all key aspects of a managing agent's business, that supports the achievement of superior operating returns as part of an effective enterprise risk model.
2 CAPITAL ADVANTAGES →	A capital framework in which the benefits of mutuality demonstrably outweigh the costs and which cannot readily be duplicated outside Lloyd's.
3 SECURITY AND RATINGS →	Stable insurer financial strength ratings (currently at least 'A') necessary to attract specialist property and casualty business.
4 MARKET ACCESS →	Cost-effective, easy access to the major markets supported by a global brand and licence network.
5 OPERATING ENVIRONMENT →	An efficient, cost-effective operating environment that allows managing agents and brokers, irrespective of their location, to deliver excellent service to customers.

01 Overview and highlights

WELCOME TO LLOYD'S

- 04 Chairman's statement
- 06 About Lloyd's
- 10 How we work
- 15 Governance

04

Welcome to Lloyd's

STRATEGIC REVIEW

- 18 CEO's introduction
- 22 Business environment
- 30 Strategy
- 36 Key performance indicators
- 40 Risk management
- 44 People strategy
- 50 Corporate responsibility

18

Strategic review

PERFORMANCE

- 57 2008 performance review
- 61 Reinsurance
- 62 Property
- 63 Casualty
- 64 Marine
- 65 Energy
- 66 Motor
- 67 Aviation

56

Performance

The pro forma financial statements (PFFS) are prepared so that the financial results of Lloyd's and its members taken together and their net assets can be compared with general insurance companies. The PFFS include the aggregate of syndicate annual accounts (Aggregate Accounts), members' funds at Lloyd's (FAL) and the Society of Lloyd's financial statements. The Aggregate Accounts are reported as a separate document and can be found at www.lloyds.com/financialreports

MARKET RESULTS

- 69 Report of Ernst & Young LLP to the Council of Lloyd's on the 2008 Lloyd's pro forma financial statements
- 70 Pro forma financial statements
- 73 Notes to the pro forma financial statements
- 80 Security underlying policies issued at Lloyd's

68

Market results

This report includes the consolidated financial statements of the Society of Lloyd's and all of its subsidiary undertakings, the Central Fund and the group's interest in associates.

SOCIETY REPORT

- 84 Introduction
- 85 Financial highlights
- 86 Corporate governance
- 89 Internal control statement
- 90 Report of the Nominations, Appointments and Compensation Committee
- 97 Report of the Audit Committee
- 98 Report of the Lloyd's Members' Ombudsman
- 98 Report of the Chairman of the Members' Compensation Panel
- 99 Financial review
- 103 Statement of the Council of Lloyd's responsibilities in relation to the financial statements
- 104 Independent auditor's report to members of Lloyd's
- 105 Society of Lloyd's financial statements
- 108 Notes to the financial statements

83

Society report

- 138 Appendix – Managing agents and syndicates
- 140 Glossary of terms