

KEY FACTS

FACT AND FICTION
HERE ARE THE FACTS

Lloyd's is often described as the world's most famous but least understood insurance brand. There is often great interest in Lloyd's but some opinions and comments can often be ill-informed, generating or perpetuating myths and urban legends about who we are and what we do. We hope this document will help to dispel some of these myths and sort out fact from fiction. If you do read some fiction about us, please send the author a link to this key facts document at www.lloyds.com/keyfacts

FICTION: Lloyd's is a bank and a chemist

FACT: Lloyds Banking group and Lloyds Pharmacy are completely separate entities. The only thing we share is a name. We are the world's leading specialist insurance market with a 321 year history.

FICTION: Lloyd's is an insurance company

FACT: Lloyd's is not an insurance company, it is a partially mutualised market where members of Lloyd's join together as syndicates to insure risks. Together the 80 syndicates¹ form the world's largest insurance market.

The Lloyd's market brings together an outstanding concentration of specialist underwriting expertise and talent.

FICTION: The financial services sector is all the same and there is no difference between insurance and banking.

FACT: It is important to make a distinction between the insurance and banking sectors. The impact so far of the financial crisis on the insurance sector has been limited. For the most part, insurance is an economic necessity, not a discretionary purchase. Homes, cars, businesses and workers all need to be insured, irrespective of the state of the economy.

Amidst the unprecedented slump in the world economy, Lloyd's remains in good shape. We have a solid capital position and stable ratings. As a market we are not immune to the financial crisis but unlike other insurers we have stuck to the traditional reinsurance and insurance products which we understand, and we have not sought to diversify into the complex financial products and markets (e.g. credit default swaps) that have been at the centre of the systemic problems facing the financial markets.

FICTION: All insurers balance sheets have suffered as a result of the credit crunch.

FACT: Lloyd's solvency position has improved over the last year and our total assets have grown during 2008 and are over £2 billion². Our conservative investment strategy means that we have preserved capital, returning an investment income of £957 million³ for 2008. The vast majority of our investments are held in cash, government bonds or highly rated corporate bonds. We have minimal exposure to the equity markets. As a result, we have not been subject to the kind of capital erosion that some parts of the life insurance industry have experienced.

FICTION: Lloyd's is inefficient and expensive

FACT: Lloyd's back offices processes have undergone a massive overhaul in recent years and now our claims and payments are processed electronically and further developments are underway. For example, a new Lloyd's Exchange to enable the market to communicate with each other by a simple connection that imports and policies the core ACORD standards is currently being piloted.

We continue to outperform our peers in terms of capital efficiency.

FICTION: Lloyd's is the preserve of the wealthy "name"

FACT: Since 1994, Lloyd's has welcomed all forms of capital. 85%⁴ of our capital is provided by the world's major insurance groups, financial institutions and companies listed on the UK and other stock exchanges. There are now 773 individual names participating at Lloyd's, providing less than 5%⁵ of the capital. The remaining 10%⁶ of capital is provided by Limited Liability vehicles backed by private capital.

FICTION: Lloyd's only offers shipping insurance

FACT: Although Lloyd's started out offering marine insurance, today the market covers some of the world's largest and most complex risks. From oil rigs and bridges to celebrity body parts; from airlines and sporting events to global banks, millions of people at home and at work are covered at Lloyd's.

FICTION: Lloyd's is only based in London

FACT: Lloyd's is licensed to underwrite business in 79 territories and can accept risks from over 200 countries and territories.

Risks aren't confined by oceans or borders so neither is the Lloyd's market. For example 44%⁷ of our business comes from North America and our client base is truly global, encompassing 90%⁸ of FTSE 100 companies and 93%⁹ of Dow Jones companies.

LLOYD'S KEY FACTS

NUMBERS AND STATISTICS

- > The Lloyd's market is made up of 51 managing agents running 80 syndicates.
- > Lloyd's operates in more than 200 countries and territories worldwide. We are expanding our presence into emerging markets such as China, Latin America, India and the Middle East. www.lloyds.com/worldwide
- > Lloyd's provides cover for eight of the world's top pharmaceutical companies and 52 of the world's top banks¹⁰.

FINANCIAL PERFORMANCE

- > In 2008, Lloyd's achieved a profit before tax of £1,899m¹¹.
- > Lloyd's current combined ratio is 91.3%¹² reflecting continued strong performance.
- > At the end of 2008, Lloyd's total assets stood at over £2bn¹³.

OUR STRATEGY, STRENGTH AND RATINGS

- > It is our vision to be the platform of choice for specialist insurance and reinsurance business and we have a clear strategy to achieve this, as set out in our rolling Three-Year Plan: www.lloyds.com/strategy
- > Lloyd's currently holds A+ ratings from Fitch Ratings and Standard & Poor's, and an A rating from A.M. Best.
- > Lloyd's unique capital structure, often referred to as the 'chain of security', provides excellent financial security to policyholders and capital efficiency to members: www.lloyds.com/publications

HOW DOES THE LLOYD'S MARKET WORK?

- > Lloyd's brokers bring business into the market on behalf of clients/policyholders, and shop around to see which syndicates can cover their specific risk and on what terms.
- > Insurance is sold (or 'underwritten') by members of Lloyd's. The members provide the financial backing, known as capital, which acts as security for Lloyd's policies to help ensure that claims are paid.
- > A member or a group of members form a syndicate; which are managed day to day, on behalf of its members, by a managing agent.
- > The Corporation of Lloyd's oversees and provides services to support the market and promotes Lloyd's around the world. www.lloyds.com/marketstructure

PAST AND PRESENT

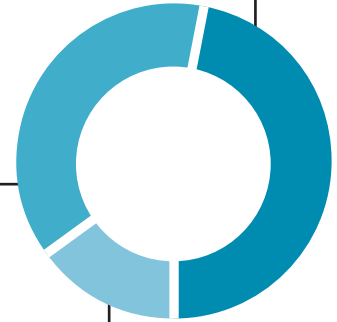
- > Lloyd's started life in a 17th century coffee shop, providing insurance to the burgeoning ship and cargo trade. As new markets emerged, the business evolved, bringing in modern technologies and pioneering new kinds of cover. www.lloyds.com/history
- > The Lloyd's market insures complex and specialist risks from oil rigs and wind farms to major airlines and private space shuttles.
- > Threats such as global terrorism, climate change and geopolitical instability underline the need for Lloyd's to remain responsive and forward looking.
Our 360 Risk Insight project was launched to stimulate thought and discussion about emerging risk issues, tapping in to the knowledge and experience within the market. www.lloyds.com/360

WHERE DOES OUR CAPITAL COME FROM?

47% UK listed and other corporate members

38% International insurance industry

15% Individual members



BREAKDOWN OF BUSINESS BY CLASS

35% Reinsurance

22% Property

21% Casualty

8% Marine

5% Motor

6% Energy

3% Aviation



BREAKDOWN OF BUSINESS BY REGION

44% US & Canada

22% UK

16% Europe

8% Central Asia & Asia Pacific

6% Other Americas

4% Rest of the World



All figures from Lloyd's Annual Report 2008 (www.lloyds.com/2008annualreport)

¹ As at 31 December 2008

²⁻⁷ Lloyd's Annual Report 2008 (www.lloyds.com/2008annualreport)

⁸ As at 24 December 2007 / Lloyd's customer data provided by Xchanging, January 2008

⁹ As at 1 January 2008 / Lloyd's customer data provided by Xchanging, January 2008

¹⁰ Fortune 500 as at 23 July 2007 / Lloyd's customer data provided by Xchanging, January 2008

¹¹⁻¹³ Lloyd's Annual Report 2008 (www.lloyds.com/2008annualreport)