DELIVERING VALUE TO OUR STAKEHOLDERS
LLOYD’S OFFERS CLEAR BENEFITS TO MARKET PARTICIPANTS – AND THE WIDER COMMUNITY.

MARKET PARTICIPANTS
Lloyd’s principal stakeholders are its market participants including managing agents, brokers and capital providers. The value each can derive from participating at Lloyd’s is described below.

CAPITAL PROVIDERS
An opportunity to participate, within a capital efficient framework, in businesses with the ability to maximise their performance in the specialist insurance and reinsurance markets.

MANAGING AGENTS
A core central offer of security, market access and standards, plus the provision of flexible tools and services which can be used as appropriate to execute individual strategies.

BROKERS AND POLICYHOLDERS
A secure market with diverse participants, differing strategies and risk appetites, with the benefit of Lloyd’s reputation and service quality.

COMMUNITY AND ENVIRONMENT
Lloyd’s also has wider social responsibilities. These include supporting the local community, co-ordinating a range of charitable initiatives both in the UK and overseas, and responding to the environmental challenges of climate change.

For more details on Community and Lloyd’s Charities Trust, see pages 62 to 65.
For more details on Environment, see pages 66 to 67.

The attractions of Lloyd’s to each stakeholder group can also be summarized by reference to the five benefits, see pages 60 to 61.
## MARKET PARTICIPANTS

<table>
<thead>
<tr>
<th>Benefits</th>
<th>Capital Providers</th>
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<tr>
<td><strong>1. Performance Framework</strong></td>
<td>→ The confidence that managing agents are meeting minimum standards and consequently reducing the volatility of their performance.</td>
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<tr>
<td>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.</td>
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<td><strong>2. Capital Advantages</strong></td>
<td>→ The ability to achieve higher returns compared to those in other insurance markets through the exploitation of an efficient mutual layer of capital that supports the business of the whole market, yielding a diversification credit to capital providers. Greater choice available to capital providers in how they provide capital to support their underwriting.</td>
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<td>A capital framework in which the benefits of mutuality demonstrably outweigh the costs and which cannot readily be duplicated outside Lloyd’s.</td>
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<td><strong>3. Security and Ratings</strong></td>
<td>→ The ability to earn improved returns on capital as a result of the ratings and the better quality business that they attract.</td>
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<td>Stable insurer financial strength ratings (currently at least ‘A’) necessary to attract specialist property and casualty business.</td>
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<td><strong>4. Market Access</strong></td>
<td>→ The opportunity to obtain attractive returns from an investment in a bespoke portfolio of global insurance risks.</td>
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<td>Cost-effective, easy access to the major markets supported by a global brand and licence network.</td>
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<td><strong>5. Operating Environment</strong></td>
<td>→ More transparent, automated processes, supported by improved management information will reduce managing agents’ operational risk, making Lloyd’s more attractive.</td>
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<td>An efficient, cost-effective operating environment that allows managing agents and brokers, irrespective of their location, to deliver excellent service to customers.</td>
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<td>MANAGING AGENTS</td>
<td>BROKERS AND POLICYHOLDERS</td>
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<td>➔ A framework of minimum standards which makes clear what is required of businesses operating at Lloyd’s. The framework is differential in its application, rewarding better performing businesses (e.g., with lower capital, more flexibility in the application of the Franchise Guidelines) and a generally lighter touch from the Corporation and taking action against underperforming businesses or those which pose a threat to the interests of policyholders and other market participants.</td>
<td>➔ More efficient, transparent and consistent market performance which strengthens Lloyd’s attractiveness as a place for brokers to bring business. Policyholders have their insurance placed with businesses that are subject to underwriting management and claims management standards.</td>
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<td>➔ The ability to respond quickly and flexibly to changing market conditions, attracting capital for both new and existing businesses with the prospect of producing higher returns than could be achieved elsewhere.</td>
<td>➔ The ability for brokers to offer risks to a number of diverse businesses with different risk:reward appetites that share a common rating. Policyholders derive comfort from Lloyd’s financial strength.</td>
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<td>➔ Access to the security ratings necessary to attract specialist insurance and reinsurance business. A more stable rating than could be achieved individually due to the benefits of market diversification. No need to commit the substantial human and financial resources necessary to obtain a rating in their own right.</td>
<td>➔ Brokers have access to significant capacity with the rating required by policyholders. Brokers can place risks with many businesses without having to put each through a separate due diligence process.</td>
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<td>➔ The ability to utilise Lloyd’s trading rights, allowing access to a broad range of business from the world’s major markets, with the majority of the compliance burden being met by the Corporation. Access is possible through a variety of distribution channels. Managing agents can use, as required, one of the most recognised and renowned global insurance brands. The Corporation provides lobbying services on the market’s behalf and ready access to advice and expertise on international compliance and the regulatory environment.</td>
<td>➔ Brokers have easy access to, and speed of decision making by, underwriters who are able to provide global insurance coverage for policyholders.</td>
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<td>➔ Strengthening the competitive position of all managing agents by minimising any burden associated with the processes and operation of a subscription market. Information will be sourced once and used many times to support managing agents in planning, measuring and managing their business. Managing agents (and brokers) may need to modify systems, processes and behaviours to benefit fully from the planned changes.</td>
<td>➔ An interface with the Lloyd’s market that will be comparable to other markets in terms of time and cost to conduct business. Brokers will be able to use simple processes when dealing with Lloyd’s, while continuing to derive the benefit from a subscription market. They will be able to carry out some activities without the need for face-to-face interaction.</td>
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The award-winning Lloyd’s Community Programme gives people in the Corporation and the market the opportunity to ‘put something back’ into the community on their doorstep.

This long-running community involvement scheme provides volunteering opportunities for individuals and companies from Lloyd’s.

In 2007, 900 volunteers from the Corporation and the market took part in opportunities in the East London community through Lloyd’s Community Programme. Volunteering ranged from working with children in Tower Hamlets and Hackney to improve literacy and numeracy skills, to helping regenerate the local community through team challenges such as renovating local parks.

Volunteers taking part in the Lloyd’s Community Programme have found it gives them a greater understanding of diversity in the local community and adds a further dimension to their work within Lloyd’s.

Lloyd’s Community Programme is supported by individuals from over 65 managing agents, insurance brokers and other associated companies. The positive impact of these companies was recognised in 2007, with the award of the Business in the Community Power in Partnership Award. A second Corporate Responsibility award – the Silver Jubilee Award – was also presented in recognition of the programme’s longevity.

Despite bordering on the City and being home to Canary Wharf, East London is characterised by having some of the country’s highest social deprivation statistics. Since Lloyd’s Community Programme was established, it has helped address some of the main socio-economic challenges affecting the area. Read on to find out more about the programme’s support for the community.

**Children and Basic Skills**

**Helping children with literacy and numeracy skills**

During 2007, over 650 children from schools in Tower Hamlets and Hackney benefited from volunteer support to develop basic skills through Reading and Number Partners schemes. Once a week, volunteers from Lloyd’s spent half an hour during a lunchtime, in a local primary or secondary school, to work with children to develop and improve their reading or number skills.

**Young People and Employability**

**Helping young people develop skills to tackle the world of work**

Levels of unemployment in East London are among the highest in the UK, with youth unemployment being a particular issue. Lloyd’s Community Programme works with young people in local schools and colleges to develop essential skills for future employment.

Over 110 volunteers from Lloyd’s have coached young people in the skills required to develop an understanding and awareness of the world of business and develop specific skills such as CV writing, interview techniques and presentation skills.

The annual Tower Hamlets Schools Public Speaking Competition gives students an opportunity to enhance their communication skills, self confidence and ability to construct a reasoned argument. In 2007, nine Year 10 students (14–15 year olds) shared their views on the topic ‘What needs to be done about climate change and whose responsibility is it?’ in the 12th competition hosted by the Corporation and supported by Lloyd’s Community Programme.

Lloyd’s Community Programme also encourages companies in the market to provide work experience placements and internships for local students. During summer 2007 the Corporation and four managing agents offered 11 students from inner London the chance to undertake paid work. This will continue in 2008, aiming to foster better links between companies in the Square Mile and young people in the neighbouring boroughs. Apart from helping students who ultimately want to work in the City, the initiative identifies new sources of talent for Lloyd’s.
Lloyd’s Community Programme members

The Lloyd’s Community Programme was able to undertake its work in the East London community due to the support of the following market participants and service providers during 2007:

- Ace European Group
- Advent Underwriting Ltd
- Amlin plc
- Aon Ltd
- Aecc
- Atrium Underwriting Ltd
- BMS Group Ltd
- Barlow Lyde & Gilbert
- Beasley Group plc
- Benfield
- Bowood Partners Ltd
- Brit Insurance Holdings Ltd
- Canopus Managing Agents Ltd
- Capita
- Catlin Underwriting Agencies Ltd
- Chaucer Syndicates Ltd
- Clyde & Co
- Cooper Gay
- Denis M Clayton & Co Ltd
- Dewey & LeBoeuf
- Edwards Angell Palmer & Dodge UK LLP
- Ernst & Young
- Fawcett Underwriting Group plc
- Heath Lambert Group
- Hiscox plc
- Holman’s
- HSBC Insurance Brokers Ltd
- Ince & Co
- Jardine Lloyd Thompson Group plc
- KLN plc
- Liberty Syndicates
- Lloyd’s
- Lockton
- Marketform Group
- Marsh Ltd
- Mazars
- Miller Insurance Services Ltd
- Munich Re
- Navigator Underwriting Agency Ltd
- Omega
- Porcelainware- Cooper
- QBE Insurance Group
- Reynolds Porter Chamberlain
- Talbot Underwriting Ltd
- Travelers
- Xchanging Claims Services
- Xchanging Insure Services
- XL London Markets Ltd

Reading Partners – helping pupils with literacy in Tower Hamlets

East London pupils in Lloyd’s football cup tournament

**REGENERATING COMMUNITIES**

**IMPROVING OPPORTUNITIES AND FACILITIES FOR LOCAL PEOPLE**

Community based team challenges are increasingly popular team building opportunities for the Corporation and market firms and a great way to support the local community. In 2007, 198 people from six managing agents took part in 11 team challenges in a variety of activities ranging from painting and decorating local school classrooms to clearing a plot of land for a local women’s group to use for allotments.

Local employment opportunities are a key issue and Lloyd’s Community Programme continues to support the Lloyd’s Loan Fund, set up in 1989, to provide financial support to small business start-ups in East London. Further funding for training, both for budding entrepreneurs to help them get off to the best start and for post business start-up training, benefited hundreds of people during 2007.

**CHILDREN AND BROADENING HORIZONS: ARTS**

**OPENING UP CULTURAL OPPORTUNITIES AND EXPERIENCES FOR CHILDREN**

Lloyd’s Community Programme continued to support the National Theatre’s Word Alive! Storytelling Programme. Word Alive! offers a creative way to learn about language, word play and stories. With support from the Lloyd’s Community Programme, over 450 students from Tower Hamlets, Hackney and Newham took part in the programme, which concluded with a visit to the National Theatre to watch a storytelling performance.

Lloyd’s Community Programme’s travel bursaries provide children from primary schools in Tower Hamlets with the opportunity to experience educational activities outside their immediate environment. Over 790 children from 22 Tower Hamlets schools benefited from the travel bursary scheme during 2007. Children from John Scarr Primary School visited Gorsefield Outdoor Activity Centre in Essex, while another group from St Mary & St Michael Primary School enjoyed a trip to Atherfield Bay on the Isle of Wight.

**EFFECTIVE COMMUNITY LEADERS**

**SHARING PROFESSIONAL SKILLS TO SUPPORT THOSE WITH LEADERSHIP ROLES IN THE COMMUNITY**

During 2007, volunteers took part in the Police Mentoring project which matches senior business people from Lloyd’s with members of the Senior Management Team at Hackney Police Service to provide mentoring support through regular meetings. Lloyd’s Community Programme continues to provide opportunities for people to get involved with local charities and non-governmental organisations, in a leadership capacity, as school governors, trustees or board members.
Lloyd’s has a history of social responsibility spanning more than two centuries. Our commitment to social responsibility is clearly demonstrated by the range of charitable initiatives we carry out in the UK and internationally. Whether supporting people in Southern Sudan, making an award to the Dorset and Somerset Air Ambulance, or offering a helping hand to ex-service personnel, Lloyd’s aims to help people through its charitable support.

Lloyd’s Charities Trust
Lloyd’s demonstrates its charitable support through Lloyd’s Charities Trust. Established over 50 years ago, the grant making charity for the Corporation and the market supports a wide range of national and international charities. Donations are made by the Trust to a variety of charities focusing on children and young people, social welfare development and medical health projects.

Partner Charities
Lloyd’s Charities Trust works with three partner charities over a three-year period. Another milestone for the Trust was marked in 2007 with the announcement of the new partner charities for 2007–2010: Coram, FARM-Africa and the Samaritans. These charities were selected because of the work they do with those most ‘at risk’ and the Trust will provide grants of £150,000 to each organisation over the next three years to develop a specific project.

Coram
Children at risk
Coram, one of England’s oldest charities, works with children who are vulnerable and at risk. Coram runs a unique adoption and fostering project – the Concurrent Planning Adoption Programme, which is being supported by Lloyd’s Charities Trust. The programme works with newborn babies in England who are the subject of care proceedings, placing them in families able to adopt them if they’re unable to return to their birth parents. This prevents children experiencing significant disruption in their early years.

FARM-Africa
Communities at risk
FARM-Africa works with people at risk across Africa, helping them to effectively manage their natural resources and build sustainable livelihoods for future generations. The support of Lloyd’s Charities Trust will enable FARM-Africa to progress the Household Recovery Programme for people in Southern Sudan returning to their land after the civil war. Through the partnership, households will be provided with access to clean water, high yield seed, agricultural tools, livestock and village vet training.

For more information on Lloyd’s charity work visit: www.lloyds.com/charity

Children at risk
Image courtesy of Coram

Communities at risk
Image courtesy of FARM-Africa
**SAMARITANS**

**LIVES AT RISK**

The Samaritans offers 24-hour confidential support to anyone in emotional distress. The charity’s ‘Skills for Life’ project, which is being supported by Lloyd’s Charities Trust over the next three years, aims to build emotionally healthier communities for young people at risk of self-harm and suicide. A Suicide and Self-Harm Response Toolkit, to support schools in the event of suicides or self-harm cases, will be developed with the Self-Harm and Response Training Bursary to support teachers and others working with young people at risk.

**LLOYD’S MARKET CHARITY AWARDS**

Another step forward was made in 2007 with the launch of the Lloyd’s Market Charity Awards. These awards enable people in the Corporation and the market to give £1,000 to a UK based charity, including local charities that might otherwise struggle for funding, that they actively support or are involved in. Thirty awards of £1,000 were made to charities including Cystic Fibrosis Trust, Epilepsy Action UK, Tower Hamlets Gateway Club, Dorset and Somerset Air Ambulance and Chingford Air Cadets.

**SPECIAL AWARD**

A new Special Award was launched by Lloyd’s Charities Trust in 2007 with the support of Lloyd’s Council. This annual award is a one-off donation of £50,000 to a charity making a positive contribution to an issue of interest to Lloyd’s.

The first recipient of this award was International Alert, an independent peace building organisation that works to lay the foundations for lasting peace and security in communities affected by violent conflict.

Lloyd’s Charities Trust donation is being used to help establish a new Business and Peace Fund, which will work with businesses operating in conflict prone areas to help them contribute to the creation of a stable political climate.

**LLOYD’S TERCENTENARY FOUNDATION**

Lloyd’s Tercentenary Foundation was established in 1988 to commemorate Lloyd’s 300th anniversary, to support medical, scientific, technical and business related education and research.

The Foundation provides essential financial support to a small number of top-flight research students at the immediate post-doctoral stage of their careers. In 2007, two Lloyd’s fellowships were awarded for research into the Earth’s core where the magnetic field is generated and for the study of Antarctic fossils to determine the effects of climate change.

**LLOYD’S PATRIOTIC FUND**

Lloyd’s Patriotic Fund is the oldest naval and military charity of its kind, established in 1803 to raise funds for victims of the Napoleonic War.

With increased global conflict and UK military personnel serving overseas, the Fund’s support is as vital now as ever, and today financial assistance is available for ex-servicemen and women, their widows and dependants.

The fund pays particular attention to cases of real need, especially those with chronic ailments or who live in poverty. Through its working relationship with SSAFA Forces Help, grants are made for exceptional expenses, essential domestic items, utility bills and home adaptations for those who are disabled.

Assistance is also given to Gurkha pensioners and children of service personnel at nominated schools.

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**Facts – Lloyd’s partner charities**

| **Coram** | 
| Less than 1% of young people who have been taken into the care system go to university. | 
| There are currently approximately 4,000 children waiting to be adopted in the UK. |

| **FARM-Africa** | 
| 90% of the population in the South of Sudan live below the poverty line of less than US$1 a day. | 
| In Southern Sudan less than a third of the population has access to a safe source of clean water. |

| **Samaritans** | 
| 1 in 10 young people self-harm in the UK. | 
| Suicide remains the most common cause of death in men under 35. |
FOR US, CLIMATE CHANGE IS NOT ACADEMIC: IT’S A CORE BUSINESS CHALLENGE FOR THE FUTURE.

LLOYD’S AND CLIMATE CHANGE

Our latest research shows that global warming is likely to bring increasingly dramatic, and possibly rapid, climate change. Business, along with all sections of society, shares responsibility to address the risks and consider the implications of climate change, including preparation for its effects.

Given the nature and extent of the weather risks insured in the Lloyd’s market, climate change is at the top of our environmental agenda.

HOW IS LLOYD’S RESPONDING?

Lloyd’s is actively engaging with various audiences on the impact of climate change, through the ongoing work of the Emerging Risks team and through Lloyd’s 360 Risk Project.

In March 2007, Lloyd’s launched its third climate change report, ‘Rapid Climate Change’, in response to the latest scientific consensus that climate change is likely to bring increasingly dramatic, and possibly rapid, effects at a local level. The report highlighted a number of key issues:

→ The possibility of a rapid rise in sea levels over the coming decades putting coastal communities, including key urban conurbations in the developed world, at risk.

→ The increase in instability of ice sheets and the potentially damaging impact their destruction could have on ocean circulation, sea levels and global climate.

→ The frequency and magnitude of flooding which is set to increase, with resulting impact on lives and homes and businesses.

→ Changing patterns of drought with greater vulnerability in certain regions, such as southern Africa.

Apart from the possibly devastating impacts on the communities affected, these issues are also important to Lloyd’s given the nature and locations of the risks the market insures.

Lloyd’s has made a series of expert views available on www.lloyds.com/360, as part of its programme of drawing on the expertise of leading thinkers from the insurance industry and the worlds of business, politics and academia. In October 2007, Lloyd’s Emerging Risk team helped to bring together a number of international organisations for the first Catastrophe Modelling Forum (see case study, far right).

The Emerging Risks team has continued to work closely with academia on developing new and focused climate change related research and this has resulted in Lloyd’s being awarded a second CASE studentship by the Engineering and Physical Sciences Research Council. Under the guidance of Professor David Stainforth at Exeter University, the research will focus on assessing which outputs from climate models can be used by the insurance industry for robust risk management.

The Emerging Risks team has also been active during the year in highlighting the role of insurers in adaptation and mitigation of climate change. This has included the publication of a report in the Geneva Papers on this subject, as well as participation in a round table discussion at the European Commission’s ‘Green Week’.

Building on feedback from participants in the live debate we hosted in 2006, Lloyd’s 360 Risk Project has also been working to raise awareness amongst wider audiences, particularly students, of the significance of climate change (see case study, right).

With 87% of the Corporation’s employees based in our two UK offices, the Corporation’s direct environmental impact is relatively small. However, we have a role to play in promoting good environmental practice both internally and externally. During 2007, Lloyd’s Environmental Working Group, reporting to the Director, Finance, Risk Management and Operations, met regularly to monitor progress against our Environmental Action Plan. Action was taken in 2007 to reduce energy consumption through a number of initiatives including auto switch-off for computer monitors. Work to address other environmental issues such as waste reduction, recycling and more effective use of resources such as water has also continued during the year. We were proud to receive a Platinum Clean City Award from the Corporation of London for our work on recycling and environmental issues during 2007.
Engaging wider audiences

Feedback from Lloyd’s 360 Risk Project highlighted the need for businesses to raise awareness about the importance of tackling climate change amongst wider audiences, particularly the next generation.

In 2007, Lloyd’s teamed up with charity Poet in the City to encourage individuals to think about the issue in a fresh way through its Trees in the City project. In February 2007, Lloyd’s CEO, Richard Ward, officially opened a new outdoor space with trees and seating for City workers at London’s Fenchurch Street. The site’s design incorporated specially-commissioned poetry on climate change and schoolchildren from nearby Tower Hamlets submitted their ‘wishes for the environment’ which were attached to the newly-planted trees. The project funded the training of a team of educators who took the new poetry to a number of Tower Hamlets schools to help local students understand the importance of tackling climate change.

In May 2007, nine Year 10 Tower Hamlets students delivered impassioned speeches on the subject of ‘Climate Change – what needs to be done and whose responsibility is it?’ in the Old Library at Lloyd’s. The students were the finalists in the Tower Hamlets Schools’ Public Speaking Competition, hosted and supported by Lloyd’s. Lloyd’s was impressed with the time and effort which many students had spent researching the issues and 15-year-old Eiblin Priestley from Morpeth School won the competition with a strong challenge to the audience to ‘Be the change in climate change’. Lloyd’s work to help equip the next generation to deal with emerging risk issues will continue with a further series of schools workshops in 2008.

CLIMATEWISE

A major development during the year was Lloyd’s agreement to become a founding signatory of the new ClimateWise principles for the insurance industry. The principles provide a framework for insurance companies worldwide to tackle climate change and build solutions into their business operations. They were developed following consultation between The Prince of Wales’s Business and the Environment Programme, Lloyd’s, the ABI and other insurance market participants.

In September 2007, the principles were officially launched by HRH The Prince of Wales and to date 41 companies have signed up, including the Corporation and 17 managing agents in the Lloyd’s market.

In signing up to ClimateWise, Lloyd’s committed to take ongoing action under six main themes:

- Lead in risk analysis.
- Inform public policy making.
- Support climate awareness amongst our customers.
- Incorporate climate change into our investment strategies.
- Reduce the environmental impact of our business.
- Report and be accountable.

The ClimateWise principles provide a comprehensive framework for Lloyd’s to address the significant social and economic impacts of climate change. The Corporation is working in partnership with the signatories from the market to track how Lloyd’s is collectively, not just individually, making progress against the principles.

The primary vehicle for reporting progress will be the Lloyd’s website, where up-to-date information will be posted. A summary so far can be found at www.lloyds.com/climatewise.

Bringing scientists and insurers together on climate change

As part of our involvement with ClimateWise, Lloyd’s is committed to sharing research with scientists and others in the insurance industry on climate change related issues.

In October 2007, Lloyd’s teamed up with American International Group (AIG), the Insurance Information Institute (III) and Harvard Medical School to host the first Catastrophe Modelling Forum event in New York. The Catastrophe Modelling Forum has a current focus on climate change and, with additional support from ACE Ltd, Marsh Inc and Travelers, invited leading scientists for a two-day meeting to discuss how catastrophe models should be updated to reflect the latest climate change risks. The meeting was attended by many leading companies from the global insurance industry including brokers, reinsurers, insurers and catastrophe modelling firms.

Professor Kerry Emanuel, from the Massachusetts Institute of Technology, highlighted the strong correlation between hurricane power and sea surface temperatures. Dr Richard Murnane from the Risk Prediction Initiative called for an open architecture for catastrophe models which would accelerate the development of these models. This would enable findings from academia to be integrated into the models more quickly thus strengthening risk management within the industry and helping insurers to more accurately quantify risk and, therefore, maintain insurability as the level of risk changes. He also called for an integration of climate and risk models. The meeting raised a number of interesting questions and proceedings from the meeting will be made publicly available. The next meeting of the forum is scheduled for early summer in 2008 where the debate will continue.