

News Release

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Lloyd's Market Resilient Amid Financial Turmoil, According to Guy Carpenter Briefing

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A new briefing on the Lloyd's insurance market published by Guy Carpenter & Company, LLC, the leading global risk and reinsurance specialist, finds that Lloyd's competitive position strengthened in 2008, in the face of the worldwide financial downturn. According to *Lloyd's 2008 Results – Resilience in a Tough Market*, available at www.GCCapitalIdeas.com, conservative investment allocation, coupled with effective risk management oversight, have helped position Lloyd's to benefit from the current market turmoil.

OPERATING PERFORMANCE

- Lloyd's recorded a pre-tax profit of GBP1.9 billion (USD3.5 billion) for 2008. Though half the figure of 2007, it still represents the third best result in Lloyd's history.
- Weakening market conditions, an increase in catastrophe events, and exceptionally challenging financial conditions accounted for the lower profits.
- Foreign exchange gains of GBP853 million (USD1.6 billion) and prior year reserve releases of GBP1.3 billion (USD2.4 billion) helped keep Lloyd's overall underwriting result positive, despite the increase in catastrophe activity.
- Lloyd's headline combined ratio was 91.3 percent in 2008, compared to 84 percent in 2007, after reductions of 2.7 points for exchange gains on non-translation of non-monetary items and 9.2 points for prior year reserves releases.
- 2008 Lloyd's catastrophe claims rose to GBP1.8 billion (USD3.3 billion), up from GBP420 million (USD781 million) in 2007 and above the long-term average of GBP971 million (USD1.8 billion). Net losses from Hurricanes Ike and Gustav were reserved at GBP1.4 billion (USD2.6 billion).

RESULTS BY CLASS

- Lloyd's gross written premium rose by 10 percent in 2008 to an all-time high of just under GBP18 billion (USD33.5 billion). Growth was seen in all classes, with the exception of motor. The reinsurance account showed the fastest rate of growth, expanding by 15 percent to GBP6.3 billion (USD11.7 billion).
- Underwriting performances for all classes other than marine weakened in 2008, with property, casualty, energy, and aviation reporting technical losses before releases from prior year reserves. Energy was particularly hard hit, reflecting Hurricane Ike losses in the Gulf of Mexico.

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INVESTMENT RESULTS

- Lloyd's reported an overall investment gain for 2008 of GBP957 million (USD1.8 billion), compared with GBP2 billion (USD3.7 billion) in 2007 – representing a yield of 2.5 percent (versus 5.6 percent in 2007).
- Syndicate investments returned GBP521 million (USD969 million) – versus GBP1.2 billion (USD2.3 billion) in 2007 – representing a yield of 2 percent (compared with a yield of 5.2 percent in 2007).
- The notional return on funds at Lloyd's was GBP271 million (USD504 million) for 2008, compared with GBP653 million (USD1.2 billion) in 2007.
- Return on Lloyd's central assets stood at GBP165 million (USD307 million), compared to GBP128 million (USD238 million) in 2007, reflecting strong returns from fixed interest investments.

QUOTES

Chris Klein, Global Head of Business Intelligence, Guy Carpenter

“The Lloyd's market has remained remarkably resilient during the current market dislocation, largely as a result of its diligent risk management and conservative approach to investment.”

Mike Van Slooten, Senior Vice President, Guy Carpenter

“Despite a marked increase in catastrophe activity and the broader turmoil engulfing global markets, Lloyd's emerged from 2008 in an advantageous position, with strong financial strength ratings and a proven ability to absorb the effects of a severe worldwide financial catastrophe.”

TAGS/KEYWORDS

Guy Carpenter, Lloyd's, market, insurance, reinsurance

LINKS/URLs

Lloyd's 2008 Results – Resilience in a Tough Market:

<http://www.gccapitalideas.com/2009/05/13/lloyds-2008-results-resilience-in-a-tough-market/>

Charts Available for Download: <http://www.gccapitalideas.com/category/chart-room>

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and help make the firm's clients more successful. Guy Carpenter's website address is www.quycarp.com.

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