

News Release

Contacts:

Missy DeAngelis

Guy Carpenter

1.917.937.3118

missy.deangelis@guycarp.com

Jennifer Ainslie

Guy Carpenter

44.207.357.2058

jennifer.ainslie@guycarp.com

Caroline Harris

Prosek Partners

1.212.279.3115 ext. 222

charris@prosek.com

Strategic Growth and International Expansion a Priority for Lloyd's, According to Guy Carpenter Report

New York, August 28, 2012 – A new report on the Lloyd's insurance market published today by Guy Carpenter & Company, LLC, a leading global risk and reinsurance specialist, finds that Lloyd's is looking to improve its global competitiveness despite mounting challenges including low investment returns, record catastrophe losses, subdued economic growth in developed markets, and uncertainty over the future of the Eurozone. *Lloyd's: A Vision for Targeted Growth*, available at www.GCCapitalIdeas.com, provides an analysis of Lloyd's operational performance, growth within the sector and explores how changes to the Market's strategy will impact key players within the insurance industry.

The report details how emerging market expansion, coupled with consolidation of its presence in established markets, will be the key driver in positioning Lloyd's to remain the industry's preeminent global hub for specialist insurance and reinsurance. This long-term strategy, coined "Vision 2025," will seek to further diversify Lloyd's capital base and provide new growth opportunities amidst uncertain market conditions.

2011 Operating Performance

- Lloyd's recorded a pre-tax loss of GBP516 million, representing a -2.8 percent return on capital.
- With 2011 regarded as the second-costliest year for natural catastrophe claims in the insurance industry, Lloyd's faced a record-breaking GBP4.6 billion in catastrophe-related losses in 2011, up from GBP2.2 billion the previous year.
- Lloyd's combined ratio jumped to 106.8 percent, up from 93.3 percent in the previous year, as a result of an exceptionally high number of large loss events including the Australian floods, New Zealand and Japanese earthquakes, and United States tornado losses.
- In 2011, about three-quarters of Lloyd's business centered in developed markets such as the United States, Canada, the United Kingdom and Europe. As part of the Market's long-term strategy, Lloyd's will continue to expand its presence in growth markets such as China, Latin America, India and the Middle East.
- The 2011 investment return was 1.9 percent and weaker compared to previous years but the Market's investment strategy has partially insulated it from some of the more damaging volatility seen across a number of markets since the onset of the financial crisis in 2008 and continuing through 2011.

Capacity

- Lloyd's capacity nearly doubled between 2007 and 2012, growing from GBP15.7 billion to GBP24.0 billion.

Strategic Growth and International Expansion a Priority for Lloyd's, According to Guy Carpenter Report

August 28, 2012

- Between 2009 and 2010, capacity jumped 35 percent year-on-year but in 2011 and 2012, Lloyd's only saw increases of 1 percent and 3 percent year-on-year respectively.

Capital and Solvency

- Despite the large losses sustained in 2011, Lloyd's capital levels have remained robust and have significantly increased over the last five years.
- The protracted implementation of Solvency II continues to add uncertainty to the industry and may reduce competitiveness and profits in the short to medium-term as insurers adjust their structures to comply with new capital adequacy levels that have yet to be confirmed.
- The implementation of Solvency II is one of Lloyd's top priorities. The Market will continue to lobby the Financial Services Authority (FSA) to ensure Solvency II and other planned European regulations are appropriate for Lloyd's and to fully understand the impact they will have on Lloyd's international licenses.

QUOTE

Matthew Day, Senior Vice President and EMEA Business Intelligence Practice Leader

"Lloyd's has remained resilient in spite of challenging global market conditions and significant catastrophe losses, but will need to continue to expand its global reach in order to maintain this competitiveness. Now, perhaps more than ever, it is essential to balance this need for growth and diversification while diligently managing risk. The Vision 2025 plan provides a clear roadmap for Lloyd's to leverage its existing structure and strengths to break through to a new frontier of diverse emerging economies."

TAGS/KEYWORDS

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

About Guy Carpenter

Guy Carpenter & Company, LLC is a global leader in providing risk and reinsurance intermediary services. With over 50 offices worldwide, Guy Carpenter creates and executes reinsurance solutions and delivers capital market solutions* for clients across the globe. The firm's full breadth of services includes line-of-business expertise in agriculture; aviation; casualty clash; construction and engineering; excess and umbrella; life, accident and health; marine and energy; medical professional liability; political risk and trade credit; professional liability; property; retrocessional reinsurance; surety; terrorism and workers compensation. GC Fac® is Guy Carpenter's dedicated global facultative reinsurance unit that provides placement strategies, timely market access and centralized management of facultative reinsurance solutions. In addition, GC Analytics®** utilizes industry-leading quantitative skills and modeling tools that optimize the reinsurance decision-making process and help make the firm's clients more successful. For more information, visit www.guycarp.com.

Guy Carpenter is a wholly owned subsidiary of [Marsh & McLennan Companies](#) (NYSE: MMC), a global team of professional services companies offering clients advice and solutions in the areas of risk, strategy and human capital. With 52,000 employees worldwide and annual revenue exceeding \$10 billion, Marsh & McLennan Companies is also the parent company of [Marsh](#), a global leader in insurance broking and risk management; [Mercer](#), a global leader in human resource consulting and

Strategic Growth and International Expansion a Priority for Lloyd's, According to Guy Carpenter Report

August 28, 2012

related services; and [Oliver Wyman](#), a global leader in management consulting. Follow Guy Carpenter on Twitter [@GuyCarpenter](#).

*Securities or investments, as applicable, are offered in the United States through GC Securities, a division of MMC Securities Corp., a US registered broker-dealer and member [FINRA/SIPC](#). Main Office: 1166 Avenue of the Americas, New York, NY 10036. Phone: (212) 345-5000. Securities or investments, as applicable, are offered in the European Union by GC Securities, a division of MMC Securities (Europe) Ltd., which is authorized and regulated by the Financial Services Authority. Reinsurance products are placed through qualified affiliates of Guy Carpenter & Company, LLC. MMC Securities Corp., MMC Securities (Europe) Ltd. and Guy Carpenter & Company, LLC are affiliates owned by Marsh & McLennan Companies. This communication is not intended as an offer to sell or a solicitation of any offer to buy any security, financial instrument, reinsurance or insurance product. **GC Analytics is a registered mark with the U.S. Patent and Trademark Office.

###