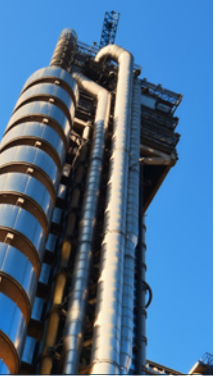
LLOYD'S OF LONDON MARKET REPORT

July 2022

Gallagher Re

CONTENTS



4. KEY FINDINGS

6. LLOYD'S PERFORMANCE—2021 DASHBOARD

8. LLOYD'S 2021 PROFITABILITY

14. LLOYD'S 2021 BALANCE SHEET

18. LLOYD'S SEGMENTAL PERFORMANCE
- Property
- Casualty
- Marine, Aviation and Transport
- Reinsurance—Property
- Reinsurance—Casualty
- Reinsurance—Specialty
- Reinsurance Correlation Analysis

26. SYNDICATE PERFORMANCE AND ANALYSIS

30. CURRENT ENVIRONMENT—AT A GLANCE
- Impact of Russian Invasion of Ukraine
- Inflationary Environment
- COVID-19
- Environmental, Social and Governance ("ESG")
- Initiatives by Lloyd's

32. LLOYD'S BUSINESS MODEL AND CAPITAL SETTING
- Business Model Overview
- Chain of Security
- Lloyd's Capital Setting and Positioning

KEY FINDINGS

Welcome to the first annual publication of Gallagher Re's Lloyd's market report which tracks the capital and profitability of the Lloyd's market.

This report is an update on Lloyd's of London covering its business model, capital, initiatives undertaken and analysis of underwriting performance for the 2021 year.

Against a backdrop of four challenging years of +100% combined ratio, Lloyd's delivered a marked return to profitability in 2021: Gross Written Premium increased by 11% to £39.2billion, alongside a reduction in the combined ratio to 93.5% for the calendar year (2020: 110.3%), representing a pretax profit of £2.3billion, underwriting profits of £1.74billion, and return on capital of 6.6%.

- Attritional loss ratios continued a five-year declining trend falling to 49% in 2021, reflective of the continuing rate momentum across Lloyd's following 16 consecutive quarters of positive movement, as well as the impact of remedial work undertaken.
- 2021 was a year not without challenges: the reduced attritional loss ratio offset a significant amount of natural catastrophe activity, which has continued to be a challenge for the market. Hurricane Ida, winter storm Uri and European Floods made notable contributions to major claims figures (11.2%).
- Reduction in the acquisition cost ratio resulted in a 2.2% fall in the overall expense ratio to 35.5%, this was due in part to a shift in the business mix resulting from remediation activities combined with increases in risk-adjusted rate.

COVID losses from 2020 remained stable with minimal impact in terms of reserve movements. COVID losses did not contribute to Lloyd's major claims figures in 2021.

Going into 2022, there are several challenges facing the market and wider industry:

- The ongoing invasion of Ukraine by Russia is driving a range of uncertainties in the market, relating to loss potential, inflationary pressures and impact on investments. Lloyd's have previously stated that exposure to aviation, credit, cyber, and political risk classes are within manageable tolerances, and would not create solvency challenges. Market participants will continue to keep a close eye on developments; with Lloyd's markets writing a majority share of the war and aviation war market, material adverse loss deterioration in this space could have direct consequences for insurers and reinsurers.
- Inflation is a key area of focus—syndicates will need to ensure that inflation is carefully considered and factored into planning activities which will be monitored by Lloyd's.
- Environmental, Social and Governance remains a key priority for Lloyd's with its commitment to be net-zero by 2050. Syndicates will be required to submit a strategy and framework as part of 2023 business plans.
- Digitisation and modernisation remain a critical concern at Lloyd's. The joint venture project between DXC Technology and Lloyd's aims to deliver the 'engine room' that will drive future technological progress, driving more automated and efficient placement and claims processes.

All information in this report is based on Lloyd's publications, including the Annual Report and Accounts, Results presentation, individual syndicate annual report data (sourced through SNL) and Gallagher Re internal information.

LLOYD'S PERFORMANCE — 2021 DASHBOARD

Exhibit 1: Overview of Results

Pretax Profit	Return on Capital[1]	Combined Ratio	Investment Return	Net Resources[2]
£2.3bn	6.6%	93.5%	1.2%	£36.6bn

Exhibit 2: Gross Written Premium ("GWP") Splits

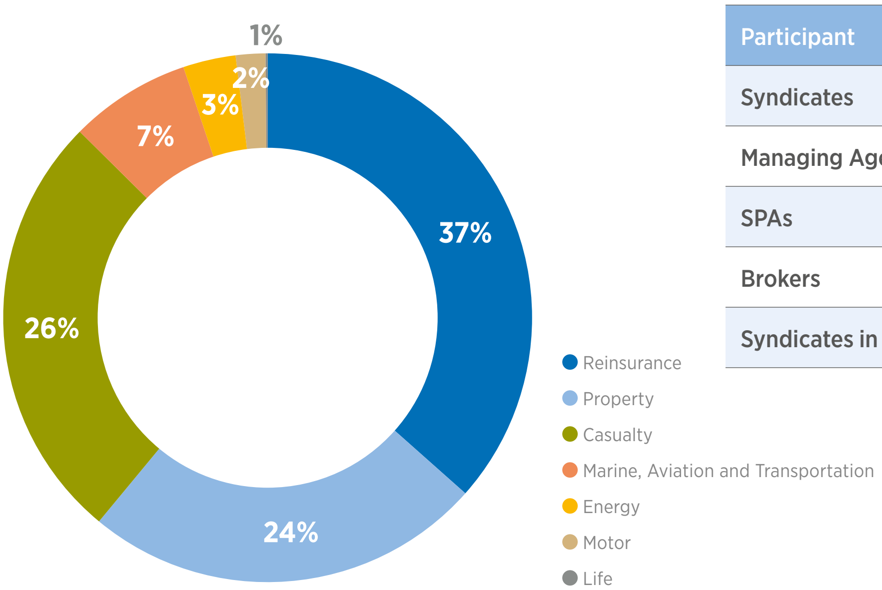
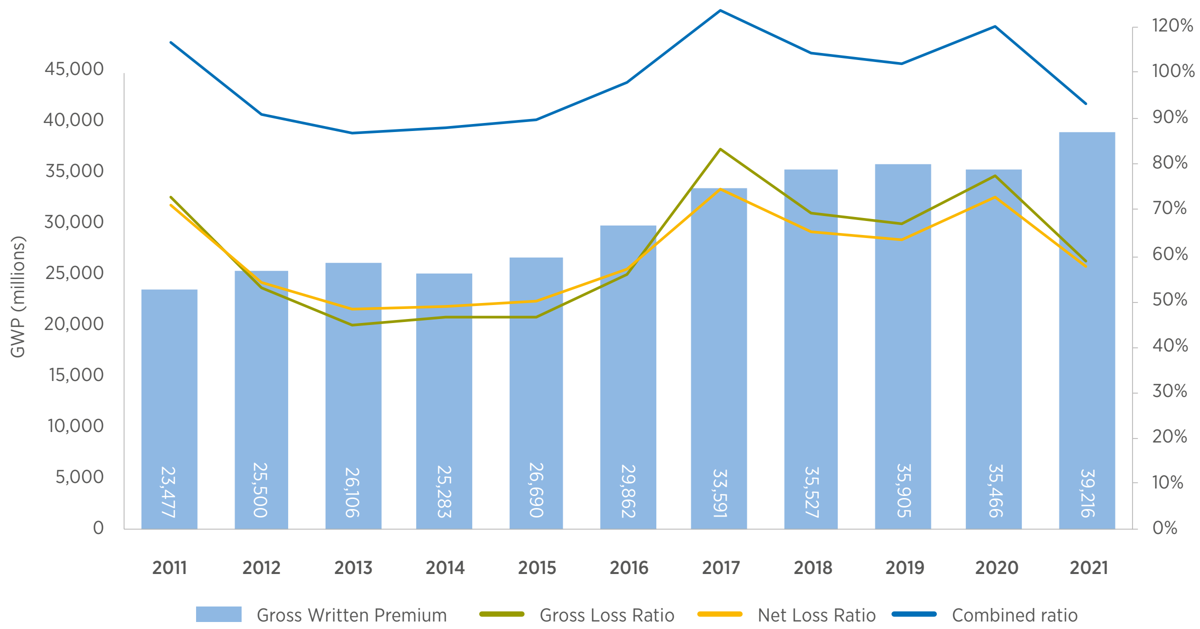


Exhibit 3: Lloyd's Participants

Participant	Count
Syndicates	75
Managing Agents	50
SPAs	12
Brokers	338
Syndicates in a Box ("SIABs")	3

Exhibit 4: Development of Lloyd's Gross Written Premium and Losses



[1]Pre-tax return on capital
[2]Capital, reserves and subordinated debt and securities

LLOYD'S 2021 PROFITABILITY

The current combined ratio at Lloyd's calculated over five years is 104.7%, improving to 98.7% over 10 years. The five-year combined ratio in particular highlights the scale of recent performance challenges, and the need for continued focus on sustainable profits.

Exhibit 5: Lloyd's Income Statement Summary (£m)

Income Statement	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Gross Written Premium	23,477	25,500	26,106	25,283	26,690	29,862	33,591	35,527	35,905	35,466	39,216
Net Written Premium	18,472	19,435	20,231	20,024	21,023	23,066	24,869	25,681	25,659	25,826	28,439
Underwriting Result	-1,237	1,661	2,605	2,329	2,047	468	-3,421	-1,130	-538	-2,676	1,741
Investment Return	324	470	564	444	156	709	1,110	171	2,166	1,226	900
Pre-tax Result	-516	2,771	3,205	3,161	2,122	2,107	-2,001	-1,001	2,532	-887	2,277
% Ceded Premium	21.3%	23.8%	22.5%	20.8%	21.2%	22.8%	26.0%	27.7%	28.5%	27.2%	27.5%
Loss Ratio	71.3%	54.0%	48.6%	49.0%	49.9%	57.3%	74.5%	65.3%	63.4%	73.2%	57.9%
Expense Ratio	35.6%	37.1%	38.2%	39.1%	40.1%	40.6%	39.5%	39.2%	38.7%	37.2%	35.5%
Combined Ratio	106.8%	91.1%	86.8%	88.1%	90.0%	97.9%	114.0%	104.5%	102.1%	110.3%	93.5%

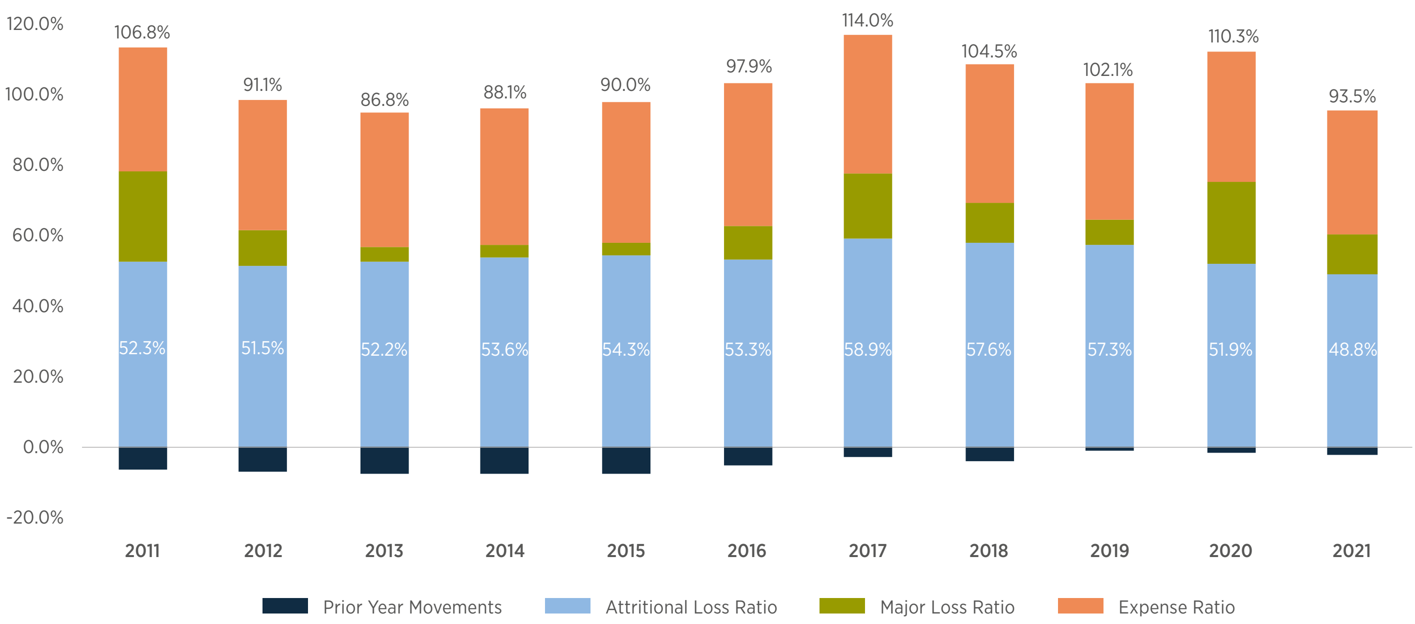
Gross Written Premium ("GWP")

GWP rose by 10.6% year over year, in large driven by the following three factors:

1. An average risk-adjusted rate increase of 10.9%. This marks sixteen consecutive quarters of positive price movements.
2. Organic growth through expanding into profitable lines of business plans.
3. A weakening of the USD:GBP exchange rate, dampening the growth given the majority of Lloyd's business is USD denominated.

Combined Ratio Breakdown

Exhibit 6: Lloyd's Calendar Year Net Combined Ratios

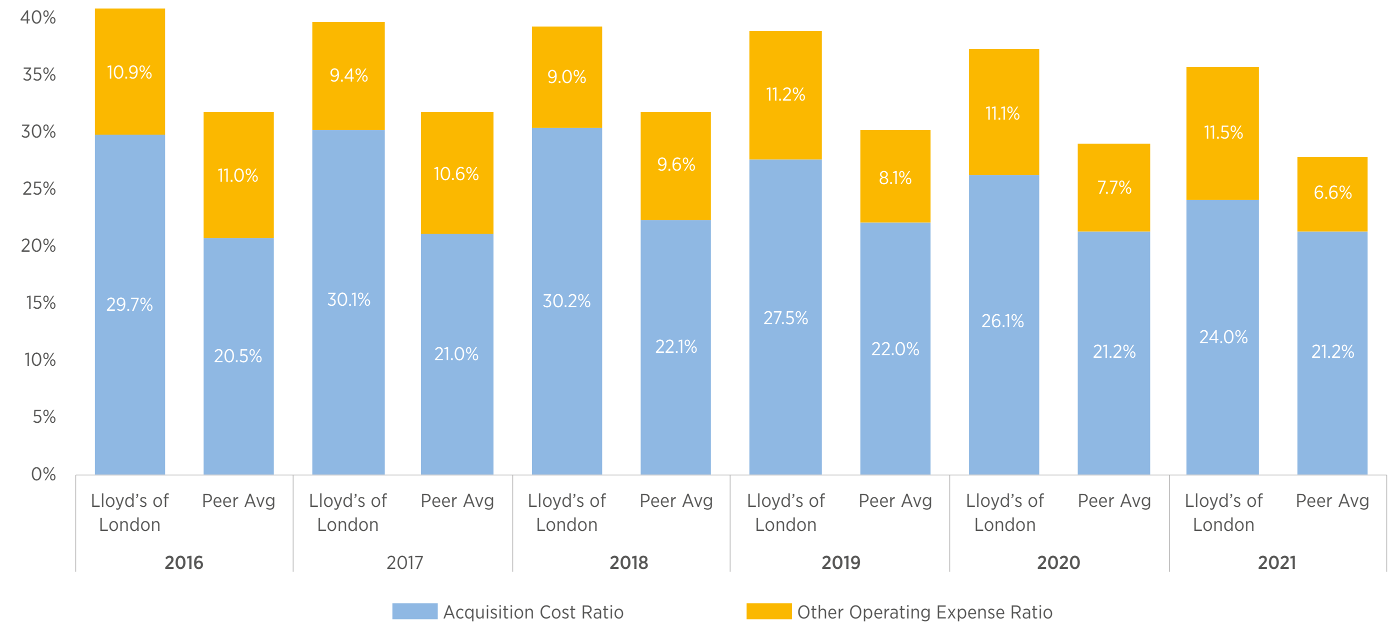


The 2021 calendar year combined ratio of 93.5% is the lowest reported since 2015:

- This is despite a substantial "Major Loss Ratio" of 11.2%, the third-highest in the last 10 years (after 2011 and 2020). This was predominantly due to Hurricane Ida, U.S. Winter Storm Uri and the European Floods, which heavily impacted the Property D&F and Treaty market.
- Prior year movements (reserve releases) continue to support the calendar year performance, with a 2.1 point benefit for 2021. COVID loss estimates have been stable so little deterioration has been seen to impact the 2021 results.
- The overall expense ratio for 2021 fell from 37.2% to 35.5%, driven by a fall in the acquisition cost ratio (26.1% to 24%). The drop in acquisition cost ratio is understood to be driven by a shift in the business mix through remediation and as a result of the increased price.

Peer Benchmarking

Exhibit 7: Lloyd's Expense Ratios vs Peers

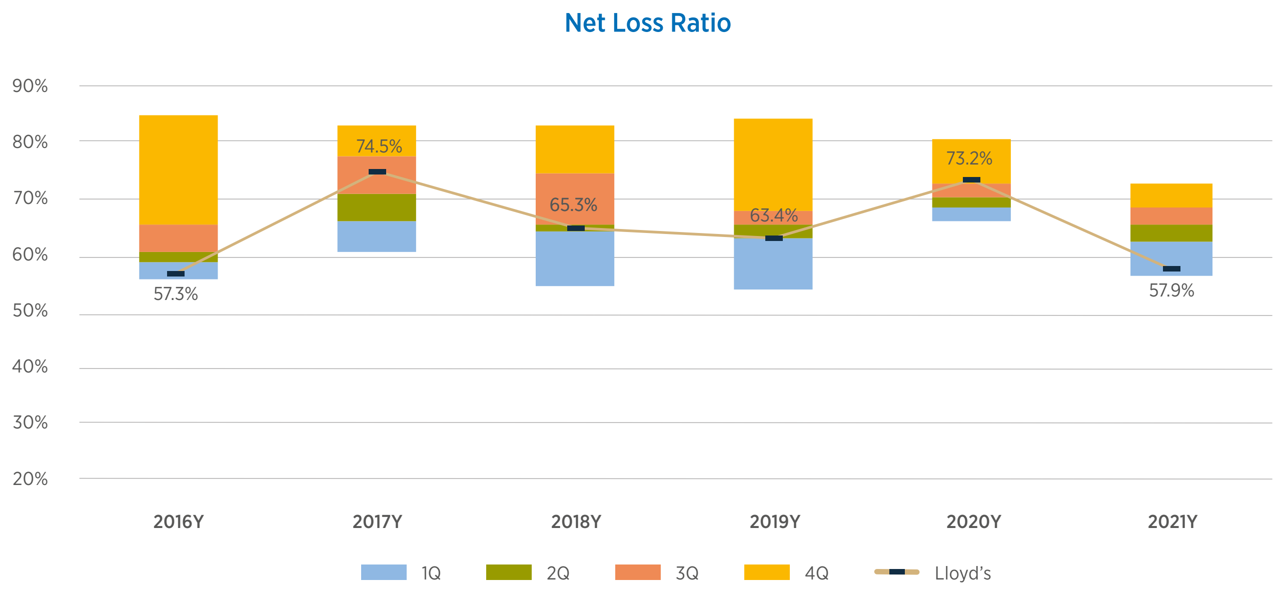


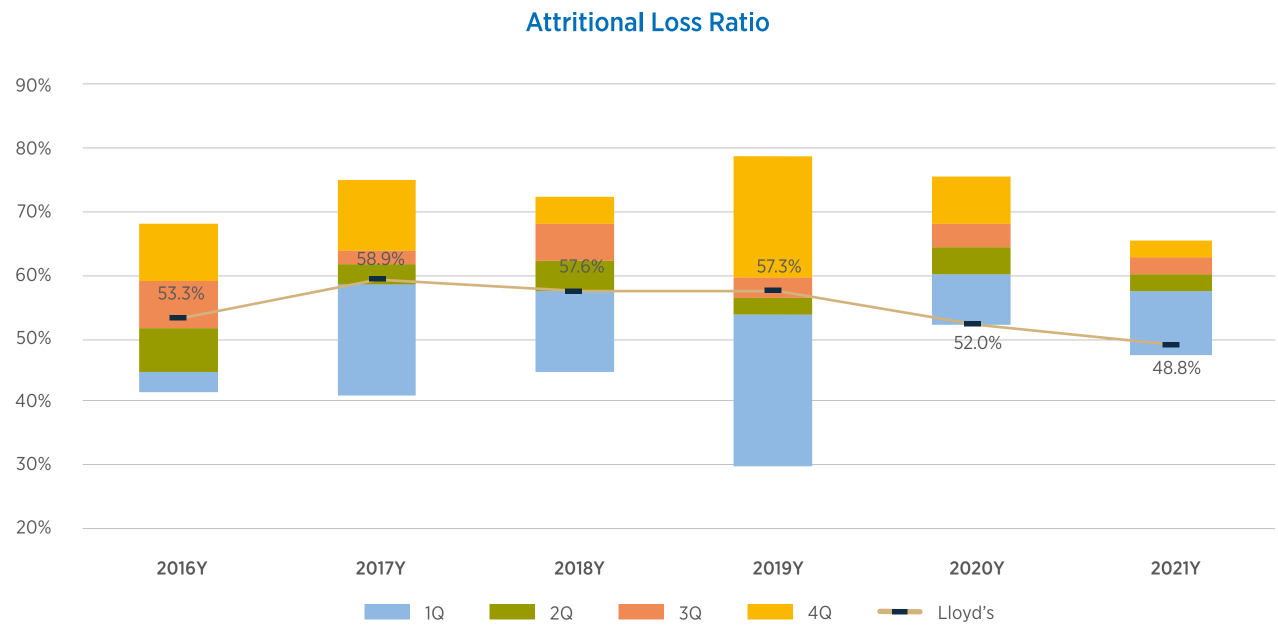
Peer Group: Munich Re, Hannover Re, Swiss Re, AXA XL, AIG, Allianz Group, CNA Corp, Arch

Historically Lloyd's has incurred higher acquisition costs than the reference peer group, in part due to the nature of risks written in the market and fragmented market structure, however, in recent years the gap in acquisition costs has narrowed to 7.8 points.

Exhibit 8: Lloyd's vs Selected Peers Combined Ratios (Weighted)

Exhibit 8: Lloyd's Total Net/Attritional Loss Ratio vs Peers (Accident Year)





Peer group: Munich Re, Hannover Re, Swiss Re, AXA XL, AIG, Allianz Group, CNA Corp, Arch, Everest Re, SCOR, Zurich, Chubb

When compared against a reference peer group the Lloyd's market has experienced mixed results over the past six years, achieving top quartile performance in 2016, and 2019, but notably suffering relatively larger COVID losses in 2020, and HIM losses in 2017. The 2021 result puts Lloyd's firmly within the top quartile versus the reference peer group.

A continued trend in reducing the attritional loss ratio is a positive signal that the portfolio remediation and rate increases are having a material impact on the underlying underwriting performance. Maintaining, or stabilising, this downwards trajectory in 2022 will present a challenge for the market as inflationary pressures, and post-pandemic economic activity intensifies.

Overall Profitability

Exhibit 9: Breakdown of Lloyd's Profit/Loss Before Tax (£m)

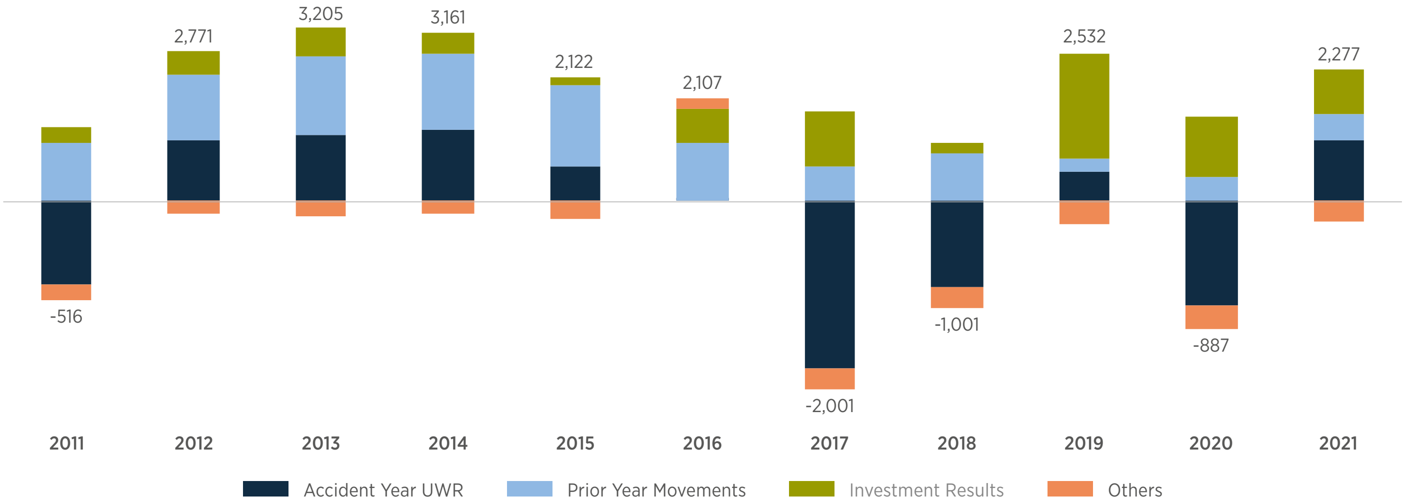


Exhibit 9 illustrates the breakdown of Lloyd's profit and loss since 2011. The exhibit highlights a period of recent volatility and increased risk, and most notably the marked turnaround in underwriting performance in spite of reduced investment income in 2020 (down 27% from 2020).

The 2021 calendar year combined ratio of 93.5% is the lowest reported since 2015

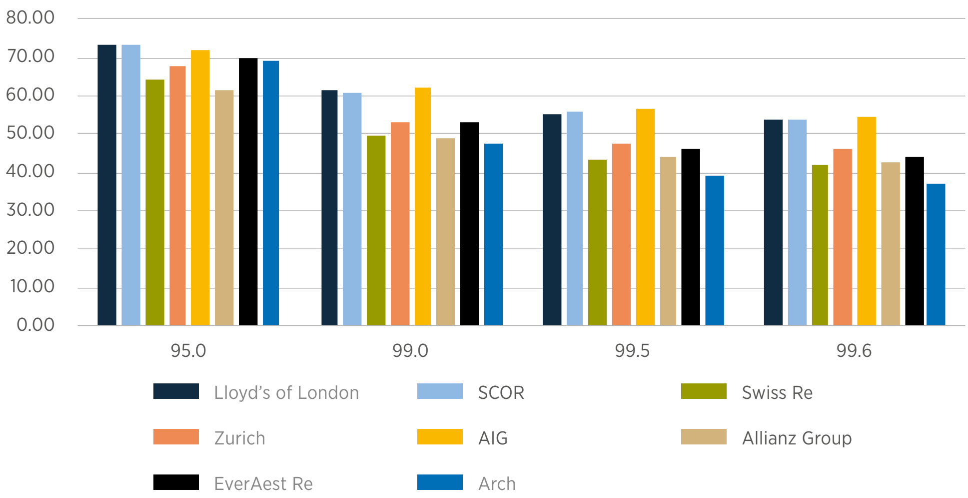
LLOYD'S 2021 BALANCE SHEET

Exhibit 10: Lloyd's Balance Sheet Summary (£m)

Balance Sheet	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Cash and investments	51,475	51,871	51,601	54,896	56,977	67,778	68,023	71,427	73,399	80,129	84,722
Gross technical provisions	51,918	51,517	49,821	50,696	52,556	64,295	71,270	78,318	76,798	81,107	86,874
Reinsurers' share	12,153	12,439	11,466	10,746	10,978	14,420	20,183	23,394	23,597	25,073	28,284
Net technical provisions	39,765	39,078	38,355	39,950	41,578	49,875	51,087	54,924	53,201	56,034	58,590
Net resources	19,114	20,193	21,107	23,471	25,098	28,597	27,560	28,222	30,638	33,941	36,553

Net Resources = Member's Balances + Funds at Lloyd's + Central Assets + Subordinated Debt

BCAR Score 2021 by Confidence Levels

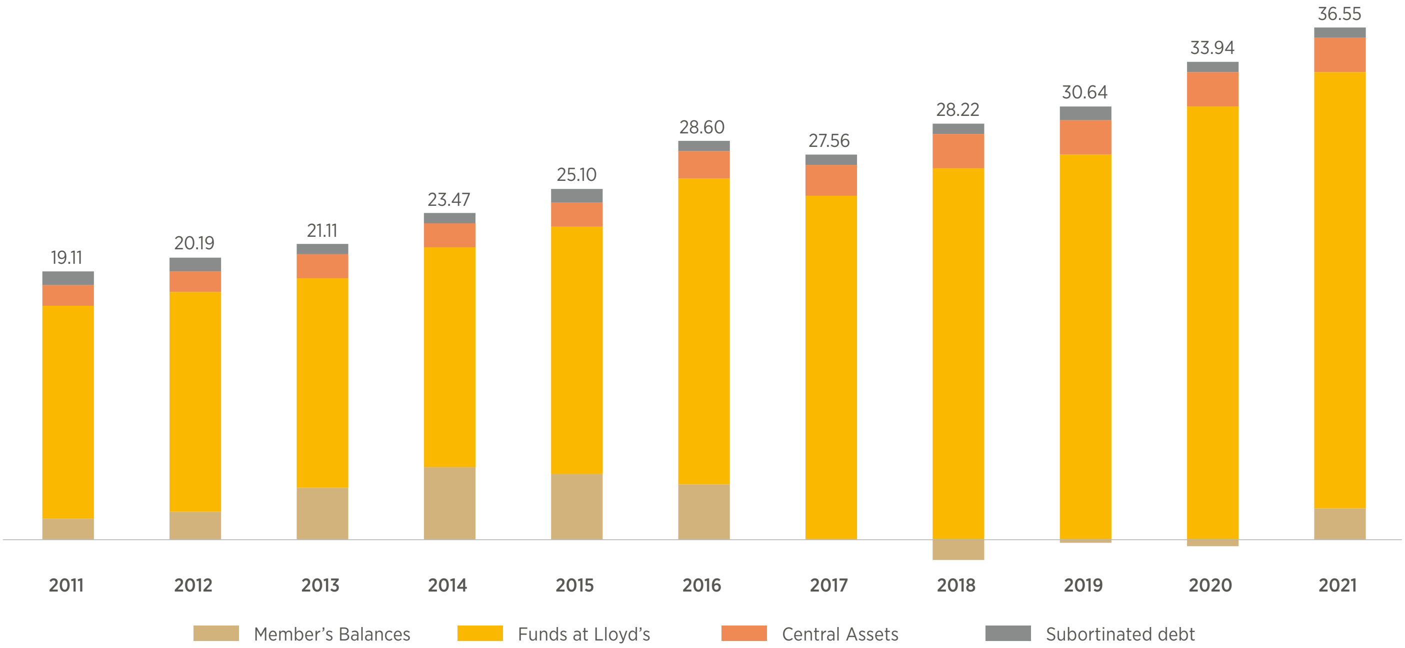


Best's Capital Adequacy Ratio (BCAR) rates the market as having the strongest level of risk-adjusted capitalisation.

The Lloyd's Central Solvency ratio (CSCR) is 388% and the Market Wide Solvency ratio (MWSCR) is 177%.

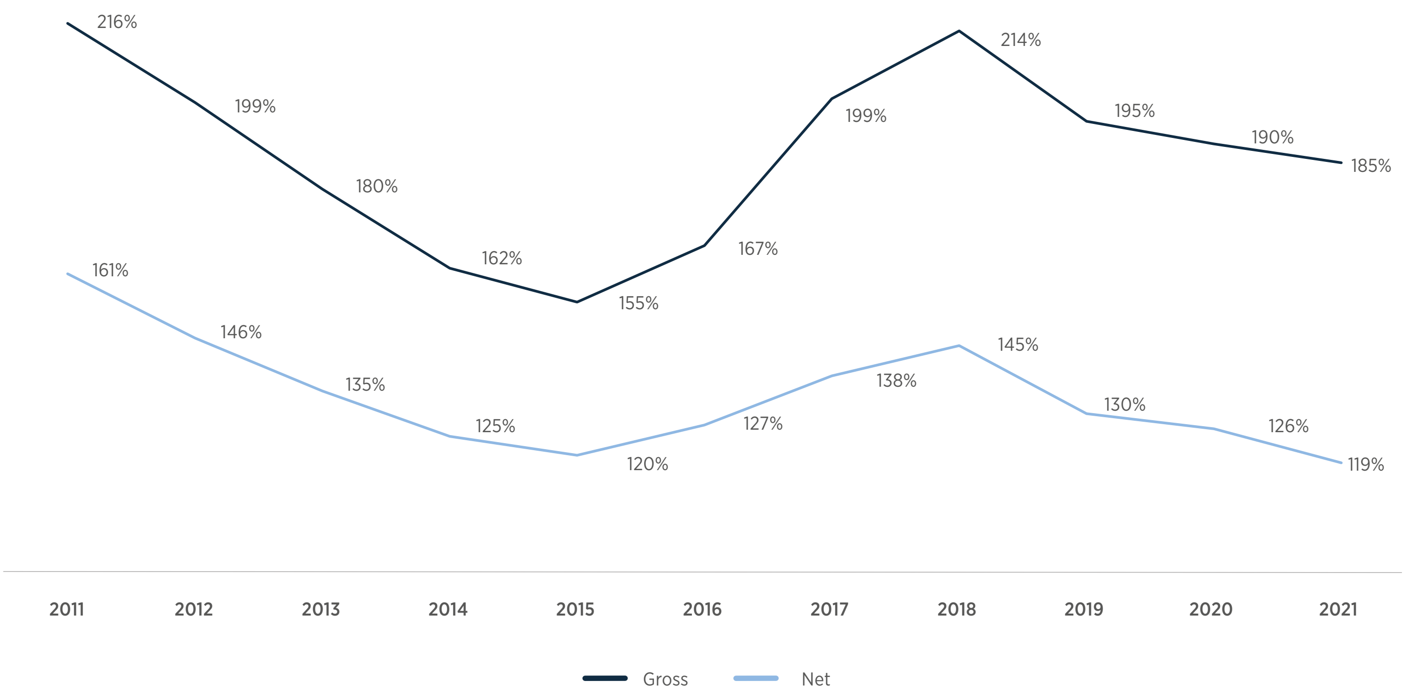
Capital Make-Up and Technical Reserves

Exhibit 11: Lloyd's Capital Base (£bn)



Lloyd's Net Resources (capital) increased by 7.7% in 2021, predominantly due to an increase in Member's Balances. Member's Balances represent the net profit/loss to be distributed/collected by syndicates to/from the members. Only net profits in excess of a member's capital requirements can be distributed.

Exhibit 12: Lloyd's Claims Reserve Leverage (Claims Outstanding/Net Resources)



Reinsurer's share of technical provisions increased to a greater extent than gross technical provisions (+12.8% vs +7.1%) leading to a 4.6% increase in net technical provisions.

Return on Capital and Equity at Lloyd's

Exhibit 13: Lloyd's Return on Average Net Assets (Capital)

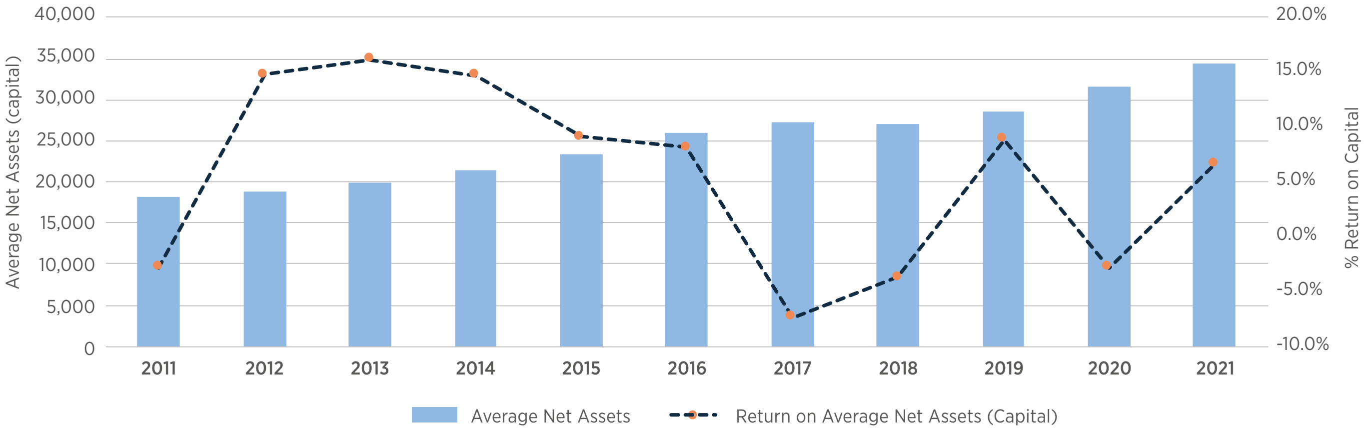
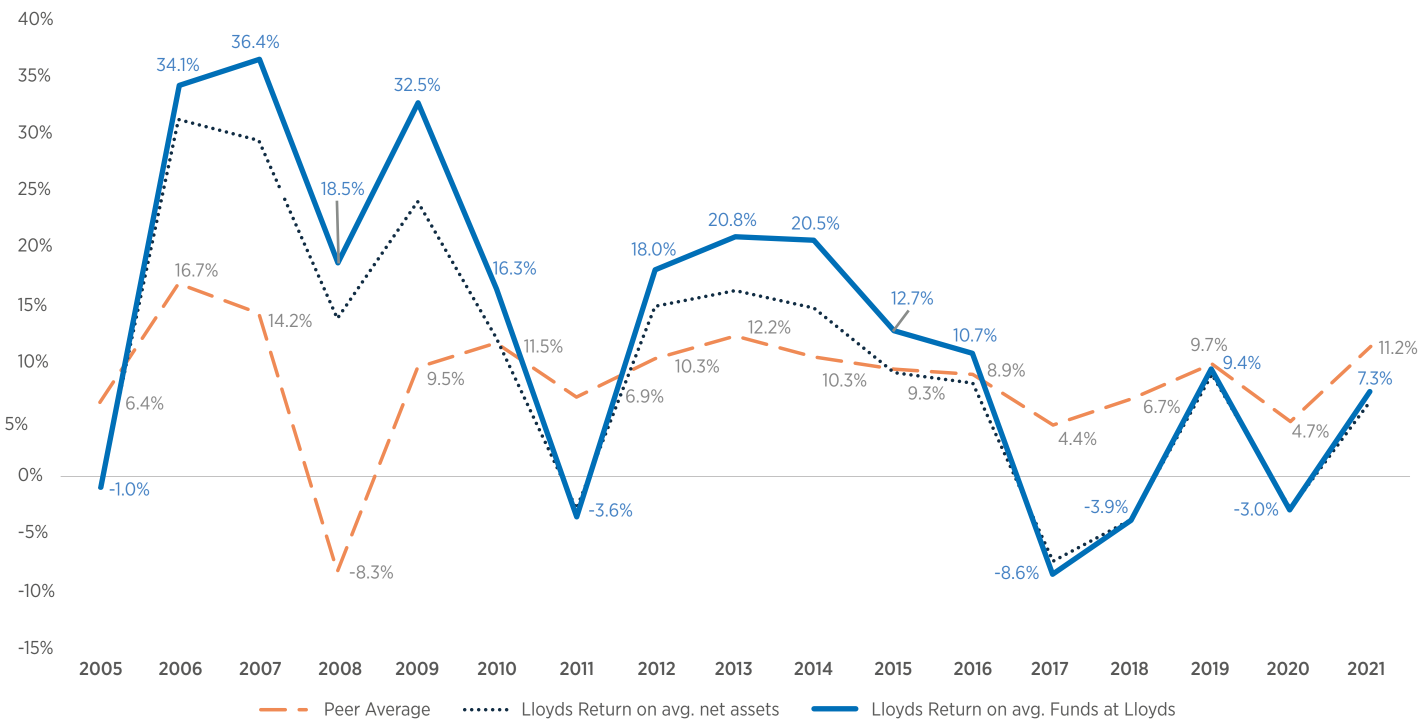


Exhibit 13 highlights a volatile period of market return on capital, alongside a long-run trend in increasing average net assets. The average return on capital since 2011 is 5.6%, while the five-year average is 0.3%, given the heavy loss activity of recent years. Returns have been volatile, with a swing of 23.5 points between the worst and best years since 2011.

Exhibit 14: Lloyd's Return on Equity vs Peers



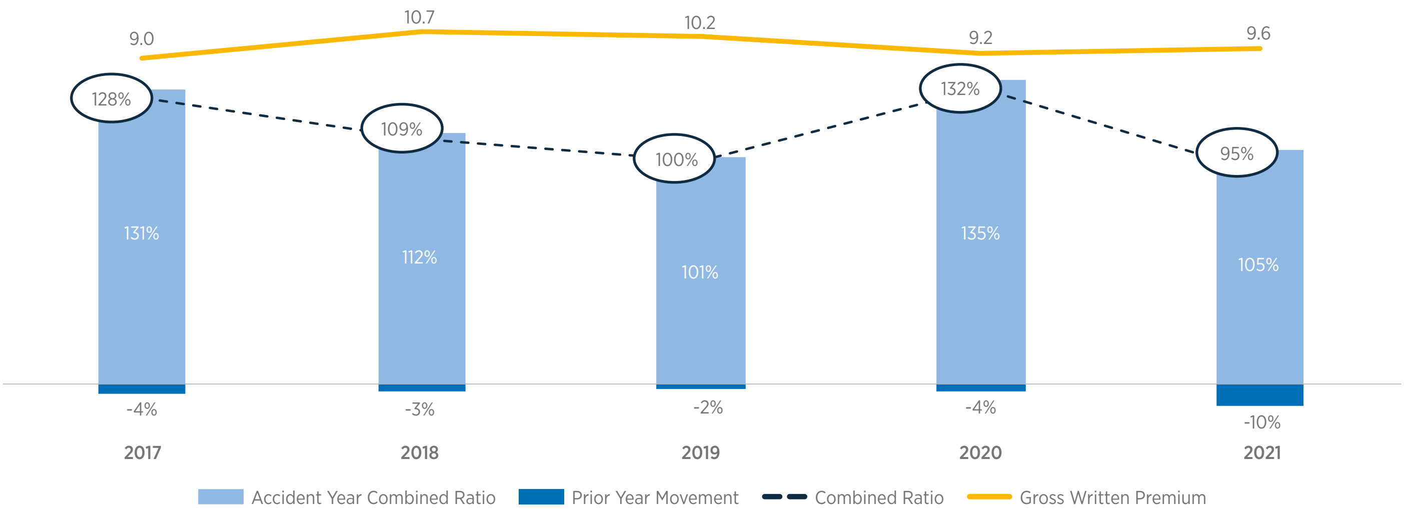
Peer Group: Munich Re, Swiss Re, Hannover Re, SCOR, Zurich, AXA XL, AIG, Allianz Group, Chubb, CNA Corp, Everest Re, Arch ROE for Lloyd's calculated as Profit before Tax/Funds at Lloyd's

The return on equity of Lloyd's has been better or in-line with the peers since 2005, except for the more CAT-affected years, which have been more prevalent in the last five years. Please note that the graph above compares: peer average return on equity, Lloyd's return on average net assets (balance due to/from members, funds at Lloyd's and central resources; and Lloyd's average return on Funds at Lloyd's).

LLOYD'S SEGMENTAL PERFORMANCE

Property

Exhibit 15: Property Combined Ratios and Gross Written Premiums (£bn)



Property GWP grew by 3.9% in 2021, with positive rate movements continuing. The accident year combined ratio remains above 100% as cat losses continue to be an issue in the segment, with Winter Storm Uri, Hurricane Ida and European Floods all contributing significantly to the loss ratio. Against this backdrop, some syndicates are continuing to de-risk and refine their cat appetites.

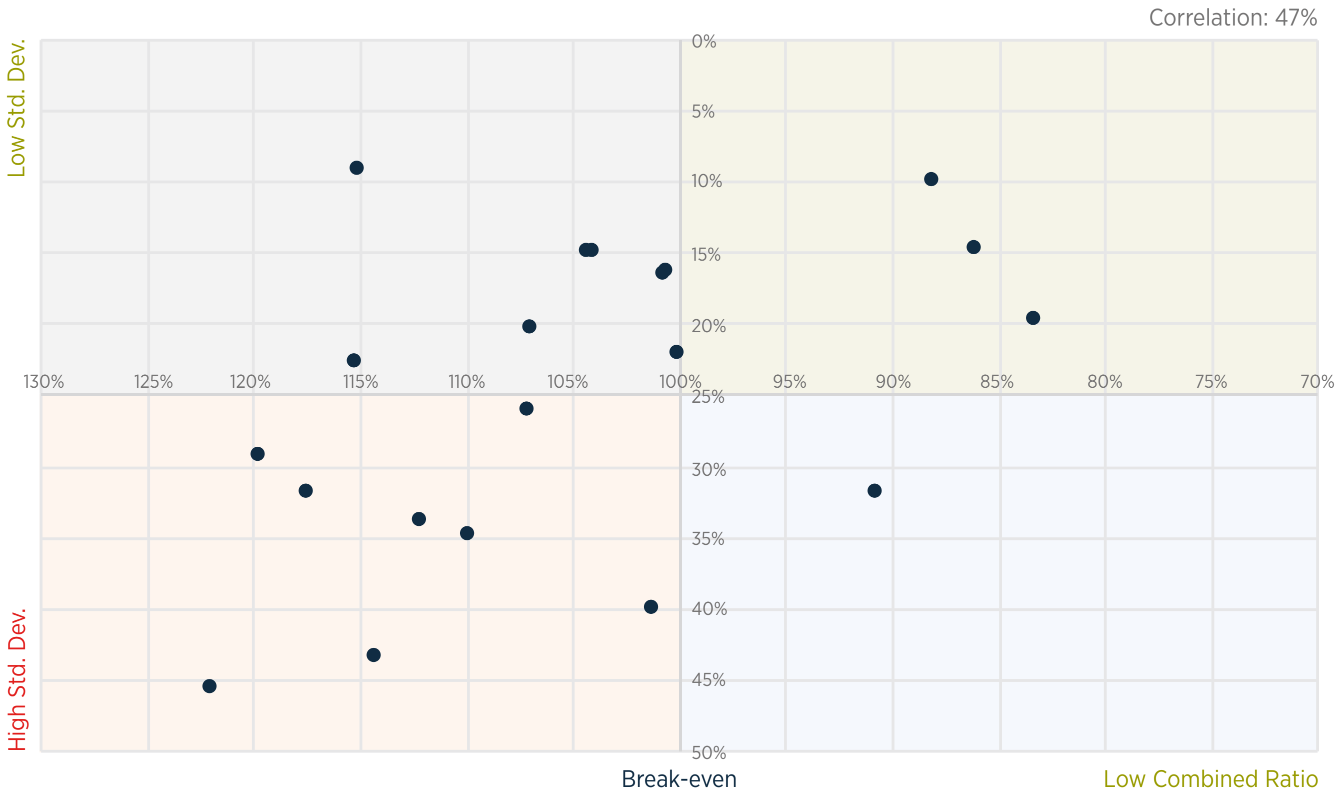
A reserve release of 9.9% has helped to offset this performance and brings the segment into profitability on a calendar year basis. The release is mainly due to favourable movements on cat events from 2018 and 2017 which offset the deterioration in more recent losses, particularly hurricanes Sally and Zeta.

Pricing in property lines is expected to maintain an upward trajectory as insurers seek to manage increased reinsurance costs, inflationary pressure, and rate adequacy for natural perils losses.

The graph below shows the five-year average combined ratio and standard deviation of individual syndicates. This analysis outputs a positive correlation of +50%, suggesting more volatile syndicates tend to have higher average combined ratios.

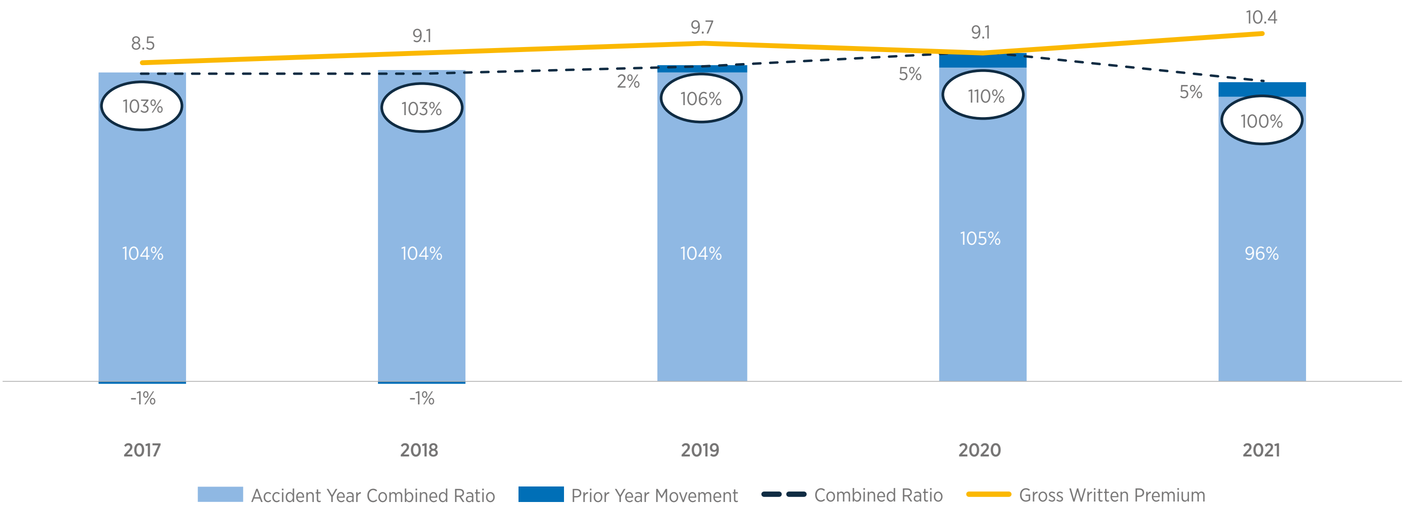
Note that the exhibit is based on syndicates which have been active for the past five years, with over £50 million of Gross Earned Premium in the segment. Figures are gross of any outward reinsurance (net combined ratio by the line of business is not reported).

Exhibit 16: Fire and Other Property Damage—Direct Combined Ratio vs Standard Deviation (five-year average)



Casualty

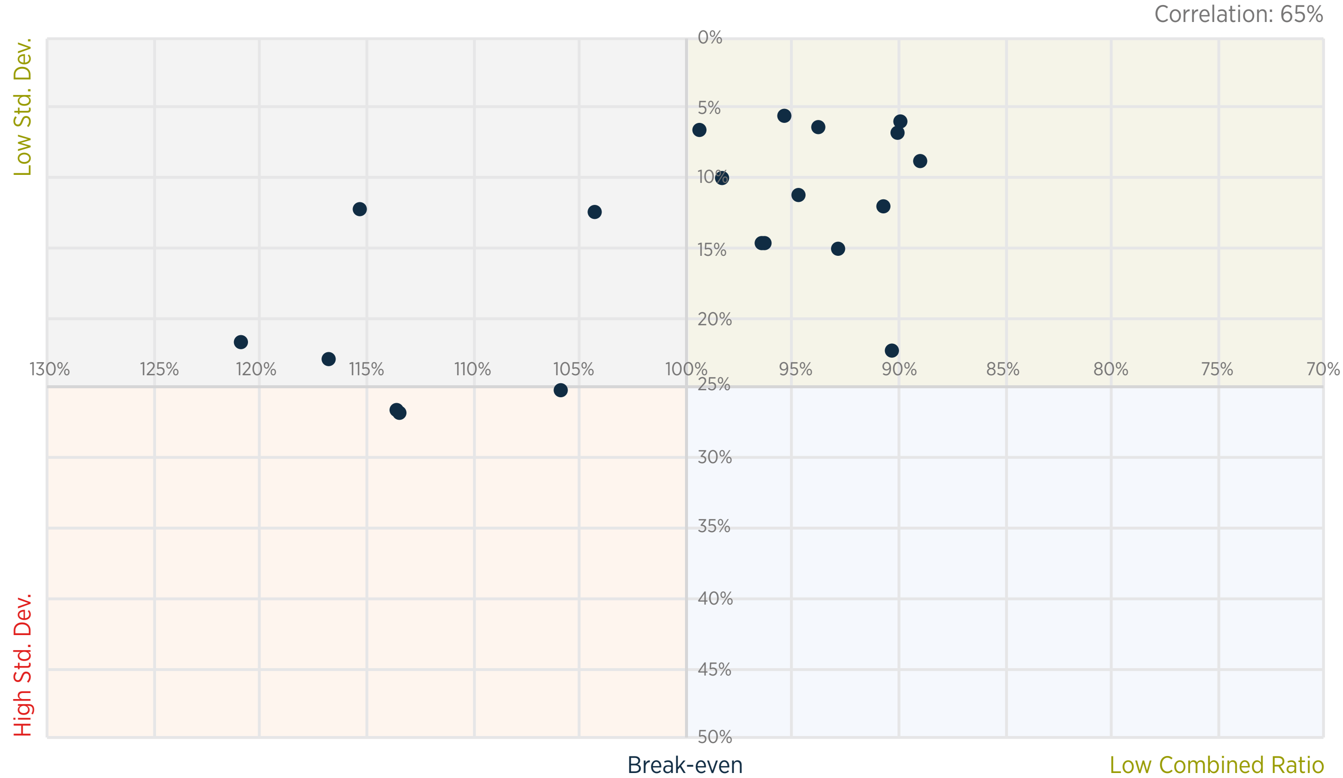
Exhibit 17: Casualty Combined Ratios and Gross Written Premiums (£bn)



Casualty GWP grew by 14.3% in 2021 with rates continuing to increase (particularly in Cyber and D&O) and capacity stable. Prior year movements continue to erode profitability and pushed the calendar year combined ratio to 100.3%. This is driven by financial lines such as D&O and Professional Indemnity.

Cyber claims have increased in recent years and will be an area of focus. Given the long-term nature of casualty lines in general, and with the environment of social and economic inflation, a greater level of uncertainty is being factored into reserves.

Exhibit 18: Third-Party Liability—Direct Combined Ratio vs Standard Deviation (five-year average)

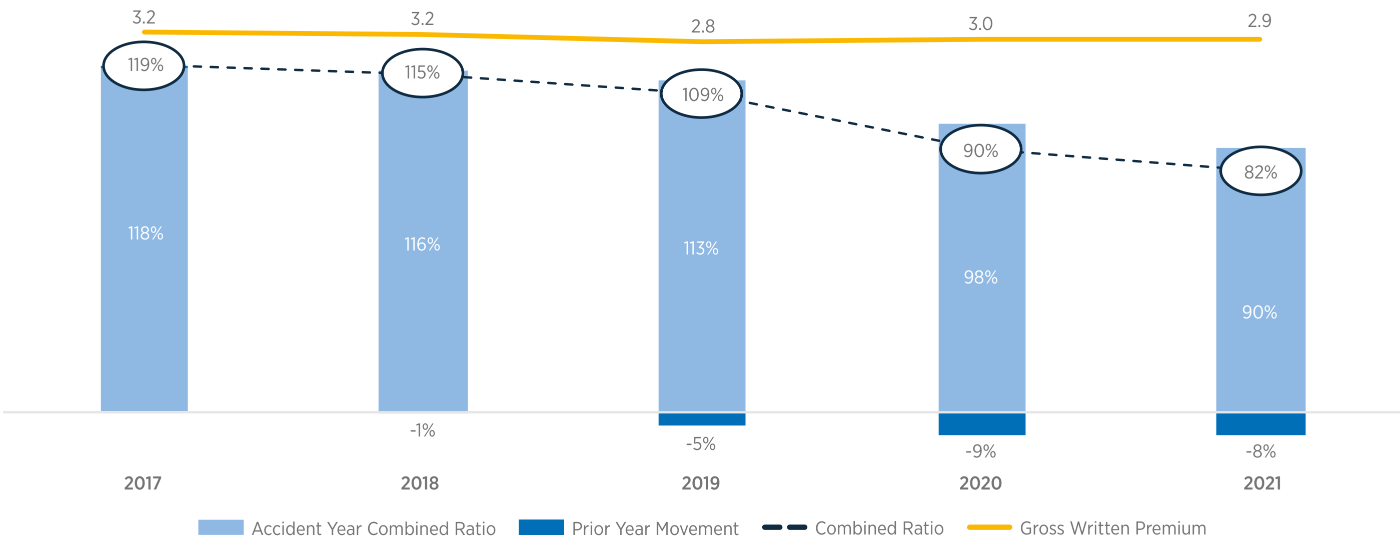


The graph above plots the five-year average combined ratio and standard deviation of individual syndicates. This analysis outputs a positive correlation of +65%, suggesting more volatile syndicates tend to have higher average combined ratios.

Note that the exhibit is based on syndicates which have been active for the past five years, with over £50 million of Gross Earned Premium in the segment. Figures are gross of any outward reinsurance (net combined ratio by the line of business is not reported).

Marine, Aviation and Transport

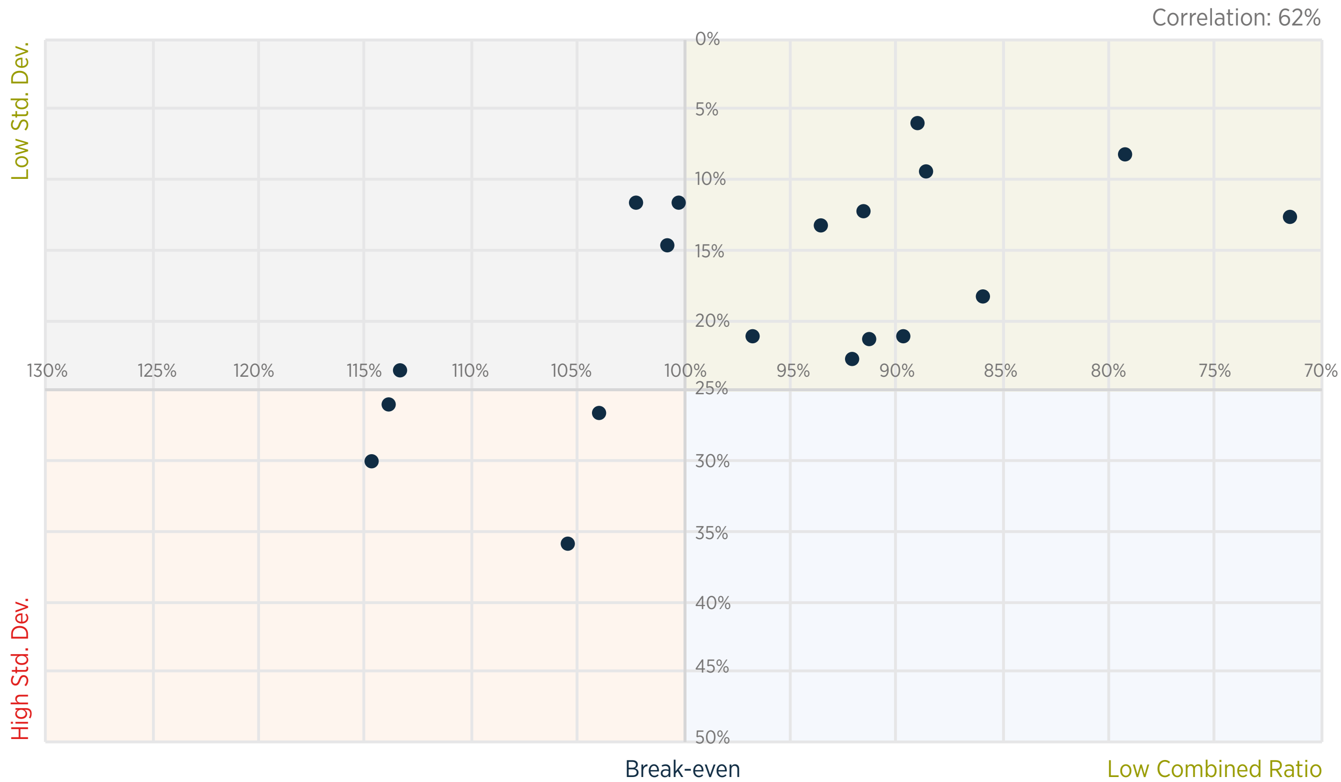
Exhibit 19: Marine, Aviation and Transport Combined Ratios and GWP (£bn)



The combined ratio for Marine, Aviation and Transport fell to 82% in 2021, reflecting the extensive remediation and compound rate increases seen in recent years. Covid-19 also played a part, particularly in aviation, where the exposure was more limited.

Reserve releases account for an 8% improvement in the calendar year combined ratio, with the 2017 Hurricane Irma loss improving. It is expected that loss activity in the aviation sector may increase following increased post-lockdown economic activity.

Exhibit 20: Marine, Aviation, Transport—Direct Combined Ratio vs Standard Deviation (five-year average)

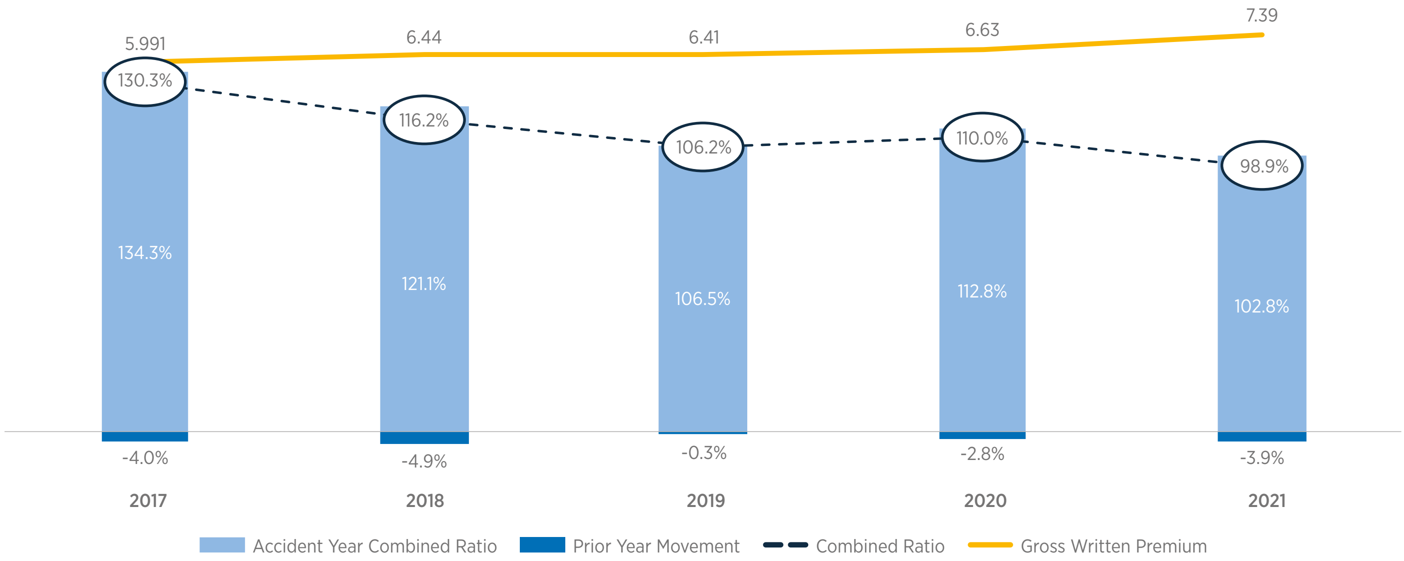


The graph above plots the five-year average combined ratio and standard deviation of individual syndicates. This analysis outputs a positive correlation of +62%, suggesting more volatile syndicates tend to have higher average combined ratios.

Note that the exhibit is based on syndicates which have been active for the past five years, with over £50 million of Gross Earned Premium in the segment. Figures are gross of any outward reinsurance (net combined ratio by the line of business is not reported).

Reinsurance—Property

Exhibit 21: Reinsurance—Property Combined Ratios and GWP (£bn)

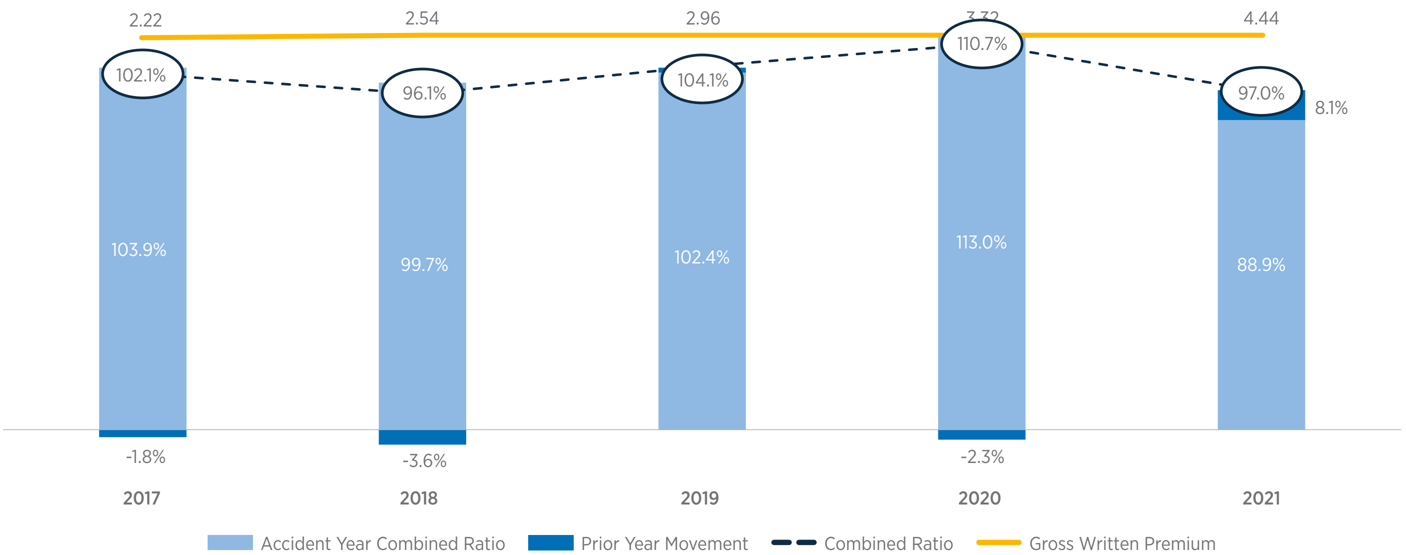


The largest sector of the Reinsurance—Property segment is Property Cat XoL. GWP increased by 11.4% year on year, with rates increasing across most regions globally and in particular for loss-affected accounts.

The accident year combined ratio sits at 102.8% reflecting the high level of natural catastrophe experience in 2021. Reserve releases bring the calendar combined ratio below 100%, with favourable movements in some 2018 and 2019 losses (Typhoon Jebi, California Wildfires, Typhoon Faxai and Typhoon Hagibis). This outweighed deterioration in the hurricane Sally and Laura losses.

Reinsurance—Casualty

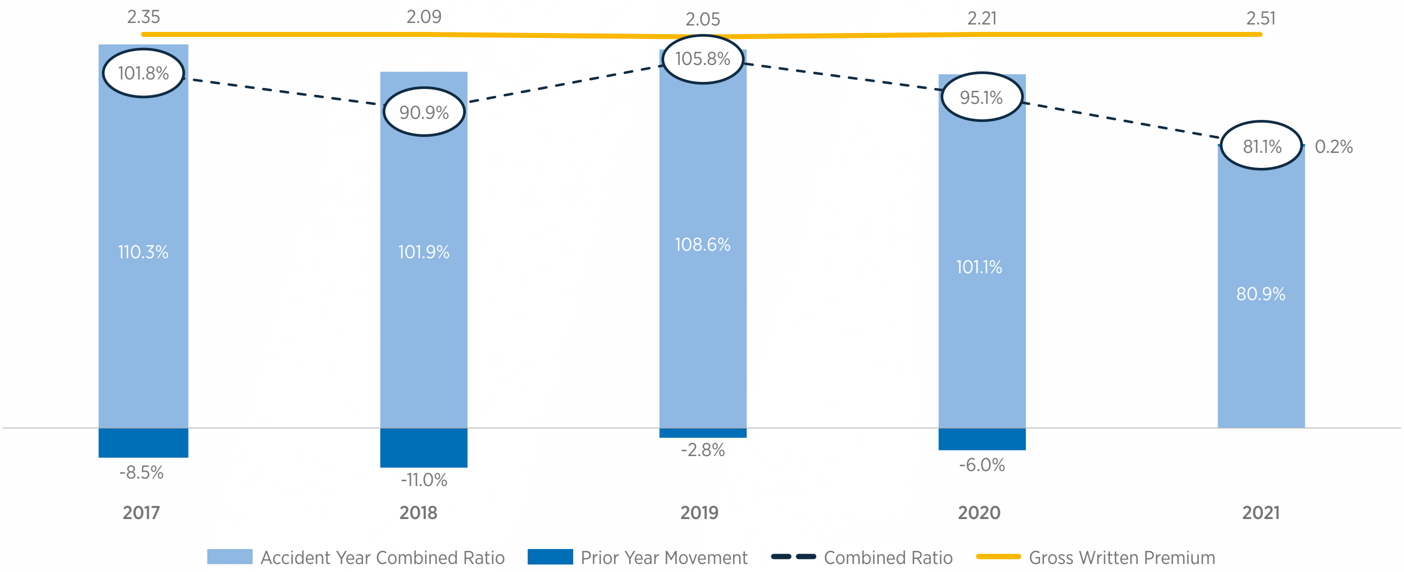
Exhibit 22: Reinsurance—Casualty Combined Ratios and GWP (£bn)



The largest sectors of the Reinsurance—Casualty segment are nonmarine liability excess of loss and U.S. Workers' Compensation. GWP grew by 33.7% in 2021, again driven by rate increases. There was an 8.1% reserve deterioration versus a 2.3% reserve release in 2020, highlighting challenges relating to social and economic inflation within the class.

Reinsurance—Specialty Reinsurance

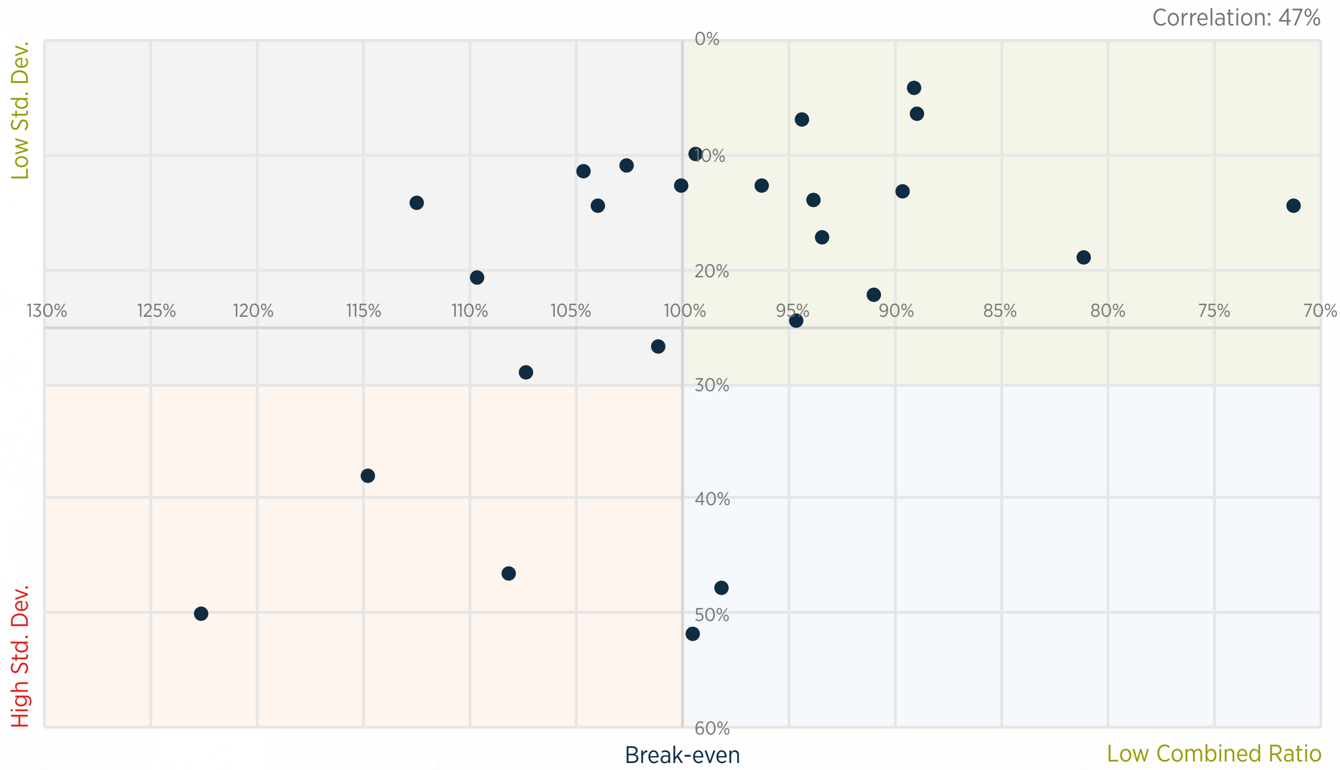
Exhibit 23: Reinsurance—Specialty Combined Ratios and GWP (£bn)



Marine reinsurance is the largest sector of Lloyd's specialty reinsurance business. GWP increased by 13.6% compared to 2021 driven by positive rate momentum following the overall remediation in the segment. As with the direct lines, the segment has benefited from reduced economic activity in 2021 and the calendar year combined ratio sits at 80.9%.

Reinsurance Correlation Analysis

Exhibit 24: Reinsurance—Combined Ratio vs Standard Deviation (five-year average)



The graph above plots the five-year average combined ratio and standard deviation of individual syndicates. This analysis outputs a positive correlation of +47%, suggesting more volatile syndicates tend to have higher average combined ratios.

Note that the exhibit is based on syndicates which have been active for the past five years, with over £50 million of Gross Earned Premium in the segment. Figures are gross of any outward reinsurance (net combined ratio by the line of business is not reported).

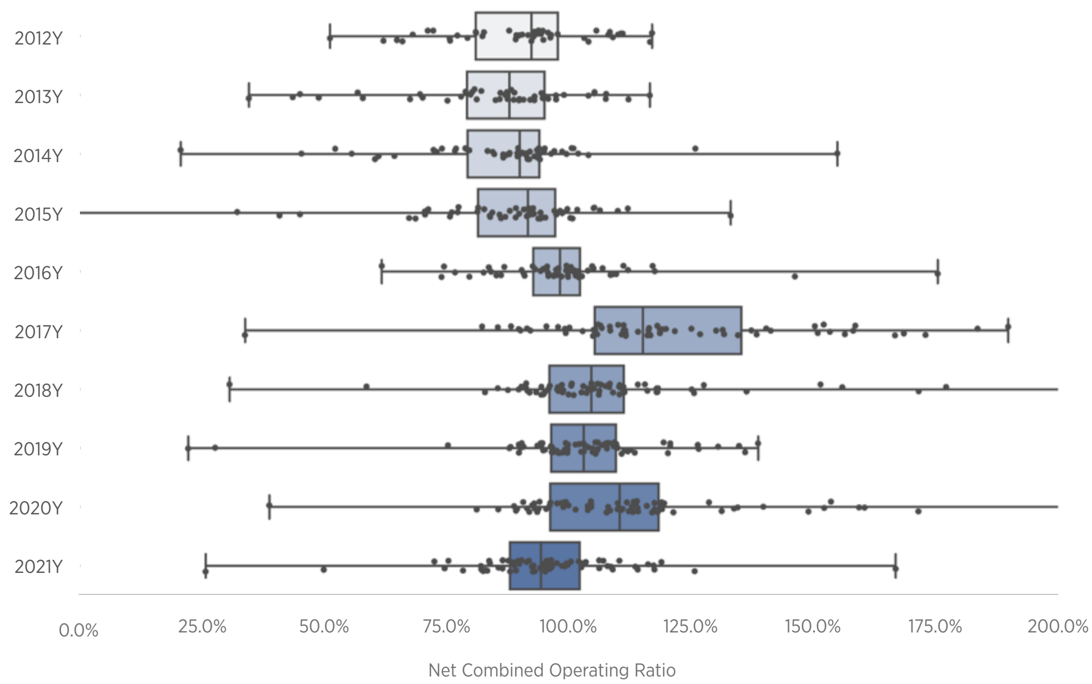
SYNDICATE PERFORMANCE AND ANALYSIS

Syndicate Profitability

Exhibit 25: Syndicate Combined Ratio Distribution by Year

The visualisation below illustrates the distribution of underwriting performance by COR. The majority of syndicates achieved a sub 100% combined ratio in 2021. The general spread of performance across the market has significantly narrowed and shifted toward a profitable result versus previous years.

Net Combined Operating Ratio Distributions



Syndicate Profitability

Exhibit 26: Cumulative Underwriting Profit by Syndicate (£m)

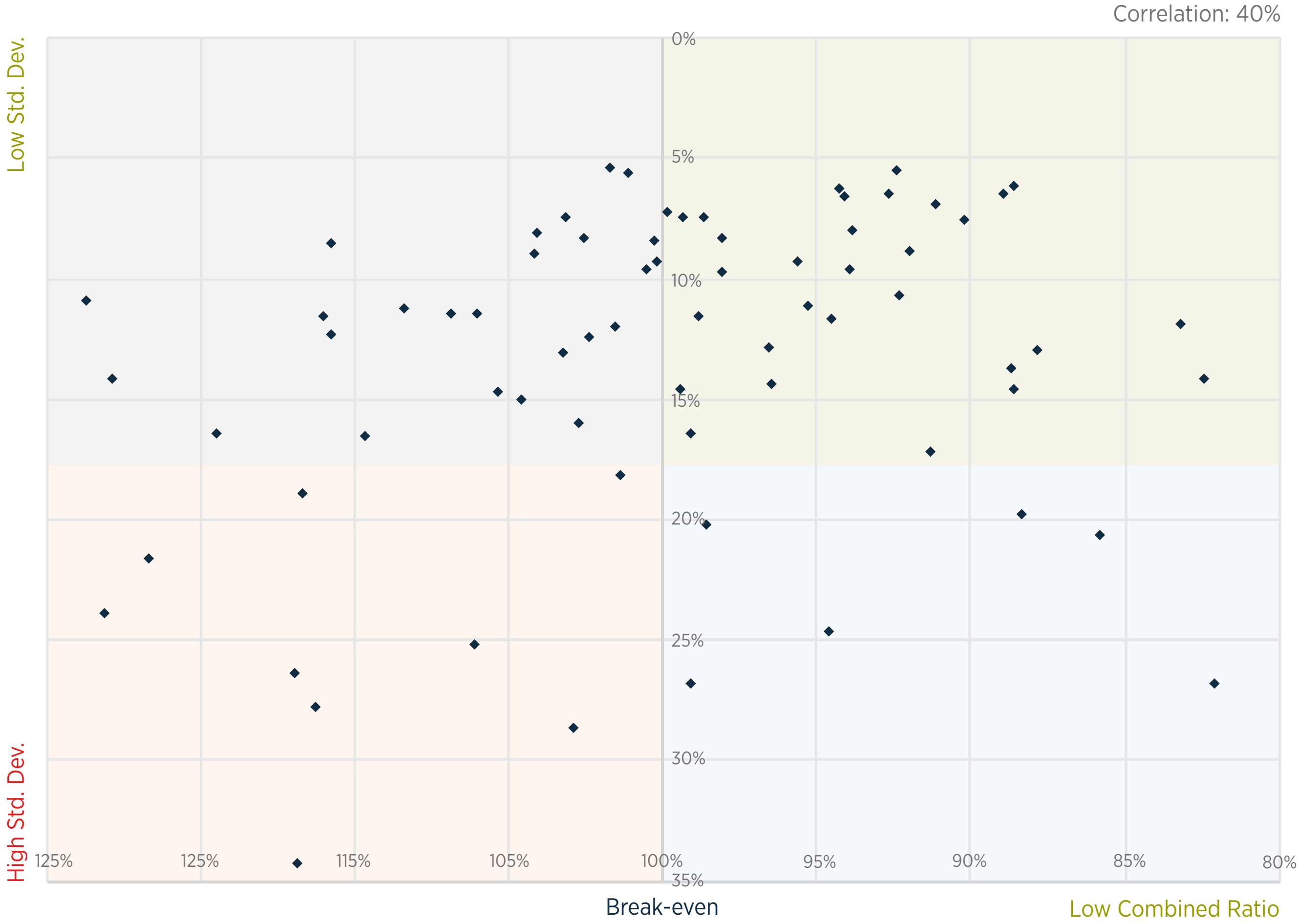
Note that the x-axis refers to syndicate rank from 1 to 82

On an underwriting result basis, 56 out of 82 syndicates posted an underwriting profit in 2021.

- 36% of the total profit comes from the top five syndicates
- 53% of the total loss comes from the bottom five syndicates

Correlation Analysis

Exhibit 27: Mean vs Standard Deviation of Combined Ratio



- The graph above plots the mean and standard deviation of each syndicate's combined ratio, averaged over the period 2012–2021. The analysis found a moderate positive correlation (40%) between the two, suggesting that more volatile syndicates have tended to outperform.
- However, there is a clustering of syndicates in the top right quadrant, showing that consistent profitability can be achieved with less risk.
- Note that the exhibit is based on active syndicates having 10 years of data and GWP of more than £100million in at least five out of the past 10 years. SPAs and syndicates that are in run-off have been excluded.

CURRENT ENVIRONMENT — AT A GLANCE

Impact of Russian Invasion of Ukraine

The ongoing Russian invasion of Ukraine will impact Lloyd's in several ways in the short and long term.

- Lloyd's direct premium from Russia and Ukraine is significantly less than 1% but indirect underwriting exposures arise across the aviation, marine, trade credit and political risk lines of business
- There is no direct exposure to Russia and Ukraine within the Letters of Credit held at Lloyd's. Lloyd's has stated that there are no indications that this will impact its ability to satisfy regulatory capital requirements
- On a more granular level, it is unclear which markets will be hit hardest by any potential losses—in the interim this may lead to rate rises in various lines of business across the market
- The crisis has also caused serious disruption to Global supply chains, including for energy and commodity prices, leading to upwards inflationary pressures

Inflationary Environment

Current trends and uncertainty around economic inflation are likely to impact all lines of business at Lloyd's in different ways, with the potential to erode the remedial work and rating increases that have seen a return to profitability.

To manage this, Lloyd's will be checking that inflation has been specifically considered as part of plans, reserving and capital processes. For longer-tailed lines, such as in the casualty market, there will be a particular focus given the additional exposure to trends in social inflation.

The impact of Inflation can be somewhat mitigated by ceding technical provisions. Gallagher Re has developed analytical frameworks to help clients in assessing the financial impact of inflation as well as a number of prospective and retrospective solutions to support clients in mitigating the impact of inflation to reserves and prospective exposures.

COVID-19

COVID-19 loss estimates have remained stable and have had very little impact on the 2021 financial year. In certain lines of business, it is likely that loss activity was depressed over 2021 due to lower exposures due to lockdowns, e.g., in the aviation and motor markets.

The contract wording team at Gallagher Re developed solutions to help clients manage current and potential future exposure from COVID-19.

Environmental, Social and Governance ("ESG")

ESG remains an area of focus for Lloyd's, who have asked all managing agents to submit an ESG strategy and framework as part of 2023 business plans.

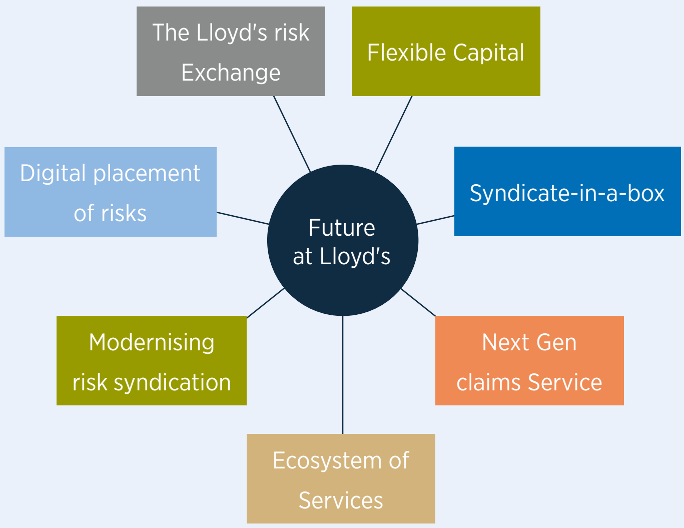
Lloyd's has committed to being net-zero by 2050.

Gallagher Re has developed a holistic ESG framework to help clients manage the risks and opportunities associated with ESG and climate change. The service offering centres on defining, setting and managing (re)insurance clients' ESG risk appetite, including risk quantification toolkits, the latest regulatory advice, new product development, access to ESG capital and innovative risk transfer solutions.

Initiatives by Lloyd's

After 2017 and 2018, severe CAT years and consecutive losses, Lloyd's took stringent actions for more disciplined underwriting to return to profitability.

Over the years it has undertaken many initiatives, such as Lloyd's innovation lab, Lloyd's workbench, Lloyd's bridge, Decile 10 and Future at Lloyd's.



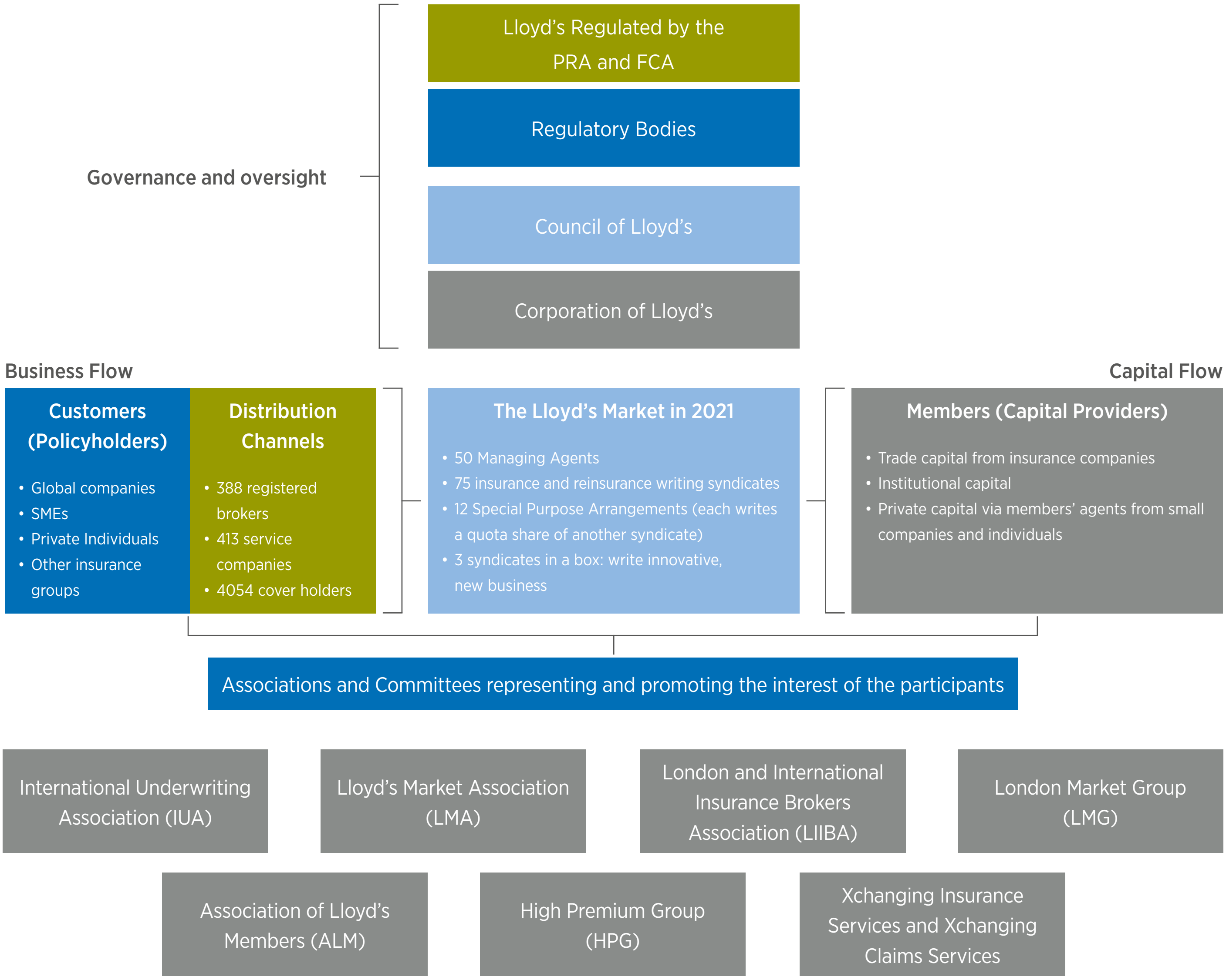
Lloyd's continues to support the best-performing syndicates, while reducing unsustainable business across the poorest performing syndicates. It maintains an oversight of the market across core areas, including underwriting and pricing, outwards reinsurance, capital, reserving and conduct.

Lloyd's also monitors reserves closely and acts to ensure that adequate market discipline is being maintained in current challenging market conditions. Particularly on the longer-tailed lines, such as casualty, where there has been continued focus in recent years driven by growing concerns over areas such as social inflation.

Lloyd's will also monitor areas of potential concern such as cyber and non natural catastrophe events, including the COVID-19 pandemic, cyber resilience, customer value and conduct, ESG and culture, changing economic environment as well as new and emerging risks.

LLOYD'S BUSINESS MODEL AND CAPITAL SETTING

Business Model Overview

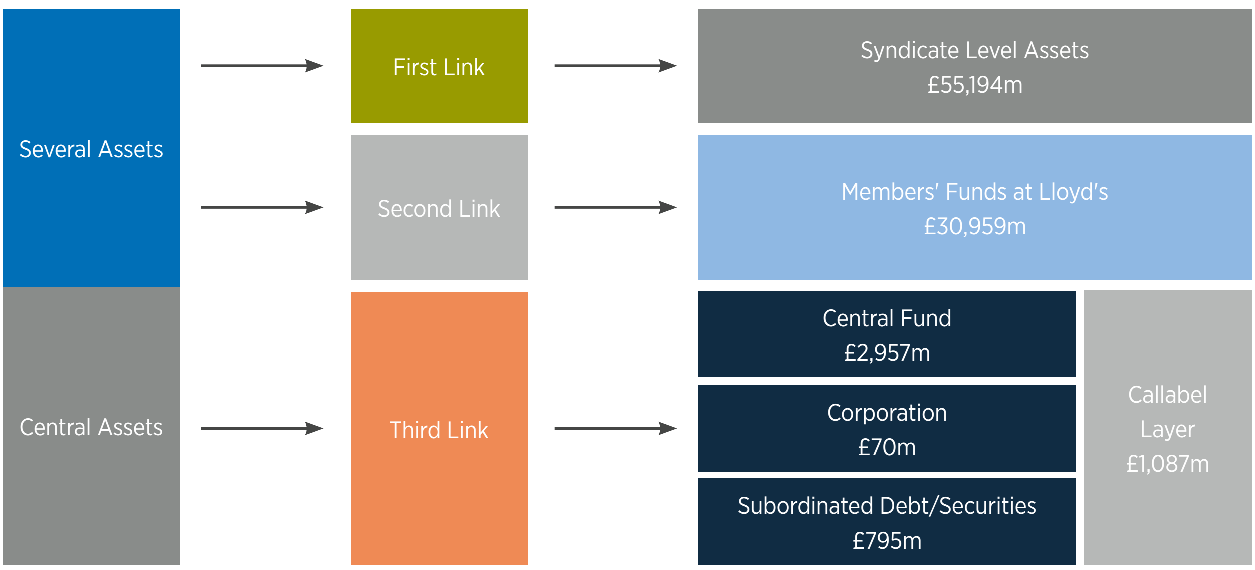


Source: Lloyd's Annual report – 2021

The Council of Lloyd's is responsible for the governance, management and supervision of the Society and the market.

The Society of Lloyd's, also referred to as "The Corporation" is an independent organisation that protects and maintains the market's reputation and provides services, research and reports to the industry.

Chain of Security



Lloyd's provides a common financial security and strong rating its capital structure which is also referred to as the "Chain of Security" and backs all insurance policies written at Lloyd's.

- Syndicate Assets—All premiums received by syndicates are held in trust by the managing agent as the first resource for paying customers' claim
- Funds at Lloyd's—Each member, whether corporate or individual, must provide sufficient capital to support their underwriting at Lloyd's by assessing the Solvency Capital Requirement (SCR) of each syndicate a 99.5% confidence level
- Managing Agents of the syndicate asses the SCR
- Central Assets—The central assets are available at the discretion the Council of Lloyd's, to meet any valid claim that cannot be met from the resources of any member

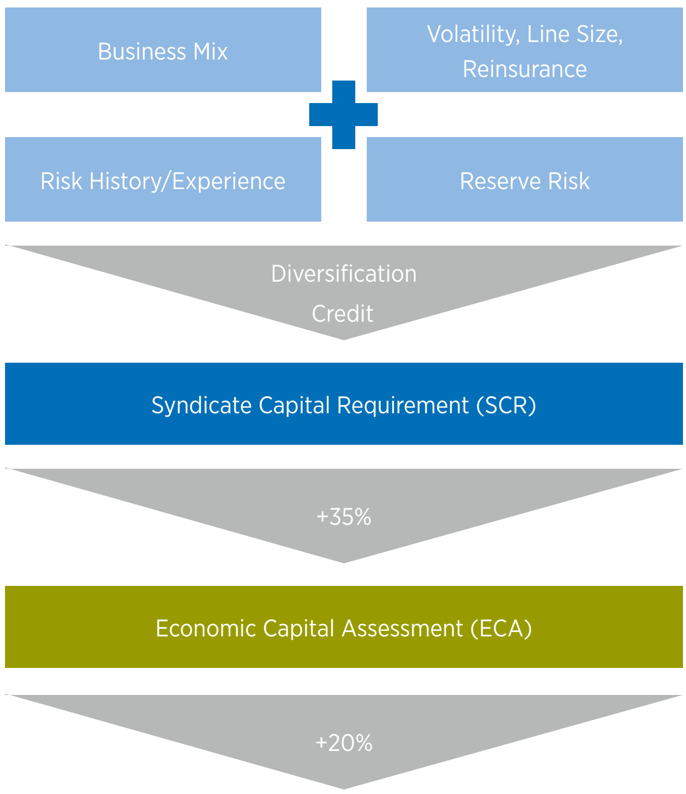
Rating Agency	Rating	Description
Standard & Poor's	A+	Strong
Fitch Ratings	AA-	Very Strong
A.M.Best	A	Excellent
Kroll Bond Rating Agency	AA-	Very Strong

Lloyd's Capital Setting and Positioning

Lloyd's capital is set in accordance with Solvency II requirements. The Syndicate Capital Requirement ('SCR') is designed to qualify for a BBB rating and is produced by each syndicate's internal model, based on:

- Portfolio business mix
- Volatility of the business lines, line size, and reinsurance
- Lloyd's risk history for the class of business written
- Reserve risk (SIAB: no hypothecated reserves)
- Less diversification credit
- Lloyd's targeting higher than BBB rating, so each syndicate's SCR is uplifted by 35% to produce the Economic Capital Assessment ('ECA')
- The ECA for all new full syndicates is increased by 20% for the first three underwriting years of account (not applicable to SIAB)

SIAB's permitted to use own performance experience in agreeing business plan and setting capital if an adequate historical track record is provided. Where there is none, Lloyd's will use loss ratios based on market experience.



New syndicate loading for the first three years

Capital Sourcing and Provision

- The ECA must be supported by Capital or Funds At Lloyd's (FAL) via a corporate member
- Capital or Funds at Lloyd's can be provided in either cash (Tier 1) or Letter of Credit (LOC) form (Tier 2). No more than 50% of Tier 2 capital is currently allowed

Funds at Lloyd's—Investor Appetite

Following the tough years of 2017 to 2020 several established trade players scaled back or completely exited their funds at Lloyd's participation. However, 2021 and 2022 has seen an increase in alternative capital entering the funds at Lloyd's market.

This has been facilitated somewhat by the London Bridge Risk PCC structure, although not all alternative capital has chosen to utilise the new platform with some setting up their own corporate members, and some participating directly into syndicates own capital platforms.

The (re)insurance rating environment, combined with a wider financial market volatility has further fuelled interest in investing at Lloyd's to a range of alternative capital such as pension funds, hedge funds, family offices and asset managers.

Established Lloyd's Syndicates are increasingly open to third-party capital support as they look to create efficiency in their capital structures, while new syndicate's/Syndicate in a Box ventures are typically also looking for a reasonable element of third-party capital in their Funds at Lloyd's stack. These dynamics and Lloyd's willingness to adapt and modernise its capital framework all create healthy Funds in Lloyd's market heading into 2023.

Gallagher Re has developed a number of corporate and capital solutions for Lloyd's syndicates:

- Sourcing Funds at Lloyd's (through traditional and alternative capital sources)
- Advisory services relating to business planning and investor's presentations
- New syndicate/Syndicate in a Box start-up support and reinsurance services
- Performance benchmarking
- RITC/LPT for capital relief

LLOYD'S OF LONDON MARKET REPORT

Contact Information

Gallagher Re's Strategic & Financial Analytics teams advise clients on strategic and capital management issues. To find out more, please contact your local client advocate or reach out to our experts.

SHIREEN GAMMOH
Head of Strategic and Financial Analytics
D: +44 (0)207 877 6135
M: +44 (0)7873 628 497
E: Shireen_Gammoh@GallagherRe.com

ELLIOTT BEWLEY
Divisional Director—Specialty Actuarial
D: +44 (0)203 124 7854
M: +44 (0)7909 000 554
E: Elliott_Bewley@GallagherRe.com

JAMES POYNTER
Lead Data Scientist—Data Analytics
D: +44 (0)207 204 6000
M: +44 (0)7513 706 950
E: James_Poynter@GallagherRe.com

SAKSHI SHRIVASTAVA
Senior Financial Analyst
M: (+91) 9604741123
E: Sakshi_Shrivastava@GallagherRe.com

Climate, ESG, Analytics and Capital Solutions

ED MESSER
Head of Analytics and Capital Solutions
Global Head of Climate and ESG
M: +44 (0)7756 216 351
E: Ed_Messer@GallagherRe.com

Customised and Capital Solutions

MIKE CANE
Head of Capital Solutions
D: +44 (0)203 124 7291
M: +44 (0)7880 468 290
E: Mike_Cane@GallagherRe.com

MICHEL BÜKER
Chairman—Capital Solutions
D: +44 (0)207 170 2807
M: +44 (0)7786 961 762
E: Michel_Buker@GallagherRe.com

GLOBAL AND LOCAL (RE)INSURANCE

Drawing on our network of (re)insurance and market specialists worldwide, and as part of the wider Gallagher company, Gallagher Re offers the benefits of a top-tier (re)insurance broker, one that has comprehensive analytics and transactional capabilities, with on-the-ground presence and local understanding. Whether your operations are global, national or local, Gallagher Re can help you make better (re)insurance and capital decisions, access worldwide markets, negotiate optimum terms and boost your business performance.

For more information visit **GallagherRe.com**

Gallagher Re is a trading name of Arthur J. Gallagher (UK) Limited, which is authorised and regulated by the Financial Conduct Authority. Registered Office: The Walbrook Building, 25 Walbrook, London EC4N 8AW. Registered in England and Wales. Company Number: 1193013.
FP878-2022 Exp. 13.06.2023.

Gallagher Re