Surplus Line
ASSOCIATION OF WASHINGTON

LLOYD'S OF LONDON

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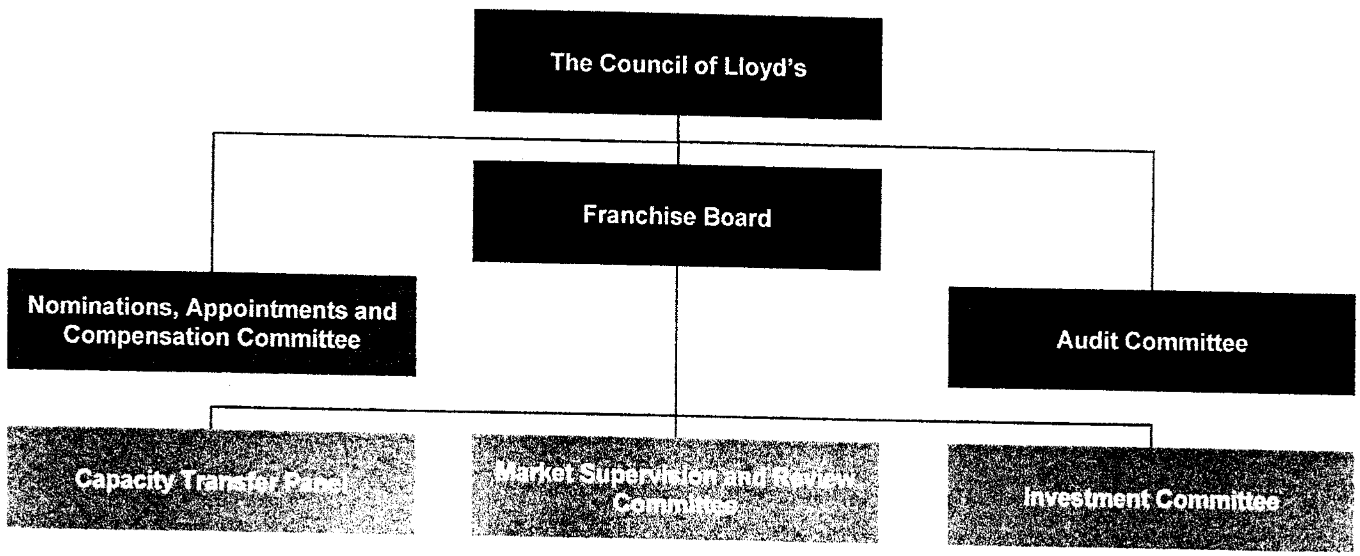
GOVERNANCE OF THE LLOYD'S MARKET

- The FSA is responsible for regulating Lloyd's, including direct supervision of managing agents and monitoring capital solvency.
- The Corporation plays an active role in managing risk in the market to ensure that Lloyd's central assets, brand and reputation are protected.
- The Council of Lloyd's is the governing body of the Society of Lloyd's, with ultimate responsibility for the management of Lloyd's.
- For many of its functions, the Council now acts through the Franchise Board, whose members are appointed by the Council and are drawn from inside and outside the market.
- The day-to-day powers and functions of the Council and Franchise Board are exercised by the Executive Team; the CEO and the Directors of the Corporation.

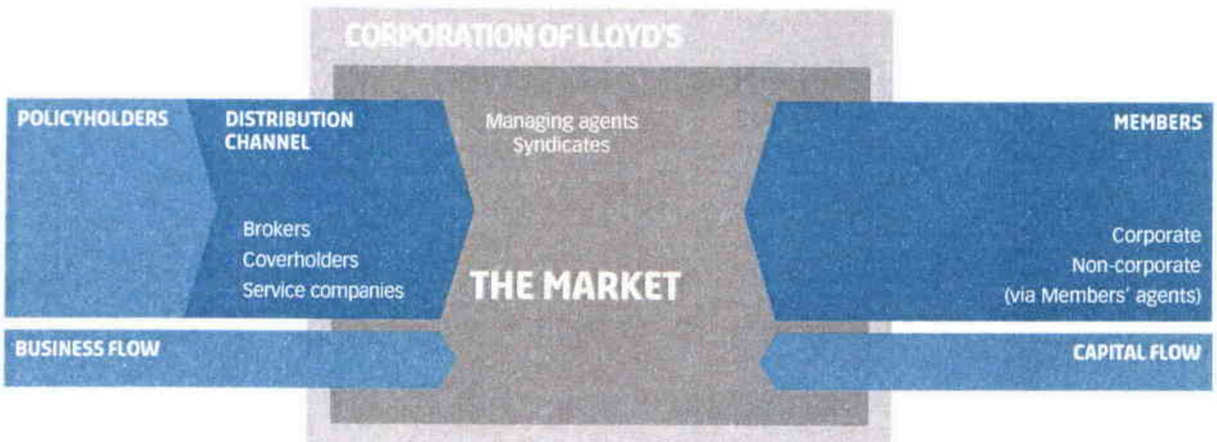
LLOYD'S GOVERNANCE

Principle committees of Lloyd's



HOW LLOYD'S WORKS
MARKET STRUCTURE

Lloyd's is not an insurance company. It is a market where members join together to form syndicates to insure risks. Much of Lloyd's business works by subscription, where more than one syndicate takes a share of the same risk.



WHO'S WHO?

Policyholders
request insurance cover
Businesses, organisations, other insurers and individuals from around the world want to protect themselves against risks that could affect them. They approach a broker and explain their individual needs.

Brokers
place the risks
Most of Lloyd's business is placed with the assistance of a broker. In addition to being regulated by their national regulator, brokers must also meet Lloyd's own eligibility criteria.

Coverholders
place the risks
Coverholders are companies authorised by a managing agent to enter into contracts of insurance and/or issue insurance documentation, on behalf of the members of a syndicate.

Service companies
place the risks
A service company is an approved coverholder which Lloyd's has classified as a 'service company' by reason of it being a wholly owned subsidiary of either a managing agent or its holding company.

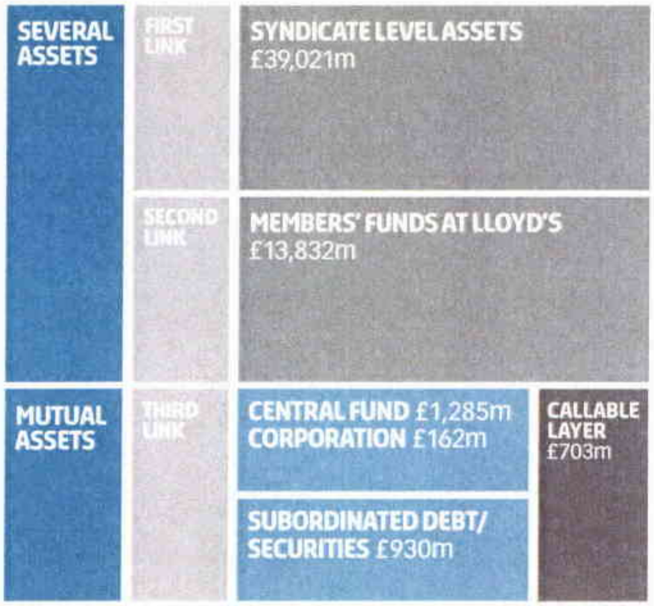
Syndicates
write the insurance risks
Underwriters decide on behalf of its members which risks a syndicate will underwrite and on what terms. Much of Lloyd's business is conducted in the Underwriting Room, where face-to-face negotiations take place with brokers regarding the risks they want to place at Lloyd's.

Managing agents
manage the syndicates
These are companies set up to manage one or more syndicates. The managing agent employs the underwriting staff and handles the day-to-day running of a syndicate's infrastructure and operations.

Members
provide the capital
Members of Lloyd's provide the capital to support syndicates' underwriting. Members include some of the world's major insurance groups and companies listed on the London Stock Exchange, as well as individuals and limited partnerships.

Corporation of Lloyd's
supports the market
The Corporation oversees and supports the market and promotes Lloyd's around the world. This includes determining the capital that members must provide to support their proposed underwriting, working with the management of underperforming syndicates to improve performance, undertaking financial and regulatory reporting for the Lloyd's market, managing and developing Lloyd's global network of licences, Lloyd's brand and representing Lloyd's to governments and regulators around the world.

CHAIN OF SECURITY
LINKS STRENGTH WITH STABILITY



Figures as at December 31 2010.

Financial strength

The Chain of Security

Lloyd's unique capital structure, often referred to as the Chain of Security, provides excellent financial security to policyholders and capital efficiency for members.

The Chain of Security provides the financial strength that ultimately backs insurance policies written at Lloyd's and the common security underpins the market's ratings and licence network.

There are three links in the Chain of Security:

> Syndicate level assets
> Members' funds at Lloyd's
> Central assets

The funds in the first and second links are held in trust, primarily for the benefit of policyholders whose contracts are underwritten by the relevant member. Members underwrite for their own account and are not liable for other members' losses. The third link contains mutual assets held by the Corporation which are available, subject to Council approval, to meet any member's insurance liabilities.

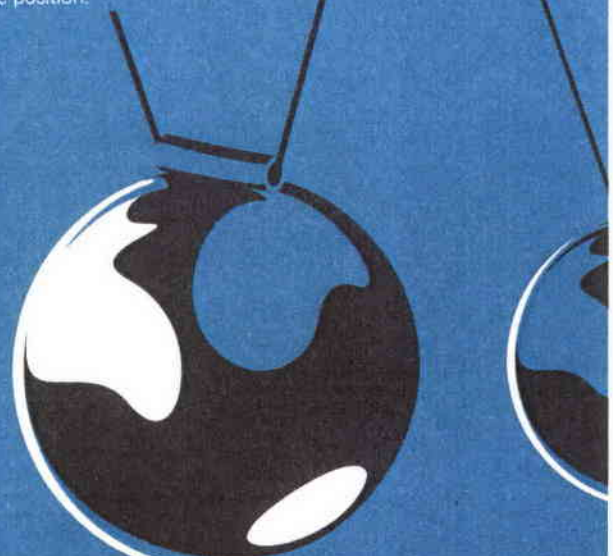
The Corporation is responsible for overseeing both member and central capital levels to achieve a level of capitalisation that is robust yet allows members the potential to earn superior returns.

IN ACTION
HOW WE'RE MOVING AHEAD

We continue to introduce ways to make Lloyd's an easier place to do business, increasing efficiency and standards of service.

Our processes may change, but mutuality of capital will remain central to Lloyd's, and is a key factor in maintaining our competitive position in the global insurance market while also underpinning our international licences and strong financial ratings.

We continue our steady expansion into international markets to build our platform for the future. A major priority has been, and continues to be, managing performance throughout the cycle. Although our resolve has been tested over the past 12 months, our disciplined approach to underwriting and our conservative investment mix have ensured that we maintain our strong competitive position.



MANAGING AGENTS
A DYNAMIC AND DIVERSE MARKETPLACE

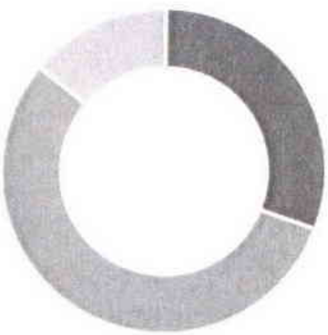
As at 31 December 2010, the Lloyd's market consisted of 52 managing agents and 85 syndicates. In addition, a further four managing agents exclusively manage syndicates in run-off. All 56 are shown below. However, more important than the sheer scale of the market is the breadth and depth of specialist broking and underwriting expertise brought together under the Lloyd's umbrella.

Find out about our managing agents at
www.lloyds.com/directories

2010 FINANCIAL HIGHLIGHTS
OUR STRENGTH AND RATINGS

Financial security is crucial and gives peace of mind to policyholders. Lloyd's strength and robust capitalisation is reflected in our ratings.

WHERE DOES OUR CAPITAL COME FROM?[1]



- 36% **UK listed and other corporate members**
- 51% **International insurance industry**
- 13% **Individual members**

LLOYD'S RATINGS[2]

A+ A

Standard & Poor's A+ (Strong)[3]
Fitch Ratings A+ (Strong)[4]

A.M. Best A (Excellent)[5]

All Lloyd's syndicates benefit from Lloyd's central resources, including the Lloyd's brand, its network of global licences and the Central Fund. As all Lloyd's policies are ultimately backed by this common security, a single market rating can be applied. The Lloyd's financial strength ratings apply to every policy issued by every syndicate at Lloyd's since 1993.

Three of the world's leading insurance rating agencies validate Lloyd's strengths, robust capitalisation and the financial strength of the market. In 2010, all three rating agencies reaffirmed our ratings as outlined above. In addition, Standard & Poor's has upgraded Lloyd's Enterprise Risk Management rating from 'adequate' to 'adequate with strong risk controls'. This recognises Lloyd's ongoing improvements in risk management.

View our financial reporting information at **www.lloyds.com/financialreports**

"Lloyd's occupies an excellent position in the global general insurance and reinsurance markets as a specialist writer of property and casualty risks. Its competitive strength derives from its reputation for innovation and flexibility, which is supported by the pool of underwriting expertise in London."

A.M. Best
August 2010

1-2 *Lloyd's Annual Report 2010*.
3 Standard & Poor's affirmed its Lloyd's financial strength rating and assigned a Stable Outlook, September 2010.
4 Fitch Ratings affirmed its Lloyd's financial strength rating and assigned a Stable Outlook, December 2010.
5 A.M. Best affirmed its Lloyd's financial strength rating with a Stable Outlook, July 2010.

REACH
WHERE WE'RE ACTIVE AROUND THE WORLD

Lloyd's accepts business from over 200 countries and territories worldwide. Our licences in over 75 jurisdictions, supported by a network of local offices, ensure access to insurance markets large and small.

LLOYD'S CLASS BREAKDOWN BY REGION[6]

	US & Canada	Other Americas	United Kingdom	Europe	Central Asia & Asia Pacific	Rest of the world	TOTAL
REINSURANCE	30%	75%	29%	38%	46%	62%	37%
PROPERTY	31%	7%	20%	14%	14%	8%	22%
CASUALTY	20%	8%	22%	18%	28%	12%	20%
MARINE	6%	4%	5%	17%	6%	7%	7%
ENERGY	10%	4%	2%	7%	3%	3%	6%
MOTOR	1%	1%	21%	1%	1%	2%	5%
AVIATION	2%	1%	1%	5%	2%	6%	3%
ALL CLASSES	**43%**	**7%**	**20%**	**16%**	**10%**	**4%**	**100%**

LLOYD'S IN NUMBERS

85
SYNDICATES of specialist underwriting experience and talent

178
BROKERS daily creating insurance solutions in over...

200
COUNTRIES AND TERRITORIES which covers...

94%
OF THE FTSE 100 and...

97%
OF DOW JONES industrial average companies all underpinned by...

323
YEARS OF UNDERWRITING EXPERIENCE

[6] *Lloyd's Annual Report 2010*

TODAY

EXPLORING OUR CURRENT BUSINESS ACTIVITIES

The Lloyd's market insures complex and specialist risks – from oil rigs to celebrity body parts. Brokers are able to find individual and innovative cover in the market, whatever their challenge may be.

Casualty

Casualty risks are particularly specialist and complex and the US accounts for a large proportion of this business. This market includes professional indemnity, medical malpractice, accident and health, directors & officers' liability and general and employers' liability. Casualty makes up 20% of Lloyd's business.

Property

The property sector is hugely varied, encompassing everything from supporting the building of the new World Trade Center to protecting holiday resorts against storm damage. Property makes up 22% of Lloyd's business.

Marine

This is where the Lloyd's story began over 300 years ago. Today it is a smaller but still a significant part of our business. Most of the cover in this area is for hull, cargo, marine, liability and specie (the insurance of highly valued items such as fine art while in transit). Marine makes up 7% of Lloyd's business.

Energy

This market is steadily evolving, from onshore and offshore property, oil rigs and refineries to emerging renewable energy ventures. Coverage relates to physical damage and liability risks. Energy makes up 6% of Lloyd's business.

Motor

In this competitive sector, Lloyd's is primarily focused on company fleet business, niche private car and other non-standard risks. This includes high value, vintage and collectors' vehicles, high risk drivers and affinity groups. Lloyd's has insured numerous land speed record attempts and Sir Malcolm Campbell, the first man to break 300mph on land, was a Lloyd's broker. Motor makes up 5% of Lloyd's business.

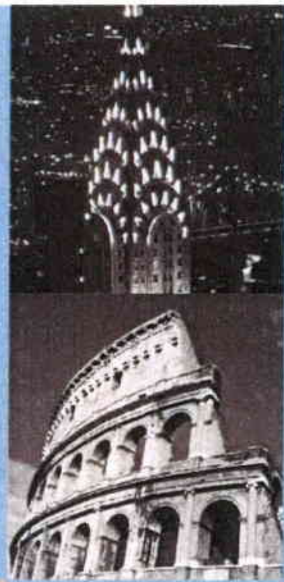
Aviation

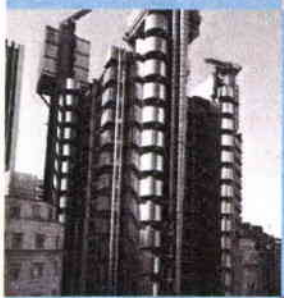
Lloyd's is an industry leader within the global aviation market. This includes airline, general aviation, products, airports, war and terrorist coverage, and satellite business. The aviation market continues to benefit from new safety systems, increased security and improved regulation but recent performance, particularly in airline, has been disappointing. The sector remains highly competitive with significant capacity available for most risks. Aviation makes up 3% of Lloyd's business.

Reinsurance

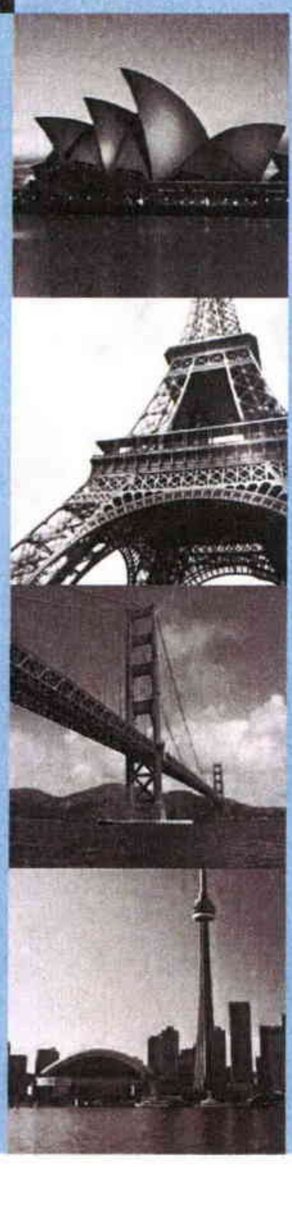
The reasons for reinsurance tend to fall into four categories: to protect an insurer against very large claims; to reduce exposure to 'peaks and troughs'; to obtain an international spread of risk; and to increase the capacity of the direct insurer. Reinsurance makes up 37% of Lloyd's business.

LLOYD'S





COVERHOLDER TOOLKIT



COVERHOLDER TOOLKIT CONTENTS

The contents of the coverholder toolkit are summarised below, with links to the relevant section of the Toolkit.

contd.