

Jardine Lloyd Thompson – Investing for Long-term Growth



FEATURE

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Last year was a pivotal one in the history of Jardine Lloyd Thompson (JLT) with a number of significant initiatives enhancing the stature and positioning of the group. JLT established a specialty insurance brokerage in the US, formed one of the world's leading specialty insurance businesses by merging JLT Specialty and Lloyd & Partners and created a dynamic new force in the global reinsurance market with the ongoing integration of JLT Re and Towers Watson Re, which it acquired in late 2013.

During 2014, JLT's revenue passed the £1 billion (US\$1.54 billion) mark for the first time, reflecting five years of significant growth during which the company has almost doubled in size in terms of number of employees, underlying profit before tax and revenue.

The Jardine Matheson Group has been in the insurance business since its earliest days, and JLT, in which it holds a 40% interest, was created in 1997 through the merger of Jardine Insurance Brokers and Lloyd Thompson Group. Today JLT has

more than 10,000 employees in 39 territories serving clients in over 135 countries through its two divisions of Risk & Insurance and Employee Benefits. This has been achieved through a combination of organic and inorganic growth, which has included

30 acquisitions in the last five years.

“This success has been achieved with a strategy founded on the concept of specialization and choosing to operate only in specific areas where we have distinctive expertise and knowledge that both adds value to clients and provides us with a competitive edge,” explained JLT Group Chief Executive Dominic Burke. “We also prioritize those areas based on where we see an opportunity to establish a top-three market position supported by long-term growth trends.”



Unique JLT Culture Underpins Continuing Success

Underpinning JLT's success is its unique culture, of which it is both proud and fiercely protective, describing itself as a 10,000 employee-strong global company with the mindset of a lean, entrepreneurial business.

“We reject the impersonal, big company mentality that stifles entrepreneurial spirit, commoditizes relationships, dumbs down expertise, loses touch with the client and lets

innovation die,” said Mr Burke. “Instead, we attract and retain the best people by valuing our diverse strengths and ensuring they are free to focus on the best interests of our clients.”

While 2014 was an exceptional year for JLT, 2015 has also been very positive. In particular, there has been continued good progress with the build-out of JLT's US Specialty business with some

130 leading industry professionals now operating out of 12 offices in key locations across the country.

“We remain confident in JLT's long-term revenue and profit growth momentum,” said Mr Burke. “Our aim is to drive forward in a way that is sustainable and that balances the interests of our four stakeholders – clients, employees, companies with which we trade, and shareholders.”

Driving Growth

JLT has identified five core elements essential to delivering its strategy and driving the group forward. These are growing its specialist areas, building international reach and relevance, providing a distinctive working environment, operating collaboratively as 'One JLT', and improving efficiency and effectiveness.

The first two elements take advantage of longer-term macro-economic and demographic factors relating to the improving prospects of both 'developed' and 'developing' world economies.

"Higher levels of economic growth are both cause and effect of greater levels of corporate activity, investment and increasing personal wealth, which in turn drives appreciating asset values and demand for insurance cover and services," explained Dominic Burke.

JLT is well-positioned to make the most of these trends. The group is already amongst the world's largest construction, offshore energy, aerospace, commodity and high-net-worth life insurance brokers, while its Employee Benefits business continues to expand with acquisitions in 2014 in the UK and Brazil and, in 2015, in Australia and New Zealand.



Providing a distinctive working environment is key to attracting and retaining the right people. Last year, 950 new staff joined JLT.

JLT is also geographically well-placed in fast growing markets such as Latin America where it has subsidiary operations in five countries and some 950 people, and in Asia where it has 18 offices and 1,700 people, excluding its Shared Services Centres.

JLT Re Argentina was launched in March 2014 with a focus on the specialty areas of Oil & Gas, Property, Agriculture and Aviation, while the establishment of a regional JLT Affinity business, which creates tailored insurance and risk protection products, has helped to differentiate JLT's client offering. The group has also continued to build upon its well-established Employee Benefits operations in Brazil, Peru and Colombia.

JLT's new operation in India, JLT Independent, has a presence in four cities across India with key business areas including Energy, Construction, Marine, Aviation, Reinsurance, Employee Benefits, Credit, Political and Security Risks, and Liability.

The other three elements essential to driving growth are the enablers to make it happen.

Providing a distinctive working environment is key to attracting the right people. Last year, 950 new staff joined JLT drawn by its unique culture and the career paths it offers. These include developing future leaders through a well-established International Senior Management Programme and a new Global Mobility Programme, which provides high-potential employees with developmental opportunities overseas.

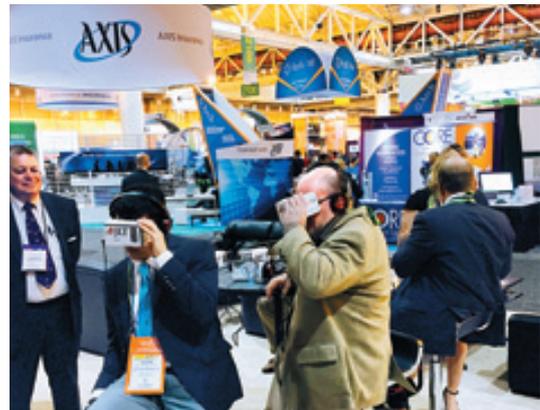
Operating collaboratively as 'One JLT' has included the implementation of three shared services centres to help share ideas and best practices across the group. The first of these, which was set up in Mumbai in 2007, now engages with JLT operating companies across the globe delivering value back to the group through a wide range



In 2012, JLT's Mumbai Shared Services Centre won the Grand Prize in the Jardine Matheson Group Pride in Performance Awards for facilitating significant improvements.

of capabilities. It also acts as a knowledge hub by providing market research, analytics and IT support. In 2012, the centre won the Grand Prize in the Jardine Matheson Group Pride in Performance Awards for the significant improvements it had facilitated. Indeed, so successful has the centre been, that another one has been established in Pune, India. In addition, a third centre in Kuala Lumpur, Malaysia, which opened in 2013, provides services to JLT offices across Asia.

Meanwhile, further improvements to efficiency and effectiveness have included a two-year Business Transformation Programme, where fresh thinking has achieved total annualized savings of £16 million (US\$24.6 million) for JLT for total one-off costs of £17 million (US\$26.2 million).



JLT USA is already making an impact as seen here in this demonstration of their risk management capabilities at the industry's leading annual conference.

Risk & Insurance



JLT Aerospace is the leading broker to the global airline market, with a 34% market share.

JLT's Risk & Insurance business, which in 2014 achieved revenue of £821 million (US\$1.26 billion), up 13% on the previous year, comprises its global specialty insurance and reinsurance broking operations, and wholesale insurance broking business. Working in partnership with clients, JLT's specialist teams manage the key risks they face, act as their intermediary with insurers and reinsurers, and provide related risk management, analytical, advisory and other services.

In the last two years, JLT has entered a significant new phase of growth. 2014 was the first full year

of trading for newly rebranded JLT Re. This is now the world's fourth largest reinsurance broker following the acquisition of Towers Watson Re. Offering a distinctive market alternative, JLT Re provides world-class risk analysis, management and risk transfer solutions to clients across 13 countries with the emphasis on innovation and superior client service.

With the ongoing integration of Towers Watson Re's business into JLT, the US offers new opportunities for long-term growth. The decision to launch JLT Specialty there last year reflected JLT's reputation, scale,

geographic reach and the strength of its specialty capabilities, particularly in Aerospace, Energy, Construction, Credit, Political and Security, Technology, Financial Lines, and Cyber risk.

"As the world's largest and most dynamic specialty market, we see a demand in the US for JLT's offering," said JLT Deputy CEO Mark Drummond Brady. "Our expansion there will create a platform for accelerated growth for all of our businesses around the world, given the importance of the US to many of our clients and their increasing requirements for seamless worldwide coverage."

Meanwhile in the specialist insurance sector, the merger of JLT Specialty and Lloyd & Partners has formed one of the leading specialty insurance brokers in the London market, serving both retail and wholesale clients. JLT Specialty works in close collaboration with all of JLT's international offices,

supplying them with industry expertise, advice and access to international markets.

"This merger has created a real powerhouse in the market in our chosen specialty areas," said JLT Specialty Chairman Adrian Girling.

"Harnessing both operations' capabilities into a single business enhances our ability to meet our retail and wholesale clients' international demands and pursue JLT's group strategy."

Employee Benefits

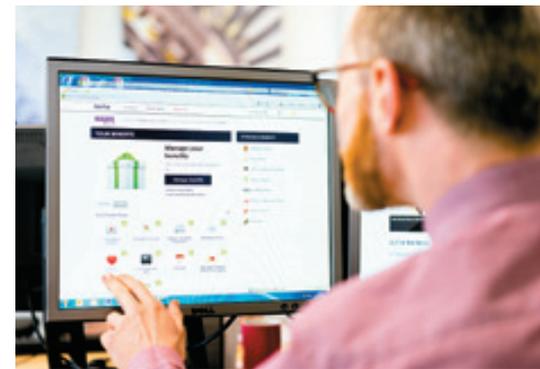
JLT's Employee Benefits business, where revenue rose by 11% to £284 million (US\$437 million) in 2014, offers a comprehensive range of advice and services to companies, pension trustees and individuals in the areas of pensions consultancy and administration, employee benefits and healthcare, life insurance and wealth management.

Following its acquisition of Ensign Pensions Administration in April 2014, JLT is today the largest administrator of private sector pensions in the UK. In addition, nearly half of all UK defined benefit pension schemes now utilize Profund, JLT's market-leading

pension administration software, while BenPal, the group's solution for auto enrolment and flexible benefits, is currently used by one million members to select benefits, keep track of their defined contribution pension and make investment decisions.

During 2015, JLT has extended its reach with several new acquisitions. These include Liberty Asset Management Ltd in Ireland, Essential Healthcare Network to take advantage of opportunities in China, and Recovre, one of the leading providers of workplace rehabilitation services in Australia, a rapidly expanding sector in that market. In Latin America too, where the business

is showing strong growth, JLT's acquisition of SCK at the beginning of 2014 extended its capabilities into broader risk management through wellness management and consulting.



JLT's BenPal platform is used by one million employees to select their benefits.

JLT Specialty Offers Global Expertise

Flying High with Aerospace Division

JLT Aerospace, a key division of JLT Specialty, is one of the three largest aerospace brokers in the world, offering insurance and risk management services to many of the world's top airlines and leading aerospace companies. In the last five years, JLT Aerospace has won more than 170 new clients based on its experience, expertise and integrated approach in what is a challenging and

highly specialized market. Operating across the world but particularly in Europe, Latin America and Asia Pacific, JLT Aerospace has been involved in several high-profile claims.

Protecting Clients' Assets

As part of JLT's international Employee Benefits operations, JLT Asia's Private Client Services (PCS) Division works in partnership with more than 90% of Asia's major private banks to deliver propositions that integrate

personal insurance plans into the overall wealth planning of high net worth individuals in the region. In 2013, with the increasing numbers of such individuals, both in Asia and elsewhere, JLT expanded its operations by opening offices in Geneva.

PCS advisers work in consultation with clients to specifically define their needs and goals and devise appropriate risk mitigation strategies, particularly in the areas of life, health,

Building on Success

During 2015, JLT has continued to build on the successes of 2014. This includes the development of its operations in the US, which are expected to require a net investment of approximately US\$80 million during the period 2015 to 2017 and move into profit in 2018; strengthening JLT teams in its core and growing areas of specialty around the world; and completing the integration of JLT Re and Towers Watson Re. At the same time, JLT will continue to invest in its Employee Benefits operations, which are now making a substantial contribution to the group's revenue and profits.

The market place is not, however, without its challenges. A volatile geo-political environment and weak commodity prices are contributing to a degree of uncertainty, which is having an impact on demand for insurance related services. New energy-related projects and investments, for example, are at risk of being delayed, scaled back



JLT is actively expanding its Healthcare offering to take advantage of this rapidly-growing sector.

or cancelled with companies looking to drive more value out of their broker relationships.

In spite of this, the overall long-term growth outlook for JLT remains positive. The group is seeking to make further bolt-on acquisitions where it sees opportunities to strengthen its areas of specialization, particularly in the faster growing economies of Asia and Latin America. It is also expanding areas of specialty such as its strong Cyber team,

reflecting the increasing importance of cyber security to clients.

“Our chosen strategy aligns us to sectors where demand is driven by long-term trends such as population growth, ageing, medical inflation, urbanization and accelerating middle class wealth,” said JLT Group Commercial Director James Twining. “Our areas of specialization are therefore set to be key enablers and beneficiaries of global growth.”

danger, and high-value collectibles. JLT is a market leader in this field, with the widest range of insurers specializing in underwriting capabilities in the high net worth market.

Leading the Market on Cyber Risk

Cyber risk is of concern to everyone who uses the Internet with cyber attacks, hackers and data mining all posing an increasing threat. In response, JLT Specialty, which

has had a dedicated cyber and technology team since 1997, has invested significantly in recent years to build a comprehensive portfolio of insurance services, which address the risks associated with e-business, the Internet, computer networks and confidential information. This includes access to specialist third party services such as IT security/forensics, legal representation and public relations consultants, which can all play a key role in containing a cyber incident in the shortest time

possible and minimizing its impact in the long term.



JLT has invested significantly in recent years to meet clients' needs to mitigate the increasing risk of cyber attacks.