



FOCUSED ON  
MAKING YOUR  
BUSINESS  
BETTER

LOCKTON 2013 REPORT

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LOCKTON / 2013 / REPORT

“Successful businesses never rest on their laurels. We’re constantly evolving in the way that we serve our clients. Yes, we’re an insurance broker. But more than that, we’re a true business partner that just happens to bring along expertise in risk management, employee benefits, and insurance.”

—David Lockton, Executive Chairman

## OUR FOCUS IS ON YOU.

Like most annual reports, the pages ahead contain eye-opening numbers. I’d like to pause for a moment and highlight just one number. For the first time, Lockton has passed the \$1 billion mark in total revenue.

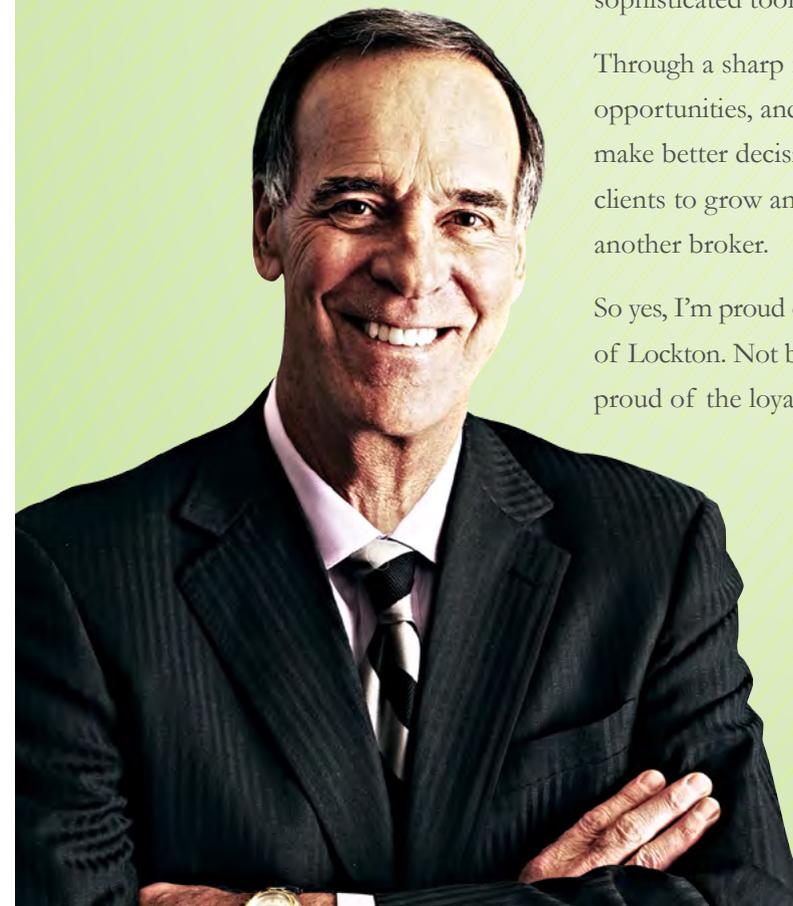
Is that a big deal? Well, yes and no.

Certainly, a billion dollars is a significant milestone. But the truth is, we didn’t set out to be a billion dollar company. Size has never been our goal.

Our continuing growth is a reflection of our commitment to deliver a superior experience for our clients, punctuated by unusual personal attention, an overriding commitment to partner around client objectives, and a willingness to invest in sophisticated tools for solving problems.

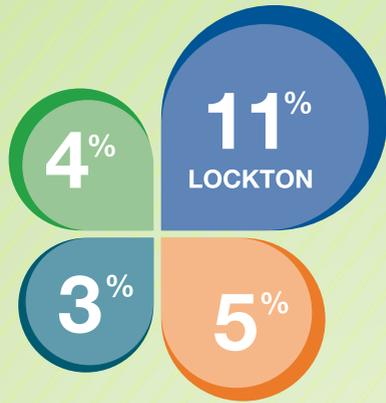
Through a sharp focus on our clients’ business objectives, opportunities, and risks, we provide guidance that helps them make better decisions. Those informed decisions enable our clients to grow and succeed in ways they could not with another broker.

So yes, I’m proud of this report, and have never been more proud of Lockton. Not because of the billion dollar milestone. I’m most proud of the loyal clients and Associates who make it possible.



A handwritten signature in dark ink, reading "David M. Lockton".

David M. Lockton



ORGANIC GROWTH

- Lockton
- Broker A
- Broker B
- Broker C

Source: News reports and company data

11% ORGANIC GROWTH

**\$1,016,751,000**  
TOTAL REVENUE

TOTAL REVENUE 2009-2013



Fiscal year ends April 30. Revenues adjusted to eliminate foreign exchange fluctuations.



EVERYWHERE YOU NEED US

At Lockton, WE LIVE SERVICE!<sup>®</sup> is more than a catchphrase, it is simply the way we do business. Today more than ever, that philosophy helps clients in diverse industries grow, acquire, expand, and face new challenges all over the world. For example, in the areas of privacy, cyber theft, and intellectual property, Lockton is protecting clients and advising

the U.S. Department of Homeland Security. As retailers expand into China and beyond, Lockton is creating innovative programs to reduce losses. And with rising demands for raw materials, Lockton teams are on the ground in Australia, Asia, Latin America, and the U.S. to support massive infrastructure projects.

## A CLEAR PICTURE OF SUCCESS



Wherever our clients conduct business or need our expert advice, they will find Lockton Associates who understand their challenges and keys to success.

We treasure our independence because it gives us the freedom to do what's right for each of our three stakeholders: Our clients, Associates, and communities.



From emerging growth-oriented companies to established Fortune 500 organizations, our clients depend on us for information and advice to help them be a better business.



At 95 percent, our client retention rate far exceeds the industry average.  
Source: Lockton data and Agency Consulting Group Report



Our innovative solutions for managing risk and employee benefits have produced 47 years of uninterrupted growth. They've also produced some very satisfied clients.

AT LOCKTON, WE USE EVERY TOOL AT OUR DISPOSAL TO KEEP OUR CLIENTS UP TO SPEED, SERVE THEIR NEEDS, AND LEAD THEM TO SUCCESS.

WE LIVE SERVICE!<sup>®</sup> BECAUSE WE CARE.



To help a client win a contract, secure a loan, get a truck rolling, start a construction project



Timely updates with innovative solutions for clients



Best Place to Work in Insurance



98% answered by real people to keep you out of voice mail jail



\$25 billion insured losses from Superstorm Sandy



SOLUTIONS WHEREVER OUR CLIENTS GO

10,000 Professionals / 1,000+ Clients



## Investing in Australia

With increased investments in the mining and construction industries in Australia comes higher risk for our clients in Asia and around the globe. To better serve those clients, Lockton opened new offices in Sydney, Perth, and Melbourne. It's not about putting flags on a map. It's about complementing our world-class service to help clients make their business better.

### Capturing the big picture through our engagement process

At Lockton, we're focused on making your business better. One way is through an analytics-driven engagement process called Lockton Advantage. It's a collaborative review of a client's business objectives, loss tolerance, risk management, cost drivers, and employee benefits strategies.

It's not just about reducing insurance costs. It's how we do business. It's about determining how we can help remove barriers, so clients can accomplish their corporate goals.

Lockton Advantage begins with understanding a client's business objectives followed by an analysis of their risk profile. Next we develop risk and employee benefits solutions that are connected to those objectives. And then we deliver a multiyear plan focused on delivering results.

What sets Lockton Advantage apart is its ability to tear down the walls between risk management, insurance, and finance, enabling the Lockton team to design a coordinated and effective strategy aligned with the goals of the client's business.

[Click for more.](#)

### Leadership in practice

A new, multinational client asked us to review its domestic insurance coverage. Through the Lockton Advantage process, the Lockton team discovered a disconnect between the client's U.S. and international insurance programs. The client now enjoys a comprehensive, unified global risk management strategy that accomplishes its business objectives with significant cost savings.

### The highest level of service in any language

Whether exporting finished goods, sourcing raw materials overseas, setting up joint ventures across borders, or building business in developing countries, the vast majority of our clients today have some involvement in the global arena. As their risks expand around the world, they count on Lockton's Global Client Services practice to protect their interests.

No matter how big or small the client, from Fortune 250 companies to those just taking their first steps into the international arena, the mission of our dedicated Global Services team is to provide the same high level of service around the world. We're always asking questions and challenging the status quo in order to develop innovative solutions that ultimately help them make their business better.

Our collaborative approach leverages the vast international expertise of our Global Services team, whose singular focus is multinational business. The team is amplified with local Associates who deliver the best advice regarding risk finance and loss control services, along with health and safety or product-related legislation in that country.

[Click for more.](#)

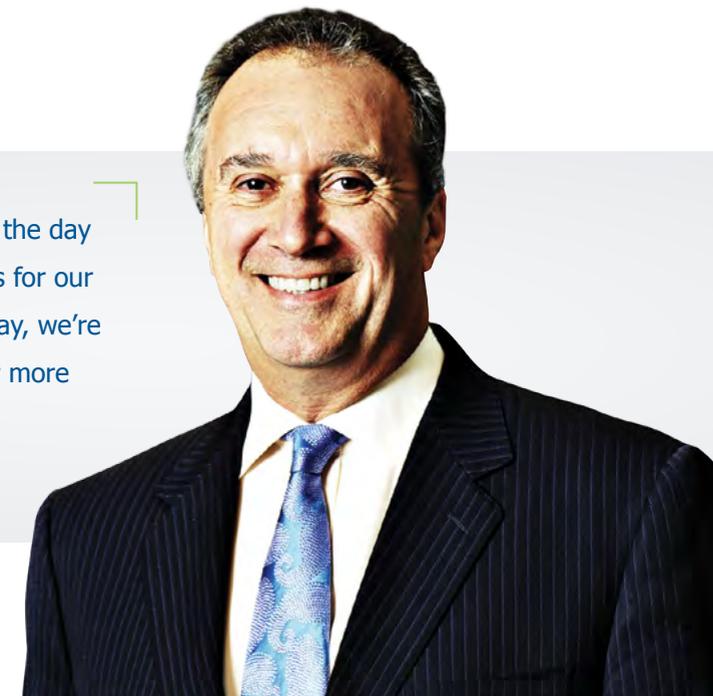
### Leadership in practice

Through acquisition, a Lockton client doubled in size and created a multibillion dollar operation spanning more than a dozen countries. Due to massive earthquake losses, the new global operations faced a 50 percent spike in premiums.

In just 60 days, Lockton secured coverage at a modest 10 percent increase, saving more than \$1 million in premiums. Within six months, Lockton also resolved an outstanding claim, which restored full policy limits, achieved a lower deductible, and released \$45 million in reserves.

"Lockton continues to do what we have done from the day we opened our doors: provide innovative solutions for our clients whenever and wherever they need us. Today, we're doing it with ever more diverse businesses in ever more diverse locations throughout the world."

—Mike Hammond, Chairman of International Operations



## Turning analysis into a healthy advantage

Companies looking to mitigate their healthcare risks are increasingly counting on Lockton Health Risk Solutions® and the analysis we provide with InfoLock®, Lockton's proprietary data analytics system.

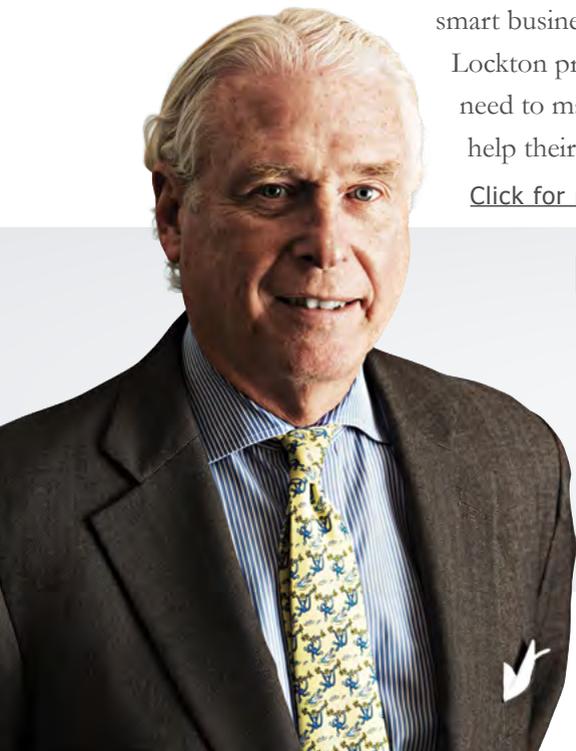
With InfoLock, Lockton actually measures risk inside a health plan. We begin with claims data such as prescription drug utilization, emergency room visits, and preventive care visits. This data, combined with information from health risk assessments and biometric screenings, provides a clear understanding of what drives risk among employees.

The next step is to implement outcomes-based programs to encourage health improvement. These can vary greatly, from simple employee wellness programs all the way up to on-site clinics. Every company is different, so virtually every plan is unique.

How do you measure success when the goal is prevention? It is a difficult challenge, but Lockton is creating tools to do so. Today, the success of a program may be expressed in employee productivity, improvements in presenteeism and absenteeism, length of hospital stay or speed of recovery, and ultimately reduced medical costs.

Clients depend on data from InfoLock to make smart business decisions. The consultants at Lockton provide the information clients need to manage their healthcare risks and help their businesses grow.

[Click for more.](#)



"In a world where new risks emerge every day, it's important that we bring an ever-increasing amount of advice and assistance to our clients. Large and small, local and multinational, our clients depend on us to represent their best interests. That's our responsibility."

—John Lumelleau, President & CEO

## Leadership in practice

Using InfoLock analysis, Lockton showed an international manufacturer that 41 percent of its health plan members had more than one chronic condition, such as back pain, high blood pressure, high cholesterol, or diabetes. Thirty-five percent of the population fell within moderate- and high-risk categories.

Lockton helped design and implement an outcomes-based program with health coaching, quarterly health challenges, Lunch 'n' Learns, and fitness center reimbursements. After just two years, health risk assessments and biometric screening results revealed that the moderate- and high-risk population was reduced by 7 percent.

## Investing in Employee Benefits

Lockton's 2013 employee benefits launch in the United Kingdom is an extension of our robust capabilities in the U.S. and the rest of the world. Today, our U.K. Associates provide sophisticated support for clients in employee benefits consulting, brokerage, and related services. It's another example of how Lockton is building business around the world so we can serve the needs of our clients no matter where they are.



## A team approach helps ensure compliance

Every one of our U.S. clients will see an increase in its employee benefits costs due to the Affordable Care Act. The most vulnerable clients, those in retail, restaurant, hospitality, and staffing, could see increases of 200-300 percent.

In this rapidly changing environment, it is critical that employers reevaluate their benefits and employment structure.

Who are their employees?

How many hours do they work?

What is the competition doing?

And how does it affect their costs?

Experts in the Lockton Health Reform Advisory Practice, together with the local account service teams, guide employers every step of the way, taking the lead to understand not just employee benefits, but also the impacts of health reform on their entire enterprise.

Our highly collaborative, integrated approach pulls together specialists from Compliance, Actuarial, Communications, Compensation, Health Risk Solutions, and HR Technology Solutions.

As U.S. health reform evolves, Lockton's team approach will give us a much more global, highly sophisticated view of each client's business. Always keeping the employer as our central focus, we deliver precisely what the client needs to deal with these challenges and make its business better.

[Click for more.](#)

## Leadership in practice

After strategic analysis, Lockton determined that a staffing firm was structured in a way that would leave it vulnerable to health reform. Due to regulations in the Affordable Care Act, it was facing a \$6-8 million increase in its healthcare costs. The solutions developed by Lockton's Health Reform Advisory Practice reduced the increase to just \$2 million.

### Understanding risks and working to reduce them

Every decision our clients make, every investment they consider, every factory they build, and every crate they ship comes with risks. Evaluating those risks, estimating the potential loss, and structuring a program to mitigate risks requires solid data.

The responsibility to provide that data falls largely on the shoulders of the Lockton Risk Analytics team. Lockton leads the industry in providing the data clients need to answer vital questions, such as:

“What risks should we retain and what risks should we transfer into the marketplace?”

“What risk control strategies can we deploy to reduce losses and improve outcomes?”

Identifying loss drivers and quantifying their impact often involves an increased level of analytical tools, or even the development of new tools such as InfoLock. In many cases, Lockton team members bring personal expertise within a client’s industry, which they leverage to examine claims and reduce future incidents.

Lockton Risk Analytics and Risk Control Services make our clients’ businesses better by reducing claim costs and preventing business disruptions from happening.

[Click for more.](#)

### UP TO DATE. AND OUT IN FRONT.

Lockton helps clients succeed by providing the information they need to make smart decisions.



### Leadership in practice

Lockton Risk Control analyzed key loss drivers for a large glass and aluminum manufacturer. The review highlighted loss trends that were contributing to a \$950,000 increase in the client’s total claims costs. The Risk Control Services team, working closely with the client, implemented several strategic solutions that will drive a 50 percent reduction of the client’s projected retained losses.

## ENHANCING BUSINESS, EARNING RESPECT

At Lockton, our Associates work hard to manage risk, improve profitability, and enhance the business prospects for our clients. Along the way, we’ve built a reputation as one of the best places to work, while earning the respect of our peers in the industry.



Throughout this report, we’ve mentioned several valuable tools that help us generate data to keep our clients up to date. In addition, we use many tools that keep them out in front of issues and challenges, including blogs, compliance alerts and newsletters, to name just a few.



## FOCUSED ON MAKING OUR COMMUNITIES BETTER

### Help for Heroes

Lockton Associates in the U.K. donated time, sweat, and money to support Help for Heroes, which provides support to those who suffered life-changing injuries or illness in service to the country. Thanks to our efforts in the annual clay pigeon shoot and Big Battlefield Bike Ride, Lockton volunteers raised £87,500. Here, Lockton's John Lowry presents a check to Col. David Richmond, Chief Operating Officer at the Tedworth House recovery center.



### 1a Carrera Lockton

More than 800 Lockton Associates, friends, and family in Mexico took part in the 1st Lockton Race, which benefits the Fundación Mexicana de Ayuda en Problemas de Hipófisis A.C. Thanks to registration fees and a generous donation by Lockton, the event raised more than 176,000 pesos to help those with pituitary, head, and neck tumors.

### Sandy Hook Support Fund

In March, Associates, family, and friends from Lockton Northeast joined more than 15,000 other runners for a 5K and Kid's Fun Run in Hartford, Conn. Several Kansas City Associates joined their Northeast colleagues in raising more than \$5,000 to support those who suffered in the Sandy Hook Elementary School tragedy.



### Boys & Girls Clubs

Kids Night Out is an exciting annual event benefiting nearly 8,000 urban core youth served by the Boys & Girls Clubs of Greater Kansas City. Featuring Eric Stonestreet, from the Emmy-winning comedy, *Modern Family*, the cocktail pre-party, dinner, and auctions raised \$1.28 million, which funds youth development programs. Lockton was a presenting sponsor, while Lockton President/CEO John Lumelleau and his wife, Loretta, served as honorary co-chairs.

To learn more about the intellectual insight that helps our clients make informed decisions to run their businesses, visit the following:



[LocktonMarketUpdateBlog.com](http://LocktonMarketUpdateBlog.com)



[LocktonHealthReformBlog.com](http://LocktonHealthReformBlog.com)



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**Core Services:**

- Risk Management Consulting
- Employee Benefits Consulting
- Retirement Plan Advisory Services
- Corporate Insurance Brokerage

**Our Mission**

To be the worldwide value and service leader in insurance brokerage, employee benefits, and risk management

**Our Goal**

To be the best place to do business and to work



INSURANCE | RISK MANAGEMENT | EMPLOYEE BENEFITS CONSULTING

[www.lockton.com](http://www.lockton.com)

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