

A low-angle, upward-looking photograph of several modern skyscrapers. The central focus is a tower with a prominent, vertically-oriented cylindrical section featuring horizontal metallic bands. To its right, another tall building with a grid-like facade of windows and balconies rises. The sky is a pale, overcast blue. The overall composition is dynamic, with strong vertical lines and a sense of height and architectural complexity.

Insurance and the London Market

ETH

February 6th 2008



Peter Taylor



**Future of
Humanity
Institute**

- Oxford University
- Arthur Andersen
- Bowring / Carpenter
Bowring
- Murray Lawrence
- DP Mann / Faraday /
GenRe
- University of Oxford
- Lloyd's Committees
- LPC
- Tsunami
- The Risk Group
- Lighthill Risk Network
- Future of Humanity
Institute

25 years in the London Market, IT and modelling

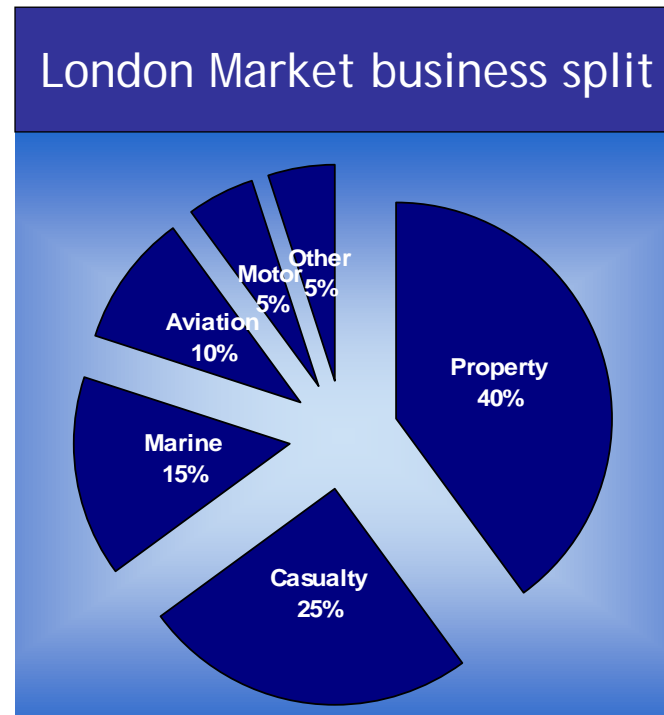
AIM

- To understand the business rationale and main processes involved in underwriting and broking in the London Insurance Market
 - Who the main players are and what they do
 - How they got to where they are today
 - Who adds what value
 - What imperatives drive the business forward

The London Insurance Market

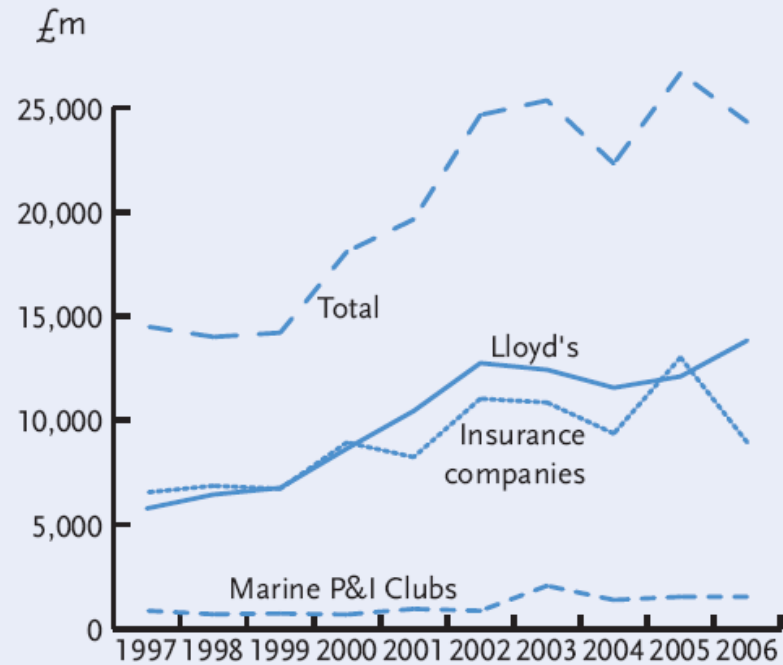
London Insurance Market

- Predominantly US/International risks
- General Insurance and Reinsurance
 - Property
 - Casualty
 - Marine
 - Aviation
 - Motor
 - Other



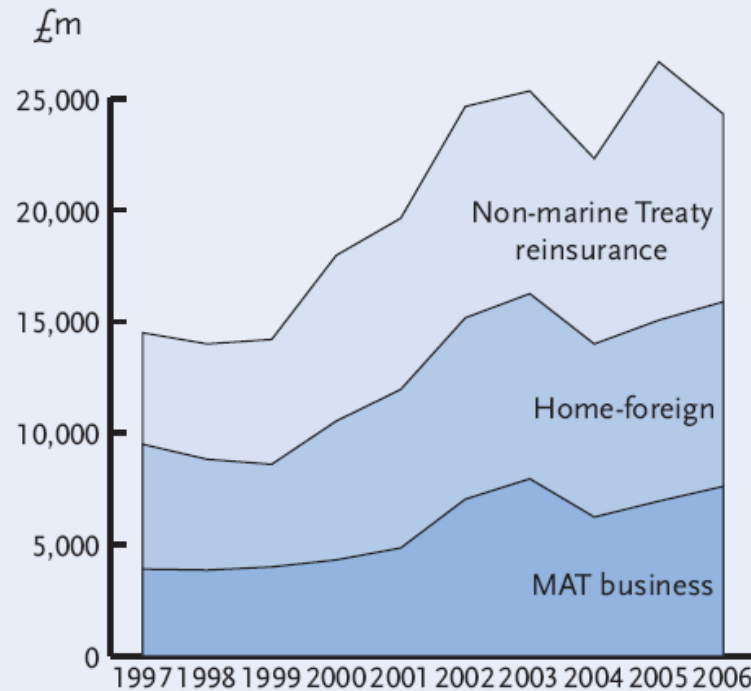
London Market Facts

London Market gross premium income



¹ 1998 breakdown is IFSL's estimate based on 1997 & 1999 data
Source: ABI

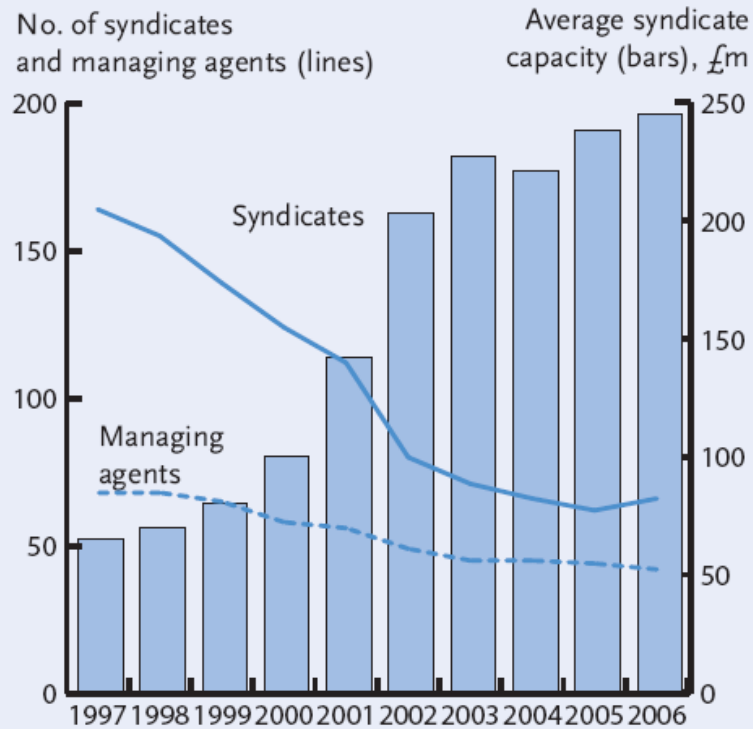
London Market income by type



Source: ABI

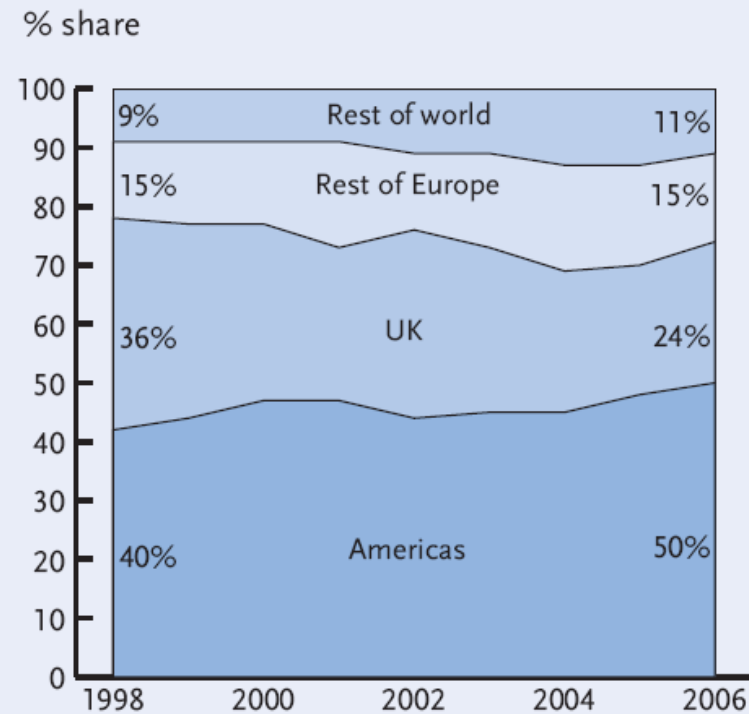
Lloyd's Market Facts

Syndicates and managing agents



Source: Lloyd's

Lloyd's premium income by region



Source: Lloyd's

London Market Features

- Wholesale market through brokers
 - Surplus lines
 - “Distressed” business
 - Reinsurance
 - Marine & aviation
- Still a world leader
 - But losing ground to Bermuda in large catastrophe risks
 - Other main competitors are European and US reinsurers
- London Insurance Market
 - Lloyd’s of London (~£16 bn premium, ~75 Syndicates)
 - Company market (~£10 bn premium, ~40 Companies)
 - Brokers, many international (~170 London market brokers)
 - 40,000 people employed in EC3

Broking & Underwriting

- The business
 - UK
 - US
 - International
- The Players
 - MGAs
 - Producing Brokers
 - Lloyd's Brokers
 - Lloyd's
 - IUA Companies
 - Bermuda
 - Overseas Markets
 - London Bureau
- How they make money

Marsh

Hiscox

Aon

Amlin

Willis

Kiln

Benfield

BRIT

Carpenter

Faraday

BMS

Swiss Re/GE

Catlin

Global Aero

Renn Re

Zurich

Ace

AIG

Broking

- What they do
 - Handle clients
 - Structure programmes
 - Find markets
 - Do lunch
 - Do dinner
 - Gossip
- And of course
 - Management (isn't that what Simon does?)
 - Claims (but they do smell, don't they?)
 - The money (just why do clients and underwriters whine such a lot?)
- Remuneration
 - Brokerage
 - Commissions
 - Investment income
- Costs
 - Lovely expensive offices
 - Expensive brokers
 - T&E
 - Hordes of back office staff
 - And nothing on those bureau people

Underwriting

- What they do
 - Set the terms (the premium) and conditions (what to pay out on)
 - Lunch with brokers
 - Buy reinsurance
 - Gossip
- And of course
 - Management (is that what Simon does?)
 - Premiums (excuse me, but where are they?)
 - Claims (that's what we're in business for?)
- Remuneration
 - Yummy salaries
 - Tasty bonuses when "unlucky"
 - Even tastier bonuses when "skilful"
- Costs
 - See above
 - Actuaries
 - Claims
 - Back office staff
 - IT
 - And a tiddly bit on the bureaux

Real Underwriting

- Return on Capital
- Risk pricing
 - Technical Rate
 - Risk adjusted price
 - Profit
 - Portfolio
- Aggregates
- Combined Ratio
 - Loss Ratios
 - Expense Ratios
 - Commission Ratios
- Float / Investment Income

Actuaries

What use are they?

Cat Models

Why love/hate?

GAAP

Why does it exist?

Four Tests of an Underwriter

- Can explain the **price**
- Knows any **accumulations**
- Understands the underlying **risk**

AND

- Knows **figures**
(premiums/claims plus current and ultimate loss ratios)

What oh What?

What if we got rid of them?

- MGAs
- Producing brokers
- Placing brokers
- Reinsurance brokers
- Underwriters
- Technicians
- Claims brokers
- Claims technicians
- Claims adjusters
- Lawyers
- Wordings staff
- Accountants
- Actuaries
- The Bureau (er ...)
- The Market Associations (LMA, LPC)

What makes the difference?

- Opportunistic attitude*
- Clearing house for premiums and claims*
- Available skills*
- Flexible Capital*
- Slick systems*
- Capital working twice*
- Talent*
- Global broker distribution chain*
- Control Over Expenses*
- Technically excellent underwriting*
- Regulation*

PS Spot the jokes

Discussion

Core Skills

- Market
- Lloyd's
- Basic Insurance
- Reinsurance
- Underwriting
- Claims
- Accounting
- Lloyd's Reporting
- Actuarial