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LONDON MARKET GROUP

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WHY LONDON MATTERS

2022

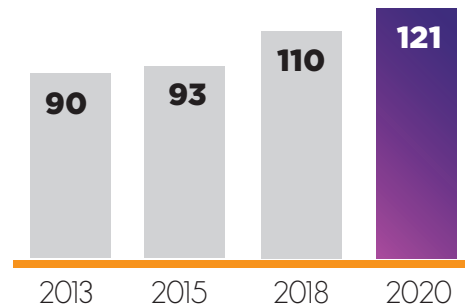


LONDON'S SIZE AND SHAPE

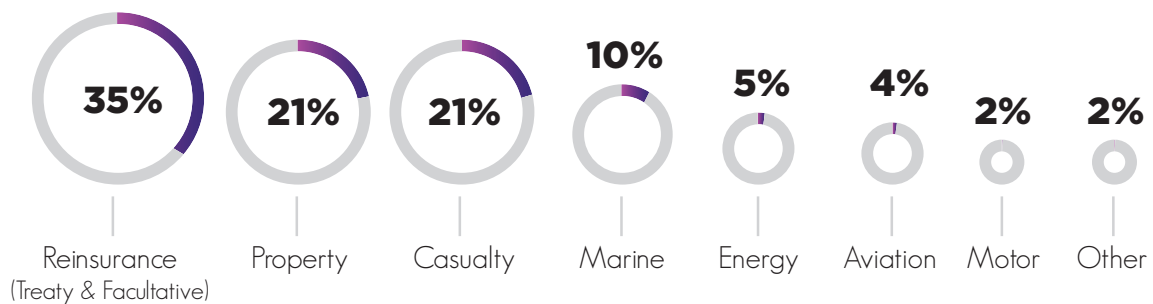
"London's specialism and reach make it possible to insure virtually any activity in any location. It is the only place where every top 20 insurance and reinsurance firm is active, giving it unmatched global reach."

The Global City Report, 2021

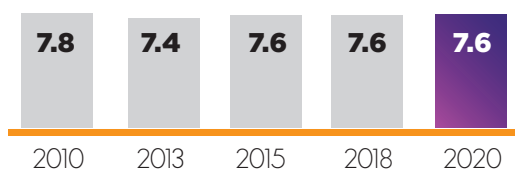
London Market premium has risen steadily in the last decade (USD \$bn)



What business does the London Market write? (%)



London's market share (%)



London accounts for \$84bn of global GWP of £1,106bn

"London's success is a result of the scale of products, innovation and breadth of services, and concentration of underwriting and broker expertise."

The Business of Resilience Report, 2022

NO INSURANCE, NO MODERN WORLD



The insurance industry keeps the wheels of the global economic machine moving forward. Without insurance, much of the modern world could not function and many things that we all take for granted would either cease, be heavily curtailed or become prohibitively expensive. It is the financial safety net underpinning society and businesses, enabling trade, innovation and development.

Without insurance protection, investment in new technologies, exploration, and research, would be significantly reduced. It is dynamic, responding to the needs of the esoteric, the complex, and the unknown. Insurance remains as relevant today as ever, as does London's position as a leading provider of complex, commercial insurance to businesses located all around the world.

London is a key partner for insurance and reinsurance clients globally, providing a home for their risks. We are a support mechanism for those large, challenging and developing risks that local insurers either do not wish to, or cannot, underwrite.

Without the London Market's willingness to insure it, a great deal of progress across the globe would have been impossible. Today, in a world of unprecedented change and opportunity, London's insurance market is more essential than ever.

Only London can bring together the breadth of expertise and depth of resource needed to address the universe of risks that decision makers are facing.

So, whatever you want to achieve, wherever you want to go, and whatever challenges lie ahead, London makes it possible.

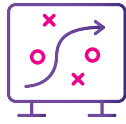
WHY LONDON?



The London Market has a rich heritage going back to the seventeenth century. Since then London has developed into the premier hub for commercial (re)insurance risk globally, controlling 11% of total premiums, based on 2020 data, making it the largest underwriting centre globally by market share for insurance and the third largest for reinsurance.

It controls \$121 billion of annual premiums offering a deeper, broader risk appetite. As a true subscription market, it enables some of the world's largest and most complex risks to be seamlessly shared across many insurance businesses.

Our dynamic eco-system, genuine specialty expertise, data-driven insights and deep reserves of capital make us better equipped to manage complex and challenging risks. And better prepared to help our clients - from individuals to global businesses - get back on their feet when disaster strikes.



RAPID DECISION MAKING

UNIQUE ECO-SYSTEM

The City of London contains the highest concentration of insurance talent in the world. Within 500 metres of each other sit 65 insurance and reinsurance companies, 80 Lloyd's syndicates, 8 Protection and Indemnity Clubs (P&I Clubs), and over 200 international and local insurance and reinsurance brokers. All of whom are supported by professional advisers such as lawyers, claims adjusters, accountants etc.

The best solutions come from collaboration between people and businesses with a range of technical skills and expertise operating in this unique ecosystem. It offers efficient interaction and rapid decision-making on even the most complex of risks.



DELIVERING CREATIVE SOLUTIONS

BREADTH OF EXPERTISE

48,000 people work in the London Market offering an unrivalled breadth of expertise and unique concentration of knowledge and experience. This makes for creative solutions to existing and emerging risk transfer problems – both in traditional industries and in newer, fast-growing economies and technologies. London can deliver solutions for every conceivable type of risk, from the largest to the smallest and from the most standard to the most specialist and complex. It remains the market of choice for many specialist risks such as marine, aviation and energy, with a 42% global market share.



PAYING OUT ON THE LARGEST RISKS

DEPTH OF RESOURCE

Every one of the top 20 global insurance and reinsurance firms and brokers is based in London, and nearly 90% of London's capital comes from overseas. This gives London an unrivalled capacity to provide and manage capital flexibly and securely, and the resilience to take on and pay out on larger scale risks.



PIONEERING PRODUCTS

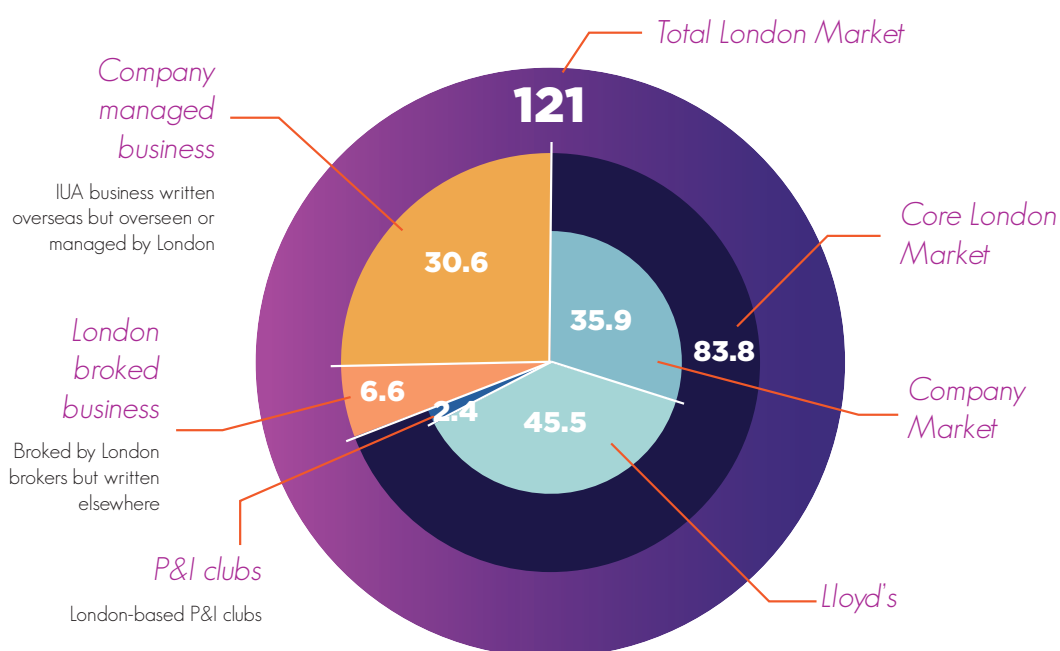
MANAGING EMERGING RISK

Our appetite for challenge and track record in leading new product development makes us able to respond quickly and flexibly to new risks and placement needs. The London Market has a reputation for being at the centre of global risk transfer innovation and its participants have historically been pioneers for new product development and managing emerging risks. London now accounts for 28% of global cyber insurance and helps businesses large and small to recover from the consequences of cyber-attack, pioneering cover and services that barely existed a decade ago.

HOW LONDON WORKS

Whilst the London brokers have strong relationships with all the London-based underwriters, they will always look for the most appropriate (re)insurers for their client, and their reputation and expertise enables them to seek out markets globally. So, while business flows through London to access the expertise embedded here, it may be placed elsewhere.

LONDON MARKET GROSS WRITTEN PREMIUM BY SOURCE 2020, \$BN

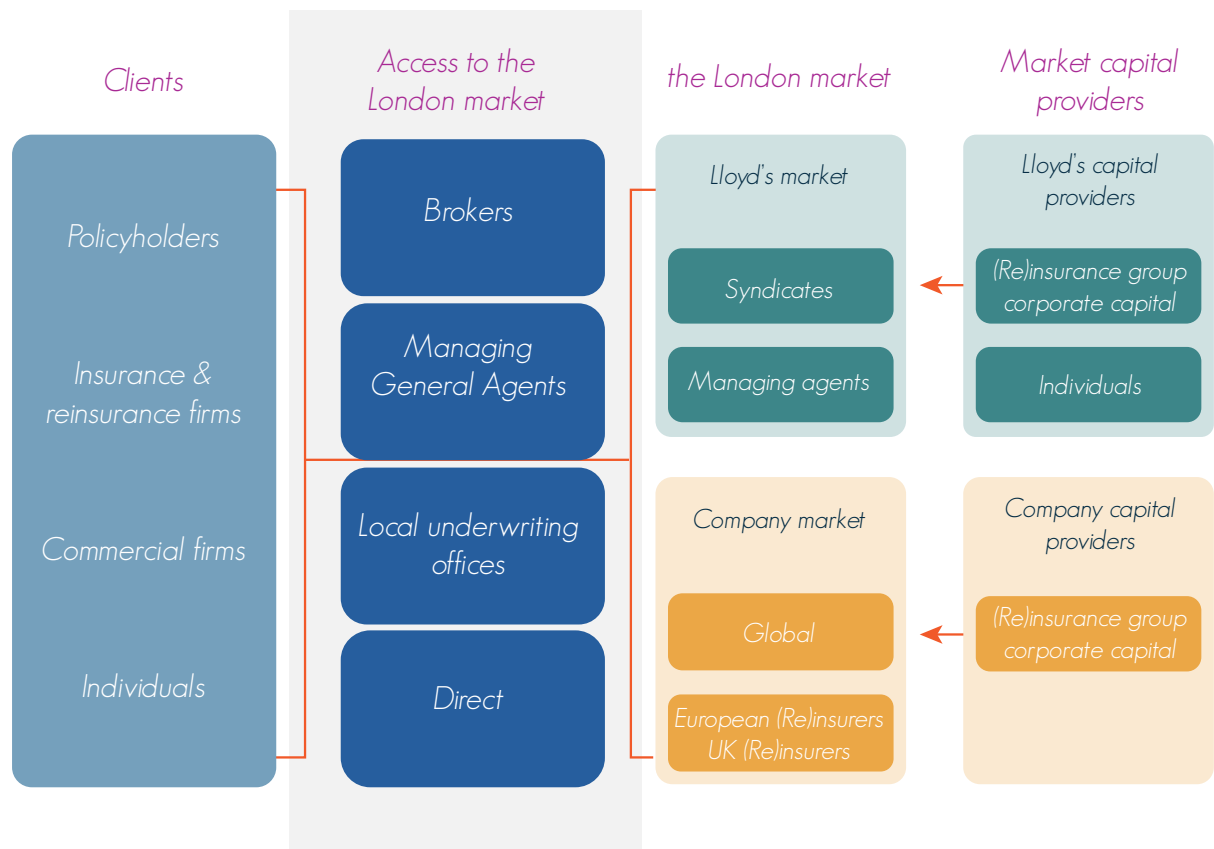


THERE ARE THREE KEY TOUCHPOINTS FOR OUR CUSTOMERS:

1. Understanding the exposure and advising on risk mitigation.
2. Accessing the best (re)insurance coverage, with the most appropriate underwriters.
3. Providing help and prompt claims payment after a loss.

Clients typically access the London Market via insurance brokers, who act as an intermediary between clients (the policyholders) and the wide range of (re)insurance carriers based here.

All the key global brokers operating in the property/casualty market have a major presence in London. They are multi-disciplined, acting as brokers, consultants, risk advisors, risk managers, claims consultants and managers, and specialist data, analytics and technology providers. Some also advise on business strategy, including mergers, acquisitions and divestments, and capital solutions such as catastrophe bonds and insurance-linked securities (ILS).



Some of the common characteristics of the types of risks coming into the London Market are:

- More complex
- Higher severity but lower frequency
- Those requiring significant capacity, often at short notice, where subscription is beneficial
- Where local insurers provide some but not all of the insurance
- Those that require 'thinking outside the box'
- When pooling across the globe is required to build expertise

London provides access to the largest subscription market in the world, where more than one (re)insurance carrier takes a share of the same risk.

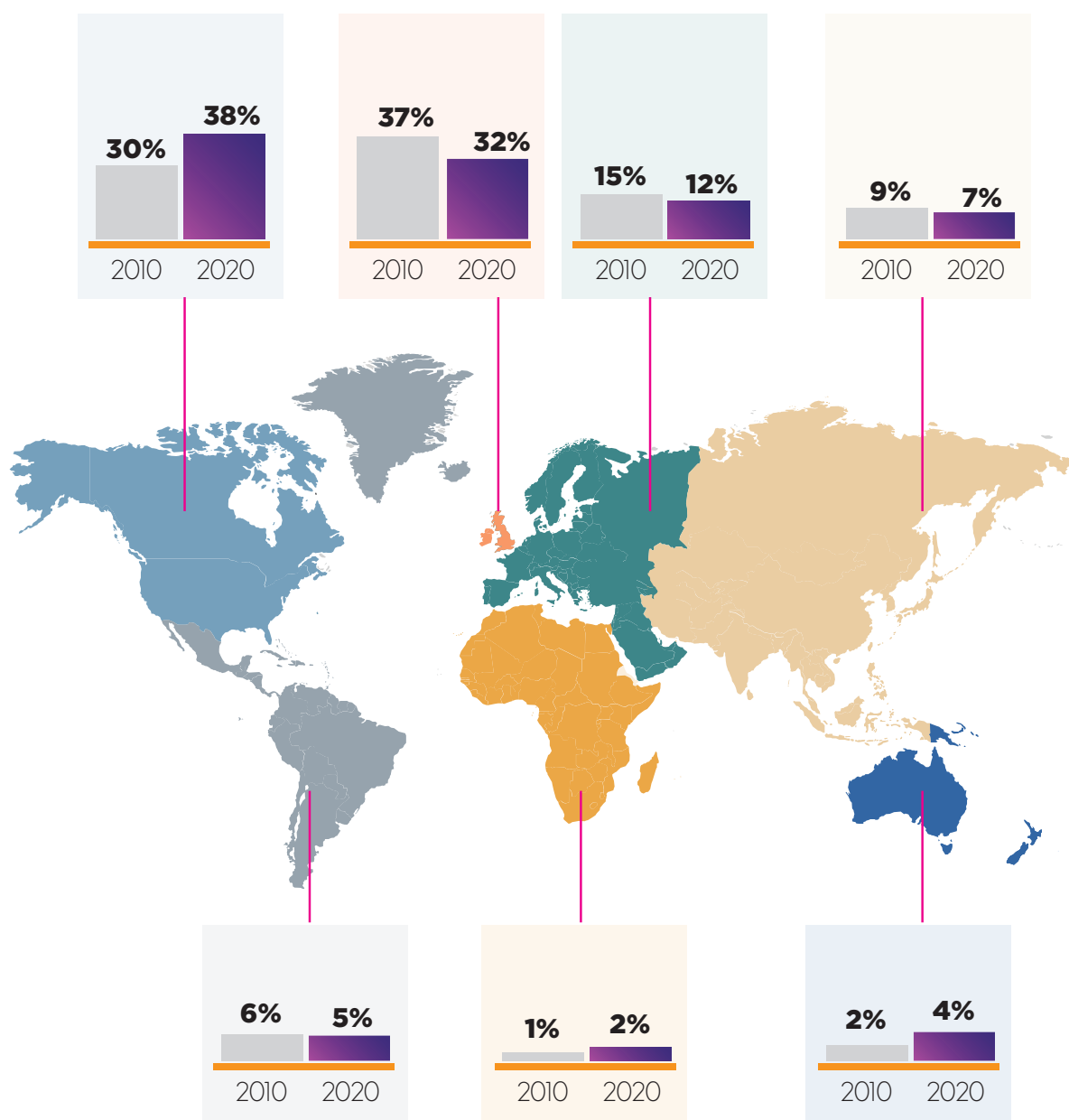
It allows the broker to access complementary skillsets to get the best deal for their client - and it allows the client to benefit (intellectually and pricewise) from tapping into a range of experts, especially for those larger and complex risks.

Subscription also enables an efficient spread of risk across a range of underwriters. This creates additional financial protection for the customer by automatically reducing the risk of (re)insurer failure, but also means that they benefit from being able to readily access capital for those exposures that are too specialist, too large, or too complex for one (re)insurer alone.

This conception of collaboration with other (re)insurers stretches beyond subscription just within the London Market. Particularly large and difficult risks often see the London Market working in partnership with its global (re)insurance competitors to create the best solution for the client.

SUPPORTING GLOBAL BUSINESS

PERCENTAGE OF LONDON MARKET BUSINESS BY REGION



In 2020, 68% of the London Market's business came from companies outside the UK and Ireland, based on gross premiums by insured location. Many buyers come to the London Market having found that domestic insurers do not have an appetite for their risks because they are unique or unusual. For others, it can offer a better price and/or better terms.

SUPPORTING DOMESTIC INSURANCE MARKETS

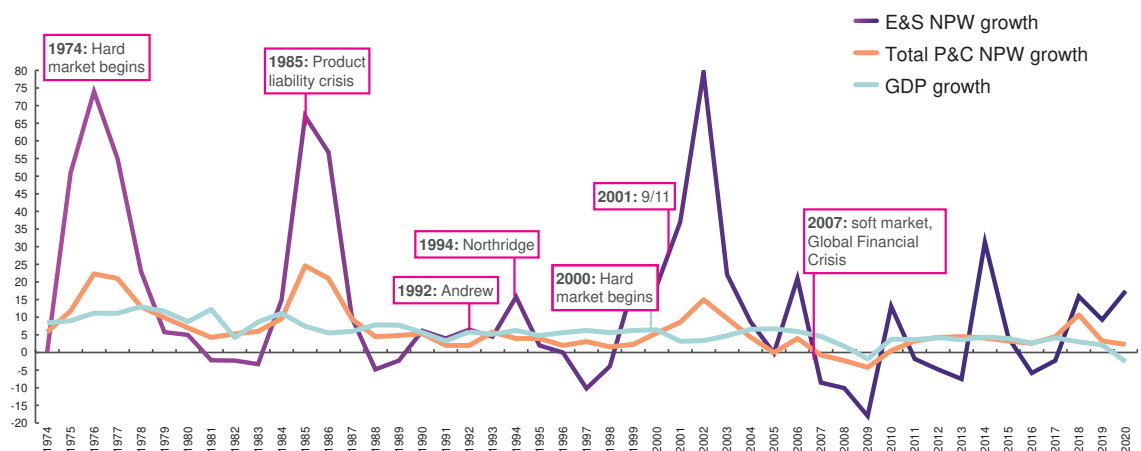
The London Market provides a variety of mechanisms whereby it can work in partnership with domestic insurance markets who want to access its expertise and capital. For many markets around the world, London is a vital support mechanism for non-standard and/or large, complex risks. Often these exposures are higher risk (new start-ups, new products), unusual, and/or too large (catastrophic weather), so they fall outside the normal scope for the domestic carriers who may not have the appetite or experience to underwrite it.

We enable businesses to access the protection they require and so help underpin domestic economies. A good example of partnership in action is London's long-established role in the US Excess & Surplus Lines market which demonstrates every day the advantages of mutually beneficial collaboration.

The London Market can only offer cover if a risk has been rejected by three separate standard insurance companies. This ensures domestic insurers are protected from undue competition but enables those local customers with large or complex risks to access brokers and (re)insurers who have been vetted by the regulators and are specialists in their fields. They may also be more able to quickly adapt to individual requirements and to changing market needs and conditions than the domestic market.

This mechanism enables real flexibility in risk appetite for the local market and allows business to ebb and flow between domestic and non-standard carriers. After suffering significant or catastrophic losses, it is not unusual for local carriers to retrench. The London Market then steps up to provide coverage until more normal market conditions return, at which point domestic appetite often resurges, prices fall and more of the risk is, once again, underwritten locally.

THE LONDON MARKET SUPPORTS THE DOMESTIC MARKET IN THE U.S



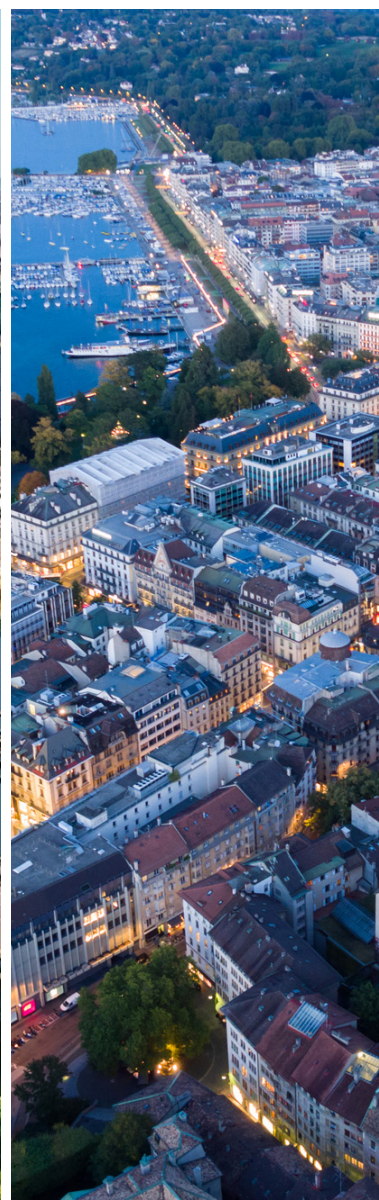
QUICKLY RESPONDING TO CHANGE: LONDON POST BREXIT

The London Market continues to underwrite risks within the European Union just as before, but inevitably there have been changes in how it operates post Brexit.

A number of London Market companies restructured in order to continue serving their EU clients. Most that did not already have an existing European presence set up new offices in Malta, Belgium, France, Ireland and

elsewhere. Some London operations then became branch operations of the newly established European entities and so, whilst London still provides the expertise and advice, much of that premium is now managed directly by those EU operations.

Lloyd's established Lloyd's Insurance Europe, a fully operational, capitalised subsidiary (re) insurance company under Solvency II, which benefits from the market's financial strength through the Central Fund.



RIISING TO THE CHALLENGE OF NEW RISKS

As a vibrant international financial services sector contributing to the UK economy, and the global hub of insurance excellence, the London Market constantly aims to be the fulcrum of (re)insurance invention, the place where new solutions to meet new customer demand are developed and nurtured.

The challenges and opportunities facing businesses around the world continue to evolve and grow and, with it, their exposures: today, it is no longer just about physical assets and services that a company can see, manage and protect. Businesses are increasingly dependent on third parties for their success. New models of working include reliance on AI and new technology. Businesses are also increasingly at risk from a range of reputational issues – whether it is measurable progress on ESG, systems or product failures from cyber-attacks, or new technology that goes rogue.

London has always been about innovation and looking beyond simple indemnity to providing additional service and risk management advice and support, particularly during a crisis.

If there are solutions to be found to these challenges relating to risk, they are most likely to be found in London. This is the only place that brings together the breadth of expertise,

flexibility of thinking and weight of capital to address the universe of risks that decision makers are facing.

London is committed to delivering on its commitments, and is also actively working to help its clients achieve their own transition to net zero, as well as supporting new technology advances for a greener future. At the time of publication, more UK insurance firms had signed the UN Principles for Sustainable Insurance (PSI) than in the US or Asia.

The transition to a net zero world will require significant business innovation, driving new industries and new types of markets, all requiring investment across the economy. It will also result in further regulatory, technological and behavioural changes. All of these will affect our clients' business models, product needs and risk characteristics right across the (re)insurance spectrum, creating new risk exposures alongside opportunities for pioneering products.

"We have a responsibility to insure the transition and support our customers as they decarbonise, including harder-to-abate sectors which are critical to the world's transition to net zero and depend on our support to manage and mitigate the risks they will face as they evolve to more sustainable, low-carbon business models"

Lloyd's, ESG Guidance 2021

SUPPORTING ITS CLIENTS ON THEIR JOURNEY TO NET ZERO

The London insurance market has a unique role to play in the transition because it can:

- insure large-scale and complex infrastructure projects,
- provide risk management expertise to help clients build more resilient and sustainable businesses,
- measure balance sheet risk for any business and work with the wider UK financial and professional and business services sector, and
- incentivise net zero transition: through the scale of the London Market, it can provide stronger price signalling, reducing costs for low climate risk.

As well as helping to release capital through balance sheet risk management, other green finance-related insurance products already available in London include coverage for tax credits for investment in renewable energy projects, green transaction insurance covering the non-payment risk of qualifying green loans (with the investment premium invested into the green economy), and carbon offset invalidation insurance.

The London Market already has deep expertise in measuring climate risk and modelling the risk of emissions and policy change. These measurement skills have wider applicability as investors, regulators and consumers increasingly demand disclosure of carbon emissions. Broader services around carbon measurement, regulation, and reporting are already being developed and offered by London.

In terms of environmental exposures, the London Market has historic roots in responding to climate-related natural catastrophes and this knowledge and experience is increasingly important as clients are impacted by climate catastrophes from hurricanes to inland

flooding, typhoons to wildfires and droughts.

A report by the Sustainable Markets Initiative Insurance Task Force in 2021 highlighted some of the (re)insurance products already available from London Market brokers and underwriters in response to this changing risk landscape¹. These policies are designed to help our clients address existing transition exposures and support the development and refinement of new solutions for a sustainable future.

Examples of climate change products include:

- Development of solar energy products to provide cover for the actual yield of solar parks.
- A combined broker/underwriter assessment of specific biodiversity risk mitigation by clients that can reduce clients' deductibles.
- Parametric microinsurance schemes e.g. protection for coffee and grain farmers in Nicaragua or crop insurance for small scale farmers on a digital platform using meteorological data as the policy trigger.
- Carbon offset insurance designed to improve confidence in case of shortfalls, fraud etc.
- Insurance for the loss of the value of the carbon captured if there is a containment failure.
- Platform / Sharing economy insurances.

“London remains the only financial centre the tops both conventional and green financial centre rankings.”

The Global City report 2022

¹ [smi-itf-products-and-services-showcase.pdf \(storyblok.com\)](#)

ABOUT THE LONDON MARKET GROUP

The London Market Group is the only body which speaks collectively for all practitioners in this significant market, representing the views of insurance brokers, those insurers and reinsurers operating within Lloyd's, and branches of overseas insurers and reinsurers operating in London - reflecting the full extent of the Market.

FOR FURTHER INFORMATION CONTACT:

www.lmg.london

*With thanks to Global Data for the provision of global market figures
and AM Best for the provision of inward reinsurance figures*

