

Inside this month:

The facts about our competitive position.
Chairman Hearn sets out the results
of LMG's research.

LMG



the LMG

Issue 100 January 2015

newsletter

A ton of fun...



Welcome to the centenary edition of the LMG Newsletter. The first edition, under its original title the “Reform Newsletter”, hit the streets in September 2004. An age when all sorts of imponderables from the past were still reality – Tony Blair was Prime Minister; Arsenal were league champions and unbeaten for more than a year; and Illinois was poised to promote a little known community organiser from the State to the Federal Senate.

That opening effort began with the sentence: “[a]ll of us associated with Business Process Reform (BPR) in the London insurance market believe that we are on the verge of translating much hard work, in terms of planning and debate, into real action.” Many punchlines are tempting at this point. But it is important to note that much has been achieved since that opening salvo. One month after that fresh faced Illinoisan secured passage to Washington, John Tiner, the then CEO of the Financial Services Authority (the memories keep on coming) used New York as the

venue for his “deal now; detail later” speech. That gave impetus to the contract certainty programme that was already one of the subjects covered in Newsletter 1.0. Since then, whilst sometimes seeming a slightly less than perfectly smooth transition, we have delivered the Market Reform Contract; the Insurers Market Repository – and with it accounting and settlement and Electronic Claims File; eAccounts; and the revolution in non-bureau markets that has been the introduction of EBOT processing to manage premium and claims payments. Those were the highlights of the “real action” that the prophets of 2004 foresaw.

The 100th Newsletter comes to you in similarly heady times. Our research report – London Matters, the detail of which Steve Hearn sets out in the following pages – marks a milestone moment for the market. We have a benchmark measure of the customer service we deliver. We have the facts at our disposal that will allow us to develop a strategy aimed squarely at addressing the opportunities for growth that our customers’ feedback has

identified. That is the work that we are engaged in as this publication enters its second century. When the then editor comes to reflect on the progress that has driven in ten (and a little bit) years’ time it will be a survey of a landscape much changed; modernised but still in need of yet more continuous improvement; with a market at its heart still the thriving specialty centre of excellence that is core to the global insurance industry. And all that will have been achieved due to the efforts of the true heroes of all of this – you, the readership of this Newsletter. Thank you.

Finally, a tribute. This will be the last Newsletter before Roy Laker retires from ACORD. Roy was a leading contributor to the Newsletter 1.0. He has remained a key part of the modernisation community ever since, moving from the LMP Office to ACORD where he has ensured that data and standards have always been the cornerstone of everything we do. His knowledge, wise counsel and sense of fun will not be easily replaced. We wish him health and happiness in his new life of leisure.

For further information

LMGS Contacts

Head of LMGS

Christopher Croft

Telephone: 020 7327 5278

Email: chris.croft@londonmarketgroup.co.uk

Projects

Steve Hulm

Telephone: 020 7327 5249

Email: steve.hulm@londonmarketgroup.co.uk

Lloyd's Contacts

Exchange

James Bobbitt

Telephone: 020 7327 5248

Email: james.bobbitt@lloyds.com

LMA Contact

Rob Gillies

Telephone: 020 7327 8377

Email: robert.gillies@lmalloyds.com

LIIBA Contact

Chris Buer

Telephone: 020 7280 0154

Email: chris.buer@liiba.co.uk

IUA Contact

John Hobbs

Telephone: 020 7617 4445

Email: john.hobbs@iua.co.uk

ACORD Contact

Roy Laker

Telephone: 020 7617 6405

Email: rlaker@acord.org

Useful Links

LMG www.londonmarketgroup.co.uk

LMA www.lmalloyds.com

LIIBA www.liiba.co.uk

IUA www.iua.co.uk

ACORD www.acord.org

As a matter

Steve Hearn Chairman of LMG and

Last month we published a report – *London Matters – the competitive position of the London Insurance Market*. I imagine many of you reading this will have been amongst the 400 or so people at our launch event. I hope that, subsequently, you all have had the chance to read the report. It provides the most comprehensive assessment of the status of our market that has ever been carried out. And whilst some of the data that we have established demonstrate that we have some issues that we should address, I believe the findings set out a series of fantastic opportunities. We have the chance to use the report to inform our understanding of what London should and should not be aiming to deliver as a market. We can use that knowledge to devise a strategy for ensuring we remain the centre of excellence for specialty insurance business that the global industry requires. And we can deliver on that strategy to ensure that our clients continue to be able to access the risk mitigation solutions and service that they need.

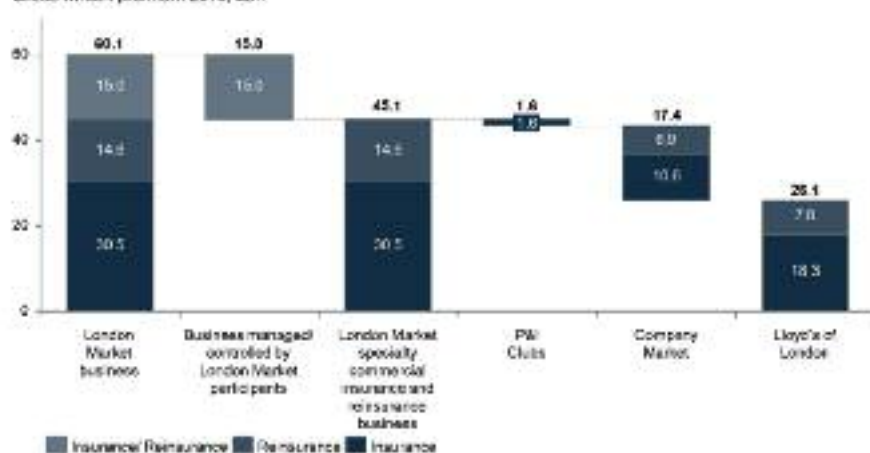
Let me remind you of some of the highlights. The report comes in two halves. Firstly we have gathered data that demonstrates the size of our market, our share of global business and the contribution to the UK economy. Secondly we provide the feedback from conversations and survey responses from around 300 of the market's clients – people up and down our distribution chain who take the key decisions as to whether or not to send business to London. We asked them what criteria they use when making this decision. We then asked ourselves what that tells us about the way our market should shape itself in the future.

The numbers themselves are pretty impressive. We define the market as:

- £45bn of Gross Written Premium (GWP) written here and backed by capital managed in London, with £26 billion of that being written in Lloyd's;
- £7bn GWP managed through the London offices of company market insurers but placed elsewhere; and
- A further £8bn in premium marketed through the London offices of our broking firms but written elsewhere in the world.

London controlled £60bn of GWP in 2013

Gross written premium 2013, £bn



Note: Figures rounded to 1dp and may not add due to a round. Source: LMG data request with sample Managing Agents, Company Market participants and Brokers, RIA, Lloyd's of London, IUA analysis.

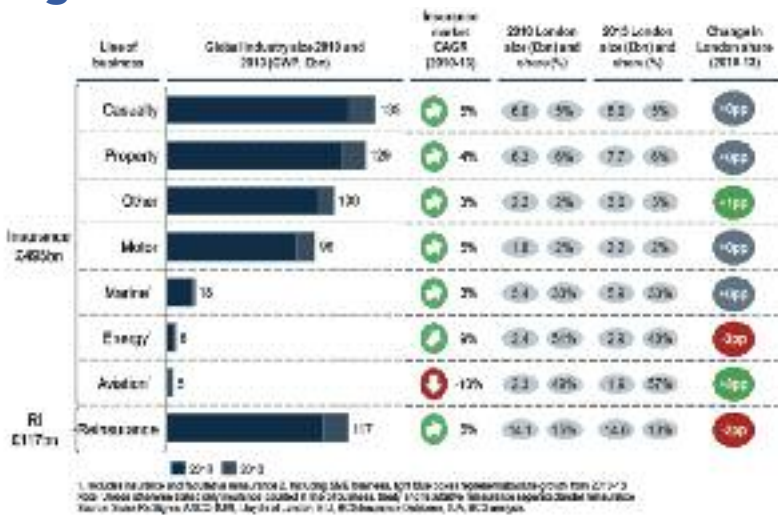
of fact...

Deputy CEO, Willis Group

All told that makes London a £60 billion premium market. This generates £30 billion to UK GDP which is, variously, 2% of the overall total; 8% of the contribution for London as a whole; 10% of the UK Financial services sector; and

But there are some concerns. We are only keeping pace with global growth in commercial insurance, our market share remains 10% of the global insurance industry. In reinsurance, our share fell from 15% to 13% between 2010 and 2013.

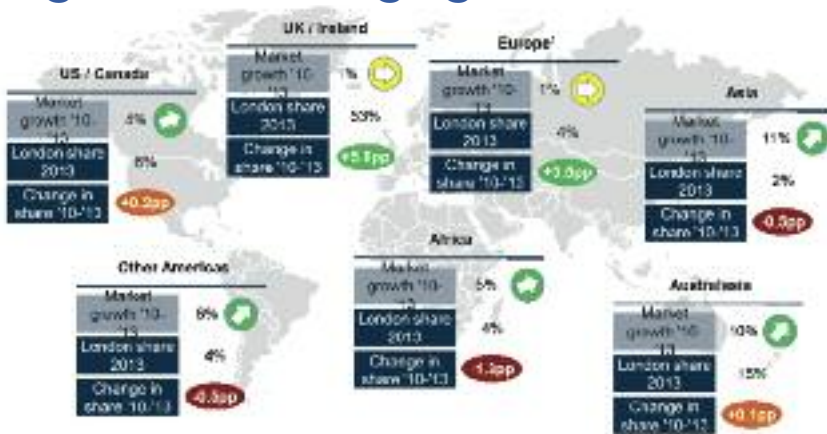
Growing with industry in direct insurance, losing share in reinsurance



21% of the contribution of the City. We employ 48,000 people – 34,000 in London and a further 14,000 in the rest of the UK. All of which demonstrates that London remains a distinct and vibrant insurance sector.

And much of our business still comes from our traditional markets in the UK, Europe and North America. Our share of high growth markets in Asia, Latin America and Africa fell from 3.2% in 2010 to 2.5% in 2013.

Gaining share in our traditional markets, but losing share in emerging markets



“Whilst some of the data that we have established demonstrate that we have some issues that we should address, I believe the findings set out a series of fantastic opportunities. We have the chance to use the report to inform our understanding of what London should and should not be aiming to deliver as a market. We can use that knowledge to devise a strategy for ensuring we remain the centre of excellence for specialty insurance business that the global industry requires.”

And so to that feedback that we got when we talked to end customers of our market about why their business does and does not get placed here. This identified a number of threats and opportunities for us. Naturally clients like purchasing their insurance as close to home as possible and that may see some business move away from London. As we suspected, few clients are huge fans of our approach to processing (although nor do they see other insurance centres as being necessarily better) so LMG's ongoing modernisation agenda remains very relevant. And clients want us to be at the forefront of the growth of analytical based underwriting; and to reinvigorate our natural



“We must recognise that this is not a question of London versus any of the other insurance centres. Most of the firms active here are also present in those places as well. What we are doing is understanding where the unique capabilities of London’s co-located community can deliver solutions that nowhere else can. And making sure that we put the environment and infrastructure in place that will allow that centre of excellence to continue to thrive.”

thirst for innovation to produce the new solutions they need.

The report has provided us with the fact base from which we can drive our strategy. Crucially this must recognise that this is not a question of London versus any of the other insurance centres. Most of the firms active here are also present in those places as well. What we are doing is understanding where the unique capabilities of London’s co-located community can deliver solutions that nowhere else can. And making sure that we put the environment and infra-

structure in place that will allow that centre of excellence to continue to thrive.

But that strategy is not something LMG alone can come up with. We will do our part – and are working towards an awayday at the end of January when we will discuss our plans. But we need the input of all of you – the wider market community that will need to drive any changes that the research suggests we need to deliver. So, if you have not already done so, please do take this opportunity to contribute to the debate around what the implications of the

report should be. Email me at steve.hearn@londonmarketgroup.co.uk with your views.

One thing we can conclude now though is that London does matter. The data we have show that we are an important part of UK Plc – a market we can all be proud to be a part of. The responses we have had from our clients show that they still value the service we can provide. Now we need to grasp this opportunity to ensure that London continues to deliver in its role at the heart of the global insurance industry.

Events...

Dates for your diary

The LMG Forum sessions are designed to provide an update on the progress of the modernisation programme and give more detailed information on particular projects or aspects of the process.

Upcoming dates for 2014 are

provided below. All sessions start at 9:15am in the Willis Auditorium, 51 Lime St.

Wednesday 17th December
Thursday 29th January
Thursday 26th February

Only those who pre-register will gain admittance.

Online booking is available via www.londonmarketgroup.co.uk
 Places are reserved on a first come first served basis.