

Market Insight: Review of 2017/2018 London Market Changes

The London Accident & Health market continues to play a very important role for the development of insurance and reinsurance business in the United States. The ability of this market to be flexible, competitive and most importantly, innovative, makes it a key component for profitability and growth for US insurers and MGUs. Keeping abreast of the evolving landscape and understanding the impact of market changes are essential elements of maximizing the potential of your business.

General Overview

- Lloyd's bottom decile review set syndicates to identify the worst-performing 10 percent of business across its whole-account gross written premium consecutively over the past three years. This is an initiative to put responsibility on underperforming syndicates to produce and execute a remediation plan to be approved by Lloyd's
 - There is a stronger focus on profitability of individual accounts to improve the overall underwriting result
 - It has been reported that up to five syndicates have been identified to satisfy Lloyd's requirements through the planning process
 - Advent have indicated they will either run off or transfer and integrate their portfolios into separate entities owned by Fairfax, their parent company (Brit, Newline and Allied World, Riverstone)
 - Abundance of reinsurance capacity and increased competition to retain market share among markets however, according to an insurance publication two thirds of A&H Lloyd's Syndicates are underperforming
- Reinsurers under pressure to maintain disciplined terms and conditions
- Uncertainty for European business post Brexit. We anticipate this will have a limited impact on Reinsurance but the change in regulation will affect the Insurance and Life market
- Lloyd's have separated the risk code for Long Term Disability (KB – Long Term Benefit) from the standard Personal Accident KG risk code. This will be applied to business incepting 1 January 2019 onwards
- Increased frequency of individual losses versus catastrophe losses and reports of movement on old years of account dating back to 2015
- Amtrust have announced that they will be running off their Life Syndicate 44 for 2019. There are now only two Life Syndicates operating in Lloyds, AXA XL 3002 and Beazley 3622.

Capacity

8 new entrants to the Accident & Health market: Agora, China Re, Pardus Underwriting, Radius Specialty, NOA, Somp International, Faraday, Barbican, the latter five markets listed have treaty capacity.

Significant underwriter movement between Companies and Syndicates, >50 changes between 2016/18:

Underwriter movement in Lloyd's by Class	%
Treaty	33%
Direct & Facultative	33%
Both Treaty and Direct & Facultative	21%
K&R/Life/Medical/Contingency	12%

2018 M&A	Previous years' M&A		
Apollo/Aspen	Liberty/Ironshore	Mitsui/Amlin	Catlin/XL Group PLC
China Re/Chaucer	Sompo/Endurance	Hannover/Argenta	Amtrust/ANV
AIG/Validus	Sirius/China Minsheng Investment		
Axis/Novae			
AXA/XL Catlin			

Guy Carpenter's London Team

Our London team is comprised of 15 Specialist Life, Accident & Health brokers with over 250 years of combined Reinsurance and Program/MGA business experience for over 150 clients:

- Treaty, MGA & Facultative Personal Accident (Catastrophe and Risk)- Travel, Credit Card, Sports Disability, Retrocession
- Healthcare- Domestic and International XOL and QS
- Life- QS, Critical Illness, Pandemic, Catastrophe and Mortality Stop Loss, Captive EB, Unemployment

We look forward to the opportunity to have a discussion about your organization and how Guy Carpenter's service offering may help you meet your objectives. For more information please contact:

David Finlay
+44 20 7357-2329
David.Finlay@guycarp.com

Dean Kidd
+1 (917) 937-3367
Dean.Kidd@guycarp.com

Tae Kim
+1 (215) 864-3713
Tae.Kim@guycarp.com

Zara Ulusoy
+44 20 7357-2707
Zara.Ulusoy@guycarp.com

About Guy Carpenter

Guy Carpenter & Company, LLC is a leading global risk and reinsurance specialist with more than 2,300 professionals in over 60 offices around the world. Guy Carpenter delivers a powerful combination of broking expertise, trusted strategic advisory services and industry-leading analytics to help clients adapt to emerging opportunities and achieve profitable growth. Guy Carpenter is a wholly owned subsidiary of Marsh & McLennan Companies (NYSE: MMC), the leading global professional services firm in the areas of risk, strategy, and people. With nearly 65,000 colleagues and annual revenue over \$14 billion, through its market-leading companies including Marsh, Mercer and Oliver Wyman, Marsh & McLennan helps clients navigate an increasingly dynamic and complex environment. For more information, visit www.guycarp.com. Follow Guy Carpenter on Twitter @GuyCarpenter.

Guy Carpenter & Company, LLC provides this report for general information only. The information contained herein is based on sources we believe reliable, but we do not guarantee its accuracy, and it should be understood to be general insurance/reinsurance information only. Guy Carpenter & Company, LLC makes no representations or warranties, express or implied. The information is not intended to be taken as advice with respect to any individual situation and cannot be relied upon as such.

Statements concerning tax, accounting, legal or regulatory matters should be understood to be general observations based solely on our experience as reinsurance brokers and risk consultants, and may not be relied upon as tax, accounting, legal or regulatory advice, which we are not authorized to provide. All such matters should be reviewed with your own qualified advisors in these areas.

Readers are cautioned not to place undue reliance on any historical, current or forward-looking statements. Guy Carpenter & Company, LLC undertakes no obligation to update or revise publicly any historical, current or forward-looking statements, whether as a result of new information, research, future events or otherwise.

*Securities or investments, as applicable, are offered in the United States through GC Securities, a division of MMC Securities LLC, a US registered broker-dealer and member FINRA/NFA/SIPC. Main Office: 1166 Avenue of the Americas, New York, NY 10036. Phone: (212) 345-5000. Securities or investments, as applicable, are offered in the European Union by GC Securities, a division of MMC Securities (Europe) Ltd. (MMCSEL), which is authorized and regulated by the Financial Conduct Authority, main office 25 The North Colonnade, Canary Wharf, London E14 5HS. Reinsurance products are placed through qualified affiliates of Guy Carpenter & Company, LLC. MMC Securities LLC, MMC Securities (Europe) Ltd. and Guy Carpenter & Company, LLC are affiliates owned by Marsh & McLennan Companies. This communication is not intended as an offer to sell or a solicitation of any offer to buy any security, financial instrument, reinsurance or insurance product.

The trademarks and service marks contained herein are the property of their respective owners.

©2018 Guy Carpenter & Company, LLC

All rights reserved.