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Q1

WHAT ARE THE ROOTS OF THE LONDON INSURANCE MARKET?

The London insurance market

has a rich heritage tracing back to the seventeenth century, when English merchants began trading with the East Indies, the New World, Russia, Africa and the Middle East. London developed into the leading international trade centre, with its growth underpinned by the development of an insurance industry to distribute the risk of individual trading adventures.

Edward Lloyd's coffee house,

which opened around 1688 on Tower Street, was the origin of the Lloyd's market. The London Company Market started to formalise in 1824 when a Bill was passed to abolish restrictions on insurance which had favoured Lloyd's. Over time, insurers in London started to write an ever increasing variety of risks, in particular risks with a high severity and low frequency such as natural catastrophe.

Q2

HOW BIG IS THE LONDON MARKET TODAY?

There are around
350
re/insurance
businesses in London.

65
Company Market
insurers and
reinsurers

80
Lloyd's syndicates
managed by **54**
managing agents

08
P&I clubs

200
Brokers active in
the London Market

The London Market is the largest (re)insurance subscription market globally and the London Market ecosystem extends to a wide range of affiliate professional services which include claims handlers and adjusters, actuarial consultants, asset managers, accountants, lawyers, IT service/outsourcing providers and other ancillary services.

Q3

WHAT IS A SUBSCRIPTION MARKET?

The London Market is a subscription market, where

**more than
one carrier**

takes a share of the same risk.

Each London market insurer takes

**a portion
of the risk,**

not the whole amount.

This enables smaller insurers to participate in the market alongside the local branches of the world's biggest insurers and reinsurers.

In a nutshell, the subscription market enables all the participating insurers to

**spread their
risks
efficiently.**

It also means that clients can find insurance for risks that are too large or complex for one insurer alone.

Q4

WHAT SORT OF RISKS ARE WRITTEN IN THE LONDON MARKET?

A wide variety of risks

are written in London, from highly specialist risks for international and domestic clients written by a specialty mono-liner, to more standardised risks which some Lloyd's syndicates also write.

London Market participants write globally mobile risks

which domestic risk carriers choose not to write due to the non-standard risk characteristics, for which the London Market can offer competitive insurance solutions, e.g. worldwide property insurance for ultra high net worth individuals, and specialty business for which international brokers or their clients believe the London Market can offer a better price and/or better terms.

Q5

HOW IS BUSINESS PLACED IN LONDON?

In the London insurance market virtually all business is placed by

brokers on behalf of their clients

— the policyholders and cedents.

The complex nature of large commercial risks led the London Market to develop a

sophisticated distribution model

with several layers of intermediaries along the value chain.

The (future) policyholder or cedent is typically the customer of a retail or wholesale broker. The broker typically contacts a

London Market broker to place the risk.

Hence, for the London Market companies the definition of their customers is dependent on where they sit within the value chain. A syndicate could see the global and wholesale brokers as its clients, whereas a global broker might deal directly with policyholders or with retail or wholesale brokers.

Q6

WHAT DOES THE TERM “OPEN MARKET BUSINESS” MEAN?

The basic starting point for business being written is what is known as an open market basis. In this method

each risk is presented individually by the brokers

to however many insurers are required to fully underwrite the risk.

For the broker, the advantage particularly for unusual risks is that they can

discuss the risk with a number of different underwriters.

This will give them access to the underwriters' previous experience and ability to tailor make a solution.

Q7

WHAT DOES LONDON SPECIALISE IN?

London has a history of being the world's leading specialty lines insurance market, where

the more difficult, unusual and high severity/ low frequency risks are written.

For these lines of business, such as Marine or Aviation, underwriting needs are highly specialised, substantial capital is required and pooling of the risk from around the globe provides diversification. London is a natural home for this business, given its ability to meet these needs.

London has a track record of being able to insure the large and the complex. This deep expertise has given it

a substantial market share

in aviation and marine.

56% AVIATION

33% MARINE

Q8

WHY SHOULD I GO TO LONDON WHEN THERE IS PLENTY OF CAPACITY LOCALLY?

In instances where locally licensed insurers will not accept a risk because it does not meet local criteria, usually because it is

**too big, too unusual
or too volatile,**

London has historically had a reputation for providing cover.

As an example, a substantial amount of London business

**>36%
IN 2018**

is drawn from the US excess and surplus lines market – where London and Lloyd's are the largest non-US writers.

Q9

IS THE LONDON MARKET NOT VERY OLD FASHIONED?

The London Market has a reputation for being at the centre of global risk transfer innovation.

Market participants have historically embraced insuring new risks and have been pioneers for new product development. Beyond entirely new risks, London is also an innovator when it comes to being flexible in its approach to policy wording, particularly for more bespoke policies.

Our appetite for challenge and track record in leading new product development is well known.

The London Market now accounts for 28% of global cyber insurance premiums.

Q10

WHAT IS THE CLAIMS PAYING PROCESS?

First notification of loss generally goes to the broker; it may arrive with the London broker indirectly through a chain of brokers, or directly from the insured.

When the broker has received advice of the loss, they need to work out **the right combination of insurers** from which they need to obtain instructions.

Monies can be paid at any time during the claim lifecycle either as an interim payment of indemnity (sometimes known as a payment on account), or for experts' fees.

The London Market has a global reputation for delivering on its claims promise - **paying over**

\$100

million every week.

London's unrivalled volume, security and flexibility of capital gives it the resilience **to take on and pay out on larger scale risks**, in any market condition.

In 2018 a **faster, more efficient authorisation** of non-complex payments up to

250,000

was launched to help get clients back on their feet faster.

To keep up to date with developments
in the London Market please visit:

LONDONMAKESITPOSSIBLE.COM
