

## Data Dispatch

# Exits and cutbacks as Lloyd's of London profit crackdown takes hold EXCLUSIVE

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By Ben Dyson and Husain Rupawala

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Some of the least profitable syndicates and managing agents at [Lloyd's of London \(/web/client?auth=inherit#company/profile?KeyProductLinkType=2&id=4086585\)](#) are cutting back what they underwrite, and some have even exited the market altogether in response to the market's continuing drive for better performance. But others are finding opportunities to grow.

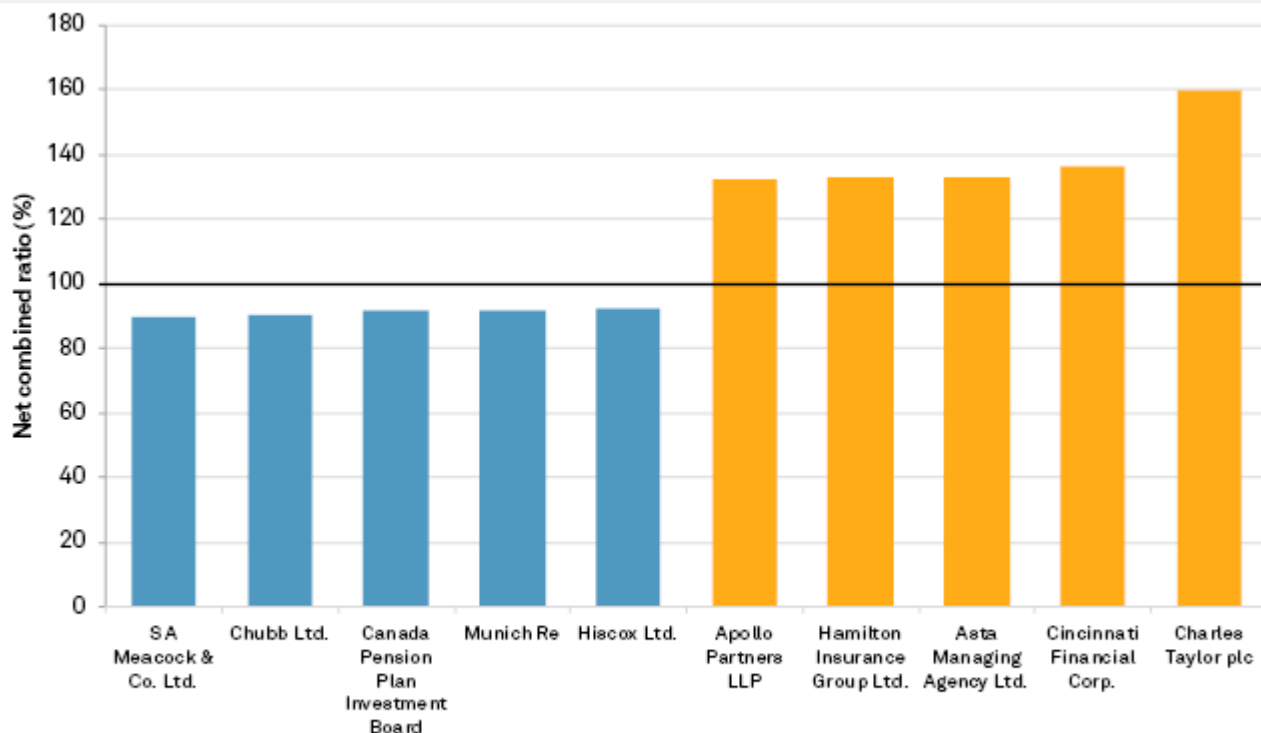
Lloyd's started its crackdown on unprofitable business and syndicates in 2018, ordering syndicates with three consecutive years of underwriting losses to come up with a remediation plan, and all syndicates to fix or exit the worst-performing 10% of their books. This process led to a flurry of changes as managing agents, which act as holding companies for syndicates, went through the 2019 business planning process toward the end of 2018.

### 'Protracted challenge'

S&P Global Market Intelligence data shows that the worst performing managing agency from an underwriting perspective in 2018 was [Charles Taylor PLC \(/web/client?auth=inherit#company/profile?KeyProductLinkType=2&id=4186086\)](#)'s Charles Taylor Managing Agency, driven by the performance of its sole syndicate, marine mutual The Standard Club's [Syndicate 1884 \(/web/client?auth=inherit#company/profile?KeyProductLinkType=2&id=4672731\)](#). The syndicate reported a combined ratio of 159.6% for 2018.

A combined ratio above 100% denotes an underwriting loss. The collective combined ratio for the entire Lloyd's market was 104.5%, largely because of the natural catastrophes that hit in the second half of 2018.

### Highest, lowest net combined ratios by managing agent group, 2018



Data compiled May 9, 2019.

Excludes syndicates that were merged or went into liquidation.

Data is limited to 109 operating syndicates for which 2018 values were available as of May 9, 2019. Excludes syndicates in run-off.

Source: S&P Global Market Intelligence

It [emerged](/web/client?auth=inherit#news/article?KeyProductLinkType=2&id=47102735) in October 2018 that The Standard Club was exiting Lloyd's. According to the syndicate's annual report, the decision to enter run-off followed a "protracted challenge" in getting approval for its 2019 business plan and the "consequent withdrawal of support" from The Standard Club. When it announced its exit from Lloyd's, The Standard Club said overcapacity and weak pricing had made Lloyd's "a challenging environment for it to develop a profitable underwriting business with sufficient scale."

Syndicate 1884 was one of eight syndicates to stop trading at the end of 2018. One that will be exiting the market in 2019 is Norwegian marine insurer [Skuld](/web/client?auth=inherit#company/profile?KeyProductLinkType=2&id=4180678)'s [Syndicate 1897](/web/client?auth=inherit#company/profile?KeyProductLinkType=2&id=4377214), one of 12 syndicates and special purpose arrangements managed by [Asta Managing Agency Ltd.](/web/client?auth=inherit#company/profile?KeyProductLinkType=2&id=4401954), which was the third-worst performing managing agent with a combined ratio of 133.1%.

Syndicate 1897 said in its annual report that it will cease writing business July 1, 2019, and enter voluntary run-off "following the syndicate planning process for 2019 and the continuing difficult market conditions." The Skuld syndicate alone reported a combined ratio of 121.5% for 2018.

## Top 10 Lloyd's managing agents by GWP in 2018

		Net combined ratio (%)	Aggregate GWP (£M)				YOY change (%)		Market share (%)*		
Managing agent	Managing agent group	FY'18	FY'18	FY'17	FY'16	FY'17 to FY'18	FY'16 to FY'17	FY'18	FY'17	FY'16	
MS Amlin Underwriting Ltd.	MS&AD Insurance Group Holdings Inc.	110.93	2,372.2	2,082.2	1,830.7	13.93	13.74	6.40	6.19	6.22	
Catlin Underwriting Agencies Ltd.	Axa	115.57	2,272.1	2,369.0	2,189.8	-4.09	8.18	6.13	7.04	7.45	
Brit Syndicates Ltd.	Fairfax Financial Holdings Ltd.	104.60	1,657.2	1,597.6	1,416.9	3.73	12.75	4.47	4.75	4.82	
Beazley Furlonge Ltd.	Beazley PLC	95.88	1,633.7	1,530.8	1,353.6	6.72	13.09	4.41	4.55	4.60	
Hiscox Syndicates Ltd.	Hiscox Ltd.	87.57	1,386.9	1,158.7	1,056.6	19.70	9.66	3.74	3.45	3.59	
Liberty Managing Agency Ltd.	Liberty Mutual Holding Co. Inc.	98.60	1,378.2	1,658.8	1,356.5	-16.92	22.29	3.72	4.93	4.61	
Tokio Marine Kiln Syndicates Ltd.	Tokio Marine Holdings Inc.	102.61	1,376.7	1,416.9	1,296.7	-2.84	9.27	3.71	4.21	4.41	
Canopus Managing Agents Ltd.	Centerbridge Partners LP	107.54	1,249.3	1,138.1	1,063.9	9.78	6.97	3.37	3.38	3.62	
QBE Underwriting Ltd.	QBE Insurance Group Ltd.	98.03	1,191.6	1,169.2	1,072.7	1.92	9.00	3.21	3.48	3.65	
StarStone Underwriting Ltd.	Enstar Group Ltd.	98.90	971.3	3.0	129.6	NM	NM	2.62	0.01	0.44	
Top 10		103.74	15,489.2	14,124.3	2,767.0	9.66	10.63	41.77	42.00	43.41	
Lloyd's of London		105.94	37,078.8	33,632.0	9,413.0	10.25	14.34	100.00	100.00	100.00	

Data compiled May 9, 2019.

GWP= gross written premium; NM = not meaningful

\* Represents GWP of each group's syndicate(s) as a percentage of total GWP at Lloyd's of London.

Data is limited to 109 operating syndicates for which 2018 values were available as of May 9, 2019. Excludes syndicates in run-off.

An average 2018 exchange rate was used for dollar-pound sterling conversion where needed.

Source: S&P Global Market Intelligence

Others are cutting back rather than exiting entirely. Bermuda-based [Hamilton Insurance Group \(/web/client?auth=inherit#company/profile?KeyProductLinkType=2&id=4426691\)](/web/client?auth=inherit#company/profile?KeyProductLinkType=2&id=4426691)'s [Hamilton Underwriting Ltd. \(/web/client?auth=inherit#company/profile?KeyProductLinkType=2&id=4429147\)](/web/client?auth=inherit#company/profile?KeyProductLinkType=2&id=4429147) performed slightly better than Asta after its [Syndicate 3334 \(/web/client?auth=inherit#company/profile?KeyProductLinkType=2&id=4216127\)](/web/client?auth=inherit#company/profile?KeyProductLinkType=2&id=4216127) reported a 2018 combined ratio of 132.6%. The syndicate said in its annual report that it is making a "managed exit" from professional indemnity, which it stopped writing in late 2018, and is also pulling out of the contingency class and business written through Lloyd's China, which it described as "smaller revenue streams."

Syndicate 3334 cut its capacity to £96.2 million and estimated gross written premium to £120 million for 2019, from £120.9 million and £149.5 million, respectively, in 2018.

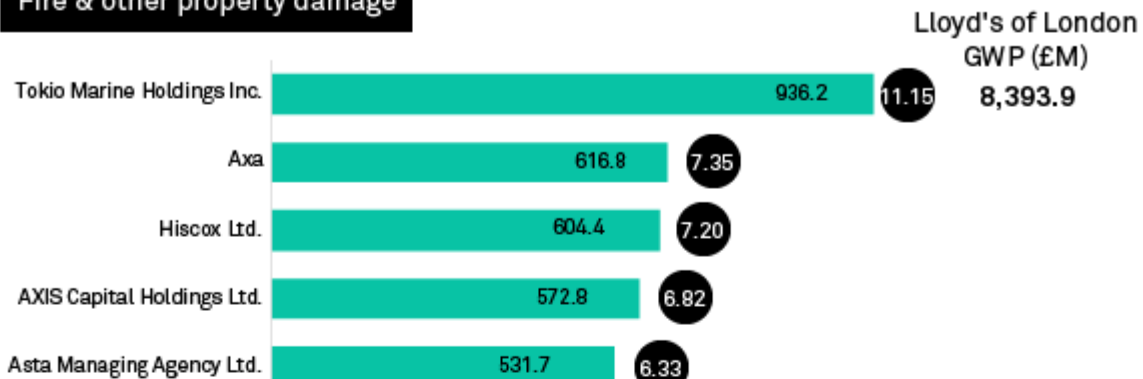


## Top 5 managing agent groups for 4 largest lines of business at Lloyd's, 2018

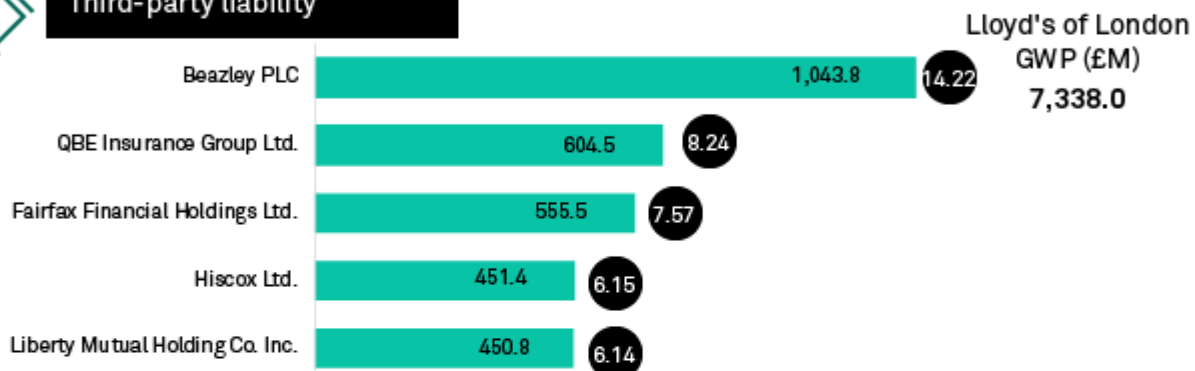
■ GWP (£M) ● Market share (%)\*



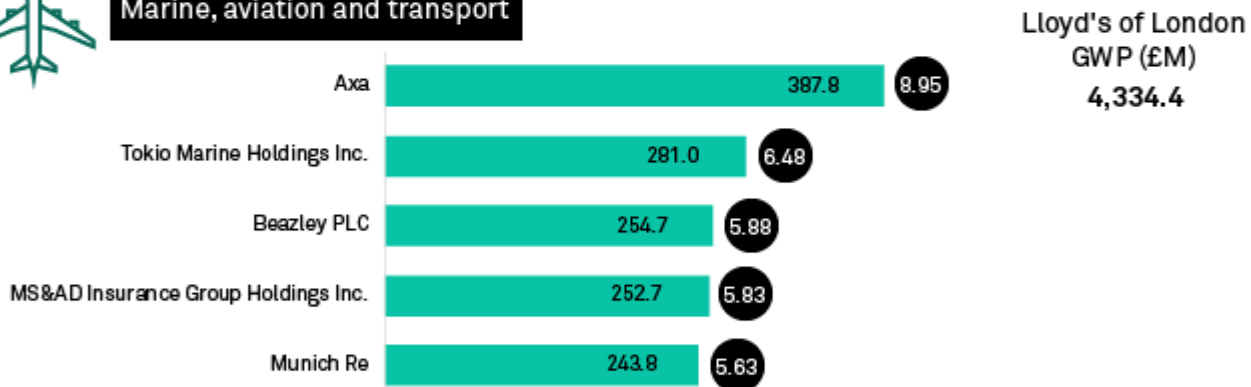
### Fire & other property damage



### Third-party liability



### Marine, aviation and transport



### Accident and health



Data compiled May 9, 2019.

GWP = gross written premium

\* GWP of each SNL-covered syndicate in the specified line of business as a percentage of total GWP in the specified line of business at Lloyd's of London.

Data is limited to 109 operating syndicates for which 2018 values were available as of May 9, 2019. Excludes syndicates in run-off.

Reinsurance is not considered a line of business in this analysis.

An average 2018 exchange rate was used for dollar-pound sterling conversion where needed.

Source: S&P Global Market Intelligence

## Growth opportunities

Not all Lloyd's businesses with high combined ratios are cutting back. [Apollo Syndicate Management Ltd.](#) (</web/client?auth=inherit#company/profile?KeyProductLinkType=2&id=4620815>) produced a 2018 combined ratio of 132.5% but has boosted its capacity at Lloyd's to £430 million for 2019 from £260 million in 2018. This is largely because of its new syndicate, 1971, [set up](#) (</web/client?auth=inherit#news/article?KeyProductLinkType=2&id=47193780>) to reinsure sharing economy-related motor liability risks written by the managing agency's main syndicate, 1969 (</web/client?auth=inherit#company/profile?KeyProductLinkType=2&id=4286690>). Syndicate 1971's capacity for 2019, its first year, is £130 million.

Also, several Asta syndicates boosted their capacities, including [Beat Syndicate 4242](#) (</web/client?auth=inherit#company/profile?KeyProductLinkType=2&id=4184618>), which upped capacity to £200 million from £130 million, and [Nephila Syndicate 2357](#) (</web/client?auth=inherit#company/profile?KeyProductLinkType=2&id=4549828>), which boosted capacity to £391 million from £365.3 million.

At the other end of the underwriting performance spectrum, the best performing managing agent of 2018 was [S A Meacock & Co. Ltd.](#) (</web/client?auth=inherit#company/profile?KeyProductLinkType=2&id=4197366>), through its [Syndicate 727](#) (</web/client?auth=inherit#company/profile?KeyProductLinkType=2&id=4178254>), which reported a 2018 combined ratio of 89.8%.

The next best performer was U.S. insurance group [Chubb Ltd.](#) (</web/client?auth=inherit#company/profile?KeyProductLinkType=2&id=103417>)'s Lloyd's managing agency, [Chubb Underwriting Agencies Ltd.](#) (</web/client?auth=inherit#company/profile?KeyProductLinkType=2&id=4401889>). The agency manages [Syndicate 1882](#) (</web/client?auth=inherit#company/profile?KeyProductLinkType=2&id=4286194>) and [Syndicate 2488](#) (</web/client?auth=inherit#company/profile?KeyProductLinkType=2&id=4178167>), although 1882 was excluded from the study as it stopped writing business at the end of 2016. Its liabilities were transferred to its sister syndicate Jan. 1, 2019, following the transfer of the renewal rights in October 2016. Syndicate 2488 therefore drove Chubb's Lloyd's performance, producing a combined ratio of 90.3%.

The syndicate said in its annual report that its underwriting result had benefited from prior-year reserve releases of £21 million and "some improvement" in underlying accident year losses thanks to the portfolio review work it has conducted.

## Top 10 managing agent groups of Lloyd's syndicates by GWP in 2018

Managing agent group	Country of incorporation	Aggregate GWP (£M)			YOY change (%)		Market share (%)*		
		FY'18	FY'17	FY'16	FY'17 to FY'18	FY'16 to FY'17	FY'18	FY'17	FY'16
Axa	France	2,538.8	2,622.1	2,527.4	-3.18	3.75	6.85	7.80	8.59
Fairfax Financial Holdings Ltd.	Canada	2,533.5	2,205.5	1,872.1	14.87	17.81	6.83	6.56	6.36
MS&AD Insurance Group Holdings Inc.	Japan	2,372.2	2,082.2	1,830.7	13.93	13.74	6.40	6.19	6.22
Liberty Mutual Holding Co. Inc.	US	2,045.3	2,275.2	1,878.3	-10.11	21.13	5.52	6.77	6.39
Beazley PLC	UK	2,043.5	2,149.7	1,903.1	-4.94	12.96	5.51	6.39	6.47
Tokio Marine Holdings Inc.	Japan	1,824.7	1,820.8	1,661.9	0.21	9.56	4.92	5.41	5.65
Hiscox Ltd.	Bermuda	1,761.4	1,610.5	1,620.5	9.37	-0.61	4.75	4.79	5.51
Enstar Group Ltd.	Bermuda	1,722.8	705.7	751.1	144.13	-6.04	4.65	2.10	2.55
Asta Managing Agency Ltd.	UK	1,548.5	1,035.6	612.9	49.52	68.98	4.18	3.08	2.08
QBE Insurance Group Ltd.	Australia	1,542.3	1,526.6	1,400.7	1.03	8.99	4.16	4.54	4.76
<b>Top 10</b>		<b>19,932.8</b>	<b>18,034.1</b>	<b>16,058.5</b>	<b>10.53</b>	<b>12.30</b>	<b>53.76</b>	<b>53.62</b>	<b>54.60</b>
<b>Lloyd's of London</b>		<b>37,078.8</b>	<b>33,632.0</b>	<b>29,413.0</b>	<b>10.25</b>	<b>14.34</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

Data compiled May 9, 2019.

GWP = gross written premium

GWP is aggregated for all syndicates within the individual managing agent groups.

Data is limited to 109 operating syndicates for which 2018 values were available as of May 9, 2019. Excludes syndicates in run-off.

\* Represents GWP of each group's syndicate(s) as a percentage of total GWP at Lloyd's of London.

An average 2018 exchange rate was used for dollar-to-pound sterling conversion when needed.

Source: S&P Global Market Intelligence

## Largest YOY rises, falls in Lloyd's premiums by managing agent group, 2018 (%)

	-100	-50	0	50	100	150
Enstar Group Ltd.						144.13
Evergreen Parent LP						106.81
American Financial Group Inc.						79.49
Apollo Partners LLP						52.15
Asta Managing Agency Ltd.						49.52
ERS DGB Ltd.		-12.42				
Liberty Mutual Holding Co. Inc.		-10.11				
China Minsheng Investment Group		-9.72				
Navigators Group Inc.		-9.37				
Markel Corp.		-8.76				

Data compiled May 9, 2019.

Gross written premiums is aggregated for all syndicates within the individual managing agent groups.

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Source: S&P Global Market Intelligence

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