

## THE CITY OF LONDON CORPORATION INSURANCE FOCUS

### London – World's Marketplace for Risk Transfer

UK's commercial speciality (re)insurance sector (the London Market) is the destination of choice for mitigating and managing risk. The City of London Corporation is committed to reinforce and foster this message through its insurance focus work.

#### The London Market <sup>1</sup>:

- is the largest centre globally for commercial speciality (re)insurance;
- controls \$159bn of premiums annually, which is larger than Bermuda, Singapore and Switzerland's markets combined;
- contributes 32% of the City's GDP and employs nearly 60,000 people (second largest city workforce after banking);
- is an export driven market, with 68% of the London Markets business coming from companies outside the UK and Ireland;
- is known globally for its expertise in specialist and complex risk management;
- provides access to deep pools of capital, talent and innovation & technology;
- is home to the world-renowned Lloyd's of London as well as over 350 brokerage and insurance firms, offering customers flexibility and choice.

#### London Market Group released the latest set of data for commercial (re)insurance market in May 2024:

- London's share of the global market remained stable for a number of years, with an increase from 7.6% to 8.3% based on the latest data (2022).
- The industry has seen a substantial pick up since 2020 (+26% globally 2020-22). And, although London has fared well with 32% growth (2020-22), it still lags behind US and Bermuda growth rates of 59% and 39% respectively, which highlights a further opportunity for growth.

- ⇒ London could benefit substantially from focusing on its market share retention and expansion in the higher growth segments.
- ⇒ London is well positioned to accommodate the high-growth risk segments thanks to its fostering of talent, expertise and innovation, a vital ecosystem and concentration of large-scale capital.
- ⇒ Together with the industry leaders represented by the Steering Board, the City of London Corporation (COLC) is ensuring the offer of the London Market is extended globally for the benefit of all risk owners and managers when facing key business challenges.

#### Why choose the London Market?

London is home to the most dynamic and innovative insurance market. The expertise of over 350 firms, including 200 brokerages and 74 insurance businesses, supports corporate clients from across the globe in managing complex risks, be they traditional or emerging. As an international centre for risk transfer, the London Market provides a deep pool of global capital, enabling it to deliver solutions to a wide variety of insurance needs.

We have identified **5 risk themes where London Market expertise is indispensable:**

<sup>1</sup> Source: The London Market Group 5<sup>th</sup> edition of London Matters research, 20/05/2024, based on data prepared by Strategy&, a part of the PwC network.

## 1. Natural Catastrophe

The London Market has been at the forefront of providing protection to businesses and households against extreme weather events including floods, hurricanes and wildfires. Globally there is a significant level of uninsured risk in the event of extreme weather. For example, over the last 10 years in the US, 42% of extreme weather and natural catastrophes were not insured; this figure was 70% for EMEA<sup>2</sup>. London's unparalleled level of expertise offers solutions for climate risks that many domestic markets are unable to insure.

### Example of the London Market at work – Lloyd's syndicate in a box (SIAB):

- Wildfire is one of the most damaging natural disasters facing the US. Climate change and urban sprawl further exacerbate wildfire risk in the US. In California the situation is more severe. Following major insurance losses between 2017 – 2020 and 2021, the cost of property insurance in the state rose to the point that an 'insurance crisis' ensued.
- To provide insurance cover to commercial businesses in California who are unable to buy insurance through the usual channels because of the high level of risk they pose, Wildfire Defense Systems (WDS) has launched a syndicate at Lloyd's.
- Founded in 2008, WDS is a private-sector wildfire service that protects properties. They work on behalf of the insurance companies who insure these properties, helping to prepare a property in advance of a wildfire by implementing mitigation tactics. Once they service a property, WDS has a more than 99% success rate that it will survive a fire, and they have tracked over 100,000 wildfire ignitions since 2013.
- Through their syndicate (Wildfire Defense Syndicate 1996) at Lloyd's, they now provide insurance solutions through the Excess & Surplus Lines market for California commercial wildfire-prone properties.
- The SIAB option was created by Lloyd's to allow smaller, entrepreneurial businesses to establish an underwriting platform in the Lloyd's insurance market without having to go through the same regulatory and financial conditions designed with much larger insurance businesses in mind.

## 2. Cyber

With nearly 600 cybersecurity product and service providers, London has a unique concentration of cybersecurity and underwriting expertise which makes it a natural hub for cyber risk. The cyber threat has been growing exponentially, and the cyber insurance market will grow with it as businesses integrate cyber insurance into their risk management tool kit. London, with its global outlook and experience of working with international firms, is the natural place to manage and place a risk that is inherently global in nature.

### Example of the London Market at work – Insurance of large-scale cyber risk by a global insurance company:

- The customer was seeking to purchase a significant amount of insurance (£200m+). This level of cover was not available in their domestic market, but is commonly accepted in the London insurance market where, by sharing risk, its financially strong and highly rated insurers can offer customers significant capacity.
- As primary insurer, Firm A was responsible for this negotiation but being in the London Market, the broker was able to negotiate cover for the rest of the risk with other insurers.
- A cyber insurance policy is a service-led proposition using a panel of London's dedicated incident response specialists that are available 24/7 to assist clients with cyber claims.

## 3. Geopolitics

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<sup>2</sup> Source: Swiss Re, 'How big is the protection gap from natural catastrophes where you are?', 26/05/2024

Rising geopolitical uncertainty is exposing businesses to increased risk from conflict, transportation disruptions, raw material shortages, and sanctions. The London Market consistently leads the way in insuring emerging risks from geopolitical uncertainty and provides dynamic, innovative and tailor-made solutions in a fast moving and challenging geopolitical climate. London is the only market place with the appetite, knowledge and experience to take on global geopolitical risks at scale.

#### Example of the London Market at work – Ukraine and the Black Sea<sup>3</sup>:

- Russia withdrew from a UN-brokered grain deal, forcing ships to follow an alternative Black Sea corridor with high security risks.
- London Market firms collaborated with the Ukrainian government to allow grain to be exported at a reduced insurance cost for the vessels and crew and estimates show that the facility has reduced premiums to below pre-war levels. The programme was then expanded to cover all non-military cargo shipping to and from Ukrainian ports.

#### **4. Supply Chain**

As supply chains have globalised, they have also become more complex and less transparent. Unfortunately, recent events such as Covid-19 and the war in Ukraine have shown these supply chains can become vulnerable to costly disruptions, not all of which are obvious or covered by existing insurance products. The London Market has a world-leading reputation for helping business understand, mitigate and insure supply chain risk. It already underwrites 43%<sup>4</sup> of the global specialty marine, aviation and energy risk, and has the capability to expand its offering to provide protection to new areas of supply chain risk.

#### Example of the London Market at work – Supporting large scale construction projects<sup>5</sup>:

- When building large scale international infrastructure projects, a specialist insurance solution is vital to protect business from risk exposure and consequential loss related to the cost, size and complexity of the assets, and the logistical challenges.
- Changes to the way governments and companies source their energy have created multiple challenges for the energy generation sector. As an example, the transformers they rely on to enable electricity to travel over long distances with greater efficiency and reduced energy loss can take six months to a year to repair or replace. This lead time is expected to increase, potentially causing unacceptable delays to a project.
- The Liberty Project Cargo Consortium was created to provide tailored risk management solutions as a one-stop shop for large-scale international construction projects, streamlining a complex set of logistical challenges with a singular focus, potentially reducing delays caused by damage during production, transportation and installation.

#### **5. AI**

AI provides an opportunity and a challenge to the risk capital market with underwriters and brokers increasingly developing use cases and implementing AI tools to increase productivity and streamline quoting, information gathering and analysis, as well as risk pricing. Equally, the deployment of AI across industries and businesses creates the need for new risk coverage (e.g. automated ships, or AI deep-fake fraud). London is an early innovator in the development and use of AI and as such allows invaluable access to its vast ecosystem of knowhow and R&D across tech, academia, finance and public sectors.

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<sup>3</sup> Source: The London Market Group 5<sup>th</sup> edition of London Matters research, 20/05/2024

<sup>4</sup> Source: The London Market Group 'A Plan for the Future 2024'

<sup>5</sup> Source: Liberty Global Group

### Example of the London Market at work - Cutting-edge AI-powered platform redesigning the way businesses manage global risk<sup>6</sup>:

- Created through the combined capabilities of Marsh McLennan businesses Marsh and Oliver Wyman, Sentrisk platform uses advanced technologies such as supply chain mapping AI and geospatial satellite imaging. These powerful tools will enable organisations to map their supply chains more comprehensively than ever before and develop risk mitigation, transfer, and management strategies that more closely align to their business needs.
- With the ability to analyse deep into a firm's supply chain, Sentrisk overlays proprietary analytics to pinpoint low, medium, and high-risk vulnerabilities down to a site, supplier, or component-specific level. Users are provided with a comprehensive assessment of their supply chain risks, alerts of disruptions near critical assets, and access to risk advisory services from Marsh and Oliver Wyman.
- Current risks modelled include natural hazard, geopolitical, climate-related, and reputational risks as well as structural risks like single-supplier dependencies and geographic concentration.

### **The City of London Corporation and Steering Board's Role**

COLC will continue to leverage the convening power of the Lord Mayor, Policy Chairman, Sheriffs and senior figures as well as working with other stakeholders, including His Majesty's Government, to open the door of industry chief executives (primarily based in the USA) to build relationships and promote the London Market.

The City of London Corporation is pleased to be working together with the Insurance Steering Board of industry leaders in supporting the London risk market on its growth journey and ensuring that the US and global risk owners and managers are well versed in what London has to offer.

**The Steering Board** includes (in alphabetical order): Association of British Insurers, AIG, Aon, Axa XL, Barclays, Beazley, British Insurance Brokers' Association, EY, Gallagher, Insurance Livery, International Underwriting Association, Liberty Specialty Markets, London & International Insurance Brokers' Association, Lloyd's, London Market Group, Marsh McLennan, Pool Re, PWC, QBE, Tokio Marine.

With the guidance of the Steering Board, the City of London Corporation is prioritising engagement with the risk industry as a whole to address the types of risks currently discussed at the boardroom level globally. Together, we aim to re-iterate London's leading position in established specialist risk products and coverage, but also to highlight its global reputation as a pioneer in emerging and innovative risks.

Utilising its convening power, the City of London Corporation is exploring the opportunity to host an inaugural Global Risk Event to bring together international leaders in insurance, underwriting and brokerage, but also the ultimate risk owners, buyers and officers. This unique exclusive and focused event will act as a forum for these leading stakeholders to come together and engage on an increasingly uncertain environment fraught with fast-developing risks.

For additional information on the recent market numbers, please refer to [Why-London-Matters-2024.pdf \(Img.london\)](#), [London Matters 2024 Full Data \(Img.london\)](#).

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<sup>6</sup> Source: Marsh McLennan