LONDON COMPANY MARKET STATISTICS REPORT

OCTOBER 2015

IUA OF LONDON

International Underwriting Association

Executive Summary

- The London company market's gross premium income for 2014 was £15.855bn. In addition, a further £7.079bn has been identified as written in international offices, but overseen by London operations. Combining these two totals gives an overall intellectual and economic premium of £22.934bn.
- Over the past year there has been a small increase in total market income, from £22.931bn in 2013 to £22.934bn in 2014. Business written in London has risen slightly from £15.467bn to £15.855bn while that written elsewhere but controlled by London operations dropped from £7.464bn to £7.079bn.
- The split of business between direct/facultative and treaty placements remained largely unchanged in 2014 at 77% to 23% respectively. For business overseen by London but written outside the City direct and facultative placements (81% in 2014) have risen in importance at the expense of treaty business (19%).
- The spread of premium income between different business classes remains relatively stable, although there have clearly been contrasting experiences across the company market over the last 12 months. Property, liability, professional lines and especially marine all saw income rise while total premiums fell for construction, aviation and motor.
- Geographically, for business written in London, the UK and Ireland remains the dominant source of income with a 52% share of the total. For business controlled by London operations but written in other offices, continental Europe has become the largest income provider (34%) overtaking regional UK and Ireland offices (33%).
- Combining the IUA's total company market income figure of £22.934bn with Lloyd's of London's gross written premium figure of £25.283bn gives an overall total for the London Market of £48.217bn.

Introduction

The London Company Market Statistics Report is now five years old. In 2015, for the first time, our research can be read in conjunction with a complementary global study of commercial specialty re/insurance customers.

The 'London Matters' report, conducted by the Boston Consulting Group on behalf of the London Market Group, starkly illustrated the challenges facing our sector. It showed that the overall London Market, worth £60bn, still offers a unique proposition, but must continue to innovate if it is to maintain and grow its status.

London is nearly double the size of the insurance market in Bermuda and more than ten times bigger than that in Singapore. But its share of global reinsurance business is declining and, in particular, it is not capitalising on emerging market opportunities. London Matters detailed how just 2 per cent of available premiums in Asia are currently picked up by the London Market.

There are compelling reasons for such a state of affairs. Clearly clients may wish to place business locally if underwriting expertise is provided in the local language by firms that understand the local culture and can offer acceptable security and capacity. IUA members are meeting these needs by developing their offices in regional underwriting hubs to be closer to the customer.

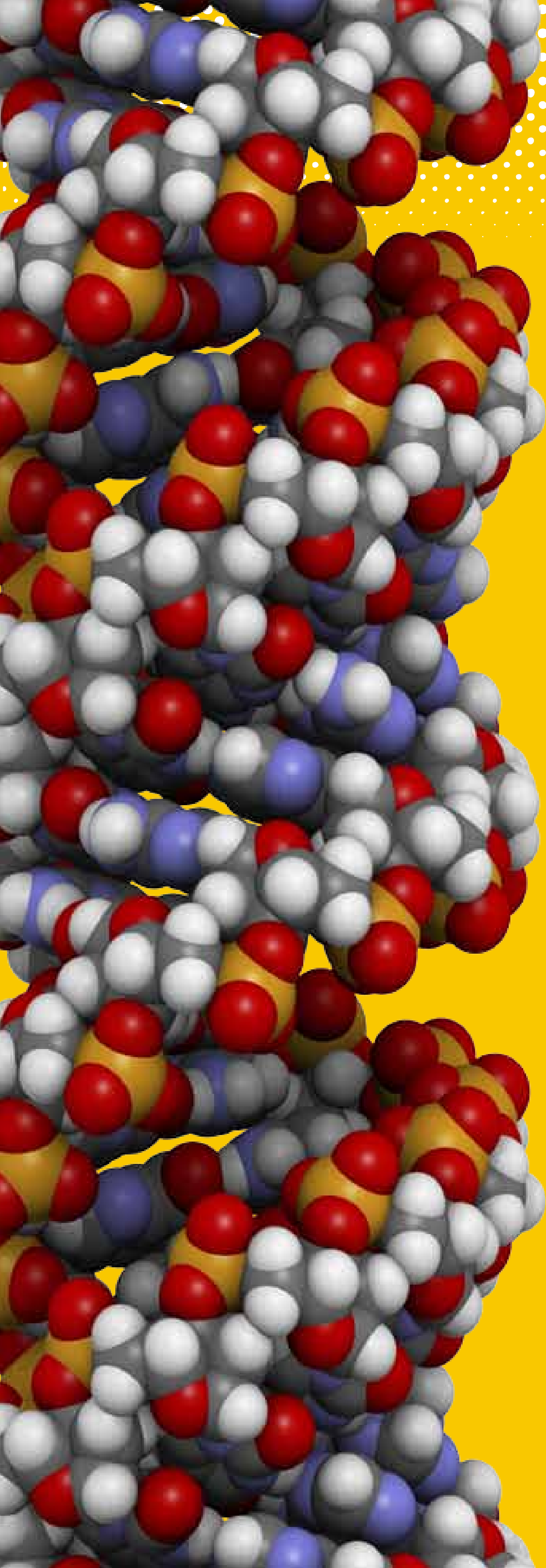
Many business advantages and attributes, however, cannot be easily replicated locally and can only be effectively offered by a truly global insurance centre with a concentration of expertise. The IUA is, therefore, working with Lloyd's and brokers on a number of initiatives to help enhance the London Market's competitive position. A cooperative approach enables a more powerful representative voice and is already paying dividends in certain areas.

Over the next few years our statistics report will play an important role in monitoring business trends and assessing the impact of efforts to boost London's premium income. Accurately surveying the business landscape is never an easy task and the mega mergers observed in our industry confirm that change is the only real constant.

With some deals finalised, others still being considered and who knows what else in the pipeline, it is impossible to know what our list of contributing companies will look like a year or two from now. I am sure, however, that we will continue to enjoy the support and cooperation that allows us to produce this comprehensive analysis of the company market.

Over the next few years our statistics report will play an important role in assessing the impact of efforts to boost London's premium income

Dave Matcham *Chief Executive*
International Underwriting Association



LONDON MUST CONTINUE TO INNOVATE IF IT IS TO MAINTAIN AND GROW ITS STATUS

Methodology

The most striking trend from results of previous editions of the London Company Market Statistics report is the increasing amount of business declared as controlled by London operations but written elsewhere. This year, therefore, we attempted to investigate this development further with the addition of three new questions to our data collection template:

- How many branches (globally) are controlled by your London operation?
- How many global programmes do you write?
- How many coverholders do you contract with?

These questions were asked to help gain a better understanding of how international business is being serviced by the London company market. Together with the usual request for London Market premium income they were sent to 56 different firms.

Questions were asked to help gain a better understanding of how international business is being serviced by the London company market

Our definition of London Market business remained the same as in previous surveys and is as follows:

London market slip business written through brokers or direct with clients and any other risks which could be categorised as large commercial/wholesale risks eg global programme business or delegated authority business through coverholders or managing general agents.

This definition omits premium that is written by overseas offices or branches that are controlled or managed by London operations. We requested that premium controlled or managed by London, but written elsewhere, is separately recorded.

Such ‘controlled’ income is a significant part of the overall intellectual and economic premium earned by London companies and is measured to ensure our report truly reflects the market’s scope and is comparable with figures published by Lloyd’s and in the London Market Group’s *London Matters* report.

The survey’s categories for splitting premium income according to class of business and geographical territory remain the same as last year. We also again requested both a full class of business split between direct/facultative premium and treaty premium and a simple overall percentage split between direct and facultative premiums.

Premium totals were requested both net and gross of commission and, in addition to providing figures for 2014, companies were asked to restate their returns for 2013. The data templates were completed in the reporting currency used by companies with results subsequently converted into pounds sterling using agreed exchange rates as at 31.12.14 of \$1.6 = £1 and €1.3 = £1. Statistics for Lloyd’s of London quoted in the report are taken from the Lloyd’s Annual Report 2014.

It is important to understand that defining London Market business is not an exact science. Many businesses operate in London as branch offices of parent companies located elsewhere in the EU and have no obligation to separately identify London Market premiums within their statutory returns. Underwriters in London regularly cooperate with overseas colleagues in analysing complex risks and whether a policy is ultimately written and classified as London Market premium may be purely an administrative judgement that varies from company to company according to the accounting system employed.

Such considerations mean that completing the IUA's data template is not always a straightforward task. We are most grateful therefore for all the assistance we have received from companies across the market in successfully completing this survey.

The following guidance notes were provided to companies for assistance in completing the data submission breakdowns by class of business and geographical territory.

Class of business breakdown

Please allocate your premium to the class of business category that you feel it is best described by:

Property
Includes engineering, but not construction

Construction
Construction (or builder's risk insurance) is not included under property, but identified as a separate class on the template

Liability
Includes employers and public liability, medical malpractice

Professional Lines
Includes directors and officers (D&O), professional indemnity (PI), errors and omissions (E&O)

Accident and Health
Accident and health is now identified as a separate class, rather than being included under the 'other' category as in previous IUA surveys

Marine
All marine business including hull, cargo, energy, liability, specie and war risks.

Aviation
All aviation business including hull, public liability, passenger liability, aerospace

Motor
Includes fleet and large single risks

Other
If none of the six named classes above match in any way then please allocate premium to the 'other' category.

Includes, for example, contingency, surety

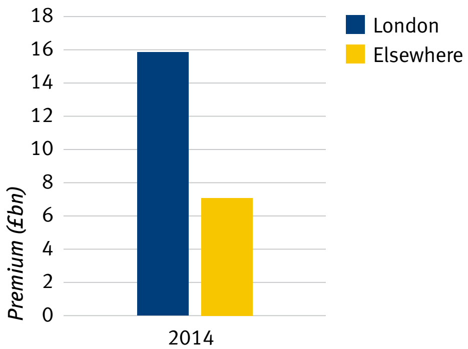
Geographical breakdown

Please allocate your premium to the geographical region that you feel it is best described by. When making this allocation please use the appropriate identifier in accordance with your normal procedures, for example, address of the insured, location of the risk itself, location of the cedent and, for global programme business, location of the client's headquarters.

During the research for this year's London Company Market Statistics report it became apparent that, in previous years, an amount of business declared by one firm had been double counted. The effect of this error was to artificially inflate the total amount of business written by approximately £0.9bn. We have corrected this oversight for this year's report and totals used in this publication from previous editions have also been adjusted accordingly.

Results

Figure 1. **2014 Gross premium written in London vs premium written elsewhere**



The overall intellectual and economic premium for 2014 was £22.943bn

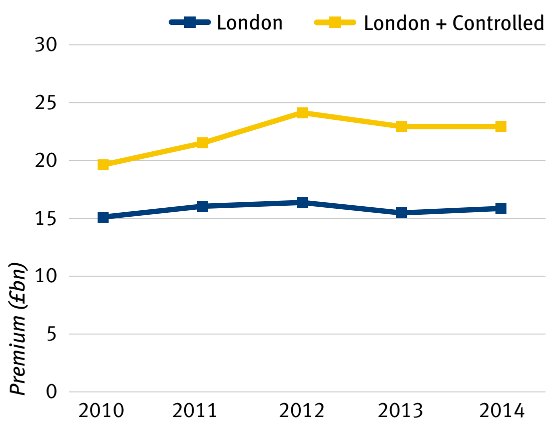
The London company market's gross premium income for 2014 was £15.855bn. In addition, a further £7.079bn has been identified as written in international offices, but overseen by London operations. Combining these two totals gives an overall intellectual and economic premium of £22.934bn.

We now have premium income figures going back to 2010 and the latest totals can be plotted against previous year's figures to consider how business has changed over time.

This analysis shows that over the past year there has been a small increase in total market income, from £22.931bn in 2013 to £22.934bn in 2014. Business written in London has risen slightly from £15.467bn to £15.855bn while that written elsewhere but controlled by London operations dropped from £7.464bn to £7.079bn.

Considering the figures over a five year period however, there is a stark widening of the gap between London premium and controlled premium overseen by London. In 2010 controlled business accounted for less than a quarter of the overall total whilst in the latest data it is nearly one third.

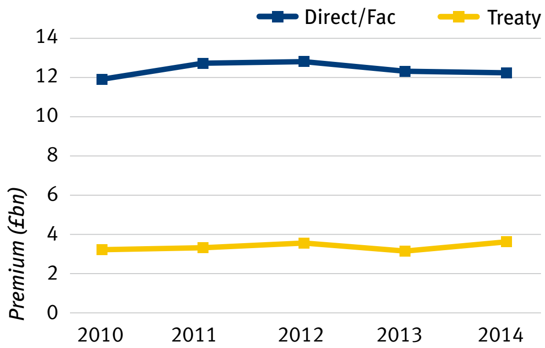
Figure 2. **London company market premium income over time**



	London £bn	*Controlled £bn*	*London+ Controlled £bn*
2010	15.110	4.510	19.620
2011	16.044	5.462	21.506
2012	16.370	7.762	24.132
2013	15.467	7.464	22.932
2014	**15.855**	**7.079**	**22.934**

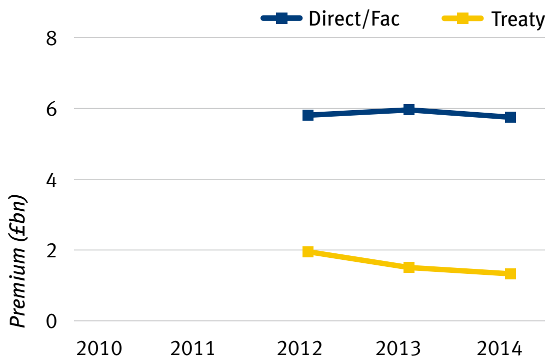
Analysis by Placement Type

Figure 3a. **London premium by placement type**



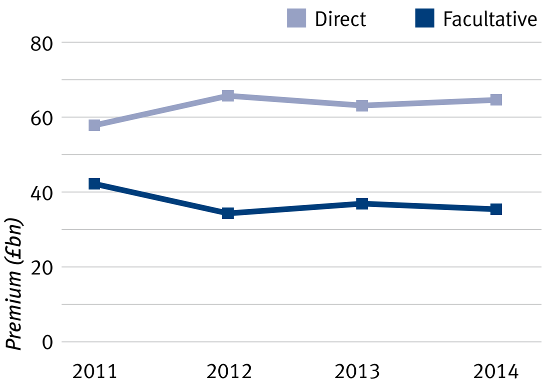
	Direct/Facultative		*Treaty*		*Total*
London	*£bn*	*%*	*£bn*	*%*	*£bn*
2010	11.911	79	3.216	21	15.127
2011	12.727	79	3.324	21	16.051
2012	12.812	78	3.557	22	16.370
2013	12.317	80	3.151	20	15.467
2014	**12.237**	**77**	**3.618**	**23**	**15.855**

Figure 3b. **Controlled premium by placement type**



	Direct/Facultative		*Treaty*		*Total*
Controlled	*£bn*	*%*	*£bn*	*%*	*£bn*
2012	5.809	75	1.952	25	7.762
2013	5.959	80	1.505	20	7.464
2014	5.751	81	1.328	19	7.079

Figure 3c. **Direct and facultative premium over time**



	Direct %	*Facultative* %
2011	58	42
2012	66	34
2013	63	37
2014	**65**	**35**

The split of income written in London between treaty and facultative/direct placements for 2014 is 77.2% (£12.237bn) for direct/facultative business and 22.8% (£3.618bn) for treaty. This result is in line with those observed in previous years and, indeed, has shown little significant movement since such data was first compiled in 2010.

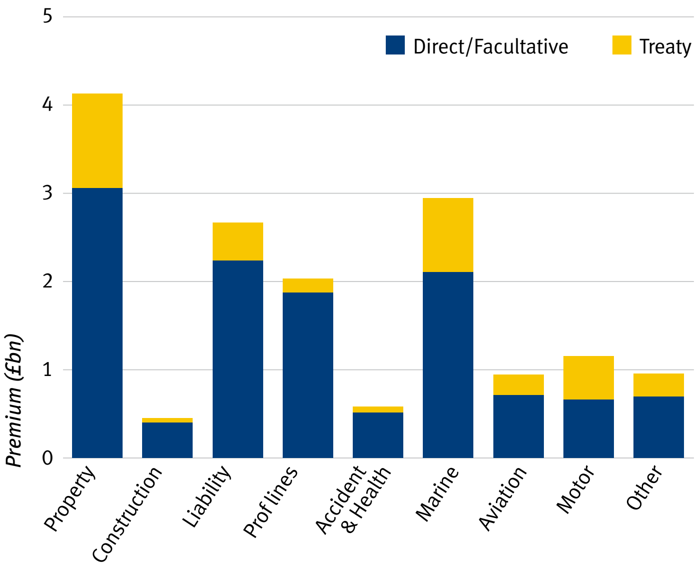
For business overseen by London but written outside the City the picture is different with a distinct rise in the importance of direct and facultative placements at the expense of treaty business. In 2014 treaty accounted for 18.8% (£1.328bn) of total premium, declining from 20.2% in 2013 (£1.505bn) and 25.2% in 2013 (£1.952bn).

Further analysis of placement type is provided in a basic breakdown of how income is divided between direct and facultative business. Such placements are usually grouped together in the London Market, but since 2011 the IUA has asked companies to state a percentage split between the two.

In 2014 direct business accounted for 64.6% of the total and facultative placements 35.4%. This result appears to be in line with a gradual trend for direct business becoming more dominant over time and mirrors the declining importance of treaty business observed in the analysis of controlled business. Restated figures for 2013 show such placements representing 63.1% of the total compared to 36.9% for facultative business. Back in 2011 when we first asked for this information the split was 57.8% direct placements against 42.2% facultative.

Figure 4 provides a breakdown of how different classes of business written in London are split between direct/facultative and treaty placements. This data shows that treaty business is much more significant for motor business, accounting for 42.7% of the total compared to the market average of 22.8%. It is much less important particularly in the professional lines sector, but also in construction and liability. More than 90% of all professional lines business is direct and facultative while for construction and liability such placements represent well over 80% of the market.

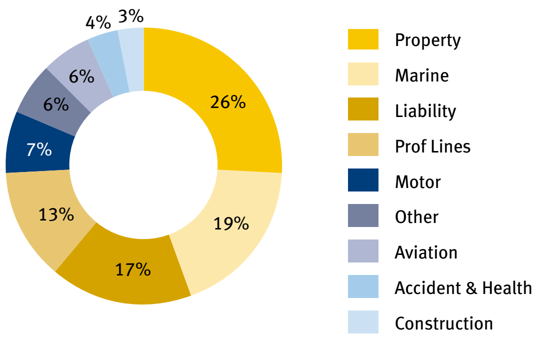
Figure 4. **2014 Gross premium volume by placement type**



2014	*Direct/Fac £bn Gross*	*Treaty £bn Gross*	*Total £bn Gross*
Property	3.057	1.074	4.131
Construction	0.397	0.052	0.449
Liability	2.233	0.434	2.667
Prof Lines	1.874	0.157	2.031
Accident & Health	0.513	0.071	0.584
Marine	2.106	0.839	2.945
Aviation	0.712	0.236	0.948
Motor	0.662	0.493	1.155
Other	0.694	0.266	0.959
Total	**12.248**	**3.621**	**15.869**

Analysis by Class of Business

Figure 5. **2014 Gross premium totals by class of business**



Marine appears to have been the best performing company market sector in terms of premium increase

The IUA's data submission template asks companies to allocate premium against a list of eight major classes of business. A ninth category of 'other' is included to cater for any business that cannot be conveniently allocated to any of the main classifications. Only premium written in London, not income written elsewhere but controlled by London operations, is analysed by class of business.

Overall the spread of business between different classes remains relatively stable. There have, however, clearly been some contrasting experiences across the company market over the last 12 months. Several lines of business have witnessed falls in their London income this year and others have remained relatively flat, but the marine sector has seen a welcome rise.

Property continues to be the most dominant class accounting for 26% of the market with an income of £4.117bn, rising from a restated 2013 total of £4.025bn. Construction business was included as a separate class for the first time in last year's report and in 2014 represents 3% of total premium with a figure of £0.449bn. Restated 2013 figures show construction income at £0.500bn.

The marine sector appears to have been the best performing company market sector in terms of premium income over the past 12 months. Its total for 2014 is £2.945bn, accounting for 19% of the total company market. This result compares with a figure of £2.790bn in the restated 2013 returns where marine business accounts for 18% of the overall London total.

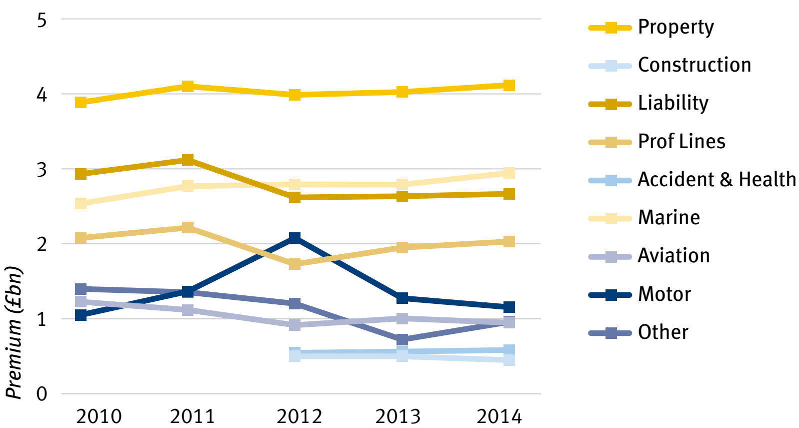
Other lines of business have fared less well in the last year. The third largest class of business in the London company market is liability, representing 17% of the total in 2014 when gross premium income was £2.667bn. This compares to a restated 2013 figure of £2.635bn. Professional lines business, meanwhile, recorded £2.031bn in 2014 accounting for 13% of overall London company income. This compared to a figure of £1.950bn in the restated returns for 2013.

Aviation and motor premiums each accounted for around 7% of total business in London during 2014. The aviation sector recorded income of £0.948bn and a total of £1.006bn in the restated 2013 data. Motor business was £1.155bn in 2014 and £1.275bn in 2013.

Accident and health business was the second new class added to our survey last year. Premium income in this sector was £0.584bn in 2014 representing 4% of the market. Restated 2013 figures show income of £0.563bn. Business classified as other, at £0.959bn, accounted for 6% of total income in 2014. In 2013 this figure was £0.723bn.

Figure 6 shows the contrasting fortunes of different business classes over time. This shows marine moving up into second place above liability, though the latter's total will have been affected by the establishment of accident and health as a separate data class from 2012 onwards. Professional lines and motor business have swapped relative rankings twice in the past five years, but property has consistently remained the largest sector by a clear distance, despite the introduction of construction as a separate class.

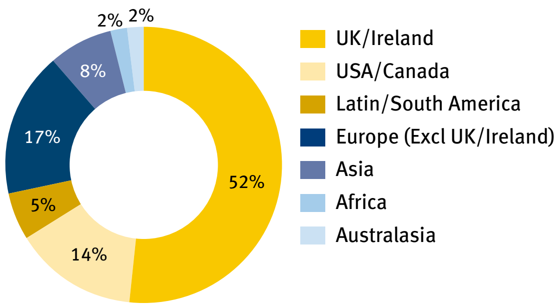
Figure 6. **Gross premium totals by class of business over time**



	2010 £bn	*2011 £bn*	*2012 £bn*	*2013 £bn*	*2014 £bn*	*Total £bn*
Property	3.886	4.101	3.987	4.025	4.117	20.115
Construction			0.500	0.500	0.449	1.448
Liability	2.932	3.118	2.619	2.635	2.667	13.971
Prof Lines	2.079	2.216	1.729	1.950	2.031	10.005
Accident & Health			0.547	0.563	0.584	1.694
Marine	2.537	2.769	2.792	2.790	2.945	13.833
Aviation	1.227	1.119	0.916	1.006	0.948	5.216
Motor	1.051	1.366	2.077	1.275	1.155	6.924
Other	1.399	1.355	1.203	0.723	0.959	5.641
Total	**15.110**	**16.044**	**16.370**	**15.467**	**15.855**	**78.847**

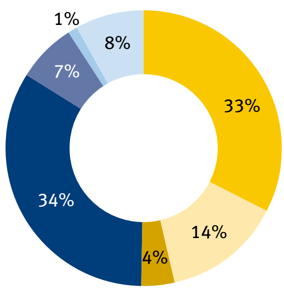
Geographical Analysis

Figure 7a. **2014 London gross premium by territory**



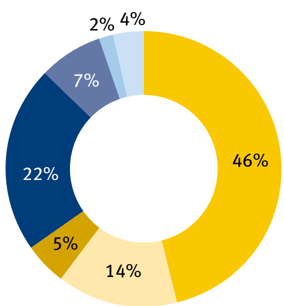
2014	*Total £bn*	*%*
UK/ Ireland	8.234	52
USA/ Canada	2.284	14
Latin/ South America	0.850	5
Europe (excl UK/Ireland)	2.689	17
Asia	1.193	8
Africa	0.313	2
Australasia	0.293	2
Total	**15.855**	**100**

Figure 7b. **2014 Controlled gross premium by territory**



2014	*Total £bn*	*%*
UK/ Ireland	2.344	33
USA/ Canada	0.962	14
Latin/ South America	0.302	4
Europe (excl UK/ Ireland)	2.389	34
Asia	0.478	7
Africa	0.061	1
Australasia	0.544	8
Total	**7.079**	**100**

Figure 7c. **2014 Overall gross premium by territory (London + controlled)**



2014	*Gross £bn*	*%*
UK/ Ireland	10.578	46
USA/ Canada	3.246	14
Latin/ South America	1.152	5
Europe (excl UK/ Ireland)	5.077	22
Asia	1.671	7
Africa	0.374	2
Australasia	0.836	4
Total	**22.934**	**100**

The London Company Market Statistics Report analyses geographically both business written in London and business written elsewhere, but overseen by London operations. Turning first to business written in London, the UK and Ireland is clearly the dominant source of income returning £8.234bn in 2014 and representing 52% of all premium. Of the remainder the two most significant regions are North America (USA and Canada) and Europe (excluding UK and Ireland). The former accounted for 14% of income in 2014 with premiums worth £2.284bn while the latter took a 17% share at £2.689bn.

A more volatile situation can be observed for business controlled by London offices but written elsewhere

Elsewhere in 2014 Asia generated an income of £1.193bn (8% of total income), followed by Latin America at £0.850bn (5%). Finally, Africa and Australasia shared approximately 2% each of overall premium with the former recording a 2014 income of £0.313bn and the latter £0.293bn.

Unsurprisingly there is a contrasting breakdown for business controlled by London operations but written in other offices. Here continental Europe is the dominant region with a premium income of £2.389bn accounting for 34% of the £7.079bn total controlled business figure. The second most important source of income is, in fact, the UK and Ireland indicating that London offices oversee significant underwriting hubs across the rest of the British Isles. Such operations generated £2.344bn worth of premium in 2014, which at 33% of the total places them only just behind continental Europe.

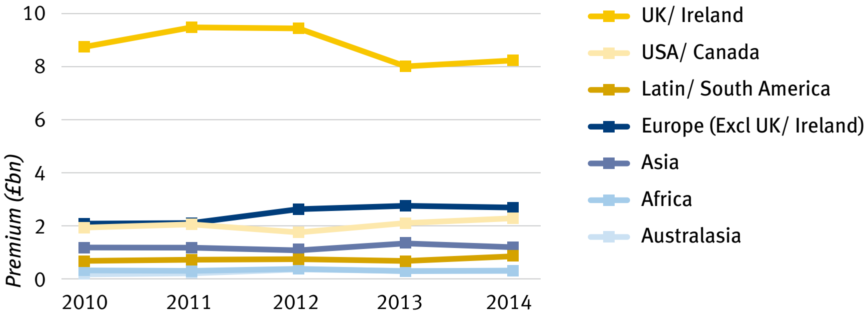
North America is the next most significant region with the USA and Canada registering an income of £0.962bn or 14% of total premium. Then comes Australasia with £0.544bn yielding 8% of the total followed by Asia at £0.478bn and 7%. Africa completes the picture with just £0.061bn representing less than 1% of overall controlled business.

A comparison of these results with those collected in previous years is made in figure 8. Here it can be seen that income sources for business written in London have not changed dramatically over the past five years. The UK and Ireland, however, has declined slightly and international markets are gradually increasing in significance.

A more volatile situation can be observed for business controlled by London offices but written elsewhere. Here, the data only covers three years, but in that time continental Europe has assumed the top spot overtaking regional UK and Ireland offices. Meanwhile, Asia has become relatively less important being overtaken by both North America and Australasia since 2012. Asia's premium contribution fell from £0.819bn in 2012 to just £0.478bn in 2014. Over the same two year period premium earned from Latin America has almost doubled, from £0.154bn in 2012 to £0.302bn in 2014.

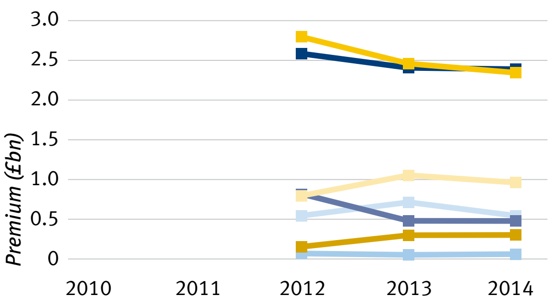
Geographical Timeline Analysis

Figure 8a. **London gross premium by territory over time**



London	*2010 £bn*	*2011 £bn*	*2012 £bn*	*2013 £bn*	*2014 £bn*	*Total £bn*
UK/ Ireland	8.745	9.482	9.442	8.011	8.234	43.914
USA/ Canada	1.933	2.054	1.752	2.103	2.284	10.126
Latin/ South America	0.678	0.721	0.743	0.675	0.850	3.668
Europe (excl UK/ Ireland)	2.082	2.104	2.627	2.754	2.689	12.255
Asia	1.182	1.176	1.075	1.336	1.193	5.962
Africa	0.319	0.301	0.376	0.290	0.313	1.600
Australasia	0.170	0.207	0.354	0.299	0.293	1.322
Total	**15.110**	**16.044**	**16.370**	**15.467**	**15.855**	**78.847**

Figure 8b. **Controlled gross premium by territory over time**



Controlled	*2012 £bn*	*2013 £bn*	*2014 £bn*	*Total £bn*
UK/ Ireland	2.795	2.459	2.344	7.598
USA/ Canada	0.796	1.054	0.962	2.812
Latin/ South America	0.154	0.299	0.302	0.755
Europe (excl UK/ Ireland)	2.585	2.406	2.389	7.380
Asia	0.819	0.480	0.478	1.777
Africa	0.069	0.052	0.061	0.182
Australasia	0.545	0.714	0.544	1.802
Total	**7.762**	**7.464**	**7.079**	**22.305**

Comparison with the Lloyd's Market

2014	*IUA Direct/ Facultative £bn*	*Lloyd's Direct £bn*
IUA Property + Construction *Lloyd's Property*	3.338	6.281
IUA Liability + Professional Lines+ Accident & Health *Lloyd's Casualty*	4.004	4.963
IUA Marine *Lloyd's Marine + Energy*	2.457	3.675
**Aviation*	0.948	1.027
Motor	**0.908**	**1.213**

**Includes direct and reinsurance business*

All Lloyd's figures except aviation exclude reinsurance business

All IUA figures exclude company market business controlled by London but written elsewhere

Lloyd's of London, in its annual report, has reported a gross written premium income of £25.283bn for 2014. Combining this figure with the IUA's amount of £22.934bn for London company market earnings gives an overall total for the London Market of £48.217bn.

Figures from the IUA's class of business analysis of London company market premiums can be used to make some broad comparisons with the Lloyd's market. A direct comparison is not possible since Lloyd's, in its annual report, identifies direct business only, separating out all reinsurance (except for aviation) into a separate category. IUA figures meanwhile cover both direct and facultative business together, separating out only treaty reinsurance. In addition, IUA totals by class of business, unlike those published by Lloyd's, include only premium written in London and not business controlled by London operations but written elsewhere.

However, some broad comparisons are still valid. From figure 9, it is clear that Lloyd's writes significantly more property business than the company market recording premiums of £6.281bn in 2014 compared to £3.337bn for the IUA.

This year's figures also give the Lloyd's market an edge in liability business with £4.963bn against £4.004bn for the company market. In the marine sector a good year for the company market has brought it closer to Lloyd's traditionally dominant position and the totals here now stand at £2.457bn against £3.675bn.

Aviation business appears fairly evenly spread between Lloyd's and companies. These figures both include reinsurance and so are probably the most valid comparison. At £0.948bn for the company market and £1.027bn for Lloyd's there is a difference of just £0.079bn. Motor insurance has also generally been relatively equal in the past and this year shows £0.908bn for companies against £1.213bn for Lloyd's managing agents.

Results Tables

2013	Property £bn	%	Construction £bn	%	Liability £bn	%	Prof Lines £bn	%	Accident & Health £bn	%	Marine £bn	%
UK/ Ireland	2.165	54	0.180	36	1.569	60	1.152	59	0.368	65	0.935	34
USA/ Canada	0.526	13	0.066	13	0.322	12	0.165	8	0.097	17	0.671	24
Latin/ South America	0.205	5	0.044	9	0.063	2	0.054	3	0.006	1	0.217	8
Europe (excl UK/ Ireland)	0.699	17	0.100	20	0.482	18	0.260	13	0.072	13	0.507	18
Asia	0.252	6	0.070	14	0.132	5	0.246	13	0.012	2	0.335	12
Africa	0.100	2	0.019	4	0.019	1	0.022	1	0.002	0	0.078	3
Australasia	0.078	2	0.021	4	0.049	2	0.051	3	0.007	1	0.045	2
Total	**4.025**		**0.500**		**2.635**		**1.950**		**0.563**		**2.790**	
% of total	26		3		17		13		4		18	

2014	Property £bn	%	Construction £bn	%	Liability £bn	%	Prof Lines £bn	%	Accident & Health £bn	%	Marine £bn	%
UK/ Ireland	2.092	51	0.186	41	1.612	60	1.315	65	0.385	66	1.040	35
USA/ Canada	0.689	17	0.060	13	0.357	13	0.162	8	0.095	16	0.630	21
Latin/ South America	0.215	5	0.035	8	0.072	3	0.067	3	0.006	1	0.344	12
Europe (excl UK/ Ireland)	0.679	16	0.070	16	0.464	17	0.298	15	0.078	13	0.479	16
Asia	0.269	7	0.068	15	0.083	3	0.120	6	0.012	2	0.315	11
Africa	0.097	2	0.017	4	0.019	1	0.018	1	0.002	0	0.096	3
Australasia	0.078	2	0.012	3	0.060	2	0.051	3	0.006	1	0.039	1
Total	**4.117**		**0.449**		**2.667**		**2.031**		**0.584**		**2.945**	
% of total	26		3		17		13		4		19	

Aviation £bn	Aviation %	Motor £bn	Motor %	Other £bn	Other %	Total £bn	Total %
0.276	27	0.959	75	0.408	56	8.011	52
0.134	13	0.052	4	0.070	10	2.103	14
0.073	7	0.012	1	0.001	0	0.675	4
0.256	25	0.217	17	0.161	22	2.754	18
0.202	20	0.021	2	0.066	9	1.336	9
0.037	4	0.005	0	0.008	1	0.290	2
0.029	3	0.008	1	0.010	1	0.299	2
1.006		**1.275**		**0.723**		**15.467**	
7		8		5			100

Aviation £bn	Aviation %	Motor £bn	Motor %	Other £bn	Other %	Total £bn	Total %
0.273	29	0.819	71	0.514	54	8.234	52
0.131	14	0.069	6	0.091	9	2.284	14
0.081	9	0.013	1	0.016	2	0.850	5
0.194	21	0.218	19	0.208	22	2.689	17
0.212	22	0.019	2	0.095	10	1.193	8
0.033	4	0.008	1	0.023	2	0.313	2
0.023	2	0.010	1	0.013	1	0.293	2
0.948		**1.155**		**0.959**		**15.855**	
6		7		6			100

IMPROVED DATA HAS CONTRIBUTED TO A MORE COMPLETE AND ACCURATE ANALYSIS

Conclusion

This year's London Company Market Statistics report presents a picture of stability with overall income for 2014 almost identical to that reported for 2013. Rarely, however, do market conditions remain unchanged for long. There are some clear trends, both below the headline data and across the longer term figures we are now able to plot after several years of collecting information.

Our surveys do not ask companies to provide explanations for any changes in their premium income. But through day to day conversations with members and feedback from the IUA's many underwriting and claims committees, we are able to draw a number of conclusions about the patterns shown in these latest statistics.

Each company is, of course, unique and will have varying experiences of the processes outlined below. These developments however have all been observed in London Market companies in recent months.

Local markets

Firstly, it is clear that more business is being written independently in local markets whereas previously it may have either come directly to London or have been written locally but with a significant degree of oversight by London offices.

This trend has been discussed in previous editions of this report. There are obvious advantages for companies in establishing satellite offices that allow them to operate closer to their customers, with staff that are familiar with local culture and language. As such offices develop into better resourced more sophisticated operations it is unsurprising that they function more independently with less oversight from the London Market.

London, however, still has an important role to play in harnessing its expertise to provide innovative cover that cannot be replicated by local markets. Given the scale of expected future growth in emerging markets the amount of business controlled by London Market companies but written oversees should remain significant.

Company structure

Another structural change in the London Market impacting our data returns has been the transfer of some companies' status from subsidiary to branch. A subsidiary operating as an independent entity, controlling its own affairs, with its own board will be regulated by the country in which it is based. A branch, meanwhile, being more an extension of the parent company, does not prepare its own accounts and is regulated by the supervisor overseeing its head office.

A driver for this switch has been Solvency II since subsidiaries must undergo a full Solvency II approval process while branches can avoid this burden, relying instead on the approval granted to their parent company. The Prudential Regulation Authority's implementation of Solvency II, in particular, may be making branch status more attractive for some London subsidiaries.

If a London subsidiary does become a branch it will no longer control the operations of other offices around the world. Those entities will instead report directly to the parent company rather than to the London Market office.

Delegated authorities

Meanwhile, the London Market has also seen a growing interest in the use of delegated authorities. The IUA has recently established a new market committee to discuss these arrangements in response to member queries.

Such agreements allow insurers to delegate their underwriting authority to coverholders who may issue policies and handle claims on the insurer's behalf. They are relatively easy to set up and can be a very cost effective method of targeting high volume, low value business.

However, many companies may not classify such income as London market business when compiling their data returns for our statistics survey. This contrasts with the situation at Lloyd's where all delegated authority business is automatically included within annual premium income figures.

Each company is unique, but there are some clear market trends across longer term figures

Lloyd's

The Lloyd's market, in fact, itself represents a reason why the premium income returns of some companies may be lower than in previous years. Certainly, we are aware of examples where organisations have placed a foot in both Lloyd's and company market camps and are choosing to write more business through their Lloyd's syndicate.

In some instances this may be because Lloyd's financial strength rating is higher than a company's own or its licensing network is more extensive. Alternatively, a particular class of business that a firm wishes to target may be naturally focussed on the Lloyd's market. Terrorism and marine energy risks, for example, are more often placed within Lloyd's.

Market conditions

Across both the Lloyd's and company sectors of the London Market the last year has seen some challenging market conditions with competitive pressures driving down premium rates. This will undoubtedly have had an impact on the data returns for this year's report, though it is, of course, impossible to quantify the exact extent of such changes. Yet, anecdotally, the IUA is aware of some companies submitting lower premium income totals after proclaiming greater levels of underwriting discipline and choosing not to write business where they believe it may prove unprofitable.

Finally it should be noted that the London Company Market Statistics Report has this year received more extensive data returns from more companies that ever before. Whilst this is not significant for overall premium totals since much of the improved data comes from relatively small firms, it certainly contributes to a more complete and accurate analysis.

Global Reach Survey

As stated in the methodology section of this report our data collection exercise for 2014 included three additional questions designed to assess the global reach of the London company market. We did not receive a comprehensive response to these queries, but the results do help to illustrate the wide range of different business models operating in London.

The first question asked companies how many branches are controlled by their London operations. A significant number answered zero, but most replies answered in the range of 1 to 10. The remaining responses fell in the range 11-20. Overall the companies surveyed declared that they oversee a total of 125 branches from their London operations. We suspect that this is not the complete picture.

Question number two asked how many global programmes are written by companies. Here there was a great variety of replies with the results ranging from zero or less than a dozen to several dozen and then up to several hundred. In two cases the answer was well in excess of a thousand. The overall total number of global programmes written by survey respondents was 11,046. The definition behind this question required a number of clarifications. Therefore we intend to study this area more closely in next year's report.

The third and final additional question addressed the number of coverholders that companies contract with. A handful of replies identified coverholders totalling several hundred. More common was a response ranging from 10 to 100. The total number of coverholders contracted with by companies participating in the IUA's survey was 1,804. Again we suspect that this is not the complete picture.

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