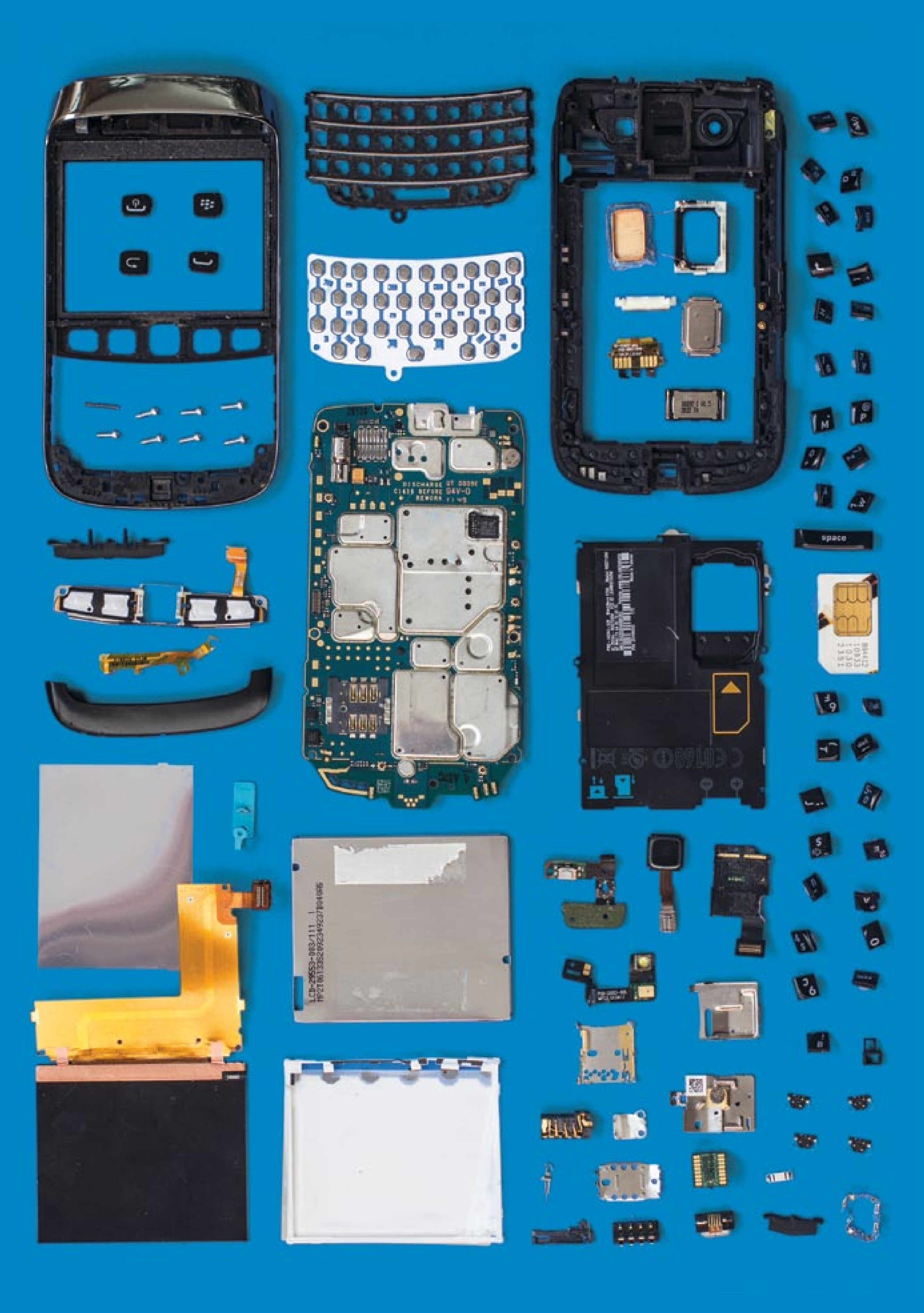
LONDON COMPANY MARKET

Statistics Report

OCTOBER 2016

IUA OF LONDON
INTERNATIONAL UNDERWRITING ASSOCIATION


space

Executive Summary

- The London company market's gross premium income for 2015 was £15.150bn. In addition, a further £6.495bn 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 £21.645bn.
- Restated figures for 2014 show a London income of £15.518bn, plus a further £6.917bn of controlled business, giving an overall total of £22.435bn. Over the past year, therefore, the company market has seen a drop in income of £0.791bn (3.5%).
- For both business written in London and that controlled by London, but written elsewhere, the split between facultative/direct and treaty placements remains relatively unchanged. There has, however, been a small increase in the significance of treaty business over the past year – rising from 23% to 24% of London business and from 19% to 21% of controlled premium.
- The allocation of income between different classes is relatively stable. Marine, however, has dropped from the second to third largest class in the London company market being overtaken by liability. Property remains the single largest sector accounting for 27% of premium.
- Geographically, for business written in London, the UK and Ireland is still the largest source of income and has increased its share slightly to 54% of total premium (£8.214bn). For business overseen by London operations but written elsewhere, continental Europe is the largest region with a 35% premium share (£2.297bn), followed by regional UK and Ireland offices on 33% (£2.135bn), the US and Canada at 10.5% (£0.682bn) and Asia 7.8% (£0.505bn).
- Combining the IUA's total company market income figure of £21.645bn with Lloyd's of London's gross written premium figure of £26.690bn gives an overall total for the London Market of £48.335bn in 2015.
- Premium of £7.337bn is currently written in the London company market and will potentially be directly affected by a change in rules governing UK participation in the EU single market and its financial services passport regime.
- The IUA, in conjunction with the London Market Group and other industry bodies, is continuing to present to government the concerns of members about the UK's exit from the EU. Our priority is to maintain a level playing field with European markets so that companies can operate freely without any need for local licences, regulatory collateral obligations or other special requirements. Data presented in the London Company Market Statistics Report will assist this process.
- Competitive market pressures, increased use of Lloyd's platforms, company reorganisations and exchange rate fluctuations have all contributed to the decline in gross premiums reported in this year's survey.

Introduction

Since last year's London Company Market Statistics Report was published, much of the interest in our data has been driven by one overriding question: what the will be the impact on the market of a UK exit from the European Union?

This issue is discussed on page16 in a special new section of our annual report. No doubt the ultimate effects on premium income of a new international trading environment for companies operating in London will be reflected in future editions of this publication. In the meantime, however, this year's figures have thrown up several interesting current trends which we have explored through a number of follow-up conversations with companies submitting data to our survey. This analysis can be found in our conclusion on page 20.

One benefit of the IUA's annual overview of market income is that it provides a firm foundation for future planning. Together with the data and insights provided by the London Market Group's London Matters report it has helped enable the creation of an effective action plan for growth and modernisation.

A great deal of work has already been undertaken to implement this cross-market strategy and a number of successes have already been noted, for example the development of a framework to attract insurance-linked securities business, the completion of a skills survey and the launch of an electronic placing platform.

As efforts continue to improve the London insurance environment, there will be a certain need for accurate up to date data. Being able to present a comprehensive picture of our performance is vital for our lobbying efforts with government and regulators. It also allows us to better promote ourselves to overseas clients and helps to identify the most effective opportunities for modernising our business processes.

This representational work will be important as the negotiations proceed over the terms of the UK's exit from the EU and arrangements for a new trading relationship with the remaining member states. Demonstrating the value and significance of the London company market within the wider UK economy will highlight the need for continued passporting rights into the single market, allowing companies to operate freely without duplication of compliance efforts or maintenance of expensive dual capital holdings.

I hope you find this report interesting and that its data proves useful.

Dave Matcham *Chief Executive*
International Underwriting Association

Interest in our data has been driven by the question of what will be the impact on the market of a UK exit from the EU


California Fair
Claims Settlement

Methodology

Consistency in our underlying methodology ensures results can be easily compared over time

The underlying methodology of the London Company Market Statistics Report has remained unchanged since it was first launched in 2011. Such consistency helps ensure that results can be more easily compared over time and market trends plotted with greater confidence.

Consequently, our definition of London Market business remains 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 description of premium does not include income that is written in overseas offices that may be subject to a high degree of management or oversight by London operations. Therefore, in order to obtain a more complete picture of the overall intellectual and economic premium earned by London companies, we also requested figures for premium managed by London, but written elsewhere.

Such ‘controlled’ premium is recorded separately, but represents an important part of the London company market’s scope. Its inclusion in this report also makes our results more directly comparable with premium income figures published by both Lloyd’s of London and the London Market Group.

The survey’s class of business breakdown remained unchanged again this year and may be viewed in the box detailing guidance notes provided to respondents. A full class of business split between direct/facultative premium and treaty premium was also requested plus a simple overall breakdown of the percentage split between direct and facultative premiums.

Premium totals were requested both net and gross of commission and, in addition to providing figures for 2015, companies were asked to restate their returns for 2014. 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 31.12.15 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 2015.

Whilst we have attempted to define London Market business as accurately and completely as possible, it is important to understand that there is no definitive, universal categorisation. Many multinational corporations operate branch offices in London with headquarters elsewhere in the EU. They have no requirement to separately identify London Market premiums in the statutory returns to their home state regulator.

Complex risk may be analysed and assessed by staff in various different offices across a company’s international network. Whether a particular piece of business is ultimately classified as London Market premium, therefore, is often a purely administrative judgement that can vary from company to company according to differing internal accounting systems.

Such considerations mean that completing the data template for our survey can be a difficult and time consuming task. Where we have not received returns from a limited number of companies we have filled in the gap using either business processed by Xchanging Ins-sure Services, the London Market's central back office provider or figures from returns made the previous year.

We are extremely grateful for all the generous assistance we have received from companies across the London market 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.

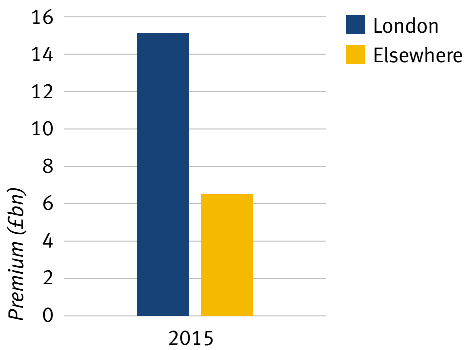
Includes, for example, contingency, surety

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.

Results

Figure 1. **2015 Gross premium written in London vs premium written elsewhere**



	London £bn	*Elsewhere £bn*	*Total*
2015	**15.150**	**6.495**	**21.645**

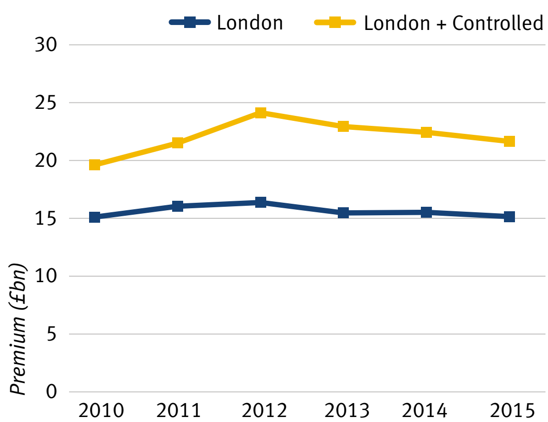
In 2015 the London company market's overall intellectual and economic gross premium income was £21.645bn

In 2015 the London company market's gross premium income was £15.150bn. In addition, a further £6.495bn has been identified as written in other offices outside London, but managed and overseen by operations in the city. Combining these two totals gives an overall intellectual and economic premium of £21.645bn.

Restated figures for 2014 show a London income of £15.518bn, plus a further £6.917bn of controlled business, giving an overall total of £22.435bn. Over the past year, therefore, the company market has seen a drop in income of £0.791bn (3.5%).

Figure 2 below plots premium income over time going back to 2010, when the IUA first began conducting this annual survey of company business. This illustrates a relatively flat trend with a slight decrease in recent years.

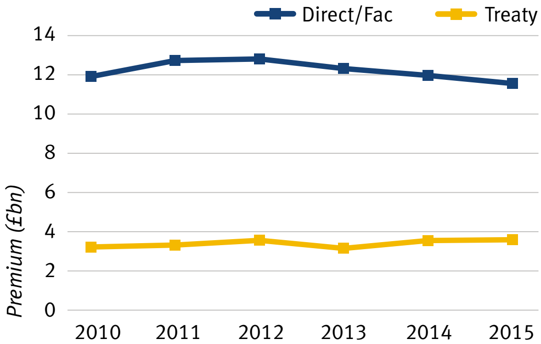
Figure 2. **London company market premium income over time**



	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	15.518	6.917	22.435
2015	**15.150**	**6.495**	**21.645**

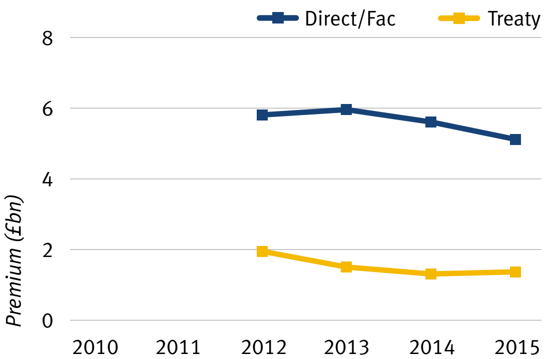
Analysis by Placement Type

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



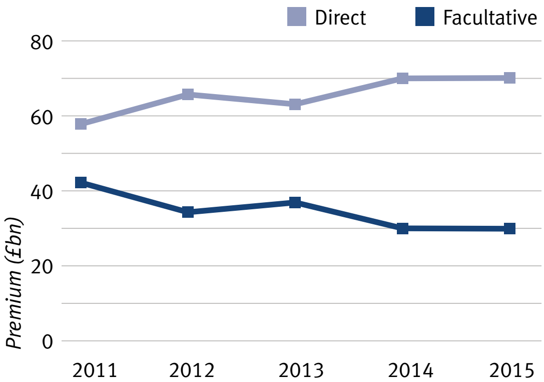
London	*Direct/Facultative* *£bn*	*%*	*Treaty* *£bn*	*%*	*Total* *£bn*
2010	11.911	79	3.216	21	15.127
2011	12.727	79	3.324	21	16.051
2012	12.812	78	3.557	22	16.370
2013	12.317	80	3.151	20	15.467
2014	11.969	77	3.549	23	15.518
2015	**11.561**	**76**	**3.589**	**24**	**15.150**

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



Controlled	*Direct/Facultative* *£bn*	*%*	*Treaty* *£bn*	*%*	*Total* *£bn*
2012	5.809	75	1.952	25	7.762
2013	5.959	80	1.505	20	7.464
2014	5.606	81	1.310	19	6.917
2015	**5.122**	**79**	**1.373**	**21**	**6.495**

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



	Direct %	*Facultative* %
2011	58	42
2012	66	34
2013	63	37
2014	70	30
2015	**70**	**30**

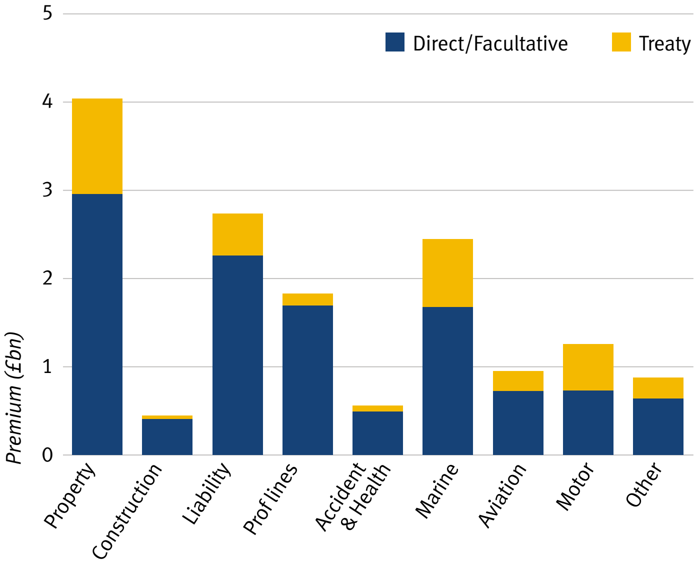
For both business written in London and that controlled by London, but written elsewhere, the split between facultative/direct and treaty placements remains relatively unchanged. There has, however, been a small increase in the significance of treaty business over the past year – rising from 23% to 24% of London business and from 19% to 21% of controlled premium.

The breakdown in figures 3a and 3b reflect general London Market practice which usually groups together direct and facultative placements. Further analysis is provided in Figure 3c which details a percentage split between these two methods placement methods.

Figures for 2015 show that the increasing importance of direct business is being maintained with this now accounting for 70.1% of non-treaty placements and facultative 29.9%. When this analysis was first carried out five years ago the split was 57.8% against 42.2%.

Figure 4 provides a breakdown of how different classes of business written in London are split between direct/facultative and treaty placements. The data here (which is not available for controlled business) illustrates how treaty contracts are much more significant for motor business, accounting for 42% (£0.532bn) of the total compared to the market average of 24%. Treaty business is also important in the marine sector, representing nearly one third of all premium (£0.775bn), and for property where it records 27% (£1.087bn) of the total. Conversely, it is much less significant in construction, accident and health and professional lines classes.

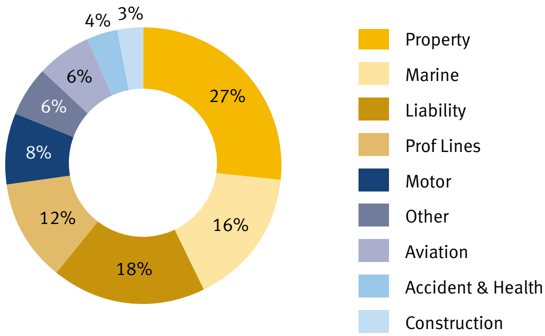
Figure 4. **2015 Gross premium volume by placement type**



2015	*Direct/Fac £bn Gross*	*Treaty £bn Gross*	*Total £bn Gross*
Property	2.956	1.087	4.044
Construction	0.404	0.045	0.449
Liability	2.258	0.478	2.736
Prof Lines	1.691	0.138	1.829
Accident & Health	0.489	0.070	0.559
Marine	1.673	0.775	2.448
Aviation	0.725	0.223	0.948
Motor	0.728	0.532	1.260
Other	0.636	0.241	0.877
Total	**11.561**	**3.589**	**15.150**

Analysis by Class of Business

Figure 5. **2015 Gross premium totals by class of business**



Marine has been overtaken by liability as the second largest class of business

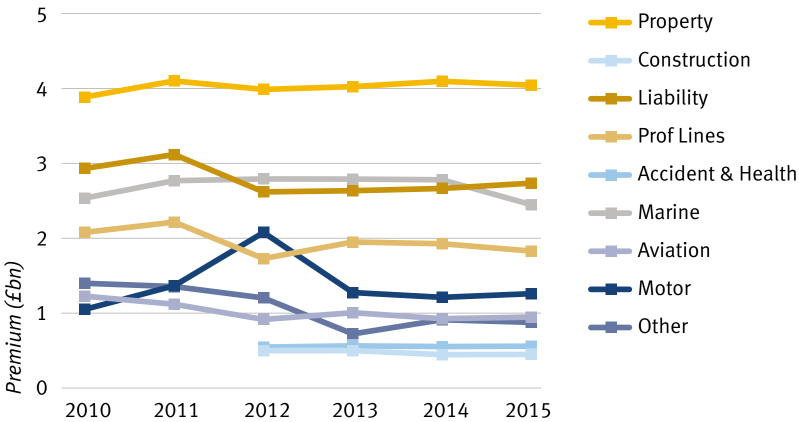
Premium written in London (but not that written elsewhere and overseen by London) is analysed by class of business. Eight major business lines are identified in our survey, plus a ninth category of 'other' for any premium not covered by any of the main classifications.

Data for 2015 shows that the allocation of income between different classes is relatively unchanged. The most notable exception to this trend is in the marine sector which has seen premium fall from £2.781bn in 2014 to £2.448bn in 2015. This decline means that marine, now accounting for 16% of all premium, drops from the second to third largest class in the London company market. It has been overtaken by liability where premiums have risen from £2.665bn to £2.736bn over the past 12 months and now represent 18% of the overall total.

Other classes of business which have bucked the overall market trend of falling income are aviation, accident and health, construction and motor. Property premiums fell slightly from £4.096bn in 2014 to £4.044bn in 2015, but it remains by some margin the single largest sector accounting for 27% of the total market.

Figure 6 shows how premium income across different classes of business have fluctuated since the IUA first began its survey six years ago. In 2012 these classifications were refined to introduce accident and health and construction as separate categories.

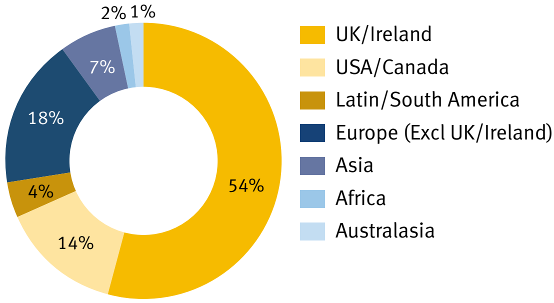
Figure 6. **Gross premium totals by class of business over time**



	2010 £bn	2011 £bn	2012 £bn	2013 £bn	2014 £bn	2015 £bn	Total £bn
Property	3.886	4.101	3.987	4.025	4.096	4.044	24.138
Construction			0.500	0.500	0.446	0.449	1.894
Liability	2.932	3.118	2.619	2.635	2.665	2.736	16.705
Prof Lines	2.079	2.216	1.729	1.950	1.927	1.829	11.730
Accident & Health			0.547	0.563	0.554	0.559	2.224
Marine	2.537	2.769	2.792	2.790	2.781	2.448	16.117
Aviation	1.227	1.119	0.916	1.006	0.926	0.948	6.141
Motor	1.051	1.366	2.077	1.275	1.211	1.260	8.240
Other	1.399	1.355	1.203	0.723	0.912	0.877	6.470
Total	**15.110**	**16.044**	**16.370**	**15.467**	**15.518**	**15.150**	**93.660**

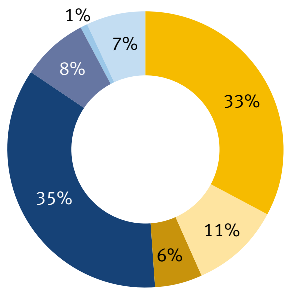
Geographical Analysis

Figure 7a. **2015 London gross premium by territory**



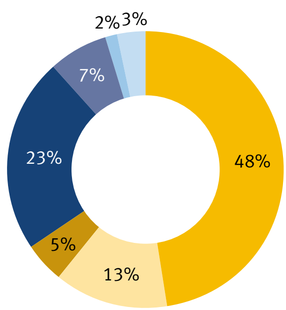
2015	*Total £bn*	*%*
UK/Ireland	8.214	54
USA/Canada	2.144	14
Latin/South America	0.658	4
Europe (excl UK/Ireland)	2.655	18
Asia	0.993	7
Africa	0.273	2
Australasia	0.213	1
Total	**15.150**	**100**

Figure 7b. **2015 Controlled gross premium by territory**



2015	*Total £bn*	*%*
UK/Ireland	2.135	33
USA/Canada	0.682	11
Latin/South America	0.376	6
Europe (excl UK/Ireland)	2.297	35
Asia	0.505	8
Africa	0.050	1
Australasia	0.451	7
Total	**6.495**	**100**

Figure 7c. **2015 Overall gross premium by territory (London + controlled)**



2015	*Gross £bn*	*%*
UK/Ireland	10.348	48
USA/Canada	2.826	13
Latin/South America	1.034	5
Europe (excl UK/Ireland)	4.952	23
Asia	1.498	7
Africa	0.323	2
Australasia	0.663	3
Total	**21.645**	**100**

Both premium written in London and 'controlled business' is analysed by territory. These breakdowns are based on companies' own categorisation for premium origin, for example by address of insured or location of risk (see methodology on page 4 for more detail).

Examining first business in London, the UK and Ireland as the largest source of income has actually increased its share slightly and now accounts for 54% of total premium (£8.214bn), up by 2% from 2014. There has been almost no change in the allocation of premium among other markets with continental Europe and the US and Canada the next two most important regions, representing 17.5% (£2.655bn) and 14% (£2.144bn) of income respectively. No other region contributes more than 7% of total premium in 2015. Indeed, business from Asia has fallen slightly to below £1bn and now represents 6.5% of business written by companies in London.

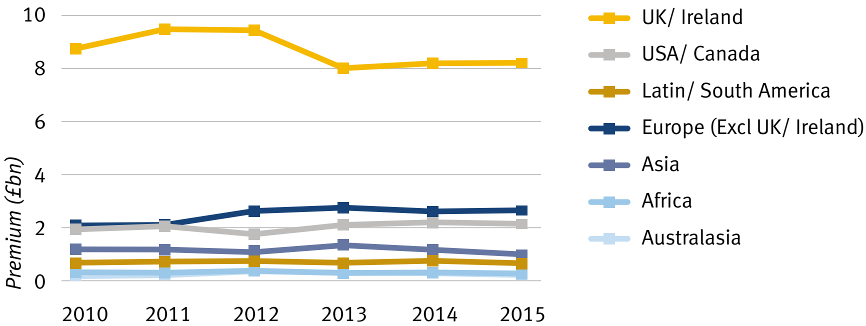
Turning to business overseen by London operations but written elsewhere, the 2015 data again shows how London offices manage significant amounts of premium underwritten across the rest of the British Isles. This accounts for just less than a third of all controlled business (£2.135bn).

The other dominant region is continental Europe representing just over a third of the total (£2.297bn). Of the remainder, the USA and Canada is the most important, though over the past year its share of premium has fallen slightly and now accounts for 10.5% (£0.682bn). The figure for Asia stands at 7.8% for 2015 (£0.505bn).

In figure 8, the development of premium income by territory over time can be viewed. The data here shows a relatively stable picture for business written in London since 2010. For controlled business, however, there are some interesting trends with continental Europe becoming more significant than regional UK and Ireland offices. The past three years have also seen a narrowing of the gap in premium sourced from the USA and Canada and Asia.

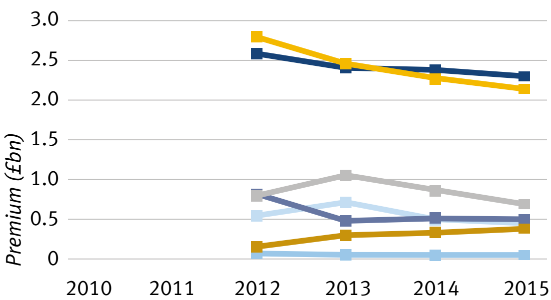
Geographical Timeline Analysis

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



London	*2010 £bn*	*2011 £bn*	*2012 £bn*	*2013 £bn*	*2014 £bn*	*2015 £bn*	*Total £bn*
UK/Ireland	8.745	9.482	9.442	8.011	8.196	8.214	52.090
USA/Canada	1.933	2.054	1.752	2.103	2.202	2.144	12.187
Latin/South America	0.678	0.721	0.743	0.675	0.750	0.658	4.226
Europe (excl UK/Ireland)	2.082	2.104	2.627	2.754	2.611	2.655	14.832
Asia	1.182	1.176	1.075	1.336	1.166	0.993	6.928
Africa	0.319	0.301	0.376	0.290	0.311	0.273	1.871
Australasia	0.170	0.207	0.354	0.299	0.283	0.213	1.524
Total	**15.110**	**16.044**	**16.370**	**15.467**	**15.518**	**15.150**	**93.659**

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



Controlled	*2012 £bn*	*2013 £bn*	*2014 £bn*	*2015 £bn*	*Total £bn*
UK/Ireland	2.795	2.459	2.278	2.135	9.667
USA/Canada	0.796	1.054	0.869	0.682	3.401
Latin/South America	0.154	0.299	0.326	0.376	1.154
Europe (excl UK/Ireland)	2.585	2.406	2.381	2.297	9.669
Asia	0.819	0.480	0.507	0.505	2.311
Africa	0.069	0.052	0.053	0.050	0.224
Australasia	0.545	0.714	0.502	0.451	2.212
Total	**7.762**	**7.464**	**6.917**	**6.495**	**28.638**

Comparison with the Lloyd’s Market

2015	*IUA Direct/ Facultative £bn*	*Lloyd's Direct £bn*
IUA Property + Construction *Lloyd’s Property*	4.493	6.893
IUA Liability + Professional Lines+ Accident & Health *Lloyd’s Casualty*	5.124	5.764
IUA Marine *Lloyd’s Marine + Energy*	2.448	3.659
**Aviation*	0.948	1.058
Motor	1.260	1.120

**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 £26.690bn for 2015. Combining this figure with the IUA’s amount of £21.645bn for London company earnings gives an overall total for the London Market of £48.335bn.

Some further comparisons between the Lloyd’s and company market can be drawn according to certain classes of business. Direct comparisons are not possible since Lloyd’s, in its annual report, identifies direct business only, separating out all reinsurance (except for aviation) into a distinct 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.

Nevertheless, it can be seen in figure 9 above that significantly more property business was written in Lloyd’s in 2015 compared to the company market, with premiums at £6.893bn and £4.493bn respectively. The gap is much narrower for the liability sector where companies wrote £5.124bn compared to £5.764bn for Lloyd’s.

In marine underwriting Lloyd’s is again dominant with a 2015 income of £3.659bn against £2.448bn in the company market. But for aviation premium the difference is relatively small (£1.058bn vs £0.948bn) and in motor business companies, with £1.260bn, wrote slightly more premium than Lloyd’s (£1.120bn) last year.

The London Company Market and the EU Referendum

Premium of £7.337bn is currently written in the London company market and will potentially be directly affected by a change in rules governing UK participation in the EU single market and its financial services passport regime

Prior to the referendum on the UK's membership of the EU, the IUA consulted with its members after reports that the possibility of a vote to leave was featuring highly on company risk registers. The association subsequently engaged in the referendum debate highlighting the substantial benefits enjoyed by London Market companies as a result of EU membership; in particular, financial passporting rights which enable cross-border trade without expensive duplication of compliance efforts or capital holdings.

An important part of the debate focussed on the amount of London Market business that could be impacted by a 'Brexit' and here our statistics report provides some interesting pointers.

The geographical breakdown shows that of the total £15.150bn gross premium written in London, 17.5% or £2.655bn is accounted for by European business (excluding UK and Ireland). This makes it the second most important area for London business, behind the UK and Ireland which dominates with a 54% (£8.214bn) share. By comparison the US and Canada accounted for 14% (£2.144bn) of premium written in London in 2015.

In addition to business actually written in London, companies also identify £6.495bn of premium written in other locations, but overseen or controlled by the London operation. Of this 'controlled business' £2.297bn or 35% comes from continental Europe. In the past two years Europe has been the single most significant region for such premium, overtaking regional offices in Britain and Ireland. It accounts for around three times the income sourced from operations managed in the US and Canada.

Combining the figures for both premium written in London and controlled business gives an overall intellectual and economic total for the company market of £21.645bn. European business here (again excluding UK and Ireland) is £4.952bn or 23% if the total.

Of course, this basic geographical breakdown is not the full story. It is difficult to estimate how much of the identified European business would continue to be placed with London Market operations after Brexit and how much might migrate to continental re/insurers. Such decisions will depend on many factors, including the nature of existing business relationships, the availability of alternative markets and, crucially, the shape of the UK's revised trading relationship with the remaining EU member states.

Furthermore, it does not address the London Market business written in the city by branch offices of parent companies in continental EU states. Eight of the IUA's 49 member firms, for example, are headquartered in Germany. The status of these branches and their ability to continue accepting business in the London Market may be impacted depending on the terms of any post-Brexit trade agreement.

However, a further analysis of the data received from individual companies has been undertaken, the results of which can be seen in the table below. All figures here relate to premium written in London and not controlled business. Here, we have first totalled premium income from continental Europe by firms headquartered in London. Secondly, we have compiled the same European income for companies whose parent is based in a third country outside the EU and are, we believe, using their London office to obtain EU financial service passporting rights. This category does not include those third country companies thought to be using an alternative base, for example Dublin, from which to obtain their passport.

Combining these two figures (£0.267bn + £1.094bn) gives an overall premium income of £1.361bn which may be considered to be written by firms using current arrangements to access EU business by passporting out from London.

On the other side of the coin are those companies which are benefiting from UK membership of the single market to write London Market business that comes to the city from across the globe. These are also represented in the table below where we have totalled all premium income (from all territories) written by those firms with a parent based elsewhere in the EU allowing them to freely write business via a branch in London. This figure is £5.976bn.

In conclusion, therefore, it may be said that premium of £7.337bn (£1.361bn + £5.976bn) is currently written in the London company market and will potentially be directly affected by a change in the rules governing UK participation in the EU single market and its existing financial services passport regime.

	London operation status	*European premium (excl UK and Ireland) £bn*	*All premium £bn*
Passporting out	Parent headquartered in UK	0.267	
	Parent headquartered in third country and using London office to access EU business	1.094	
Passporting in	Parent headquartered elsewhere in EU and using passporting rights to write London Market business		5.976

The IUA, in conjunction with the London Market Group and other industry bodies is continuing to present the concerns of member firms to the UK government. Our priority is to maintain a level playing field with European markets so that companies can operate freely without any need for local licences, regulatory collateral obligations or other special requirements.

As these discussions develop throughout the protracted Brexit process data presented in the London Company Market Statistics Report will be useful, both by helping to identify income potentially affected and by reaffirming the overall contribution of our sector to the UK economy.

Results Tables

2014	Property £bn	%	Construction £bn	%	Liability £bn	%	Prof Lines £bn	%	Accident & Health £bn	%	Marine £bn	%
UK/Ireland	2.084	51	0.191	5	1.595	60	1.194	62	0.308	56	1.113	40
USA/Canada	0.697	17	0.062	2	0.342	13	0.158	8	0.096	17	0.570	20
Latin/South America	0.206	5	0.034	1	0.099	4	0.070	4	0.020	4	0.205	7
Europe (excl UK/Ireland)	0.656	16	0.078	2	0.438	16	0.306	16	0.084	15	0.470	17
Asia	0.278	7	0.056	1	0.116	4	0.113	6	0.033	6	0.310	11
Africa	0.098	2	0.014	0	0.031	1	0.029	2	0.008	2	0.069	2
Australasia	0.077	2	0.011	0	0.045	2	0.057	3	0.005	1	0.044	2
Total	**4.096**		**0.446**		**2.665**		**1.927**		**0.554**		**2.781**	
% of total	26		3		17		12		4		18	

2015	Property £bn	%	Construction £bn	%	Liability £bn	%	Prof Lines £bn	%	Accident & Health £bn	%	Marine £bn	%
UK/Ireland	2.138	53	0.192	43	1.641	60	1.175	64	0.309	55	1.051	43
USA/Canada	0.667	17	0.072	16	0.369	13	0.149	8	0.114	20	0.447	18
Latin/South America	0.187	5	0.029	7	0.112	4	0.072	4	0.014	2	0.140	6
Europe (excl UK/Ireland)	0.651	16	0.093	21	0.441	16	0.279	15	0.084	15	0.453	18
Asia	0.259	6	0.041	9	0.105	4	0.097	5	0.029	5	0.260	11
Africa	0.092	2	0.011	2	0.032	1	0.024	1	0.006	1	0.063	3
Australasia	0.050	1	0.011	3	0.037	1	0.034	2	0.003	1	0.036	1
Total	**4.044**		**0.449**		**2.736**		**1.829**		**0.559**		**2.448**	
% of total	27		3		18		12		4		16	

Aviation £bn	Aviation %	Motor £bn	Motor %	Other £bn	Other %	Total £bn	Total %	2014
0.388	42	0.821	68	0.502	55	8.196	53	*UK/Ireland*
0.116	13	0.086	7	0.075	8	2.202	14	*USA/Canada*
0.062	7	0.022	2	0.033	4	0.750	5	*Latin/South America*
0.153	17	0.220	18	0.205	23	2.611	17	*Europe (excl UK/Ireland)*
0.161	17	0.037	3	0.061	7	1.166	8	*Asia*
0.028	3	0.012	1	0.023	3	0.311	2	*Africa*
0.018	2	0.014	1	0.013	1	0.283	2	*Australasia*
0.926		**1.211**		**0.912**		**15.518**		*Total*
6		8		6			100	*% of total*

Aviation £bn	Aviation %	Motor £bn	Motor %	Other £bn	Other %	Total £bn	Total %	2015
0.416	44	0.851	68	0.442	50	8.214	54	*UK/Ireland*
0.127	13	0.090	7	0.109	12	2.144	14	*USA/Canada*
0.060	6	0.019	2	0.025	3	0.658	4	*Latin/South America*
0.171	18	0.243	19	0.240	27	2.655	18	*Europe (excl UK/Ireland)*
0.133	14	0.034	3	0.037	4	0.993	7	*Asia*
0.023	2	0.010	1	0.012	1	0.273	2	*Africa*
0.018	2	0.012	1	0.011	1	0.213	1	*Australasia*
0.948		**1.260**		**0.877**		**15.150**		*Total*
6		8		6			100	*% of total*

Conclusion

This year's London Company Market Statistics Report reveals a slight decline in the gross premiums. This trend is true both for business written in London and controlled business written in other locations, but overseen by London operations.

The survey does not require companies to record reasons behind any significant changes in their returns from year to year. However, such feedback is regularly received by members of the IUA secretariat, through conversations with members and discussions within the association's underwriting and claims committees.

In addition, this year we also directly approached half a dozen companies whose returns were largely in line with the aggregate market trend to request comments and observations on their data. The responses received here were extremely helpful in confirming the trends outlined below.

Of course, each company's own experience is unique and further to these wider market developments may well be more influenced by other particular factors. In the case of at least one firm, for example, a large one-off premium payment in the previous 12 months resulted in a year to year fall in premium despite strong underlying growth elsewhere through expansion into new business lines.

Market Conditions

As reported last year, competitive pressures have continued to drive down premium rates in many business areas. Several companies have reported lower rates that have resulted in both lower incomes for business written and more business being declined altogether. Maintaining underwriting discipline, firms are choosing not to accept contracts where their underwriting models do not support the reduced rates on offer.

Lloyd's

Another trend that was also mentioned last year is a tendency for firms to write some business through a Lloyd's rather than a company platform. It has been reported that this occurs in response to client demands. Certainly some classes of business, such as marine energy, are more traditionally dominant in the Lloyd's market. In some cases Lloyd's financial strength rating and licensing network may also be greater than a company's own.

It is striking that in recent years there has been an increasing convergence of the company and Lloyd's markets. Fifty per cent of IUA member companies operate a Lloyd's platform. According to our analysis of figures published in Aon Benfield's Lloyd's Update report, 36% of Lloyd's capacity in syndicates is directly funded by IUA members. Furthermore, a number of IUA firms provide capital to third party syndicates through corporate vehicles.

Company Reorganisation

Competitive pressures have continued to drive down premium rates in many business areas

In recent years there has been much discussion about business being written independently in local markets that might previously have either found its way to London or been written locally with a high degree of oversight by London operations. This year's report provides further evidence of that trend, particularly through the amount of controlled business falling to £6.495bn, compared to £6.917bn in 2014 and £7.464bn in 2013. Our feedback from members included one comment that internal reorganisation had resulted in all controlled business disappearing from an individual submission, as oversight had moved from the company in question's London office to a European base.

Last year we identified a switch of company statuses from subsidiary to branch as a factor in potentially reducing London company market premium returns. Whilst we are not aware of any more such transfers, it may be that the effect of those decisions is now being reflected in this year's figures. Ironically, Brexit could potentially make branch status less attractive if no regulatory equivalence agreement is reached between the UK and remaining EU states.

Exchange Rates

The IUA accepts data returns in either pounds sterling, US dollars or Euros for its survey. Any returns not in pounds sterling are subsequently converted using the rough conversion rates detailed in the methodology section of this report which are unchanged from last year.

However, a more detailed analysis of exchange rates shows that the pound deteriorated somewhat to the dollar between 2014 and 2015 and this factor has been cited by companies, particularly those writing large amounts of US business as a reason for premium income falling.

In recent months, of course, there have been significant variations in sterling exchange rates as a result of the EU referendum vote and these fluctuations may well have a much greater impact on the results in next year's London Company Market Statistics Report.

International Underwriting Association Ltd
London Underwriting Centre
1 Minster Court, Mincing Lane, London EC3R 7AA

tel +44 (0)20 7617 4444   fax +44 (0)20 7617 4440
email info@iua.co.uk   **web www.iua.co.uk**