



# An Update on the Lloyd's Market

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“It is not the strongest of the species that survives, nor the most intelligent; it is the one most adaptable to change”

*Charles Darwin*

# A warning: Adapt or Die



***Blackberry Share Price 2003 - 2012***



- Kodak created the first prototype for a digital camera in 1975. **Spotting something, and doing something about it are very different**
- Then, in 1988, Kodak bought Sterling Drug for \$5.1bn, deciding it was now a chemicals business. **Doing something is not the same as doing the right thing.**
- Kodak ended up bankrupt in 2012, eclipsed by digital cameras. Competitor Fujifilm had branched in to multiple new business lines with 2012 revenue of \$19.9bn
- Blackberry share price shows what happens when you fail to adapt

# Insurance: The **threats** we face



- In the UK, aggregators control over 70% of personal motor business. +17%p.a. growth over the last 7 years in the U.K. +32% in Spain, +58% in Italy
- 5 UK insurers write 63% of personal lines business direct with customers
- Oliver Wyman predicts that by 2027, 90% of micro-enterprise insurance & 50% of SME insurance will be written automatically in direct-to-customer channels (in US, UK & Germany)
- PwC found that 70% of those who buy personal insurance online, would prefer to buy business insurance online too, without an agent

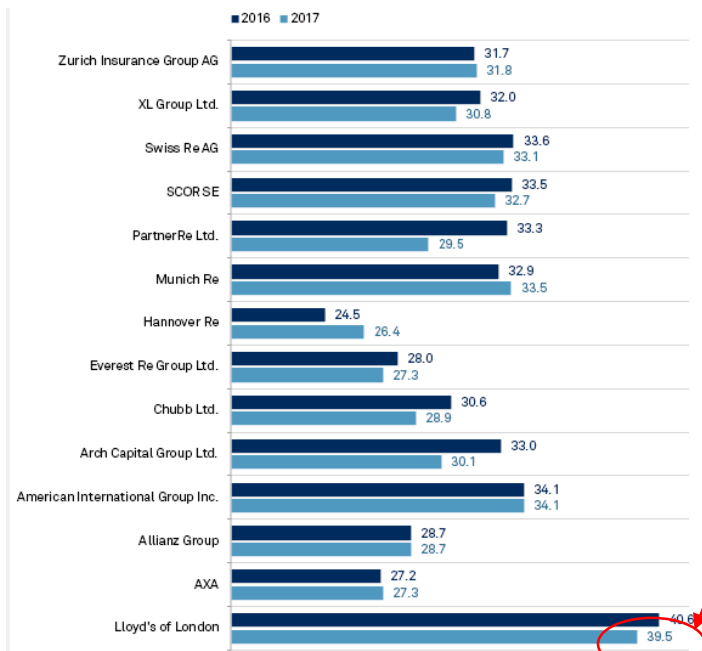


Why does a  
330-year old  
market need to  
adapt?

How does it  
adapt?

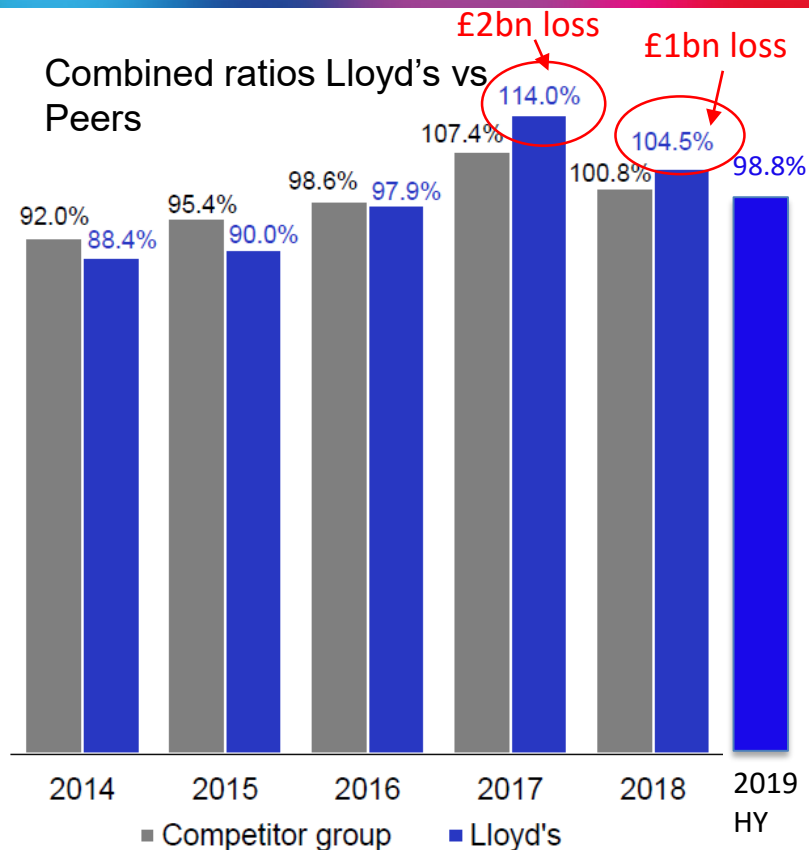
# Lloyd's: The challenges

Expense ratios for Lloyd's vs peer Group %



Lloyd's had 23% higher expense ratios vs. competitor average in 2017

Combined ratios Lloyd's vs Peers



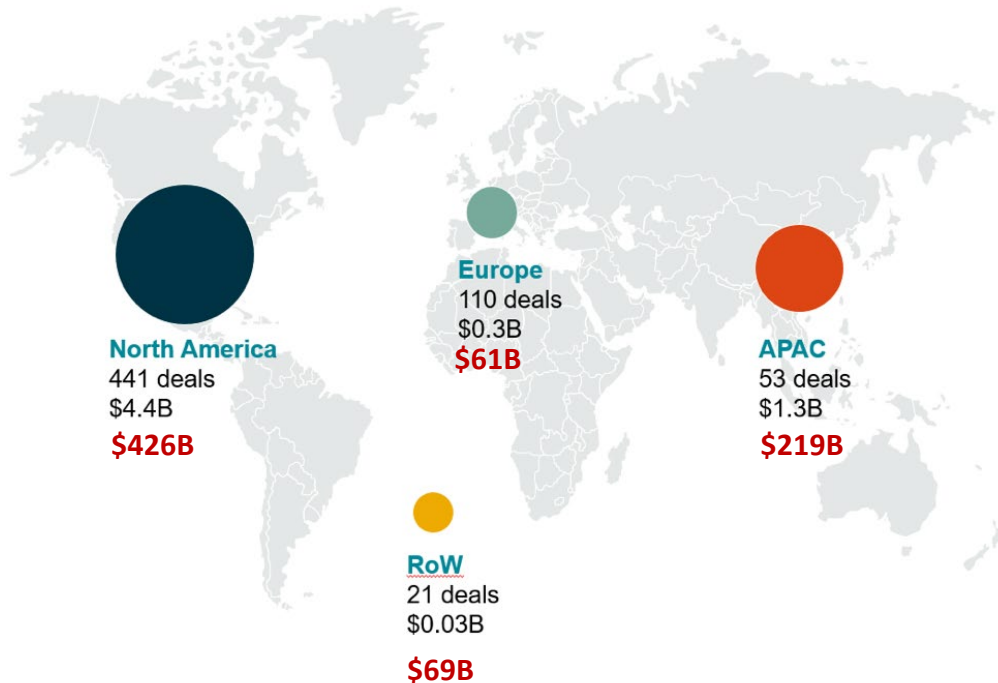
- Insurers must prune the worst performing classes. Internal Decile 10 for 2020 and beyond

2018:

- Best 20 performing Lloyd's syndicates, combined ratio average = 92.8%
- Worst 20 performing Lloyd's syndicate, combined ratio average = 133.6%

# The Importance of the U.S. Market

## 2010-2016 InsurTech deals (2019 Non-Life P&C Premiums)



- 45% of Lloyd's premium is from the U.S., with a 125 year history
- 20% of Lloyd's capital comes from North America (30% if Bermuda included)
- The U.S. is the home of insurance innovation
- Lloyd's is at the forefront of that, providing new products such as parametric trigger products for California earthquakes; M&A, Reputational Harm & Cyber insurances

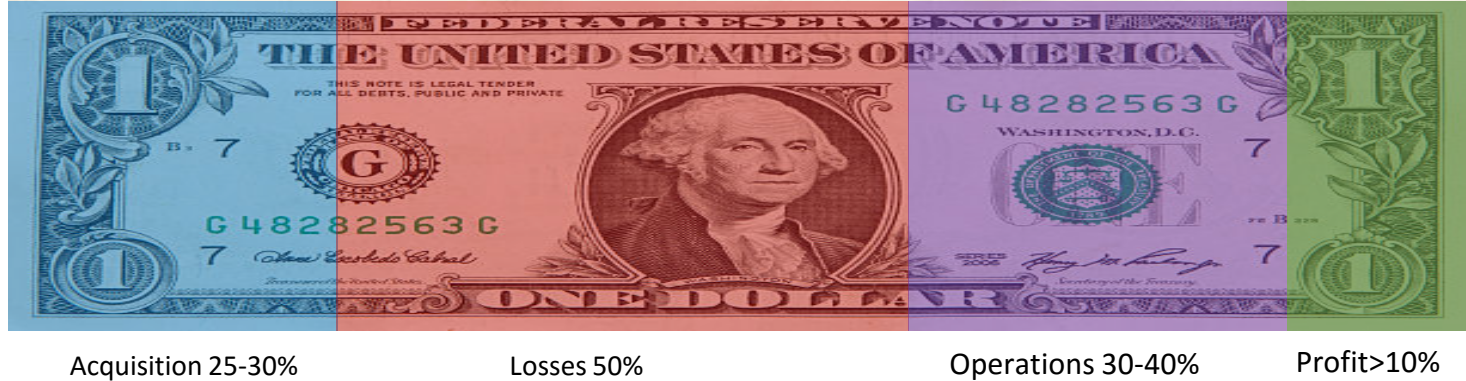
# How can we work together to partner and create value?

## 1. Stop churning and start creating new business

Event/ Time	Economic Loss (\$)	Insured Loss (\$)
2019 (H1)	40bn	19bn
2018	155bn	79bn
Japan, March 2011	210bn	35bn

\* Swiss Re, Sigma Research

## 2. VJ Dowling's "The E&S \$ Problem"



## 3. Where does your company's vision sit in the value added distribution chain?

## 4. Agree common data standards

# Lloyd's is open for business: Blueprint One

## Complex risk platform

A culture, process and structure that supercharges innovation in response to customer needs



## Standardised risk exchange

A risk exchange through which your risks can be placed in minutes at a fraction of today's cost



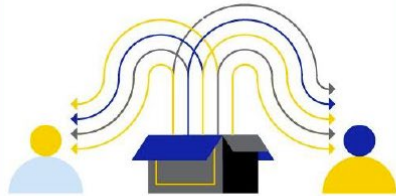
## Capital platform

A structure that enables new sources of capital to simply and effectively access a diverse set of insurance risks on the Lloyd's platform



## Syndicate in a box

A streamlined system for syndicates to bring new products and business into the market



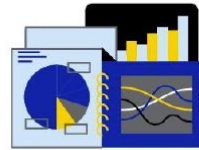
## Claims solution

An automated claims process that speeds up settlement to improve customer experience and increase trust in the market



## Ecosystem of services

Access for all market participants to an ecosystem of products and services that help them develop new business and provide outstanding customer service



- Lloyd's is changing to repurpose the market place for the future
- *Blueprint One* sets out the vision to create the most advanced and customer focused insurance marketplace
- It will be built through phased initiatives and in a series of annual blueprints

# The Blueprint: Risk Exchange

- A digital exchange to streamline the placing of high-volume, low premium risks
- All distribution partners will be able to connect digitally
- **The priority is for U.S. based business and property risks through delegated authorities**
- Delegated partners will be able to connect their front-end sales systems to a central exchange
- The back-end of the exchange will search all relevant products that underwriters have linked-up to the exchange
- Lloyd's will eventually provide technology for those coverholders who don't have an API to link in

## Benefits for Lloyd's coverholders:

- ✓ Provides a front-end e-trading platform for coverholders, regardless of size
- ✓ Provides a back-end channel to search for appropriate capacity, to register products, bind risks and share documents
- ✓ Links in with existing coverholder systems
- ✓ More efficient distribution, and dealing with capacity partners
- ✓ Retain control of the business. All coverholders will still have to pass the stringent test to be approved by Lloyd's

# The Blueprint: Claims

- Lloyd's is introducing a claims portal to triage claims and provide easy processing for non-complex claims
- Aiming to make non-complex claims easier with increased transparency, communications and efficiency
- A pilot of the claims triage will be launched in 2020 for claims up to £1mn (\$1.3mn) for direct business and £5mn for reinsurance
- Expected to be rolled out across all classes by 2022

## **Benefits for Lloyd's Coverholders:**

- ✓ Allow for delegated non-complex claims decisions to be automated
- ✓ New interface will allow policyholders and brokers to submit loss information in a simple and transparent format
- ✓ Will create standardised loss data and ensure consistent standards around the market
- ✓ Will eliminate administrative burdens placed on all parties
- ✓ Monitor Loss Funds

# All hands to the cause: “*I'm helping put a man on the moon!*”



Working together, we can:

- Not be Kodak or Blackberry
- Ensure we're not disrupted
- Provide the end customer with a better experience
- Create new business and products

