Howden Re

Lloyd's of London
Syndicate analysis

Business Intelligence

June 2024

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Contents

Lloyd's syndicate analysis

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Executive summary

There has been significant improvement of Lloyd's syndicate underwriting performance in FY2023 throughout the majority of classes. This is primarily driven by lower catastrophe losses, continued rate increases and agile risk selection.

Increase in premiums

Property, reinsurance and marine, aviation and transport reported the largest premium growth over five years; experienced across the majority of top syndicates

Underwriting profitability

2023 combined ratio of 85% reported to be 12 percentage points lower than the five year average of 97%, for the top 25 syndicates. Significant year on year improvements were reported in Property, reinsurance and energy

Capacity growth stablising

Following favourable market conditions, total capacity has grown 8% in 2023 albeit lower than the 22% growth experienced in 2022

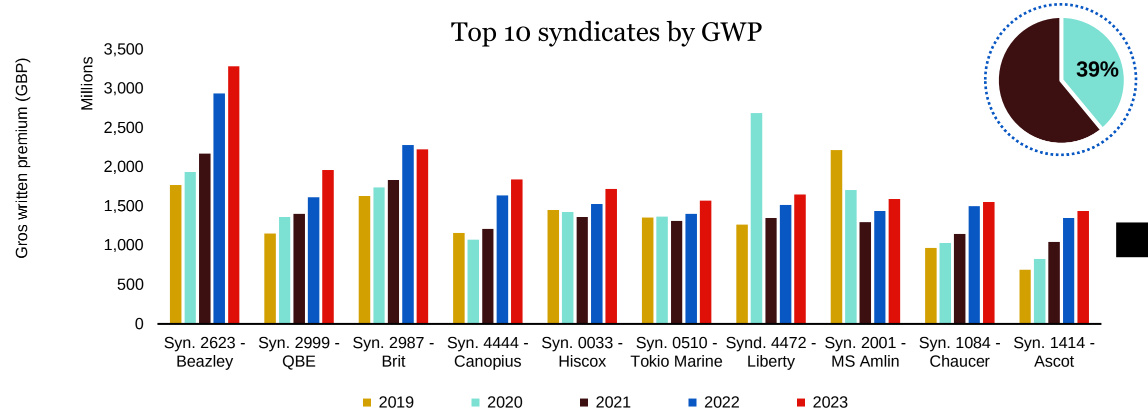
Selective risk appetite

Syndicates have been actively seeking opportunities in growth areas where positive rate change and diversification benefits exist (property, specialty); and reducing where pricing pressure and high competition persists (casualty, D&O)

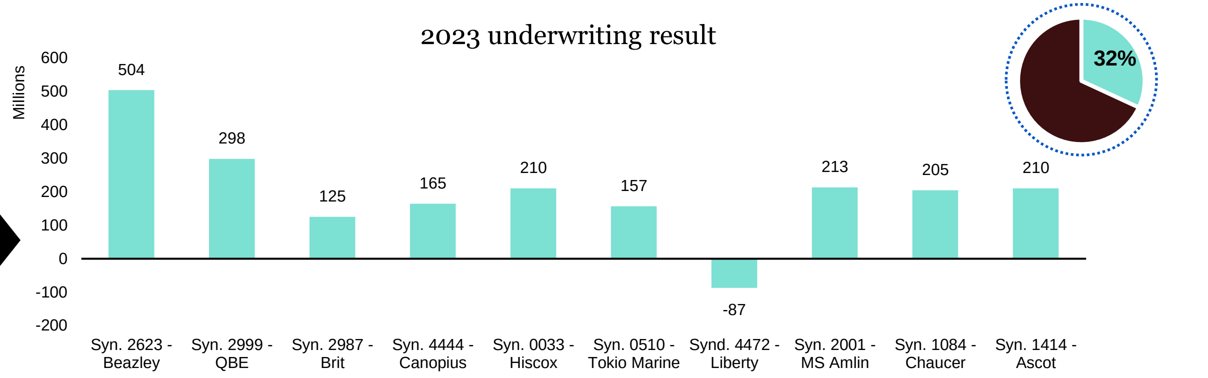
Syndicate market snapshot

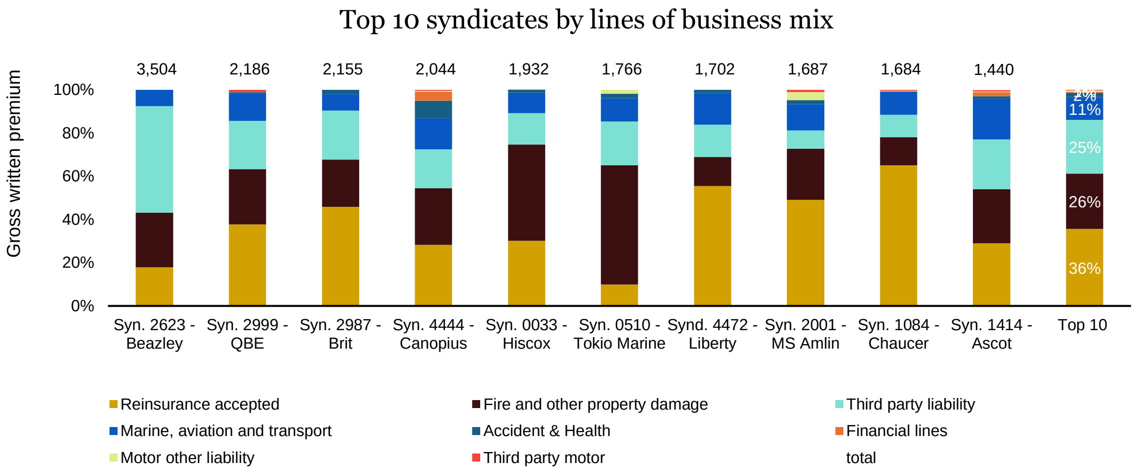
The top ten syndicates account for 39% of GWP and 32% of underwriting profit; this has significantly increased over five years

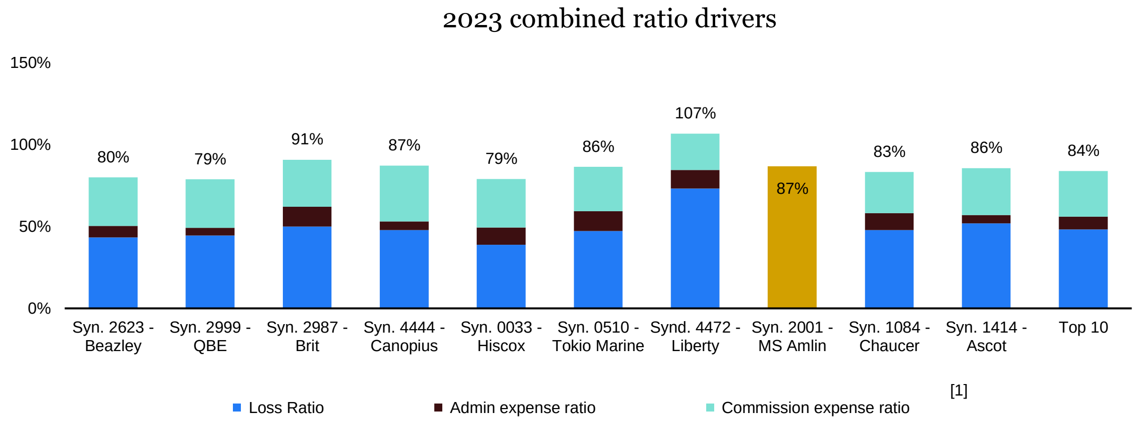
% of Top 10 GPW



% of Top 10 UW profit





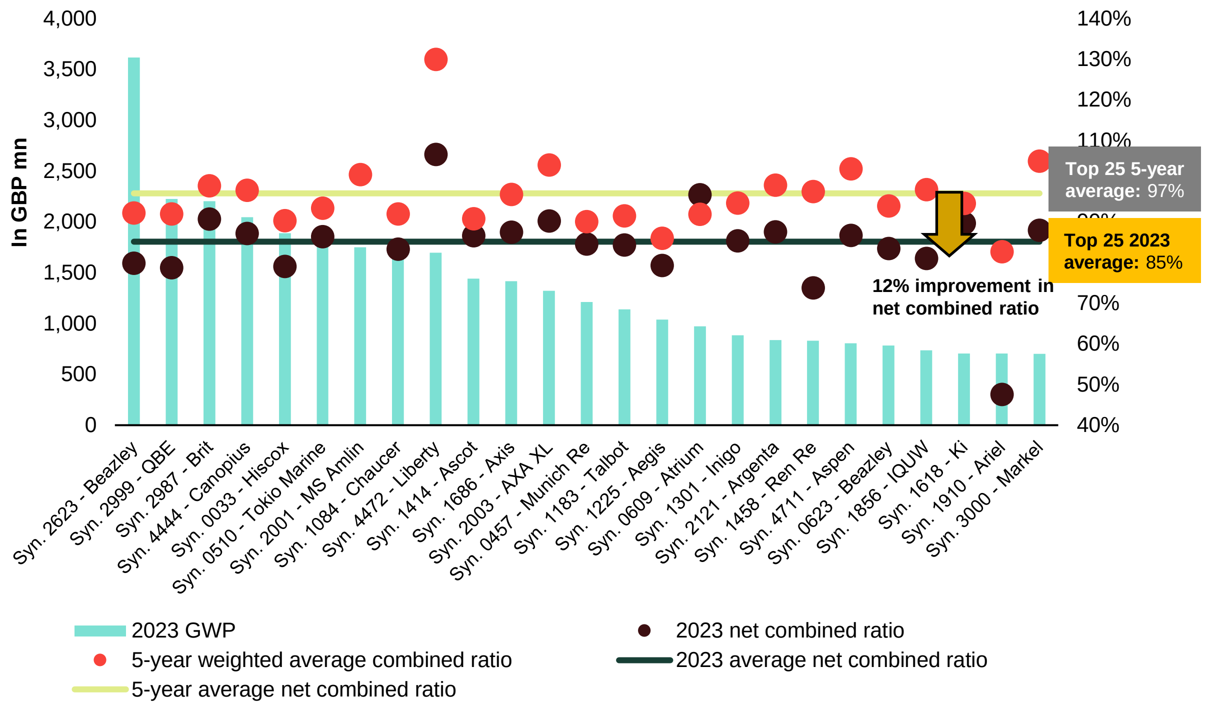


Source: NOVA
Note(s): 3500 Riverstone was excluded from our analysis

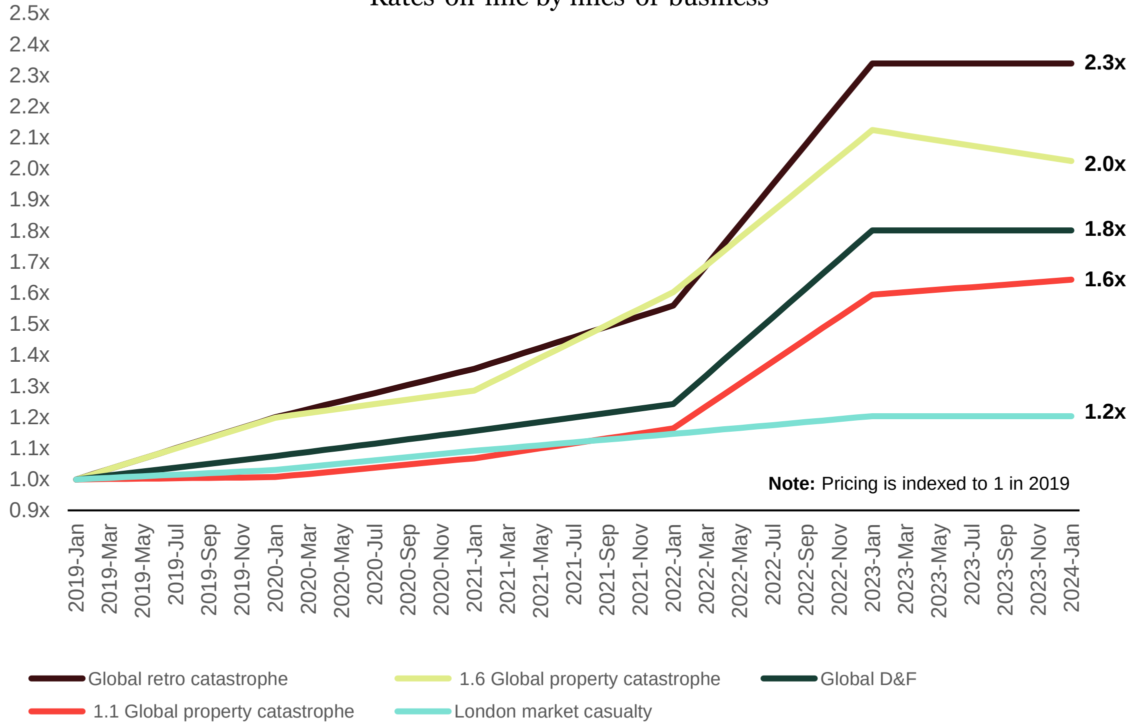
[1] The adjusted combined ratio is defined as the combined ratio excluding the impact of discontinued business, which includes the distorting impact of the RiverStone RITC and Quota share contracts in 2023 and 2022.

Net combined ratio improvement driven by rates and lower cat losses

Top 25 syndicates' GWP ranking and combined ratio



Rates-on-line by lines-of-business

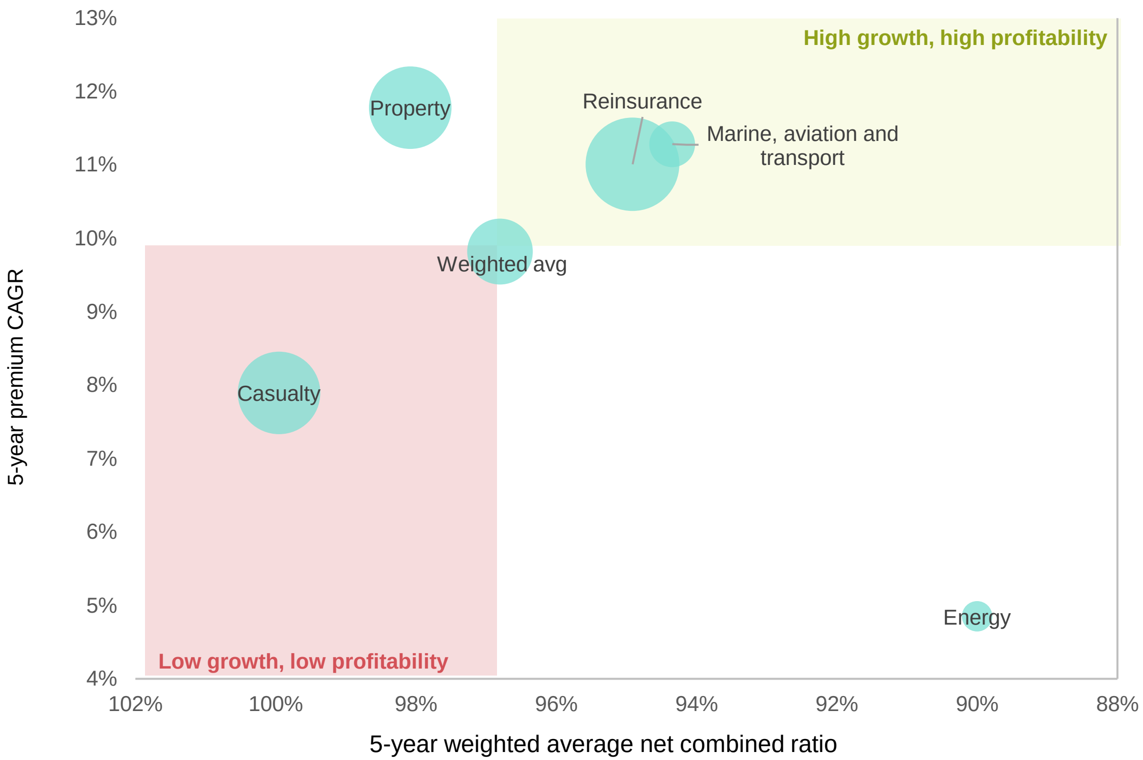


The top 25 syndicates by premium reported a 12 percentage point improvement in the 2023 combined ratio compared to the 5-year average. This was driven by lower catastrophe losses and continued market rate strengthening. Elevated catastrophe events in prior periods increased the 5-year average combined ratio, in particular the Covid-19 pandemic in 2020, Hurricane Ian and Ukraine war in 2022. Moreover, for commercial and reinsurance rate change, there was continued increases albeit some moderation in 2024. The increase was prominent particularly in global retro catastrophe and at 1.6 property catastrophe pricing, where this has doubled compared to 2019.

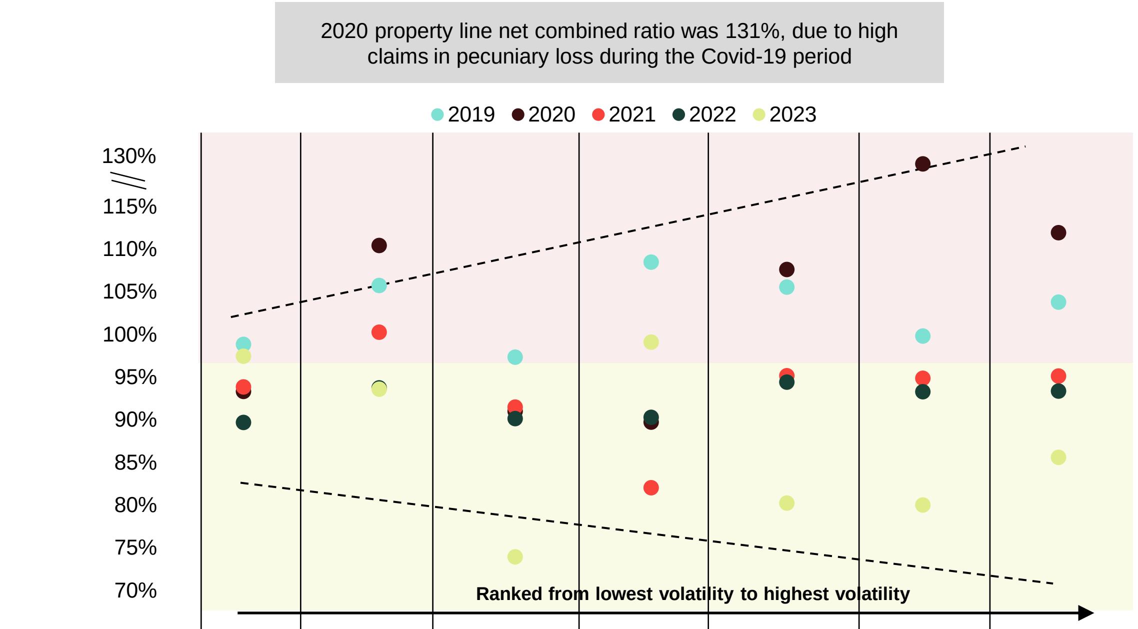
Source: NOVA

Property, MAT and reinsurance premiums have grown significantly and performed relatively well, albeit with higher reported volatility

GWP growth vs net combined ratio



5-year LOB net combined ratio

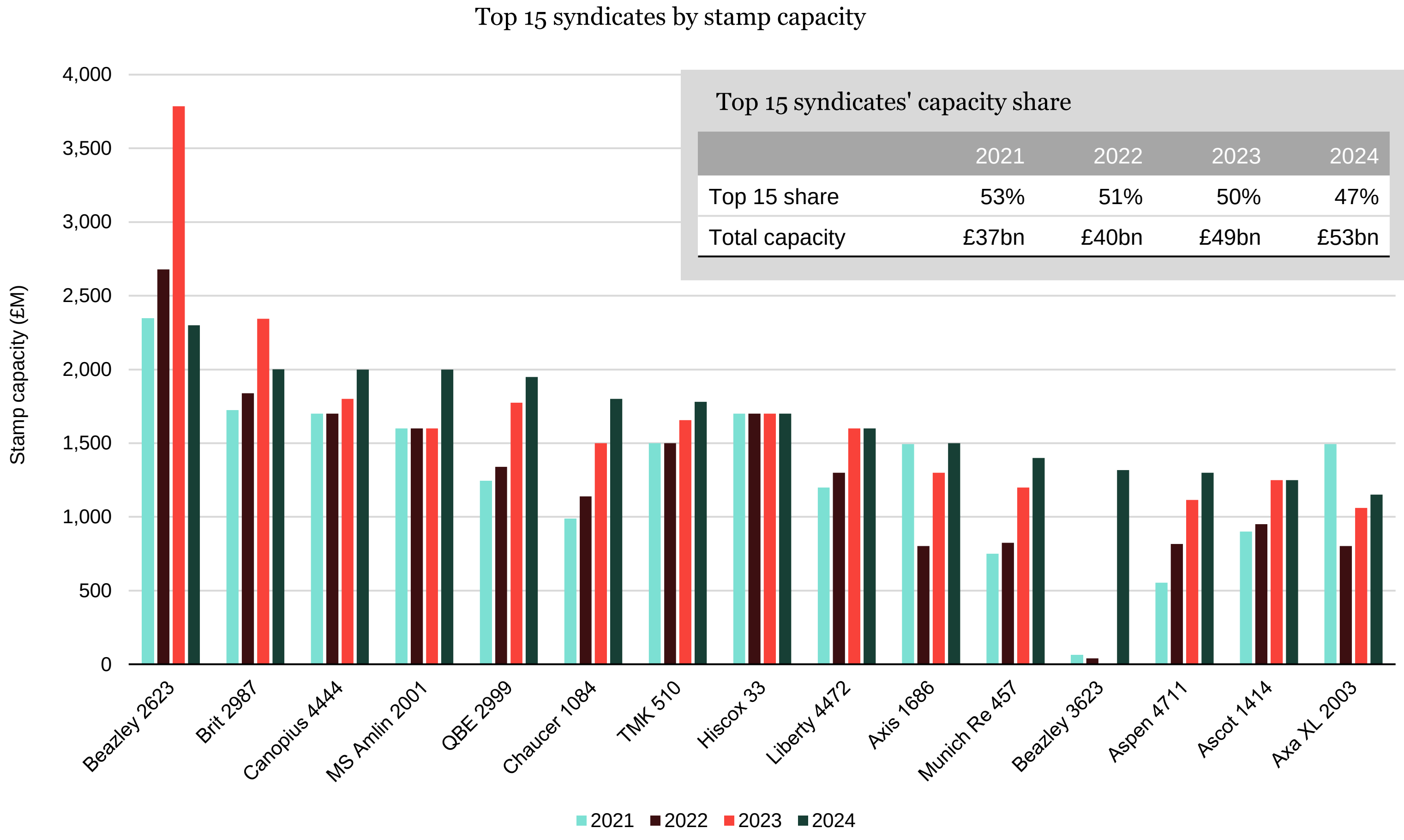


	Motor	Casualty	Energy	MAT	Reinsurance	Property	Weighted average
Volatility	3.6%	7.4%	8.8%	10.1%	10.9%	19.1%	10.1%
5-year weighted average	94.9%	100.0%	98.1%	94.3%	89.5%	95.4%	96.8%

Property, reinsurance and energy lines saw the biggest improvement in net combined ratio from 2022 to 2023, benefitting from strong rate tailwind. However, casualty experienced a reversal of price momentum, particularly in commercial D&O where the market continued to see rate reductions, as well as cyber, which saw rate softening from increased competition.

Source: NOVA
Note(s): Data captured from Lloyd's of London lines of business reporting. Motor is removed from the scatter chart in the left for better visualisation, its 5-year CAGR was -4.1% and 5-year weighted average net combined ratio was 95.4%

Capacity growth stabilises; business strategies change



Top 15 syndicates' capacity share

	2021	2022	2023	2024
Top 15 share	53%	51%	50%	47%
Total capacity	£37bn	£40bn	£49bn	£53bn

2024 Lloyd's capacity summary for the top 15 syndicates

- Business reallocation – as shown by Beazley this year, more syndicates are moving capacity from their largest syndicates to explore other business strategies such as US E&S.
- Emerging markets – as new syndicates join the market they invest in growing their capacity to hold their position.
- Market strategy – following the favourable market conditions of the last few years, the top markets are content to stabilise their growth. This leave opportunity for the rest of the market to increase their market share.

Strategic capital changes

- Inigo 1301 Increased its stamp capacity by 86% YoY ,to £947M, as it targets growth to its Property D&F and catastrophe reinsurance books.
- In 2023 **Beazley 3623** wrote no new business as part of a change in underwriting strategy away from personal accident, sports and market facilities. 2024 sees £1.38B of new capacity as the syndicate aims to increase its business in the cyber, property and specialty markets.

Source: Insurer Insider syndicate capacity report.

Line of business performance analysis

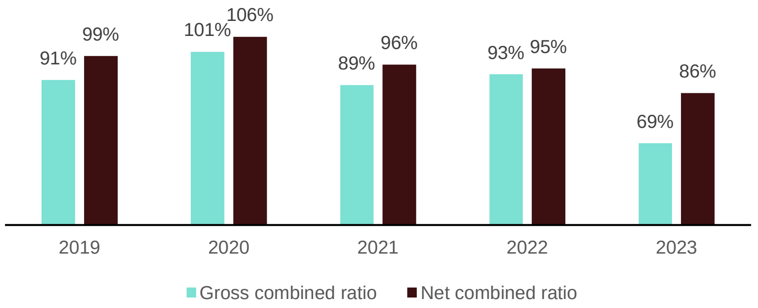
Property combined ratios improved significantly in 2023

Who are the largest property syndicate writers?

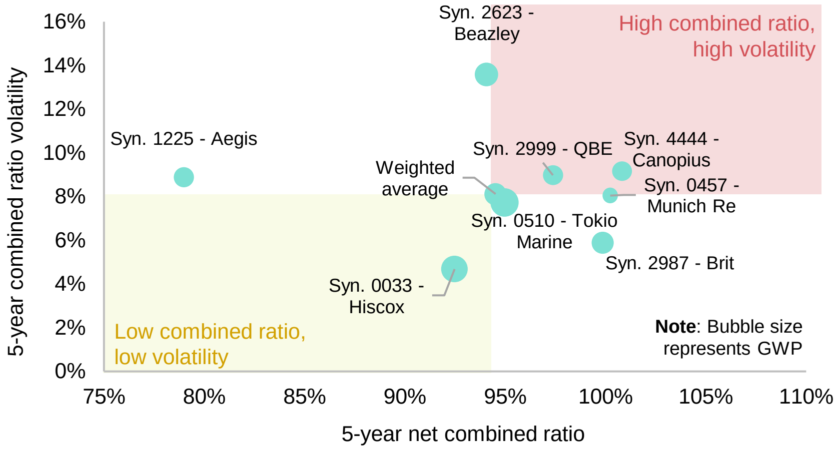
In GBP millions

Top 10	Property 2023 GWP ↓	5-year GWP CAGR
Syn. 0510 – Tokio M.	938.4	11.1%
Syn. 2623 - Beazley	885.9	27.5%
Syn. 0033 - Hiscox	784.5	4.9%
Syn. 2999 - QBE	561.4	22.2%
Syn. 1225 - Aegis	535.5	20.4%
Syn. 4444 - Canopius	534.9	18.4%
Syn. 2987 - Brit	472.4	3.8%
Syn. 0457 - Munich Re	438.6	49.8%
Syn. 2001 – MS Amlin	399.6	1.1%
Syn. 1458 – Ren Re	399.2	17.4%*
Top 10	**5,950.4** (44.6% of total Lloyd's)	**15.3%**

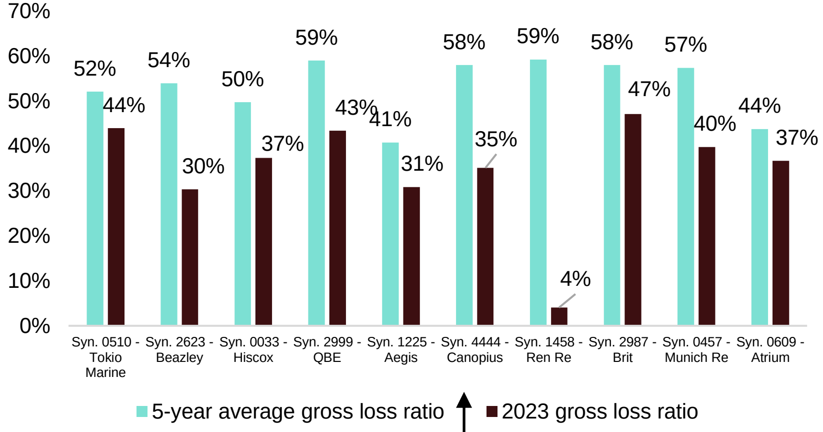
Top 10 syndicate weighted gross vs net combined ratio - property



Combined ratio volatility scatter chart - property



Top 10 syndicate property gross loss ratio



1458 - Ren Re: Decrease in claims from lower level of catastrophe activities, prior accident year release and claims settlement.

Key takeaways

- Net combined ratio decreased by 26% in 2023 mainly due to lower claims from catastrophe losses and higher premium growth from strengthening rates.
- Reinsurance spending brought a negative impact on profitability due to higher net combined ratio than gross. 2023 saw a particularly high difference as a result of higher reinsurance rates
- 2623 - Beazley had the highest volatility in the peers due to the Covid-19 pandemic deteriorated its loss ratio to 75% and combined ratio to 116% in 2020.
- 1225 - Aegis achieved the lowest 5-year average loss ratio within the top 10 peers, despite expense ratio at an average level.

Industry overview

In GBP millions

Property	2023	YoY% change
GPW	13,355.1	20%
GPE	12,266.3	18%
Claims	4,610.6	-28%
Operating expenses	3,648.7	18%
Reinsurance acceptances	-2,286.2	721%
Underwriting profit	1,720.7	195%

Source(s): NOVA, S&P capital IQ

Note(s): MS Amlin is excluded in the analysis due to the Riverstone deal. Companies with * means only 4 years data is available

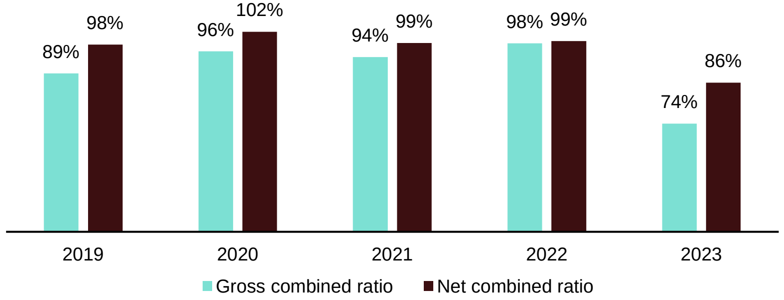
Reinsurance grew significantly with the largest players

Who are the largest reinsurance syndicate writers?

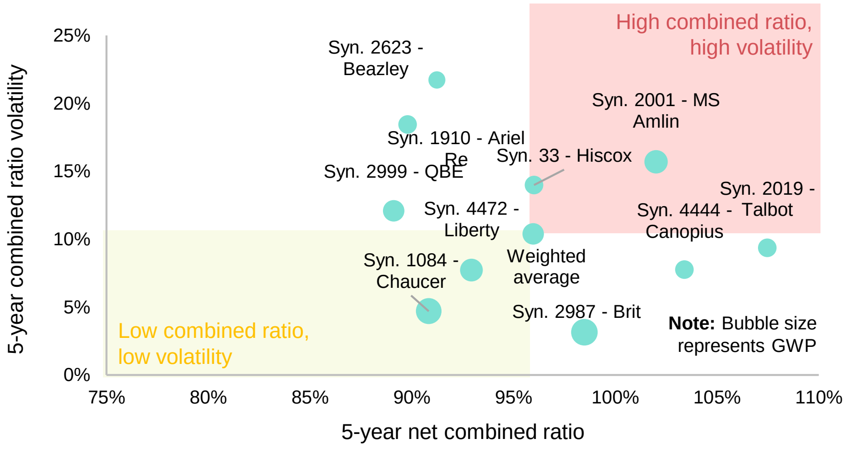
In GBP millions

Top 10	Reinsurance 2023 GWP↓	5-year GWP CAGR
Syn. 1084 - Chaucer	1,056.33	14%
Syn. 2987 - Brit	986.82	6%
Syn. 4472 - Liberty	936.00	12%*
Syn. 2001 - MS Amlin	826.00	0%
Syn. 2999 - QBE	823.60	15%
Syn. 1910 - Ariel Re	686.70	25%
Syn. 2623 - Beazley	624.82	42%
Syn. 2019 - Talbot	602.13	2%*
Syn. 4444 - Canopius	577.53	6%
Syn. 33 - Hiscox	533.55	7%
Top 10	**7,653.5** (41.0% of total Lloyd's)	**28.8%**

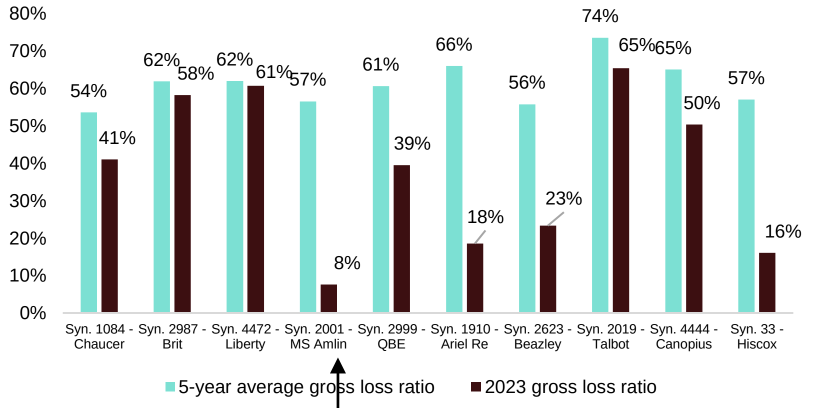
Top 10 syndicate weighted gross vs net combined ratio - reinsurance



Combined ratio volatility scatter chart - reinsurance



Top 10 syndicate reinsurance gross loss ratio



2001 Ms Amlin: RiverStone RITC and quota share contracts in 2023 and 2022.

Key takeaways

- 1910 – Ariel decreased its loss ratio by 48% in 2023 due to a reduction of £400m+ to its claims.
- 2019 – Talbot had the highest 5-year average net combined ratio (107%) because of the impact of US catastrophes prior to 2023. This year saw a 9% improvement in loss ratios due to lower claims.

Industry overview

In GBP millions

Reinsurance Acceptances	2023	YoY% change
GPW	18,684.0	14%
GPE	17,989.5	13%
Claims	8,792.8	-22%
Operating expenses	4,303.7	13%
Reinsurance acceptances	-2,410.7	626%
Underwriting profit	2,450.5	300%

Source(s): NOVA, S&P capital IQ
Note(s): Companies with * means only 4 years data is available
3500 Riverstone was excluded from our analysis

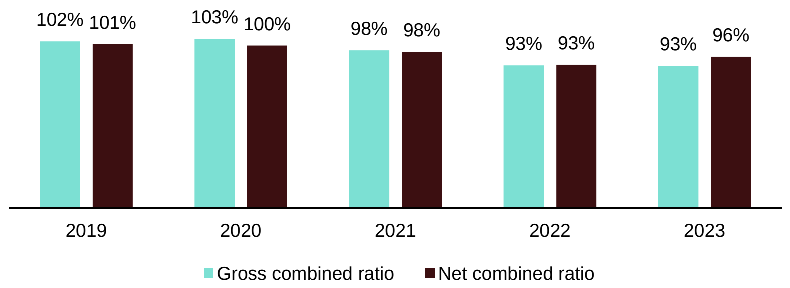
Third-party liability performance deteriorated, albeit underperformance still exceeds the five-year average

Who are the largest third-party liability syndicate writers?

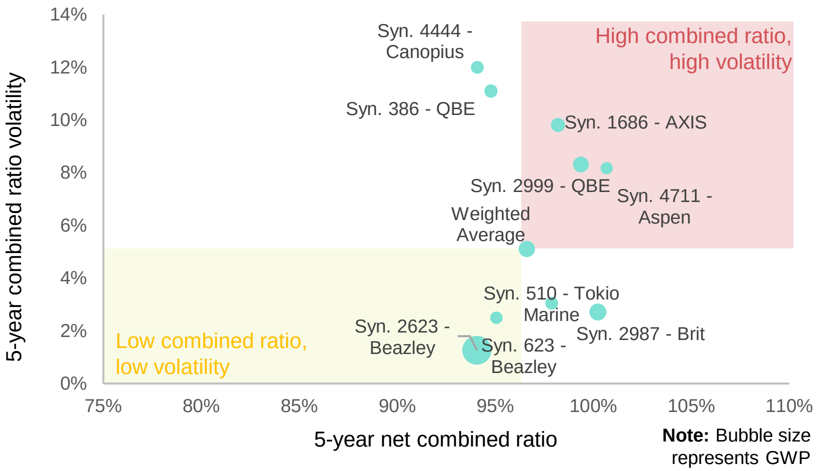
In GBP millions

Top 10	Third-party liability 2023 GWP ↓	5-year GWP CAGR
Syn. 2623 - Beazley	1,728.7	14%
Syn. 2987 - Brit	487.7	7%
Syn. 2999 - QBE	485.2	18%
Syn. 1686 - AXIS	452.1	25%
Syn. 4711 - Aspen	377.6	30%
Syn. 623 - Beazley	374.7	34%
Syn. 4444 - Canopius	368.5	14%
Syn. 510 - Tokio Marine	344.9	4%
Syn. 386 - QBE	327.4	8%
Syn. 1414 - Ascot	326.8	51%
Top 10	**4863.6** (39.0% of total Lloyd's)	**25.1%**

Top 10 syndicate weighted gross vs net combined ratio – third-party liability

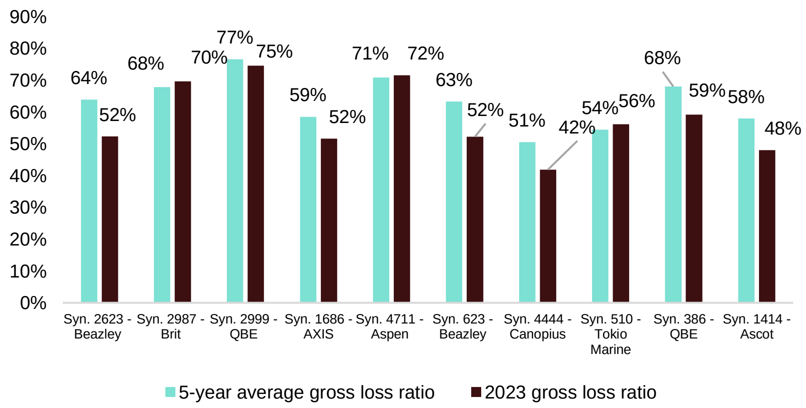


Combined ratio volatility scatter chart – third-party liability



Note: Bubble size represents GWP

Top 10 syndicate third-party liability gross loss ratios



Key takeaways

- 3500 - Riverstone is an outlier in most regards when compared to the other Top 10 Syndicates. This is due to its RITC and LPT transactions with MS Amlin. For this reason, we excluded it from parts of our analysis.
- 2623 Beazley gross combined ratio decreased by 13% due to a large reduction in losses. This was offset by an increase in reinsurance, leading to little change to their net combined ratio.

Industry overview

In GBP millions

Third-party liability	2023	YoY% change
GPW	12,463.7	1%
GPE	12,202.8	6%
Claims	6,933.9	-7%
Operating expenses	3,582.3	12%
Reinsurance acceptances	-1,121.0	293%
Underwriting profit	565.6	2%

Source(s): NOVA, S&P capital IQ
Note(s): Companies with * means only 4 years data is available
3500 Riverstone was excluded from our analysis

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Underwriting appetite update

Underwriting appetite: reductions in MAT, cyber and casualty offset by increased property and specialty

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Syndicates reducing their appetite in:

Marine

Atrium 609 – Marine (reinsurance)
They have reduced their Marine Reinsurance class which they have exited from the 2023 year of account (YOA) onwards.

Ariel Re 1910 – Marine and specialty
"The Syndicate decided to narrow its risk appetite in these areas rather than seeking to increase exposure. This approach maintained our premium levels in these classes.."

Casualty & specialty

Hiscox 33 – Casualty and cyber:
Hiscox noted that "classes such as casualty overall and cyber in particular are experiencing less than favourable conditions, therefore the Syndicate is actively rebalancing out of these classes."

Chaucer 1084 – Aviation and casualty
There were "strategic decisions to **exit certain Casualty lines** at the end of 2022 and withdrawal from the direct Aviation segment in late 2023."

QBE Casualty 386 – Ireland/AUS/NZE liability
"Overall gross written premium of £415.2m (2022 £456.8m) represents a circa 9.2 decrease on the previous year reflecting the exit from Ireland Liability and non-renewal of poor performing business in the Australia & New Zealand Liability book."

D&O

Beazley – D&O:
"The headwinds in D&O - pricing pressure and high competition – saw the syndicate actively pull back from risks that the managing agent considered unsustainably priced. As a result, D&O formed a smaller part of the business mix for the Specialty Risks line of business."

Syndicates increasing their appetite in:

Specialty

Cincinnati 318 – Specialty lines
"The increase in gross written premiums has been achieved through an increase in rates on Property risks, as well as the ongoing maturity and expansion of Speciality lines."

Hiscox 6104 – Specialty:
"In 2023, to make the Syndicate more compelling to investors, the strategy was refreshed to diversify the portfolio by significantly expanding the specialty book, including new marine and aviation cessions.

Property

Ariel Re 1910 – Property-cat
"The hard market conditions saw premium increase materially through risk adjusted rate change with a modest increase in Property-catastrophe exposure."

Beazley – Property:
"Throughout 2023 the syndicate has been able to take up the opportunity in the property market and was rewarded with strong growth in both insurance and reinsurance (treaty) with the property market in the US the significant driver."

Axis 1686 – Aviation, property, construction, credit and political risks
Their growth was "driven by positive rate change across most classes of business and strong new business particularly in Property, construction, credit and political risks. The Syndicate maintains a broad and diversified portfolio of business, with over 25 individual classes of business, including a re-entry during 2023 to the Aviation Insurance class."

Hiscox 33 – Non-marine property reinsurance:
Hiscox "took advantage of the hard market in property reinsurance by increasing their net underwriting appetite."

Summary

Strong performance

in 2023 is driven mainly by rate momentum; rates play a large role in determining line-of-business profitability.

Larger syndicates

drove overall combined ratio lower, performing better than smaller syndicate in property, reinsurance and third-party liability.

Property and reinsurance lines

remain attractive as syndicates expand in these areas; many are pulling back from casualty due to greater underwriting conservatism.

Disclaimer

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