

Lloyd's and the London Market

New Zealand Feb 2016



LLOYD'S



Lloyd's and the London market

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Who are we?

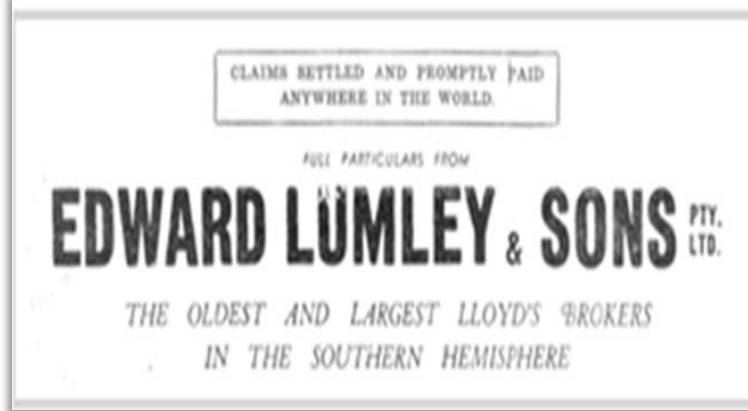
ARK



We have a long history of business in New Zealand



327 years of trading risk



1903

Tysers places the first insurance contract at Lloyds for the newly formed New Zealand State Fire Insurance Office – the first ever Government-owned insurance concern. This became the longest continuous reinsurance treaty in Lloyds Market (99 years until the sale of the company).



It was the Lloyd's brokers Bennie. S Cohan and Sons that led the assault on tariff rates (in the 1920's) . This firm of brokers had a 'binder' agreement with Lloyd's of London that allowed them to undercut tariff rates"

World insurance; The Evolution of Global Risk Network P.Borscheid, Neils Viggo Haueter

One insurance policy but 96 different options



Spread of Capital, Risk and Ideas



Footprint of the business

96
syndicates
of specialist
underwriting
expertise

3872
coverholders
offering a local route
to Lloyd's

219
brokers
bringing business
from...

200
countries and
territories for over...

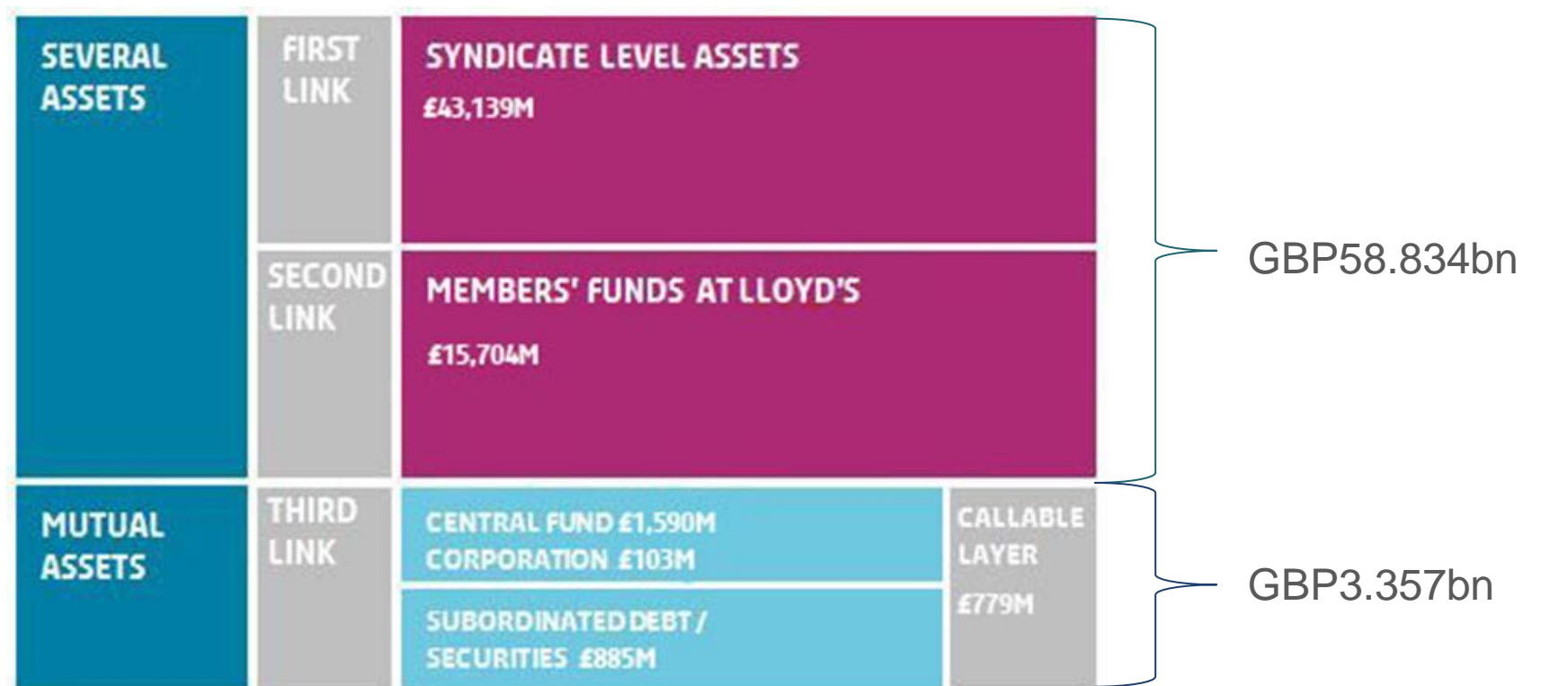
327
years of
underwriting
experience



Unrivalled chain of security



3 levels of security as a Lloyd's policy holder



The funds in the first and second links are held in trust, primarily for the benefit of policyholders whose contracts are underwritten by the relevant member. Members underwrite for their own account and are not liable for other members' losses. The third link contains mutual assets held by the Corporation which are available, subject to Council approval, to meet any member's insurance liabilities.

Key features of the New Zealand market



New Zealand is a very attractive market



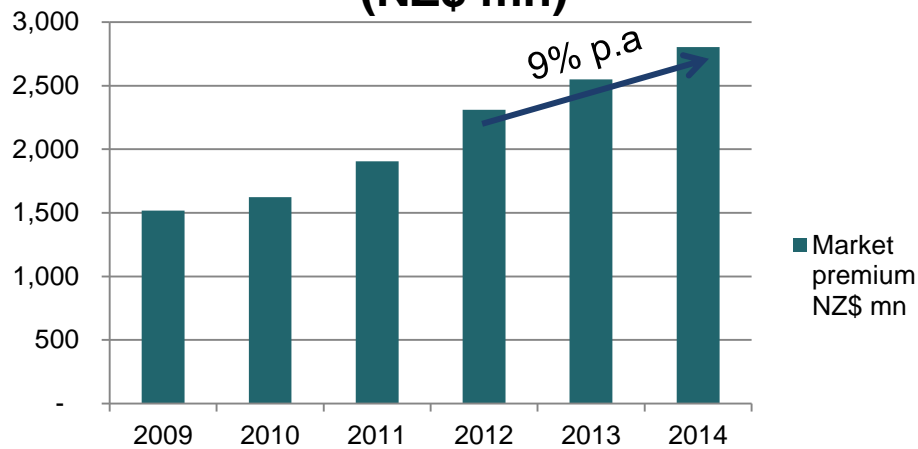
- Lloyd's and the London market want to write your business
- The New Zealand market is growing
- It's good place to do business
 - Law and Jurisdiction
 - Regulatory oversight
- Sophisticated and experienced buyers of the product
 - Christchurch 80% insurance penetration
- Established and experienced loss adjustment services/ancillary support services in the country
- The New Zealand market has had experience of large events and the way that London can respond vs. other markets



Lloyd's is losing ground so who is carrying the risk? **ARK**

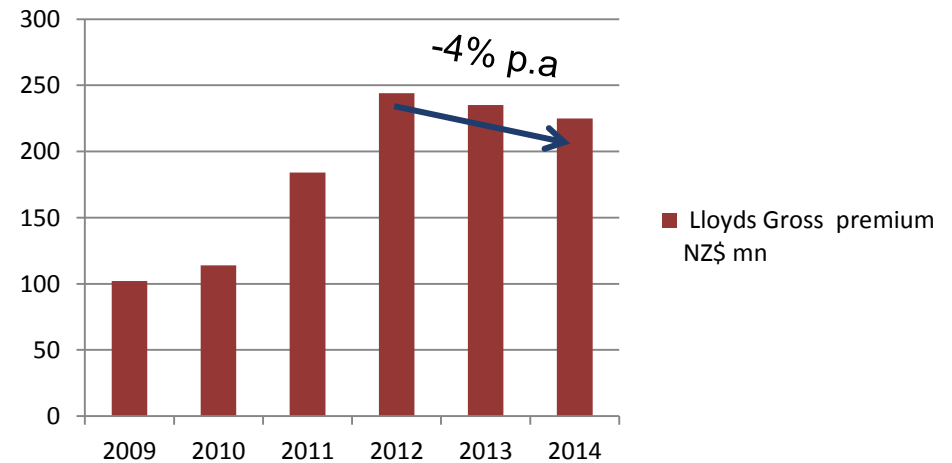
A gradual reduction in premiums does not necessarily mean a gentle “bump” at the bottom of the market

Market premium (NZ\$ mn)



Source: Insurance Council of New Zealand

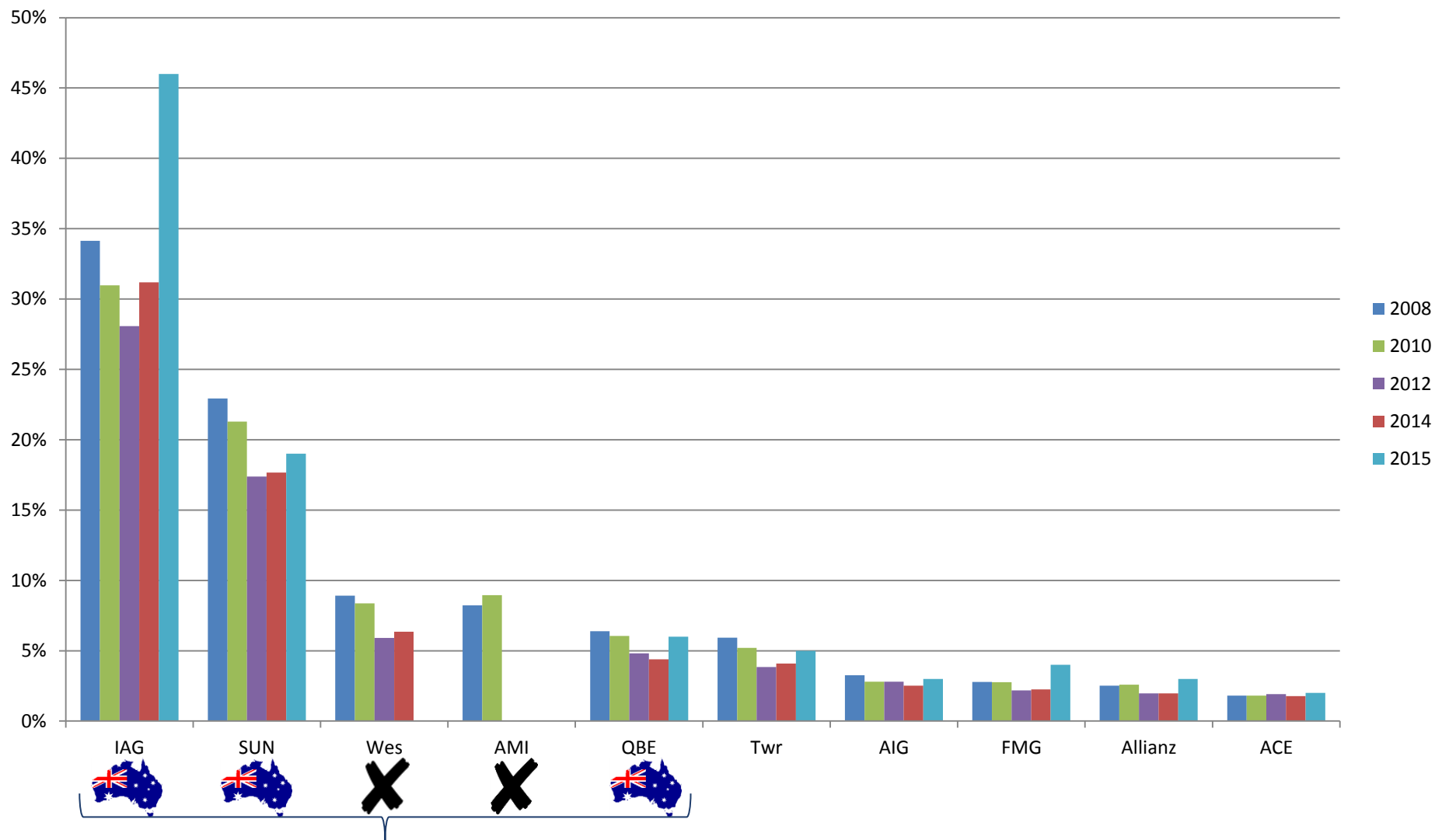
Gross Signed Premium (NZ\$ mn)



Source: Lloyds.com 24th September 2014

Gross Premium Property Classes only (NZ\$m)

All the eggs in one basket?



71% Market share is Australian backed capital

Volatility ... The man behind the curtain



Relatively speaking, the basket isn't that big



There is embedded volatility within a market like New Zealand

LLOYD'S

NZD\$127.643bn



New Zealand insurance market capital
NZD\$9.847bn

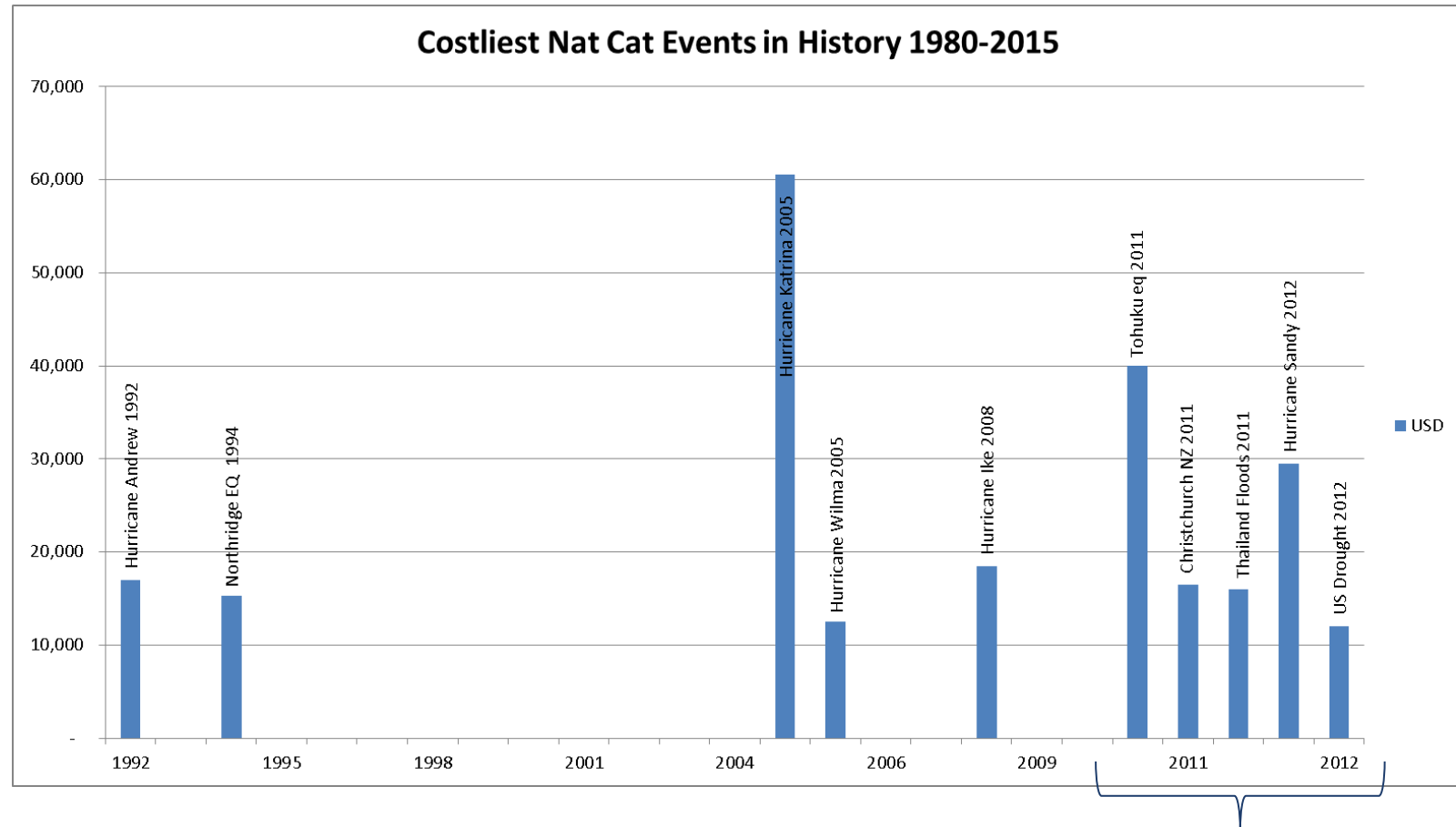


http://www.stats.govt.nz/browse_for_stats/economic_indicators/NationalAccounts/rgdp-2015-infographic.aspx

“... the New Zealand population (is not) big enough to generate a sufficient financial pool to cost-effectively cover all significant events”

Reserve Bank of New Zealand: Bulletin, Vol. 77, No. 3, September 2014

In a world that has got more volatile...

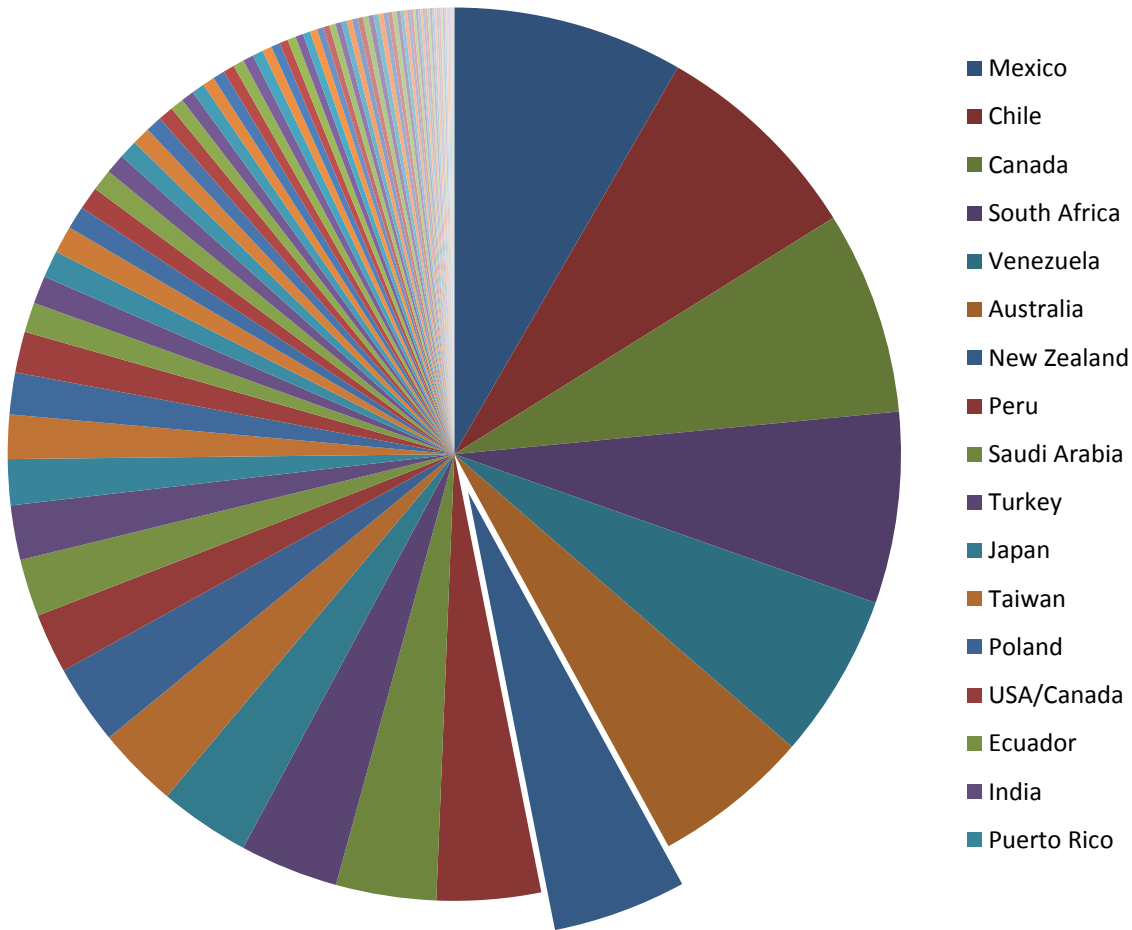


USD114bn (48%) of losses since 2010

Volatility ... How do Lloyd's and London deal with it?



Global spread of risks prevents pricing/capacity shocks



On an international basis
no country is greater than
5% of our portfolio

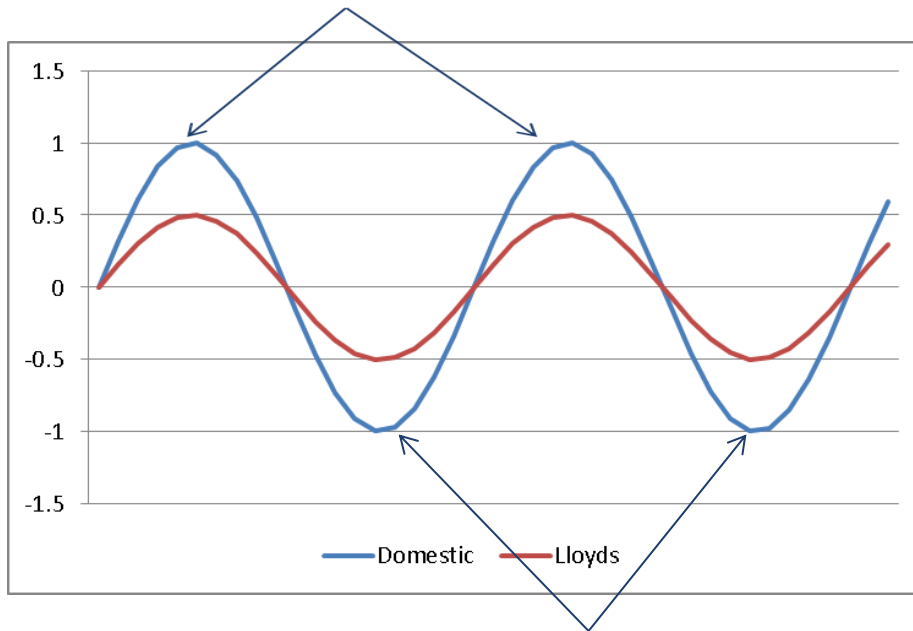
In the US no state makes
up more than 6% of our
Portfolio

ARK Incidental Syn. NOA3902 International Live Business as at 01/02/2016

Syndication can smooth volatility

Diversify... it pays across the cycle

Syndication removes those most expensive in a hard market



Capital redeployed to other
Territories/Countries/Lines of business

- Syndicated model prevents the extremes at both ends of the pricing curve for the buyer
- Lloyd's and London will follow the market and provide a level of consistency of availability of capacity across the market cycle. But only up to a point

How to start/build upon a relationship with Lloyd's and London



How to get the best deal from Lloyd's and London



Visit Us

- Tell us what you need face to face
- Build a relationship so you aren't "another risk"
- This is your market to show what you mean by "relationship". That gives us an opportunity to show you what we mean by "relationship" in a difficult market



The more information the better

Show Off your Risk

- Make your information user friendly/accessible/detailed
- Have your values independently reviewed
- Show off your risk (cap-ex for upgrades/new installations)
- Inform us of your cap-ex spends to improve your risks e.g. Brittle pipe replacement or structural strengthening



Reserve the capacity now – It will be redeployed



There is a Two Tier Pricing Structure

- In a global market place capacity not used is redeployed
- In the event of a catastrophe those insureds already with Lloyd's carriers have capacity "reserved"
- The cost to buy extra capacity in a hard market is passed onto insureds and contributes to a two tier pricing model between incumbents and new business



Lloyd's And the London Market Still Have the Financial Freedom to Make Calls on Risk Selection and Capacity

Thank You

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