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Layout & Distribution: Valéria Kozakova

What Lies Ahead for the London Market as an International Centre?

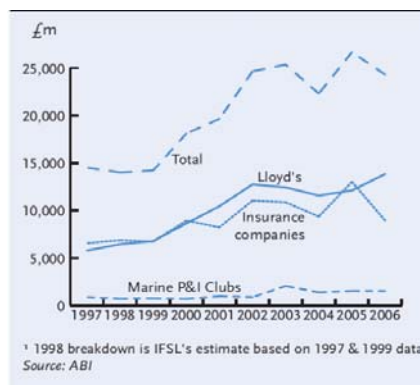
Alastair Evans

Structure of Talk

1. London Market: present and past:
 - gross premiums written, number and diversity of participants;
 - a cluster of insurance services;
 - business written and sources of capital;
 - business characteristics;
 - recent financial performance;
 - change experienced.
2. London Market: the future
 - some challenges ahead.
3. Concluding remarks.

London Market: Gross Premiums, number and Diversity of Participants

- Gross Premiums written in London Market 2006: £24.3bn.
 - Lloyd's: 57%
 - IUA Company Market: 37%
 - P&I Clubs: 6%



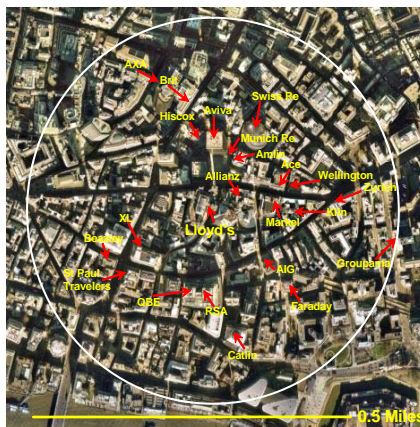
London Market: Gross Premiums, number and Diversity of Participants

- Number of London market active participants: End 2006:

	<u>Number</u>
○ Lloyd's syndicates:	66
○ IUA:	41
○ Marine P & I Clubs:	13
○ London Market Brokers:	165

A Cluster of Insurance Services in the City

50,000 people in London Market Insurance



\$40 billion of premium written in a quarter square mile around Lloyd's

Source: Swiss Re, Google Earth, Arthur. J. Gallagher

London Market: An International Market

1. Business Written

- From over 200 territories;
- 76% of Lloyd's business relates to risks located outside the UK;
- London Market is, for example, a leading provider of direct insurance and reinsurance to the US

2. Source of Capital in London Market Participants

- Three quarters of London Market companies are foreign-owned;
- Lloyd's: 35% of total Lloyd's capacity derives from non-UK corporate members;
- Many brokers are members of larger brokers with overseas owners.

London Market Share of Global Markets

- Global non-life Premiums: 3%
- Global industrial insurance business: 10-15%
- Global non-marine treaty reinsurance: 5-10%
- Energy 50%
- Aviation: 39%
- Marine: 24%

» Source: IFSL Insurance 2007

Lloyd's recent financial performance

Profit/loss before tax:

2001: (£3,100m)
 2002: £834m
 2003: £1,892m
 2004: £1,367m
 2005: (£103m)
 2006: £3,662m
 2007:

Lloyd's and the London Market: A Changing but Historically Resilient Market

- 15 years+ continuous change at Lloyd's:
 - Reconstruction and Renewal
 - Admission of corporate members
 - Franchise Performance Directorate
 - Increasing global reach (licences, source of business and capital resources).

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London Market: Some of the Challenges Which Lie Ahead

- Softening market conditions.
- Maintenance of market discipline.
- Continually evolving and strong global competitive environment.
- Different routes of business placement in global markets (including regionalisation).
- Need for increased accessibility of London Market to such business sources.
- London Market groups on market reform issues.
- Improving internal efficiencies/business placement
- Alternative risk transfer mechanisms.
- High level Treasury/industry group.
- A high tax environment.
- The changing international regulatory environment.
- Solvency II
- Very close Lloyd's/IUA co-operation on international policy issues.

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Concluding Remarks

- London Market has shown remarkable resilience and capacity to adapt to challenges and change during its history, but especially during last 15 years.
- It , like other financial markets, faces formidable challenges ahead: global competition, competition from insurers/reinsurers subject to different regulatory/fiscal regimes, changing regulatory environment, globalisation and localisation of markets, softening market conditions etc.
- The London Market Response (e.g. Lloyd's Three Year Plan).
- Optimistic about future but not complacent.

