

Howden Re

Lloyd's of London Market Snapshot



June 2024

HOWDEN | LLOYD'S



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Lloyd's Market Snapshot

The Lloyd's market is in rude health

The market produced a combined ratio of ~84% for 2023, an ~8% improvement on the prior year, and has a 3-year average of ~89%

This excellent underwriting performance, combined with strong investment returns resulted in Lloyd's producing a £10.7bn profit in 2023 – the highest in the market's history

Sustainable growth supported by price / rate strengthening

The market has grown ~15% CAGR over the last three years, with the majority of this growth coming from underlying rate strengthening rather than an increase in underlying exposure

This rate-driven growth means the market has now produced a sub-50% attritional loss ratio in each of the last 3 years, and is now much better able to absorb outsized natural catastrophe losses that may come its way, while still producing industry-leading results

Strong returns, enhanced by Lloyd's unique structure

Lloyd's unique structure, including participants enjoying the benefit of mutuality and the ability to deploy leverage and structuring to enhance returns, resulted in a market-wide return on capital of ~25% in 2023 – the highest achieved since the years immediately succeeding Hurricane Katrina

A marketplace driven by aspiration and commerciality

Senior Management at Lloyd's are highly respected industry figures, who, since taking office in 2017 / 2018, have helped drive a marked improvement in the performance of the market

Robust oversight has been coupled with a commercial and ambitious outlook, making Lloyd's not only the global hub for underwriting excellence but also at the forefront of innovation and advancement within the sector

Investor confidence is returning

Over the last 3 years some of the most seasoned sector investors and participants, including Aquiline, Aviva, Bain Capital, Blackstone, CVC, J.C. Flowers and Stone Point have backed the market – a huge vote of confidence in Lloyd's and its future prospects

Sentiments supported by Rating Agencies

Leading Credit Rating Agencies have recently adopted a more bullish stance on Lloyd's, with S&P upgrading Lloyd's to AA- in December 2023, and AM Best revising its outlooks from stable to positive and confirming the market's A (Excellent) rating, with the agencies highlighting significant improvements in underwriting discipline across the market and an expectation that Lloyd's will continue to perform well even if pricing conditions were to face downward pressure

Howden Re

Lloyd's of London

Recent market performance

Lloyd's market performance

Summary Financials (£bn)

£bn	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	CAGR 14 - 23
Gross Written Premium	25.6	26.7	29.9	33.6	35.5	35.9	35.5	39.2	46.7	52.1	8%
Net Earned Premium	19.6	20.6	22.7	24.5	25.2	25.8	25.9	26.7	32.5	36.9	7%
Net Claims Incurred	(9.6)	(10.3)	(13.0)	(18.3)	(16.4)	(16.4)	(18.9)	(15.4)	(18.7)	(18.3)	
Net Acquisition Costs	(5.5)	(5.3)	(6.0)	(6.6)	(6.9)	(7.1)	(6.8)	(6.4)	(7.6)	(8.3)	
Administration Expenses	(2.1)	(2.9)	(3.2)	(3.1)	(3.0)	(2.9)	(2.9)	(3.1)	(3.6)	(4.4)	
Underwriting Result	2.3	2.1	0.5	(3.4)	(1.1)	(0.5)	(2.7)	1.8	2.6	5.9	
Investment Income	1.1	0.5	1.4	1.8	0.5	3.6	2.3	0.9	(3.1)	5.3	
Other	(0.4)	(0.4)	0.2	(0.4)	(0.4)	(0.5)	(0.5)	(0.4)	(0.3)	(0.6)	
Lloyd's Market Result Before Tax	3.0	2.1	2.1	(2.0)	(1.0)	2.5	(0.9)	2.3	(0.8)	10.7	Avg.
Net Loss Ratio	49%	50%	57%	74%	65%	63%	73%	58%	57%	50%	60%
Net Acquisition Cost Ratio	28%	26%	27%	27%	27%	28%	26%	24%	23%	23%	26%
Net Administration Expense Ratio	11%	14%	14%	13%	12%	11%	11%	12%	11%	12%	12%
Net Combined Ratio	88%	90%	98%	114%	104%	102%	111%	93%	91%	84%	98%
Total Capital	23.5	25.1	28.6	27.6	28.2	30.6	33.9	36.6	40.2	45.3	
Underwriting Return on Capital	10%	8%	2%	(12%)	(4%)	(2%)	(8%)	5%	7%	14%	2%
Total Return on Capital	14%	9%	8%	(7%)	(4%)	9%	(3%)	6%	(2%)	25%	6%

8%
GWP 10 Year CAGR

84%
FY23 Net
Combined Ratio

28
Consecutive Quarters of
Rate Rise (Q1'17 – Q4'23)

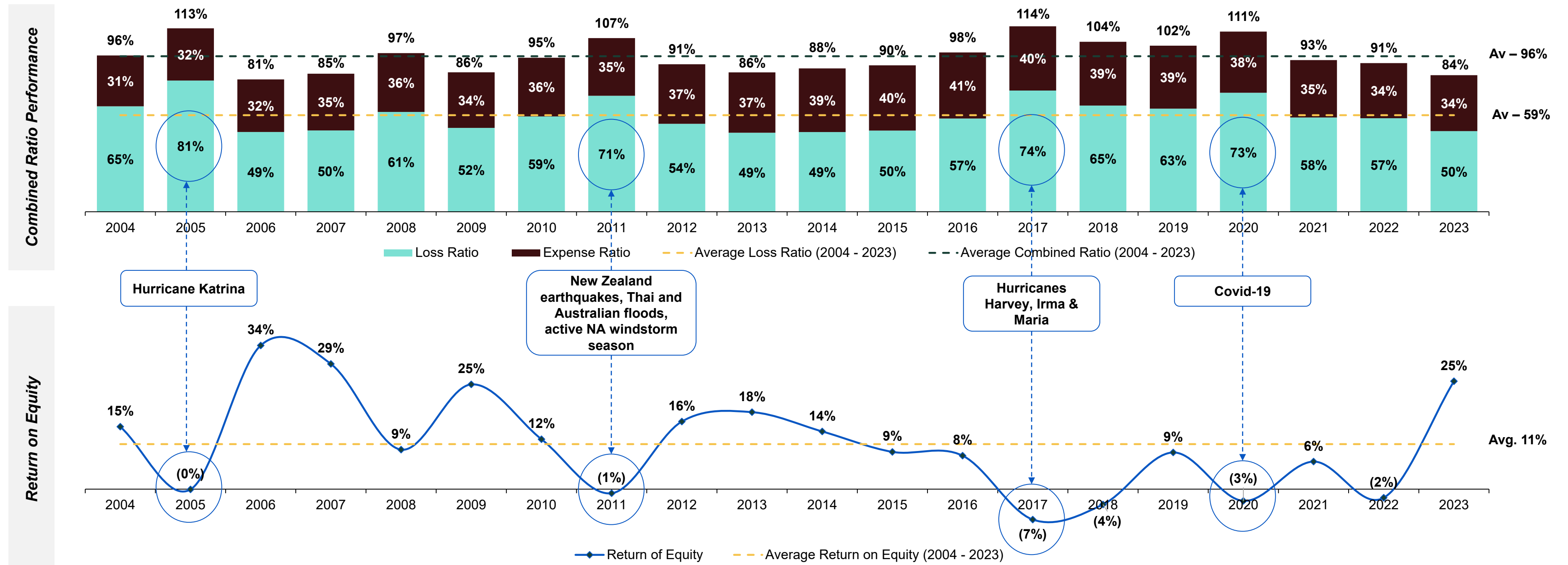
25%
FY23 ROE

Lloyd's posted an exceptionally strong result in 2023, recording a net combined ratio of 84% and return on capital of 25%

- Following the protracted poor performance of the Lloyd's market from 2017 – 2020, underwriting results have improved dramatically, driven in a large part by:
 - A rigorous focus on price adequacy, resulting in 28 consecutive quarters of market wide rate strengthening
 - The non-renewal of significant quantities of unprofitable business from the market and the removal of weak franchises
 - A reduction in the aggregate catastrophe exposures of the market, and a geographic repositioning of the market's remaining catastrophe exposure
 - A drive to reduce the expense base of the market through modernisation and technology
- In a relatively short period of time, these efforts have proved hugely effective, with the market recording three consecutive years of excellent underwriting results, including the strongest underwriting result since 2006
- The excellent underwriting result of 2023 was supported by strong investment returns, in part boosted by the unwinding of material mark-to-market losses booked in 2022, resulting in a market wide return on capital of ~25% - the highest figure for well over a decade
- Market conditions, and prospects for the Lloyd's market more broadly remain strong in 2024, with high levels of rate adequacy across almost all classes of business, and limited signs of new capital entering the market to destabilise this equilibrium

Lloyd's market 20-year performance

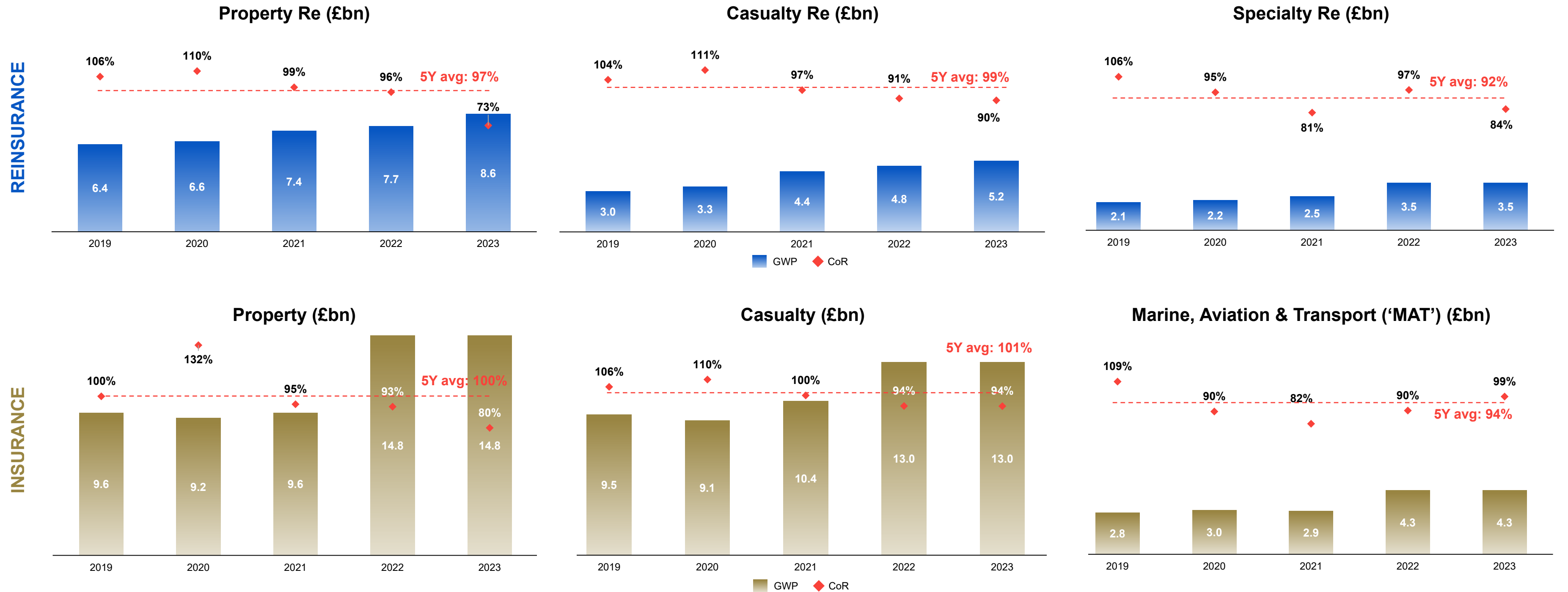
Lloyd's 2023 result represents the strongest annual performance since the mid-2000s



Source: Lloyd's Annual Reports, Lloyd's Insights Hub.

Lloyd's class of business analysis

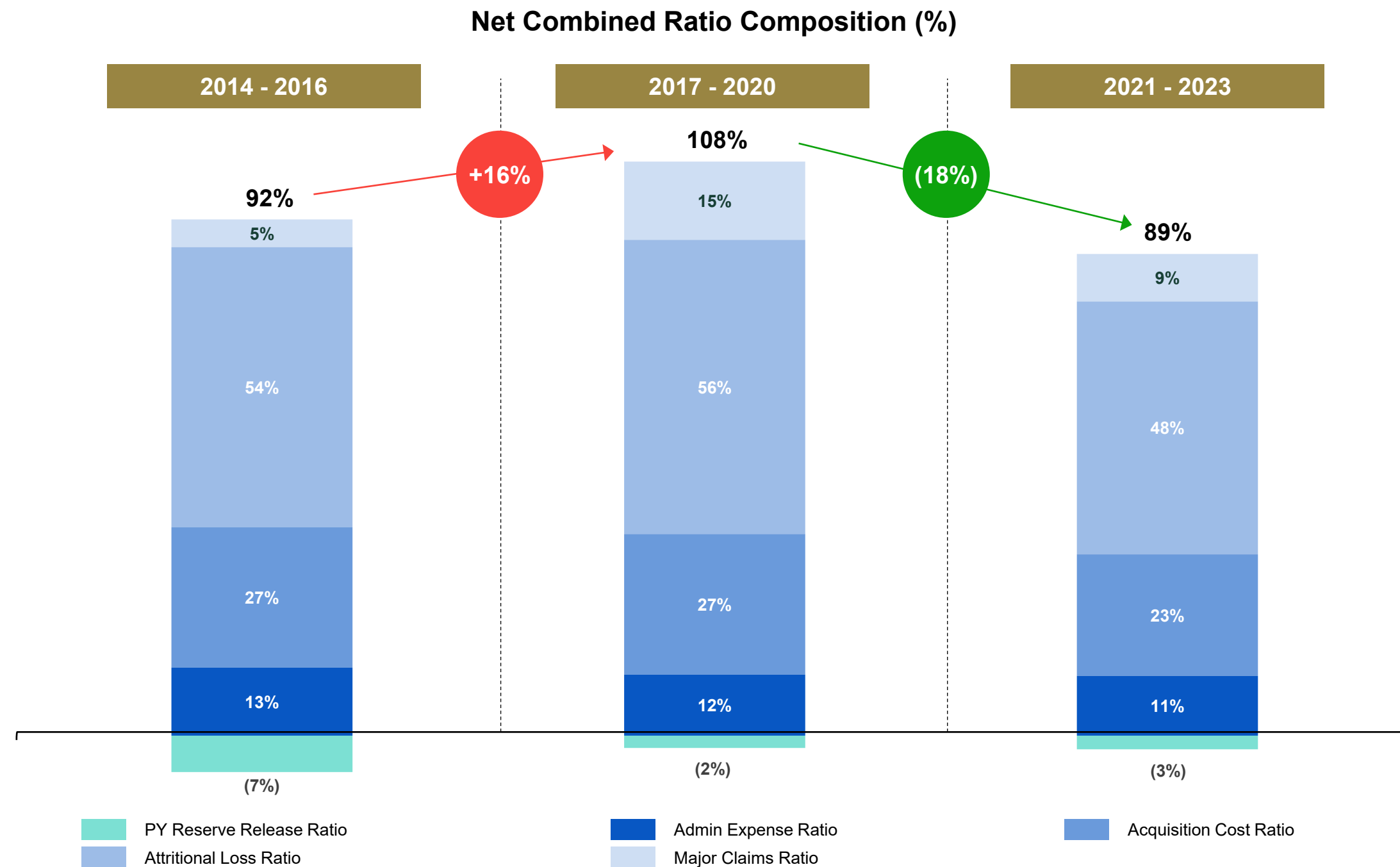
In 2023 all major classes of business at Lloyd's (bar MAT⁽¹⁾) performed materially better than the 5-year average



Source: Lloyd's Annual Reports, Lloyd's Insights Hub.
 (1) Marine, Aviation and Transport.

10-year combined ratio performance

Following significant remedial work, sustainable and robust profitability has returned to the market



Commentary

2014 – 2016: Reflective of historic norm

- Market performed strongly, with a 3-year average net COR of 92%, aided by a benign cat environment and successive years of strong prior year reserve releases

2017 – 2020: Succession of *Anni Horribiles*

- Record-breaking natural catastrophe losses (plus Covid) drove a ~15% average major claims ratio, while rate softening led to an increase in the attritional loss ratio of the market and a reduction in PY reserve releases
- Little action was taken to reduce the expense ratio of the market which stood at ~40%, further depressing the result

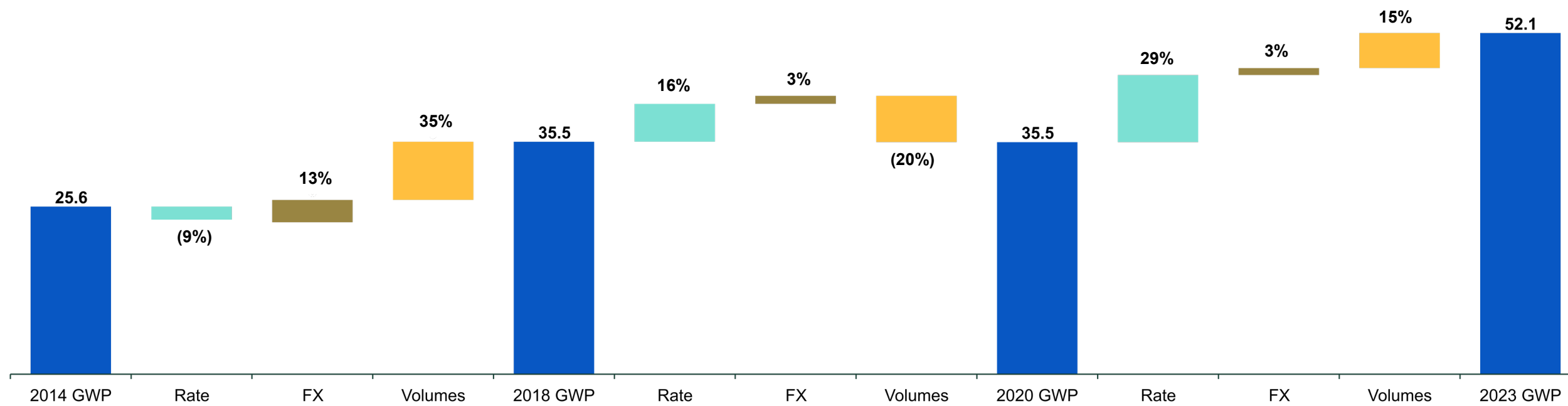
2021 – 2023: Robust return to profitability

- Following a concerted effort by Lloyd's and participants, the market has now recorded a 3-year average net COR of ~89% - with marked improvement coming on almost every metric
- The underlying / attritional loss ratio has dropped ~8% to ~48%, representing a historic low – driven by rate increases and underwriting discipline
- Significant work has been done to reduce the cost base of the market, with acquisition costs dropping ~4% to ~23% and admin expense dropping to ~11%
- While the major claims ratio remains higher than the historic norm, given unprecedented climate and geopolitical volatility, the market is now more than capable of absorbing this heightened level of risk whilst still producing excellent underwriting results, given that fundamentals of the market (attritional losses plus expenses) are now in a much stronger position

Gross written premium development over time

Robust corrective actions and material underlying rate strengthening have resulted in significant, sustainable premium growth in recent years

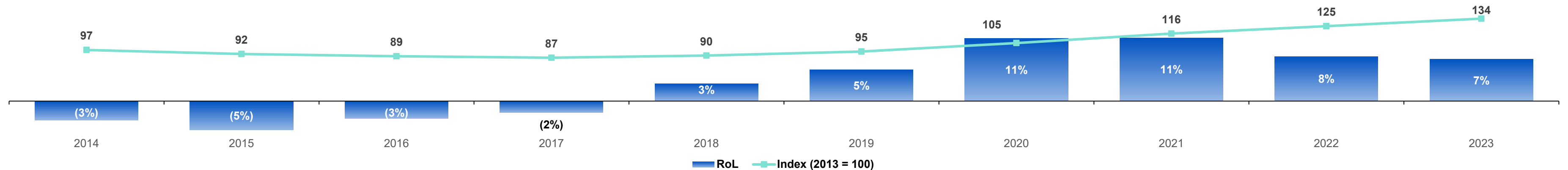
Gross Written Premium Development (£bn)



- Over the period 2014 – 2018 Lloyd’s premium grew by ~39% to £35.5bn. This growth took place against a backdrop of falling rates and a general decline in the levels of price adequacy of the market, resulting in a protracted period of loss-making years
- Between 2018 and 2020, Lloyd’s introduced a dramatic exercise of portfolio remediation and performance improvement, with 16% of Risk Adjusted Rate Change (“RARC”) being more than offset by 20% of volume reduction from the market – meaning that total premium volumes for the market remained broadly flat
- Since 2020, volumes have once again increased (~15% CAGR) supported by continued RARC across almost all classes, as well as a return to focused and considered volume / exposure expansion

Risk Adjusted Rate Change (2014 – 2023)

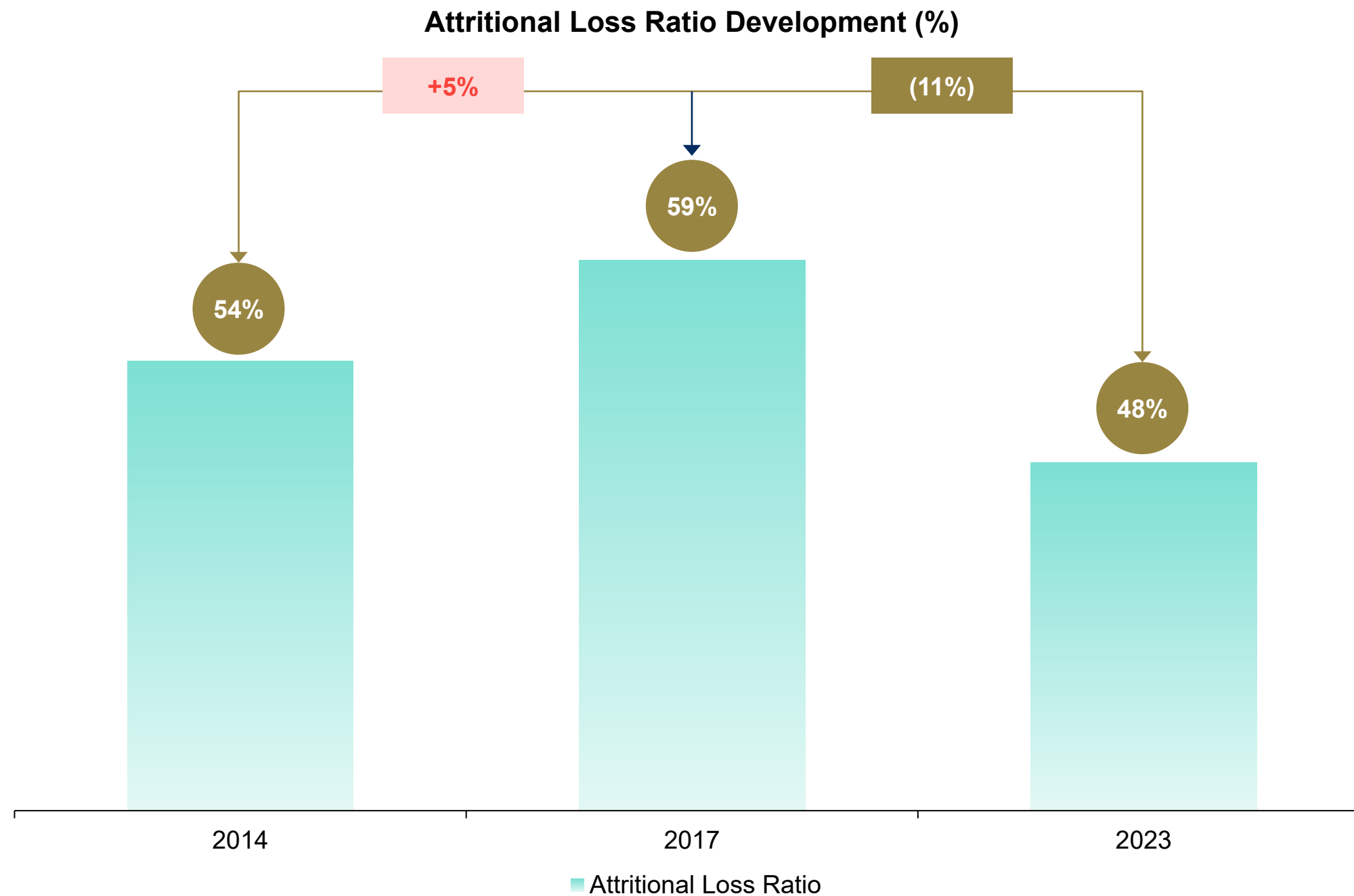
Since 2018, average annual RARC of ~8% has resulted in a pricing environment within the market that is ~50% stronger on a ‘like-for-like’ basis



Source: Lloyd’s Annual Reports, Lloyd’s Insights Hub.

Attritional loss ratio development

Since 2018, sustained rate rise and renewed underwriting discipline have driven a rapid decline in the attritional loss ratio of the market



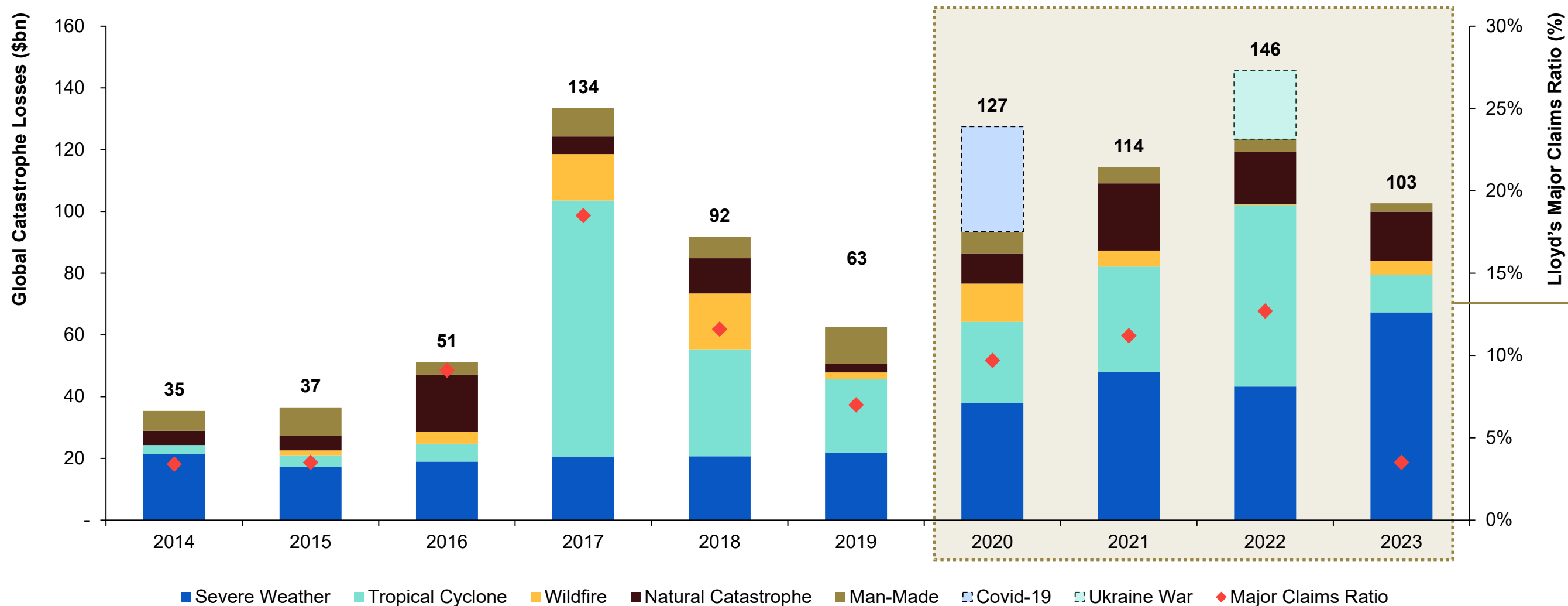
- In the years leading up to 2017, the attritional loss ratio of the market gradually increased from ~54% in 2014 to ~59% in 2017, driven by a weak rating environment and unchecked premium growth on poor quality business
- However, low catastrophe losses, consistent PY reserve releases and low levels of general inflation meant that in the majority of years a strong underwriting result was achieved
- From 2016 however, the unsustainability of market pricing and expansion became apparent, following consecutive years of outsized catastrophe losses
- Since then, sustained rate rises and improved underwriting discipline have driven a consistent and marked decrease in the attritional loss ratio of the market from ~59% in 2017 to ~48% in both 2022 and 2023, the lowest level in recent history
- The focus on reducing the attritional loss ratio has given the market the ability to absorb the outsized large losses inherent in P&C underwriting and still produce robust profitability
 - This was demonstrated in 2021 and 2022, when the market was hit by £3.0bn and £4.1bn of major losses respectively, and still recorded a net combined ratio of >93%
 - In years of lower-than-average market major losses, such as 2023, exceptional returns are obtainable, given the extremely low underlying attritional loss ratio achieved

Catastrophe losses

Outsized Cat losses are now commonplace, but sustained rate rises means the market is well placed to absorb these and still produce strong returns

- Catastrophe losses have increased significantly, in both prevalence and impact in recent years, with this trend looking set to continue as a result of climate uncertainty and geopolitical volatility
- However, through adequate pricing and careful management, the market has the robust foundations to absorb these losses and still produce strong overall underwriting returns

Global Catastrophe Losses (\$bn)

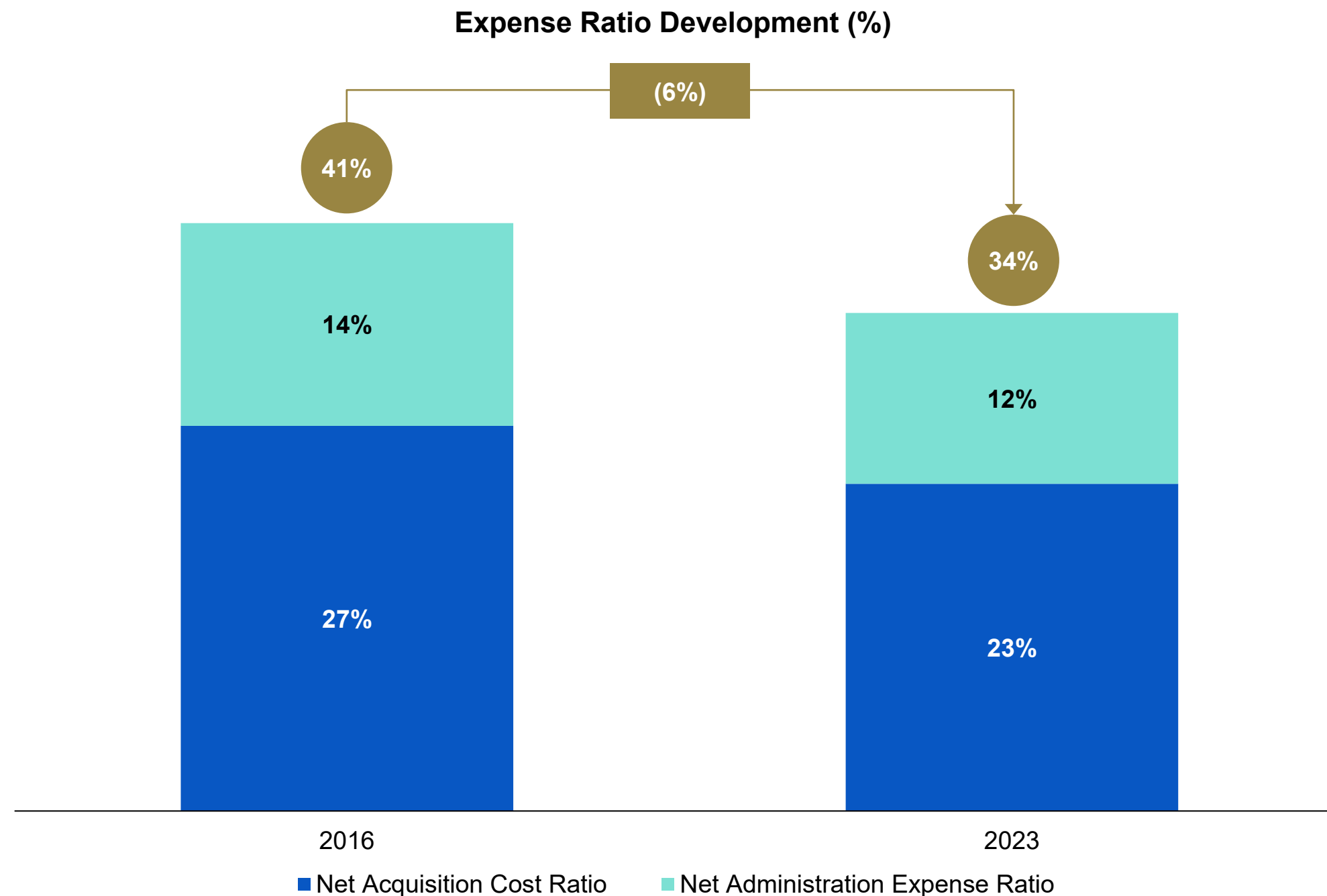


- Over the period 2020 – 2022, Global Catastrophe Losses were between \$114bn – \$146bn, resulting in a Lloyd's major claims ratio of ~10% – 13%, on a net basis
- Catastrophe losses for 2023 reduced slightly to ~\$103bn, but Lloyd's managed to materially reduce its major claims ratio to ~3.5%, given the shape and geographical composition of its portfolio – providing insulation from some of the extreme regional catastrophe activity

Source: Nova, Lloyd's Annual Reports, Lloyd's Insights Hub.

Expense ratio development

In recent years, Lloyd's has launched a number of successful initiatives to reduce its expense base and enhance global competitiveness



- Lloyd's is traditionally regarded as a more expensive place to do business than rival platforms (e.g. Bermuda):
 - Acquisition costs have historically been high due to product complexity, reliance on broker network for distribution, and the use of expensive delegated authorities
 - Administration expenses have also been higher than other platforms, given the competitiveness of the London market from a talent perspective, the fixed costs of the Corporation, and a lack of digitalisation
- This was particularly the case during the middle part of the last decade, with the total expense ratio reaching a record high of ~41% in 2016
- However, following the successful implementation of initiatives this ratio has dropped by ~6% since 2016:
 - Reduced use of delegated authority underwriting and changes in business mix
 - Numerous modernisation initiatives, aimed at creating the “most advanced marketplace in the world”
 - Ongoing “digitalisation” programme which could realise annualised benefits of >£800m from operating in the new digital marketplace (equivalent to a ~3% reduction in the market's combined ratio)
- Lloyd's leadership have significant ambition to drive the expense base of the market down yet further, and are building out a range of initiatives to make this ambition a reality

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Lloyd's of London

Franchise level considerations

Market participant themes

The quality of both franchise sponsors and capital providers at Lloyd's has shown strengthening in the past few years

1

Stream of strong market entrants

- In recent months, a number of marquee trade players have announced their intention to enter the Lloyd's market
- Most notably Aviva through its acquisition of Probitas, and Fidelis's planned launch of a new Names-backed syndicate under the management of Asta
- This follows on the back of a wide range of highly experienced financial investors that have entered the Lloyd's market since 2020, including: Abry, Alchemy, Bain Capital, Blackstone, CVC, Golden Gate Capital, J.C. Flowers, Pelican Ventures, and others
- All this demonstrates renewed confidence that Lloyd's is an attractive place to do business, with strong forward prospects

2

Increased prevalence of financial investor capital

- In the last 20+ years leading up to 2020 there had been a consistent theme at Lloyd's of trade capital increasingly dominating the landscape, through the acquisition of standalone listed platforms and the establishment of new syndicates
- However, following significant levels of financial investor capital inflows in the wake of Covid-19 and sustained rate rises, a secondary theme has emerged, with financial investors now controlling ~20% of the market's capacity
- Over the medium term therefore, it is likely that heightened levels of M&A will return to the Lloyd's market, as financial investors, most notably private equity, seek to exit their positions

3

Removal of weak franchises from the market

- Following the appointments of Bruce Carnegie-Brown, John Neal, Patrick Tiernan and Burkhard Keese into key market leadership rolls, they have undertaken a rapid and effective remediation of the market, removing those franchises that could not demonstrate a near-term route to sustained profitability
- This has resulted in up to 15 (predominantly smaller) franchises exiting the market since 2018, leaving behind the more robust businesses, with better long-term prospects

4

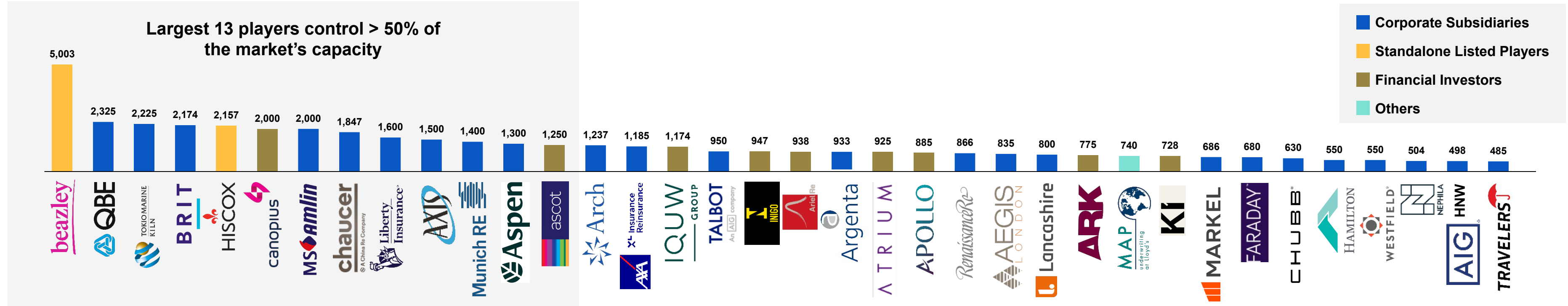
Trusted players afforded unprecedented growth

- Whilst simultaneously removing weak franchises from the market, Lloyd's has thrown its support behind better-performing businesses and teams
- Those with long-term track records of success have been afforded high levels of capacity growth. Examples include Atrium, Ark, Faraday, MAP and Munich Re which have all been given capacity growth >40% over the last two years
- Furthermore, other businesses such as Apollo, Ariel Re, Inigo, IQUW and Ki, whose Management teams have demonstrated an alignment with Lloyd's strategic ambitions, have been afforded transformational levels of capacity growth, in excess of the historic norm

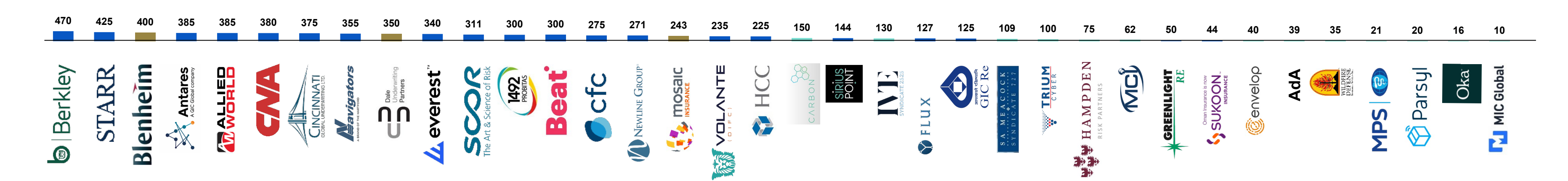
Lloyd's market participants by 2024 capacity (£m)

For the 2024 YOA Lloyd's stamp capacity reached ~£53bn, a 10% increase on the 2023 YOA

vs PY (1%) 8% 7% (5%) 2% 11% 25% 19% - 20% 17% 17% - 15% 9% 11% (7%) 14% 30% 1% 6% 13% 12% 3% 3% 11% 34% (2%) 6% - - 12% - (3%) - 35%



vs PY - 5% 14% 1% 17% - 25% 9% 25% 6% 7% 32% (8%) - (3%) 19% 21% - 29% 26% 13% 51% - (2%) 194% 44% 18% 61% 42% - - 59% 1% - - (66%)

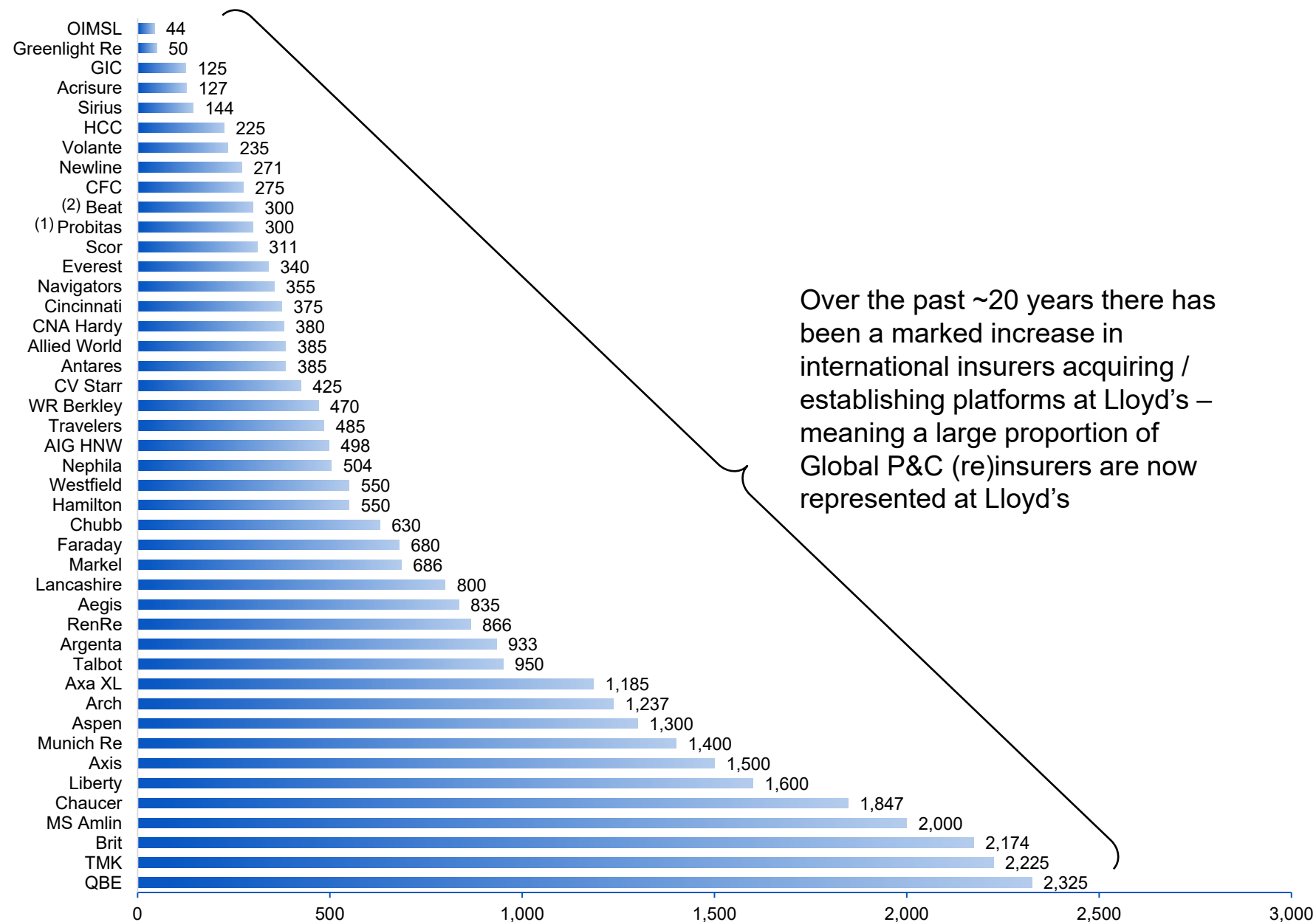


Source: Lloyd's Annual Reports, Lloyd's Insights Hub, Insurance Insider, Syndicate Accounts.

Lloyd's market participants ownership (Based on 2024 Capacity)

The Lloyd's market today is dominated by trade capital, and an increasing presence of financial investor money

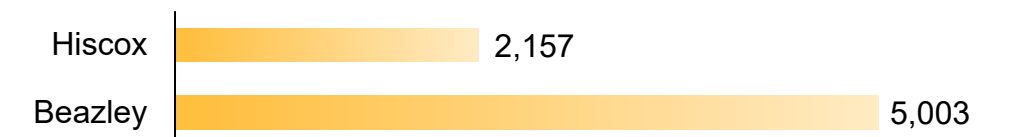
Corporate Subsidiaries (£33bn / 62%)



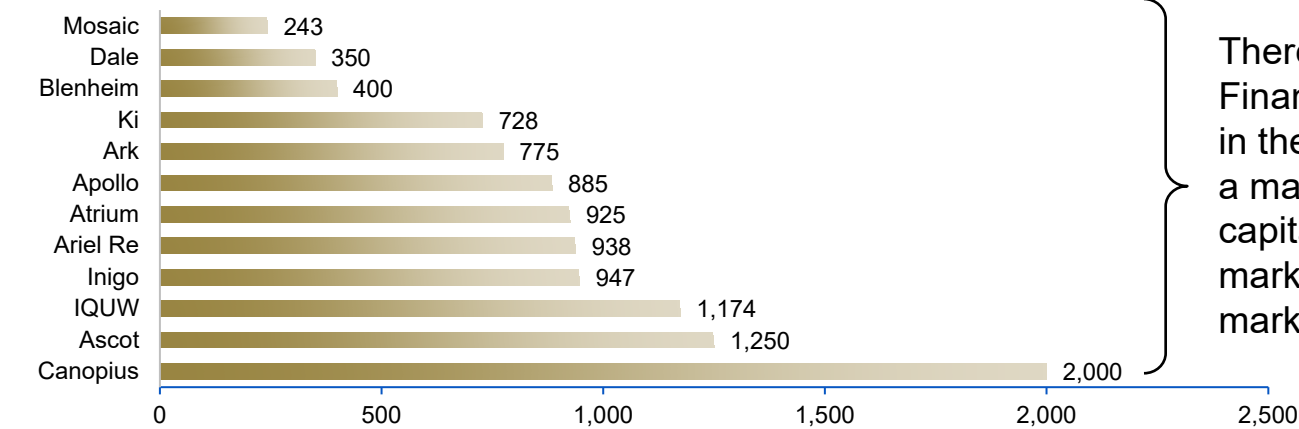
(1) Acquisition by Aviva announced in March 2024, but transaction not yet closed.
 (2) Acquisition by Ambac announced in June 2024, but transaction not yet closed.

Listed Players (£7bn / 14%)

Now just 2 “standalone” listed insurers in the Lloyd's market following acquisitions of platforms such as Kiln, Chaucer, Amlin, Catlin etc.

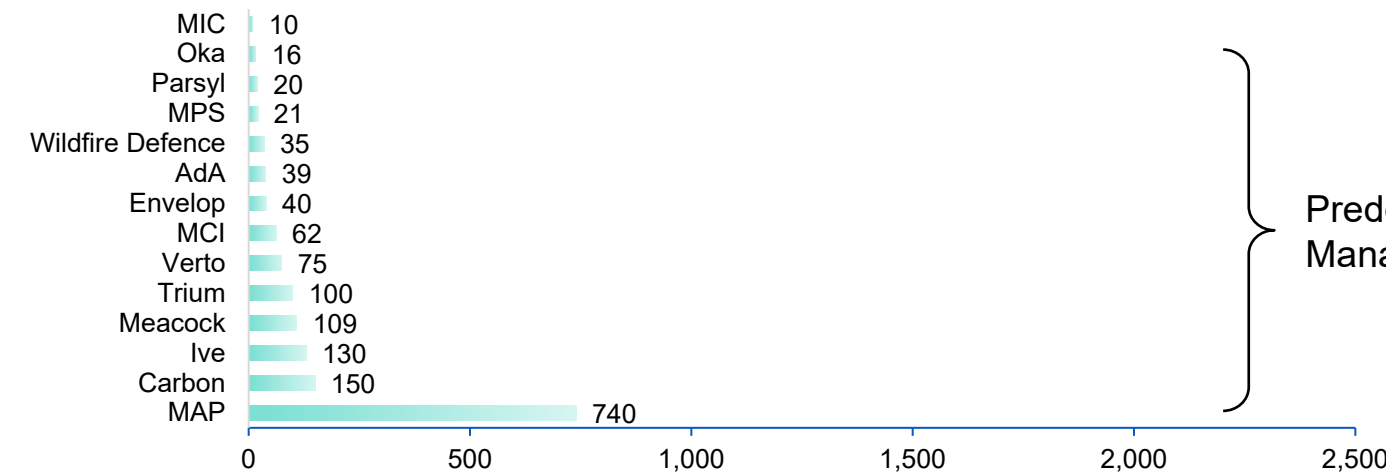


Financial Investors (£11bn / 21%)



There remains significant Financial Investor interest in the Lloyd's market, with a material increase in capital deployed within the market following the 2020 market reset

Others (£1bn / 3%)



Predominantly Management owned

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**Appendix: Howden Re
Lloyd's capabilities**

Howden Re Lloyd's focus: M&A, capital raising and legacy

Howden Re is a leading franchise with regards to the Lloyd's market

Howden Capital Markets & Advisory ('HCMA')



Leo Beckham
Head of UK & Europe



Bill Cooper
Managing Director



Arthur Clowes
Vice President



Philipp Kusche
Global Head of ILS



Cate Kenworthy
Managing Director,
Investor Coverage

- **Exclusive focus:** A team of investment banking professionals exclusively focused on the (re)insurance sector
- **Service offering:** HCMA offers a broad range of services broadly split into Strategic / M&A Advisory, Capital Raising and Insurance-Linked Securities
- **Lloyd's experience:** HCMA has worked on over half of the M&A and capital raises that have taken place at Lloyd's since establishment, as well as numerous other market situations
- **Resource and expertise:** Leverage the expertise and resources of the Howden Re organisation

HCMA team member transaction experience

150+
M&A



200+
Capital raising & ILS

Howden Capital Solutions ('HCS')



Bradley Maltese
CEO - UK & Global
Specialties



David Watson
Managing Director



Vijay Mavani
Managing Director



Tim Radford
Director



Kevin Soopen
Director

- **Syndicate launches:** HCS has advised several new Lloyd's start-ups. Its services range from early-stage advisory through to the introduction of a Managing Agent and ultimately the raising the capacity required to capitalise business plans
- **Capital raising:** HCS's core capability is raising capacity (Funds at Lloyd's – "FAL") for Lloyd's Syndicates, via its broad network across capital markets
- **Structured solutions:** HCS specialises in the placement of Excess of Loss Funds at Lloyd's as an alternative source of capital for Lloyd's market participants
- **Legacy:** HCS often combines prospective and retrospective solutions to recycle capital for redeployment into a currently attractive underwriting environment for syndicates

HCS team member transaction experience

>\$500m
Annual capacity raised



10
Lloyd's Syndicates

Howden Re Lloyd's CVs

Howden Re is a leading franchise with regards to the Lloyd's market

Howden Capital Markets & Advisory ('HCMA')



Leo Beckham
Head of UK & Europe

- Leo joined HCMA in 2016 having previously worked at Willis Capital Markets, KBW, Benfield Advisory and Deloitte
- Leo has 20 years' experience in advising the insurance industry on capital raising and M&A, with a particular focus on the Lloyd's Market, where he has advised on more than 15 transactions



Bill Cooper
Managing Director

- Bill joined HCMA in 2019 after 30 years at Lloyds Bank, where he headed the Insurance Sector Corporate Banking team
- Bill has 25 years+ experience in providing finance to and advising on transactions in the Lloyd's Market, including in recent years the 2020 / 21 recapitalisations of Ark by White Mountains and of IQUW / ERS by Aquiline / Abry



Arthur Clowes
Vice President

- Arthur joined HCMA in September 2023, having previously worked at EY, Guy Carpenter Securities and Nomura
- Arthur has significant recent Lloyd's Market M&A experience including several transactions with Canopus, Bain Capital's acquisition of Beat Capital and Alchemy Partners' acquisition of Apollo



Philipp Kusche
Global Head of ILS

- Philipp joined HCMA in 2016 having worked previously at Swiss Re Capital Markets as head of ILS Structuring and Origination and before at Swiss Re as an underwriter
- Philipp has experience with Lloyd's-focused structures ranging from Cat Bonds for Lloyd's syndicates to raising of Funds at Lloyd's, including inaugural use of London Bridge 2 for multiple investors



Cate Kenworthy
Managing Director,
Investor Coverage

- Cate Kenworthy joined HCMA in 2023, having worked at Securis Investment Partners, Spinnaker Capital Management, Brevan Howard, and Gottex Fund Management
- Cate focusses on empowering investors to navigate complex investment strategies, thereby fostering the development of more resilient portfolios

Howden Capital Solutions ('HCS')



Bradley Maltese
CEO - UK & Global
Specialties

- Bradley joined Howden Re in 2022 as CEO, and from 2023 is the CEO of Howden Re UK & Global Specialties
- Bradley was previously Vice Chairman of Global Specialties at Guy Carpenter and has held various senior positions, including Deputy CEO of JLT Re and Managing Director of Harman Wicks & Swayne Ltd



David Watson
Managing Director

- David joined Howden Re in 2021 from Guy Carpenter as Co-Head of the Capital Solutions team
- Widely experienced in covering areas such as FAL, new Lloyd's start-ups, LPTs, ADCs and other structured solutions
- Has held various directorship positions in several Lloyd's Managing Agencies over the years



Vijay Mavani
Managing Director

- Vijay joined Howden Re in 2021 from Guy Carpenter as Co-Head of the Capital Solutions team
- Vijay is one of the leading market practitioners with regards to FAL, Syndicate establishment and management, LPTs, ADCs, and other structured solutions outside of traditional reinsurance



Tim Radford
Director

- Tim joined Howden Re in 2023 from Aon, where he was a broker within the Capital Advisory team
- Tim has special expertise in FAL, and has led and been involved with Syndicate launches and capital raises across the market



Kevin Soopen
Director

- Kevin joined Howden Re in 2020 as a Legacy Broker after 8 years at Willis Re
- Kevin has experience working on Specialty Reinsurance clients including numerous situations at Lloyd's, and is also a qualified Actuary

Howden Re recent Lloyd's transaction experience

Our team has deep recent and relevant transaction experience within the Lloyd's market, and has advised on 18 Lloyd's transactions since 2019

<p>Undisclosed Dec 2023</p>  <p>Launch of SPA 1925 for 2024 YoA</p> <p>Financial Advisor to Envelop</p>	<p>Undisclosed Dec 2023</p>  <p>Launch of SPA 2024 for 2024 YoA</p> <p>Financial Advisor to the Company</p>	<p>Undisclosed Sep 2023</p>  <p>Has made a strategic investment in</p>  <p>Financial Advisor to CVC</p>	<p>\$270mm March 2023</p>  <p>Investment in Syndicate 1910 partially through London Bridge 2 Structure</p> <p>Exclusive Financial Advisor to Ariel Re</p>	<p>Undisclosed Oct 2021</p>  <p>Has agreed to acquire</p>  <p>Exclusive Financial Advisor to IQUW UK Ltd</p>	<p>\$90mm Oct 2021</p>  <p>Has announced a strategic investment from</p>  <p>Exclusive Financial Advisor to Apollo</p>	<p>\$164mm Sep 2021</p>  <p>Subordinated Note Issuance</p> <p>Exclusive Financial Advisor to Ark</p>	<p>Undisclosed Sep 2021</p>  <p>Has agreed to acquire</p>  <p>Exclusive Financial Advisor to Davies</p>
<p>\$350 million Mar. 2021</p>  <p>Has received a capital investment from</p>   <p>Exclusive Financial Advisor to ERS</p>	<p>\$846 million Oct 2020</p>  <p>Has announced an investment in</p>  <p>Financial Advisor to Ark Insurance Holdings Ltd</p>	<p>Undisclosed Nov 2020</p>  <p>Announces operational partnership with</p> <p>I.C. FLOWERS & Co.</p> <p>Exclusive Financial Advisor to Apollo Partners LLP</p>	<p>Undisclosed Nov 2020</p>  <p>Agree to acquire</p>  <p>Exclusive Financial Advisor to Pelican Ventures Group LLC</p>	<p>Undisclosed Sept 2020</p>  <p>Has agreed to acquire</p>   <p>Exclusive Financial Advisor to American Financial Group, Inc.</p>	<p>£15 million Jul 2020</p>  <p>Announced the launch of a Syndicate-in-a-Box at Lloyd's (Syndicate 4747)</p> <p>Joint Financial Advisor to Carbon</p>	<p>Undisclosed Jul 2019</p>  <p>Agreed to acquire</p>  <p>Financial Advisor to Barbican and Carlson Capital</p>	<p>Undisclosed Mar 2019</p>  <p>Has agreed to acquire</p>   <p>Financial Advisor to Hamilton Insurance Group</p>

□ M&A □ Capital Raising

In addition, Howden Re advises on the capitalisation of ~\$500m of Lloyd's capacity on an annual basis

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General

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