

2022 London Market Appetite Survey

January 2022

Prepared by Howden Markets Consulting



Dear valued insurer partner,

Howden Markets Consulting team are delighted to present the findings of the 2022 London Market Appetite Survey, offering a unique and insightful perspective of the underwriting appetite and rate landscape of the London Market according to our insurer partners.

Thank you for your participation in and contribution to this exercise – it is only with the support of our insurer partners that this report can be made meaningful, informative and beneficial for all.

Howden Markets, now part of Howden Broking Group, recognise how integral the London Market perspective is to our insurer partners and we very much welcome any feedback you may have regarding the content and how it can be enhanced to better serve your business for the 2023 survey and beyond.

Yours faithfully,



Paul S Cumberland ACII
Executive Director
Howden Markets

Julia Hitchcock
Associate Director
Howden Markets



Paul S Cumberland ACII

Executive Director, Howden Markets

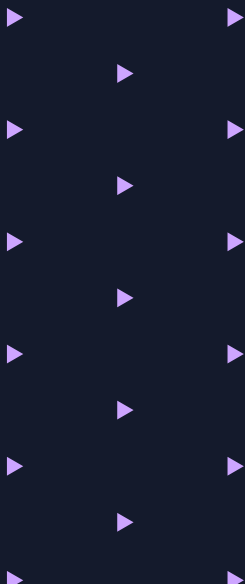
Paul joined Howden in January 2020 and heads up the Consulting function of Howden Markets as well as having responsibility for the placement and management of a number of high profile binding authority accounts. Howden Markets Consulting provides a range of consulting oriented services to the Howden business divisions and Howden Strategic Carrier partners. These services include but are not limited to bespoke consultancy projects, portfolio analytics, market presentation, business plan reviews, market surveys and thought leadership. Prior to Howden Paul held a similar role in JLT where he was also responsible for setting up facilities in various product lines.



Julia Hitchcock

Associate Director, Howden Markets

Julia has been a part of the Howden group since February 2021 and co-leads the Consulting function of Howden Markets. Julia is primarily responsible for delivering Consulting-based output for Howden's Strategic Carrier partners spanning bespoke consultancy services, business plan reviews, market surveys and thought leadership. Prior to Howden Julia was a Senior Strategy Consultant at Aon responsible for producing bespoke projects for insurer and financial services clients.



About Howden Markets

Part of Howden Broking Group, Howden Markets are uniquely positioned as a pivotal strategic gateway between Howden Broking Group and Strategic Carrier Clients, delivering services spanning Global Engagement, Consulting, Portfolio, Carrier Management and Employee Benefits.

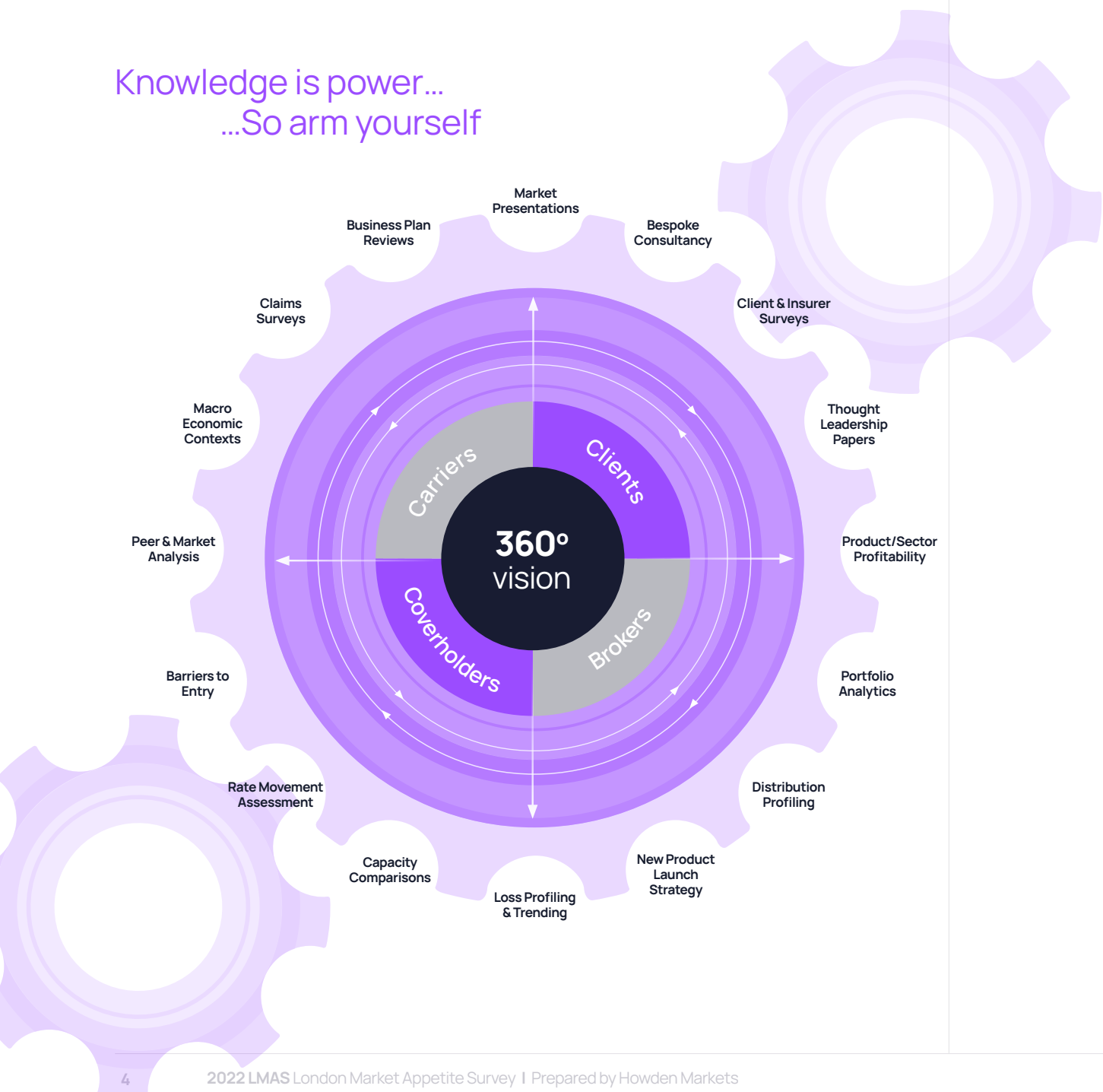


About Howden Markets Consulting

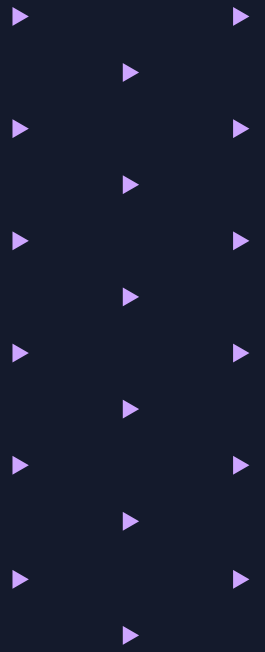
Howden Markets Consulting is a team with Howden Markets that provides analytical and consultative services to both insurer clients and Howden colleagues.

Our mission is to provide our clients with **objective, reliable** and **meaningful** knowledge to facilitate better informed and more confident business planning, alignment and decision making.

Knowledge is power...
...So arm yourself



Contents



Executive Summary

Howden Markets Consulting are delighted to present the second London Market Appetite Survey (LMAS) report for the interest of and use by Howden insurer partners.



Making Hay Whilst the Sun Shines

Unsurprisingly, given the compounded rate environment that 2022 will represent, growth appetite continues to be buoyant across the market with very few contractions or withdrawals and most markets looking to at least track rate or preferably grow beyond rate. The same comments made last year in respect of the strong growth aspiration will likely be applicable this year, namely that the rhetoric of c-suite aspirations may not be realised by line underwriter reality – growth is desired but perhaps within an unrealistic corridor of business with preferential risk characteristics.



Cat Falling Out of Fashion

As can be observed, appetite for North American Property, traditionally the darling of the London market, is muted for 2022 with average appetite score of 1.0 against an anticipated rate increase of 6.5%. Against a backdrop of above average cat losses in 2021, increasing uncertainty driven by climate change and a waning faith in the integrity of the catastrophe models, just about every insurer respondent cited a strategy of reducing the degree of catastrophe exposure to their portfolios. Just one insurer, seeking to take advantage of what they perceive will be favourable pricing conditions for cat in 2022, articulated a desire to grow the proportion of cat in their portfolio.



Cyber and Contingency Stand Out

Whilst the anticipated average rate increase in 2022 is a relatively modest 7% by recent standards, two classes which stick out consistently for all insurers as outliers are Cyber and Contingency at 31% and 28% respectively, the former driven by historic underpricing and ransomware losses and latter by COVID cancellations, although there are still doubts that the entertainment industry will fully recover in 2022.



Terrorism and Aviation Flat

At the other end of the scale Terrorism has the most pessimistic rate movement expectation at marginally negative and aviation flat at best, unsurprisingly given the low level of activity in that sector.



New Market Emerging

New line of business entries were relatively few and far between. However a reasonable amount of activity was recorded in the “Under Consideration” category with 3 new markets considering sustainable energy and 2 in Hull & War. More broadly there are an additional 16 lines of business having a single insurer considering entry in the Open Market.

Introduction

Over the course of November and December and following the conclusion of the Lloyd's SBF business planning process at the end of 2021, Howden Markets interviewed 38 insurers at c-suite level to gauge the underwriting appetite (strength or otherwise) for the 2022 year of account.

This report, produced by Howden Markets Consulting, summarises our finding and is provided for the interest of and use by participating Howden partner markets.

2022 Summary

38

Insurers Surveyed

24

Lloyd's Syndicates

4

Dual Platform Markets

10

Company Markets

c.65%

of Howden 2021 GWP Placed

Share of Howden Portfolio 1/12/20-30/11/21

Survey Methodology

2022 Underwriting Year Appetite Scale

UC	Under Consideration	Based on planned GWP growth or contraction for 2022. Inclusive of estimated 2022 rate movement in GWP growth/contraction
+5	New Market Entry 2022	
+4	>75%	
+3	25%–75%	
+2	10%–24%	
+1	2.5%–10%	
0	Flat (-2.5% to 2.5%)	
-1	(2.5%) – (10%)	
-2	(10%) – (24%)	
-3	(25%) – (75%)	
-4	> -75%	
-5	Exiting	

Respondents were asked to indicate the degree to which they plan to grow or contract GWP in 2022 by line of business, according to the scale illustrated in the table above. In a slight deviation from last year's methodology, respondents were asked to assign appetite scores inclusive of anticipated rate increase (or decrease). Respondents were also asked to indicate where a line of business was being provisionally considered for entry (Under Consideration 'UC') but no formal forecasts had been put forward for the 2022 YOA.

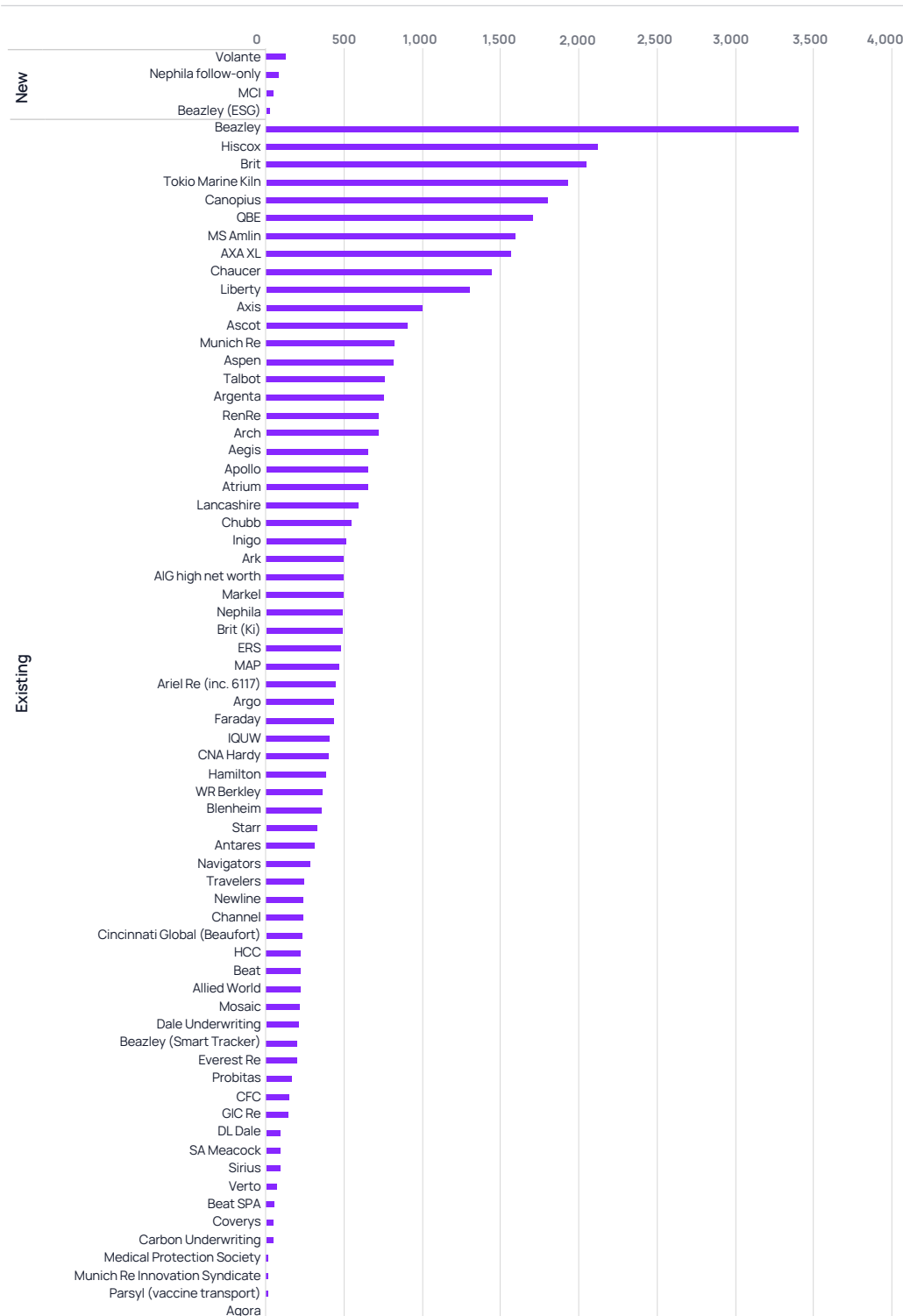
Similar to last year, the lines of business broadly correspond with the class of business structure of Howden Specialty, Howden Retail and Bowood (including Bowood Specialty). Distinction has therefore been made between:

- Open Market and Delegated Appetite (MGAs only); and
- Between North American and International, in some lines where this distinction is more relevant.

To account for rate movement within planned GWP we also asked respondents for achieved 2021 (YTD) rate change by line of business as well as that estimated for 2022. This report therefore includes a comprehensive direction of travel for the year ahead in the London Market.

Lloyd's Stamp Capacity

Lloyd's Syndicates 2022 Stamp Capacity (GBPm)

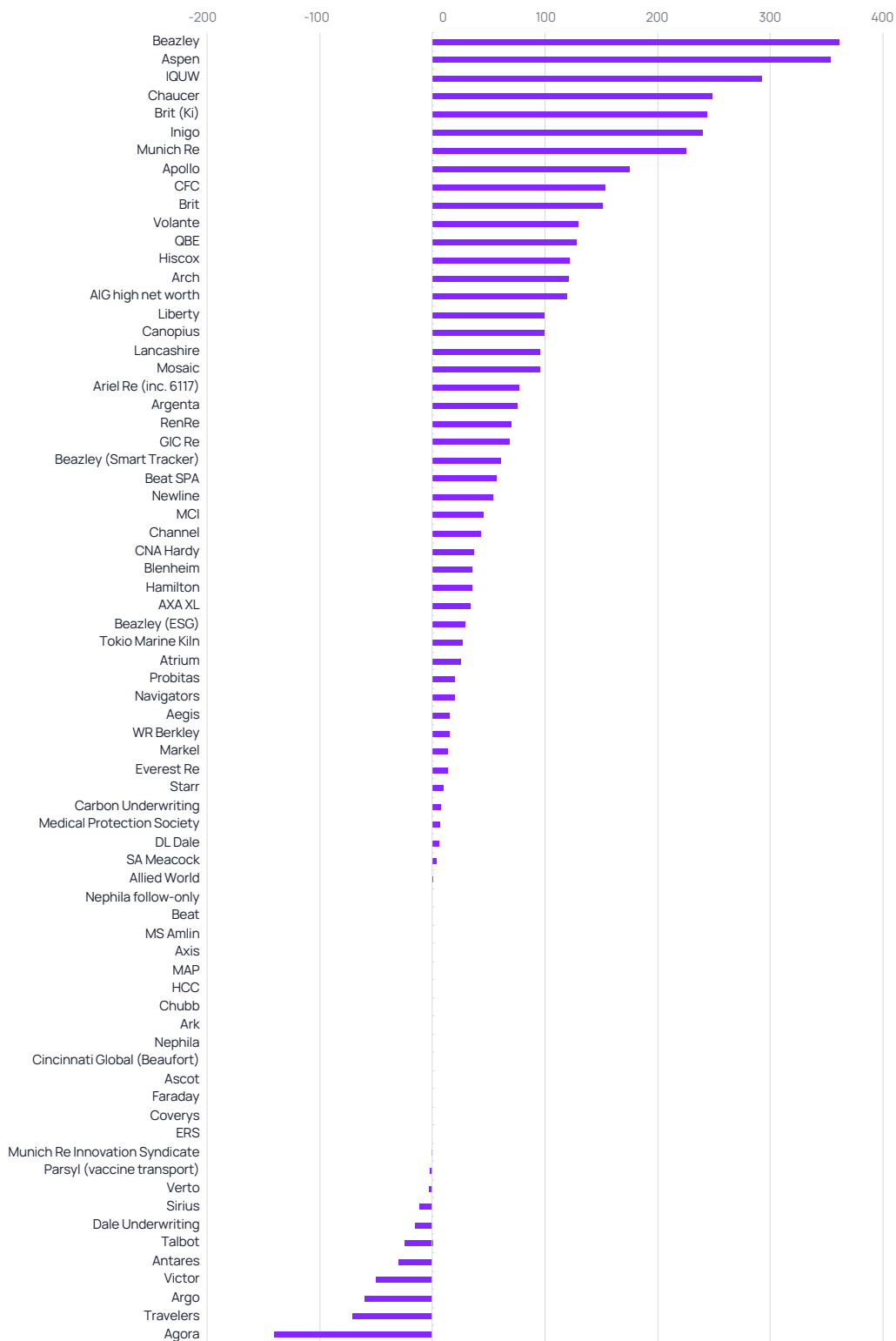


£40.4bn

2022 Total Stamp Capacity

Source: Insurance Insider, Howden Markets London Market Appetite Survey

Increase/Decrease in Lloyd's Stamp Capacity from 2021 (GBPm)

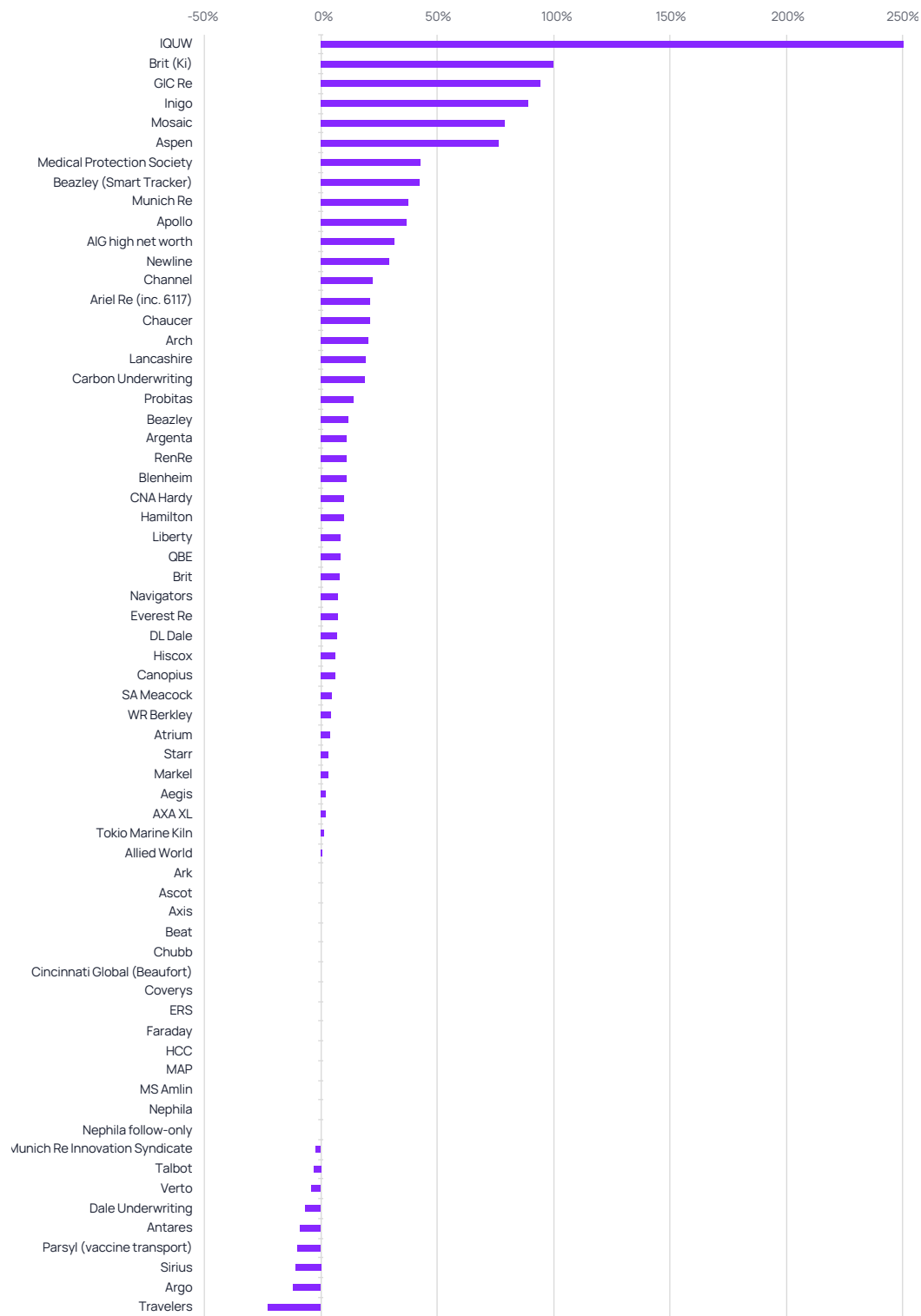


£3.9bn

Increase on
Last Year

Source: Insurance Insider, Howden Markets London Market Appetite Survey

Increase/Decrease in Lloyd's Stamp Capacity from 2021 (% Change)



+10.3%
Change on 2021

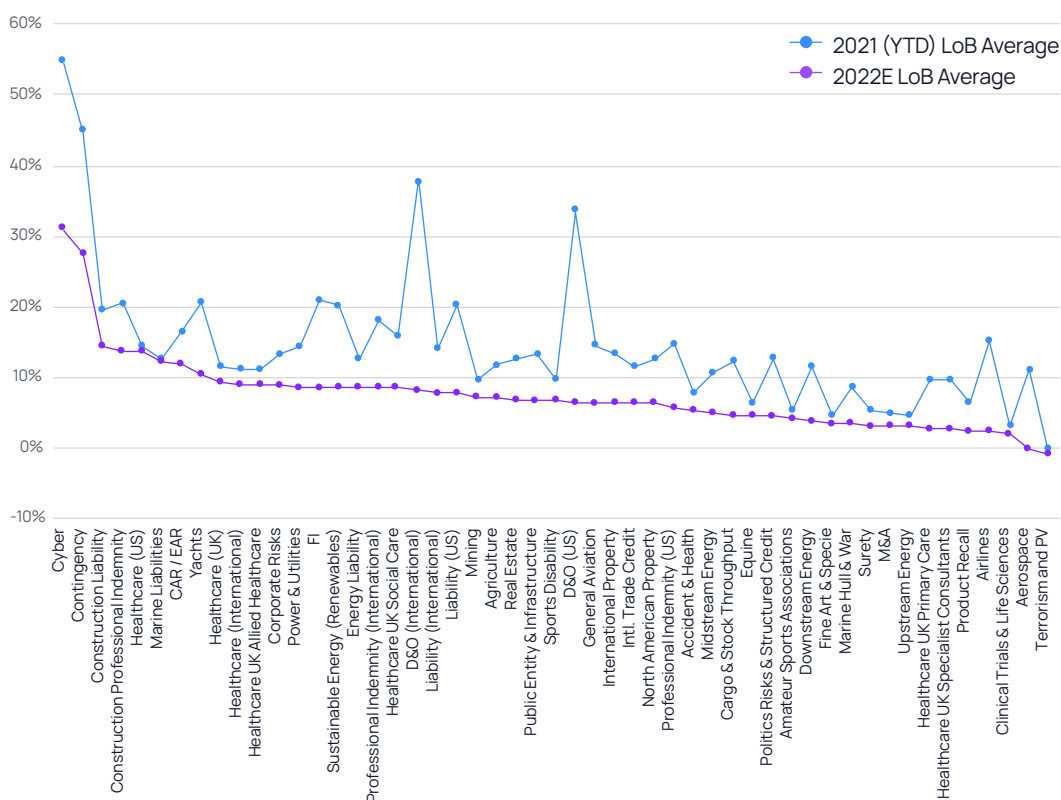
Source: Insurance Insider, Howden Markets London Market Appetite Survey

2021 & 2022 Rate Movement

Risk adjusted rate change (RARC) was obtained (for each insurer respondent willing and able to provide it) for both actual achieved for 2021 (YTD as at November/December) and anticipated for 2022. The average open market RARC across all insurer respondents by line of business is illustrated in the graphic below.

2021 (YTD) RARC Vs 2022 Estimated RARC

Open Market RARC 2021 (YTD) vs 2022E by Line of Business



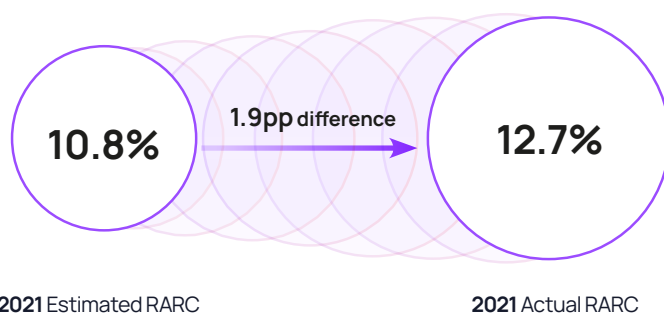
12.7%

Ave. Aggregate
2021 (YTD) RARC

6.7%

Ave. Aggregate 2022E
RARC

In last year's London Market Appetite Survey (2021) we asked respondents to forecast expected RARC for 2021 which saw an average of 10.8%. However insurers did believe they would achieve higher rate momentum than what was committed to paper for planning purposes. We saw this eventuate in this year's survey with insurers achieving overall aggregated risk adjusted rate change for 2021 of 12.7%.

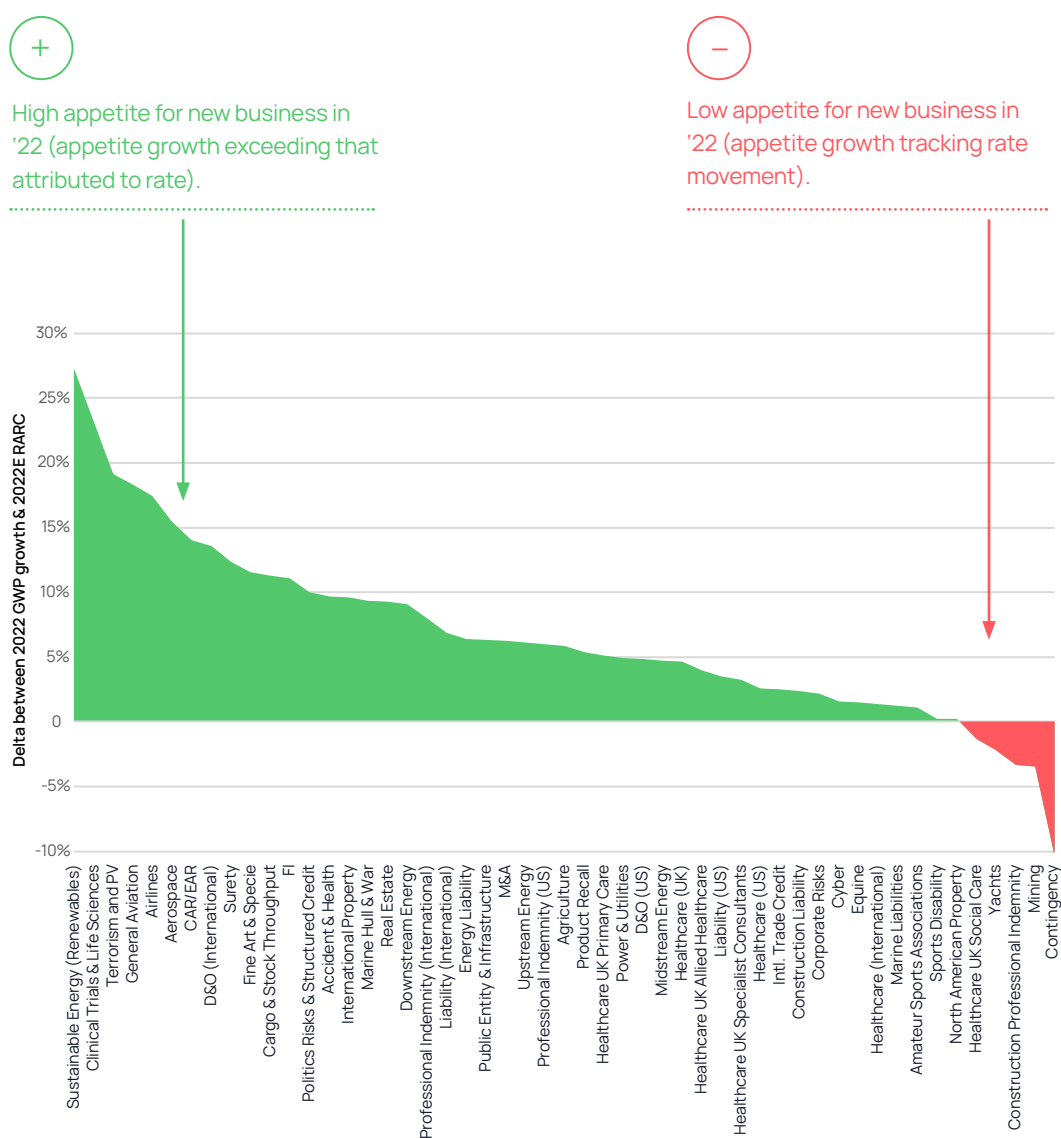


Notwithstanding the conservatism built into the planning process, as can be observed in the graphic above, it is evident that the rate of rate increase is slowing down with an average aggregated rate movement across insurers surveyed of +6.7% for 2022.

The below graph seeks to outline how much of planned GWP growth is owing to rate movement versus new business. Lines of business are ordered by the delta between planned GWP growth (converted to a comparable percentage) and expected RARC for 2022, thereby indicating how much of growth is on the table for new business.

For certain lines of business such as Renewables, Clinical Trials and Terrorism & PV there is implied appetite for new business. Average forecasts for 2022 RARC for these lines are relatively muted whilst expressed appetite to grow in terms of GWP is high. In contrast, in the instance of Terrorism & PV the average 2022E RARC is even negative at -0.55% yet the average appetite score is 2.0 indicating planned GWP growth of 10-25%.

2022 Growth Appetite versus 2022E RARC by Line of Business



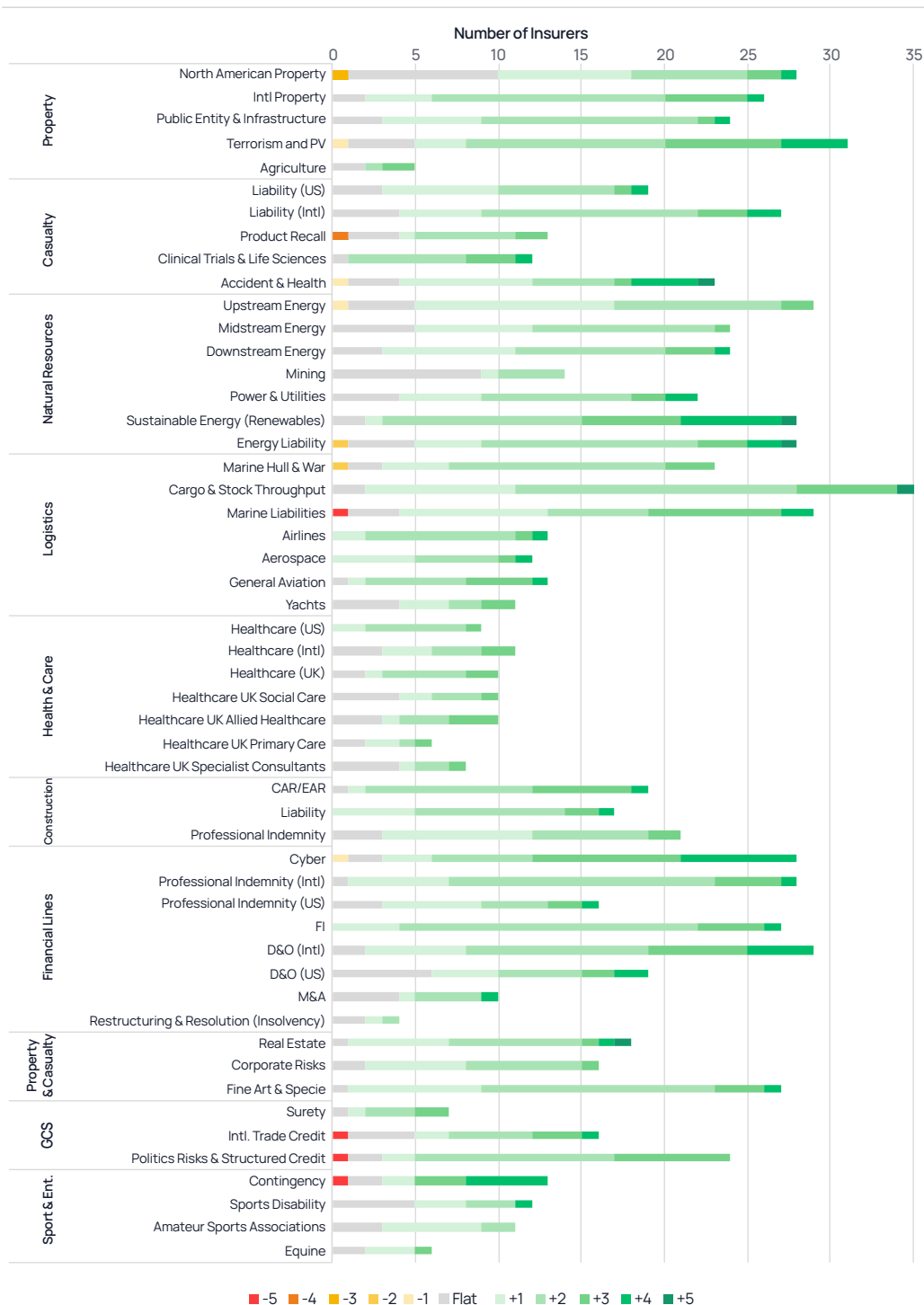
LoB's in descending order of delta between expected growth calculated from appetite score band and expected 2022 average RARC.

Howden Markets

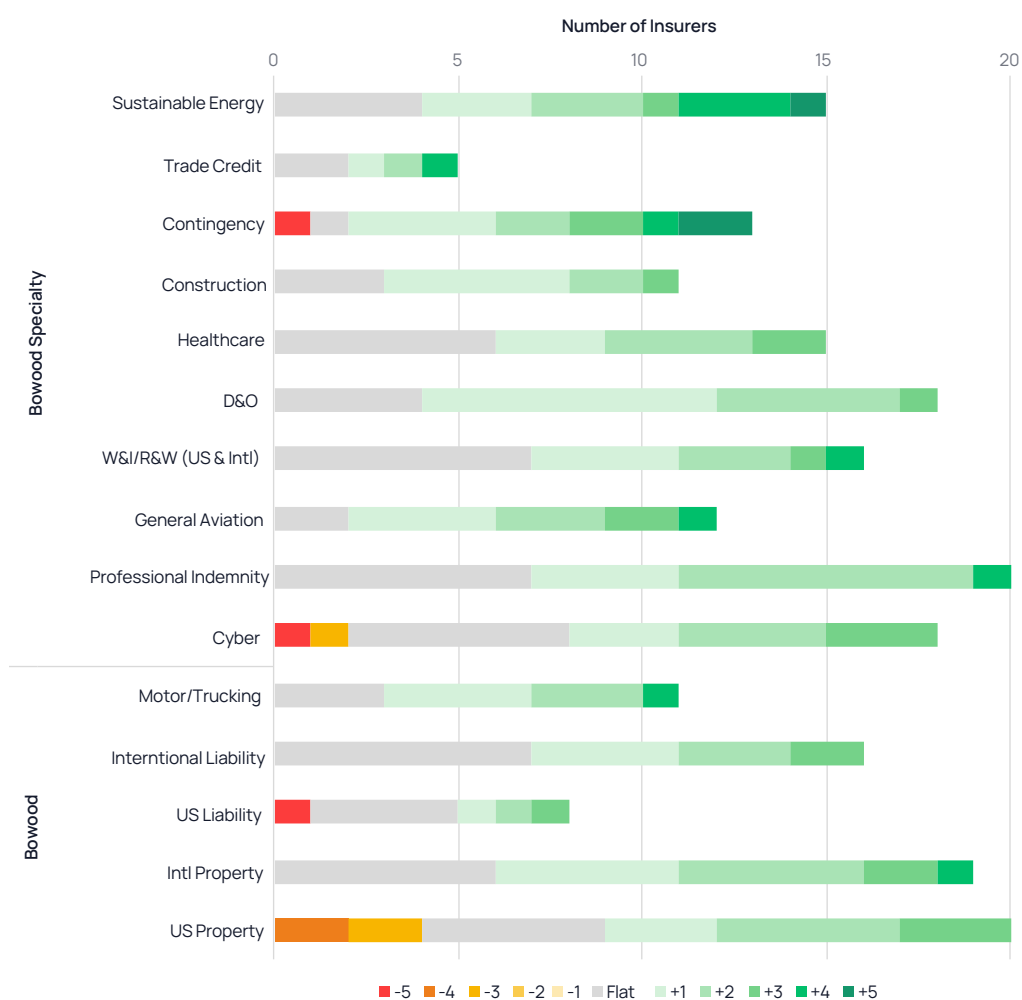
LMAS Findings

The total picture across all product lines and all insurers surveyed is illustrated in the series of graphics in this section.

“Open Market” Insurer Appetite by Line of Business

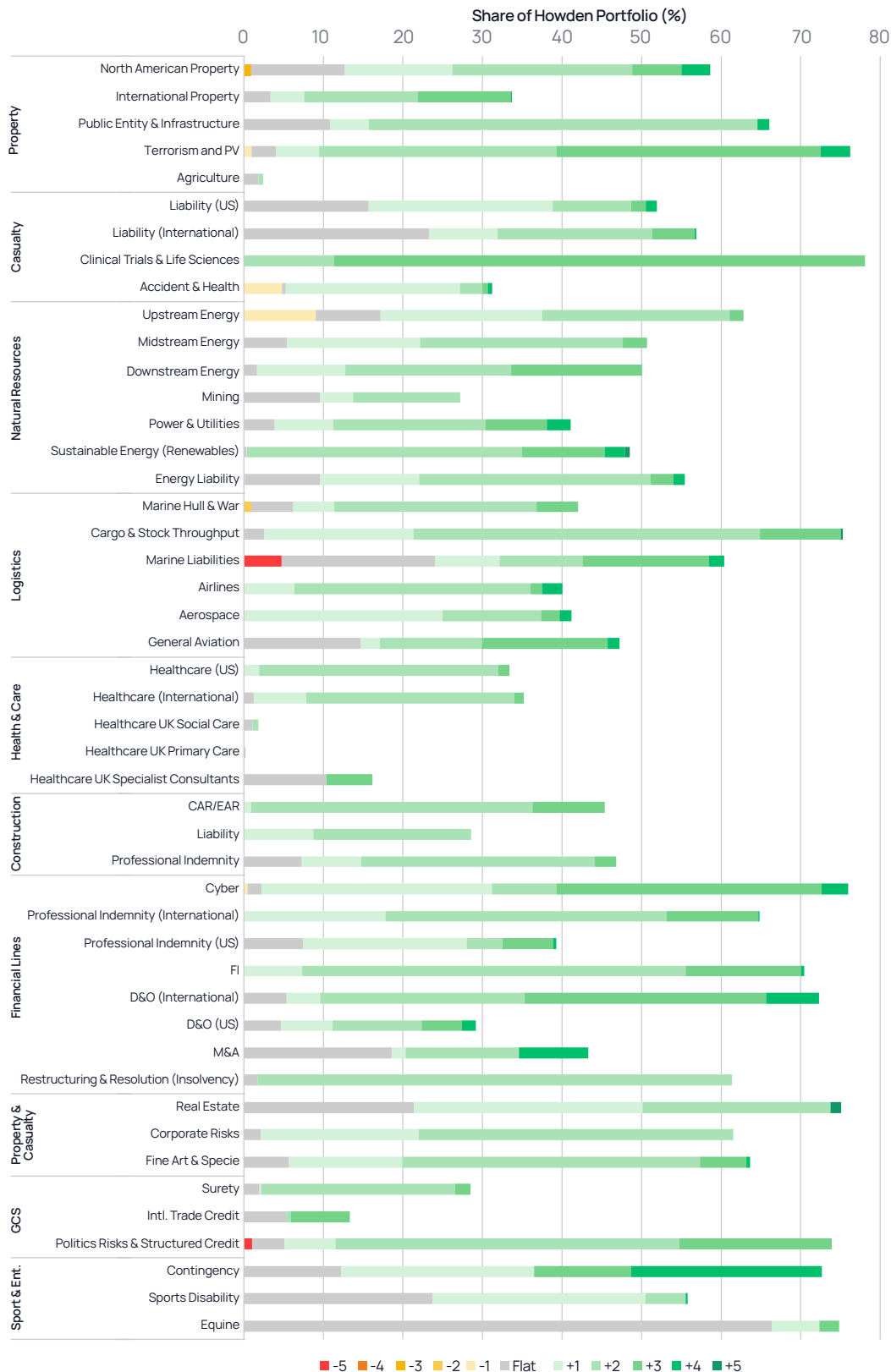


"Delegated Authority" Insurer Appetite per Bowood Line of Business



Unlike the above analysis which treats each insurer with an equal weighting, the below analysis weights each insurer appetite score by share of Howden premium (by 2021 line of business). The optimistic level of appetite is largely reinforced from this perspective as more established players maintain a steady rate of growth.

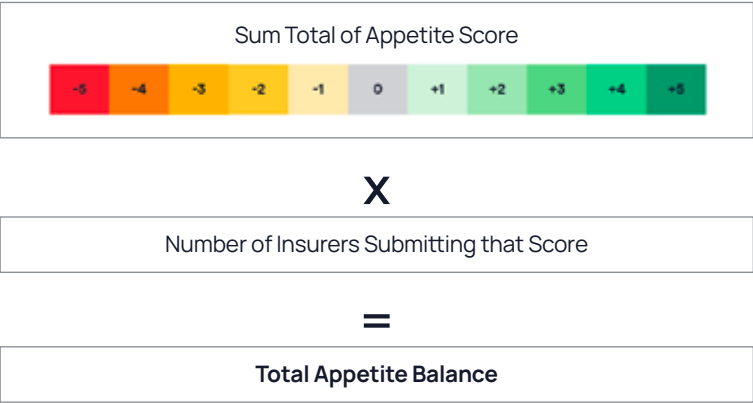
“Open Market” Weighted Insurer Appetite by Share of Howden Portfolio



Share of Howden Portfolio 1/12/20-30/11/21

Market Appetite Balance

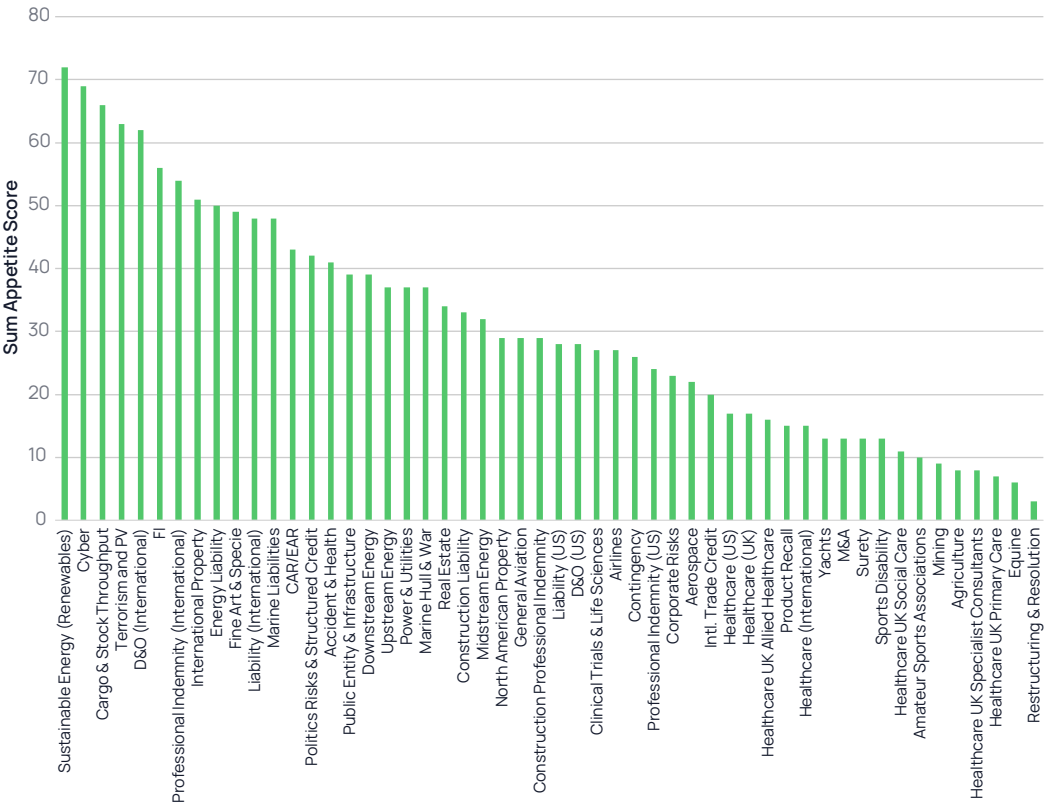
Sum totalling all insurers' appetite scores provides a good indication of the strength of growth (or contraction) in a line of business. As can be seen in the graphic below, the balance of appetite is positive in all lines of business both for open market and delegated.



Open Market – Total Appetite Balance



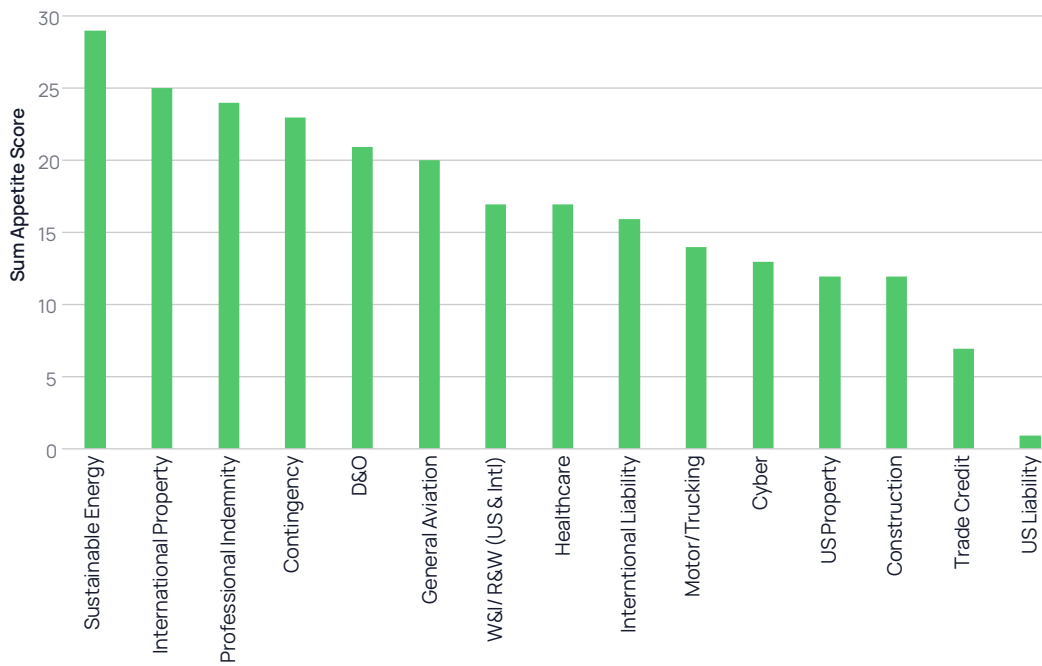
High appetite for new business in '22 (appetite growth exceeding that attributed to rate).



Delegated Authority – Total Appetite Balance

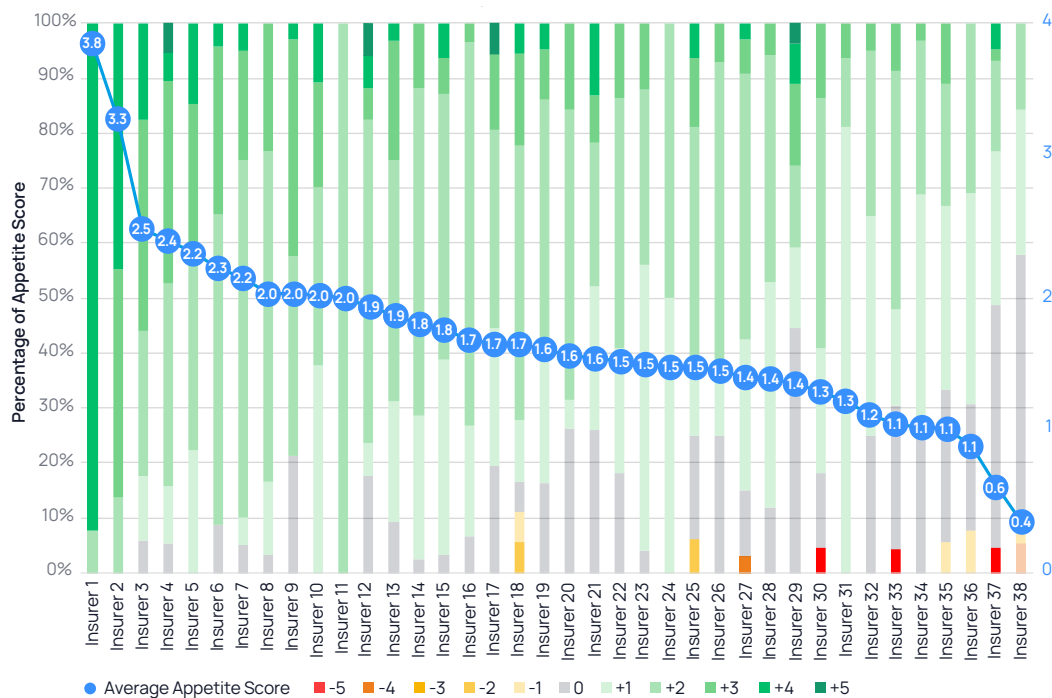


High appetite for new business in '22 (appetite growth exceeding that attributed to rate).

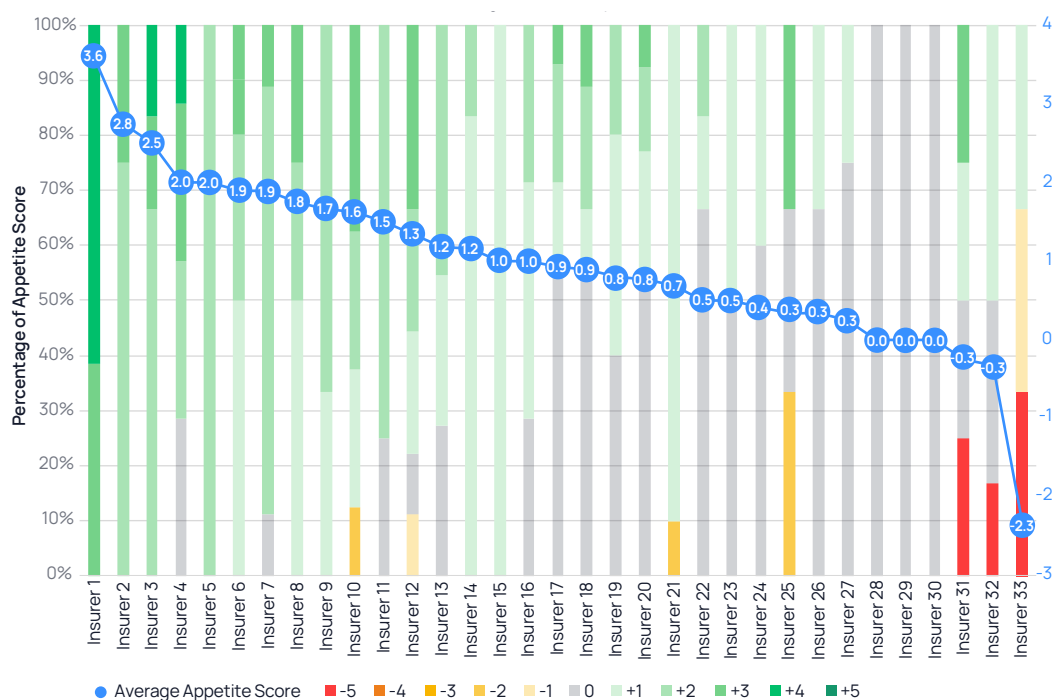


The graphics below show the proportion of all scores provided attributable to each appetite score category, by insurer – for example if an insurer was closing down and pulling out of all classes then they would be represented as a solid red bar (-5) from 0-100%. As per last year, growth appetite is much stronger in the open market than in delegated.

Open Market Insurer Appetite Score as a % of Total Appetite Scores provided by Insurer



Delegated Authority Insurer Appetite Score as a % of Total Appetite Scores provided by Insurer



North American Property

Number of Insurers

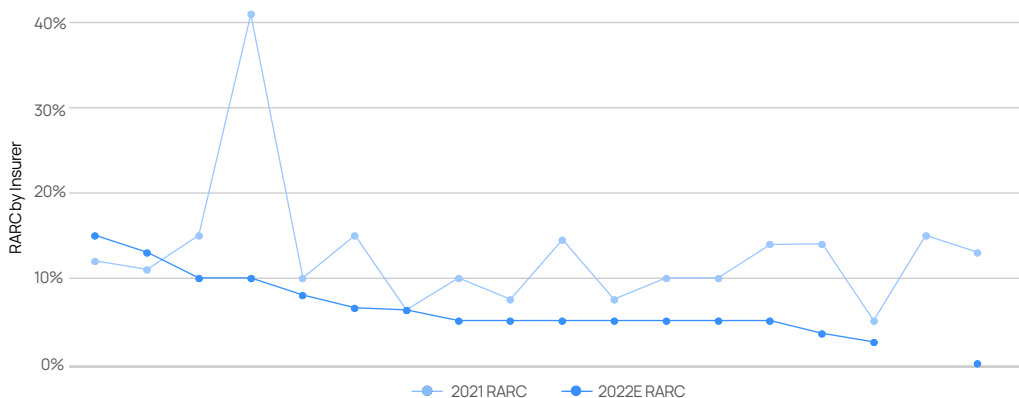
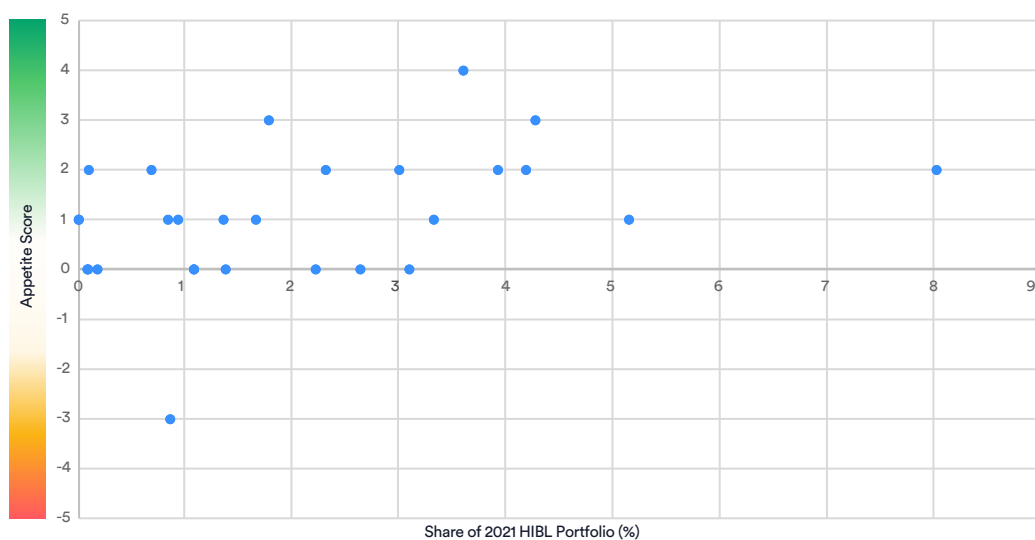
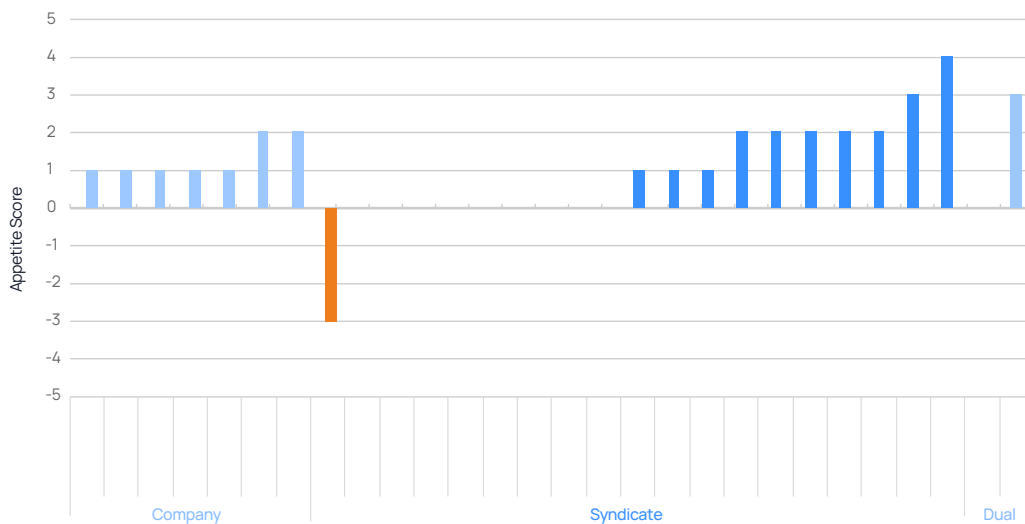
28

Sum of Share of Howden Portfolio

58.65%

Average Appetite

1.0



International Property

Number of Insurers

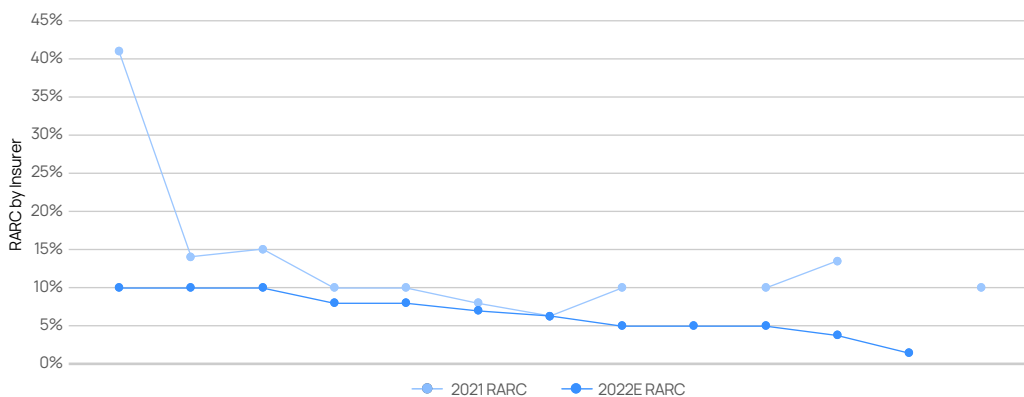
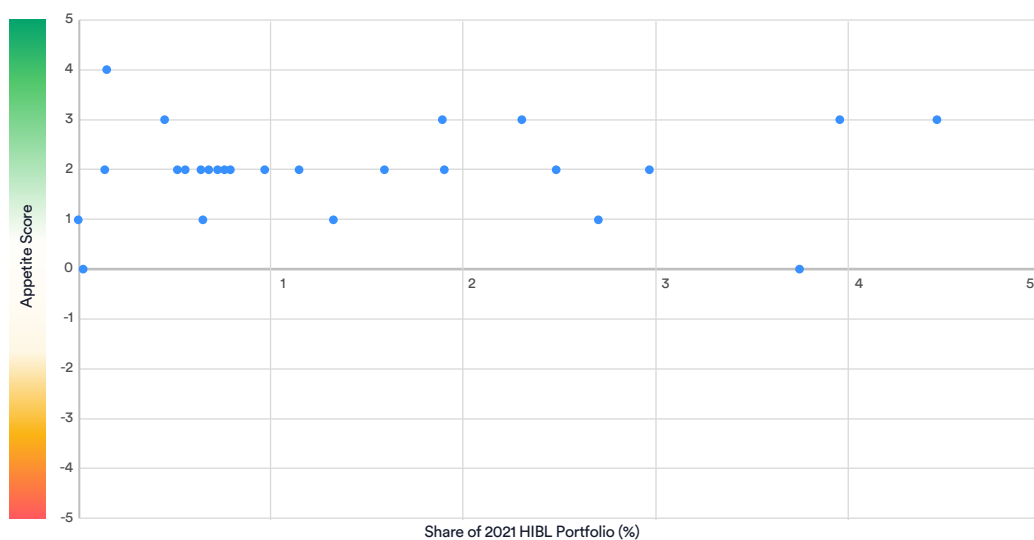
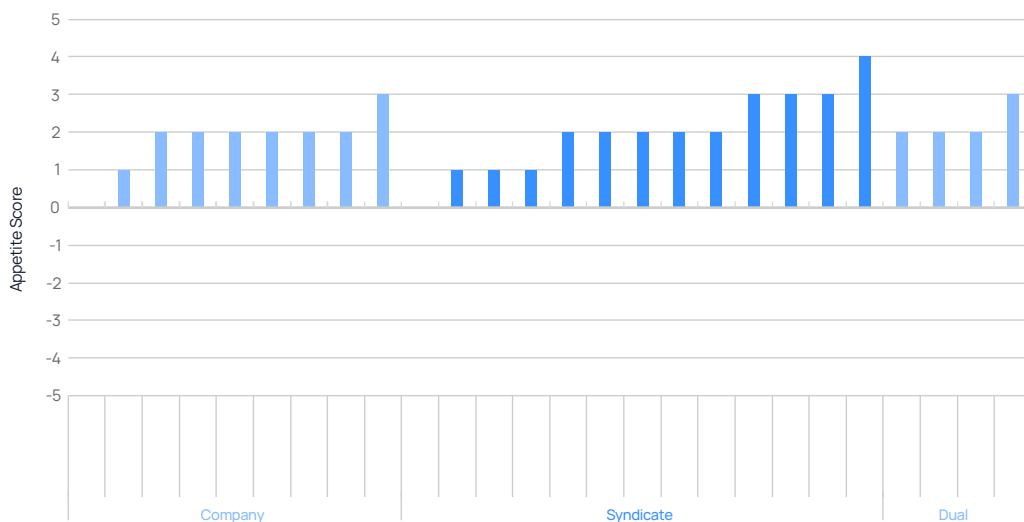
26

Sum of Share of Howden Portfolio

33.70%

Average Appetite

2.0



Terrorism and PV

Number of Insurers

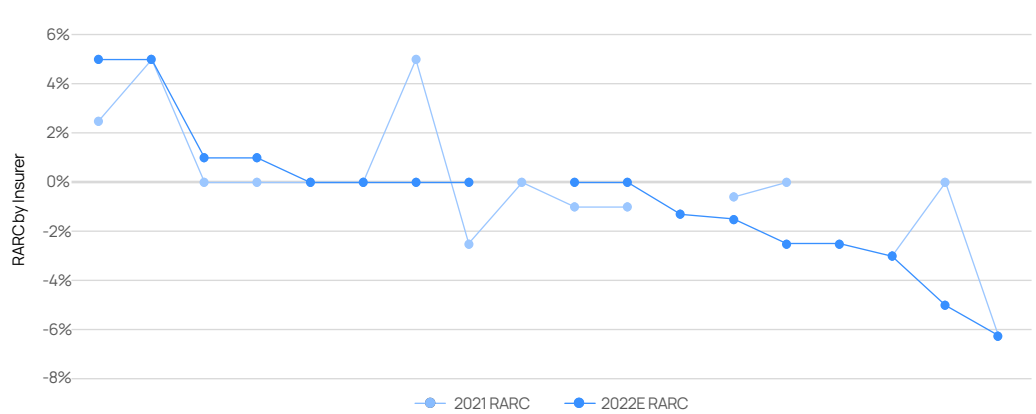
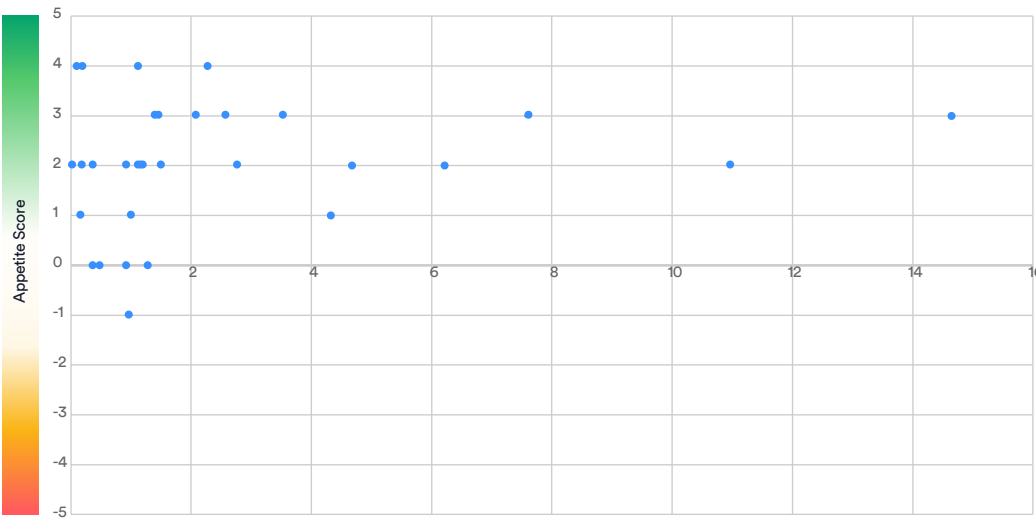
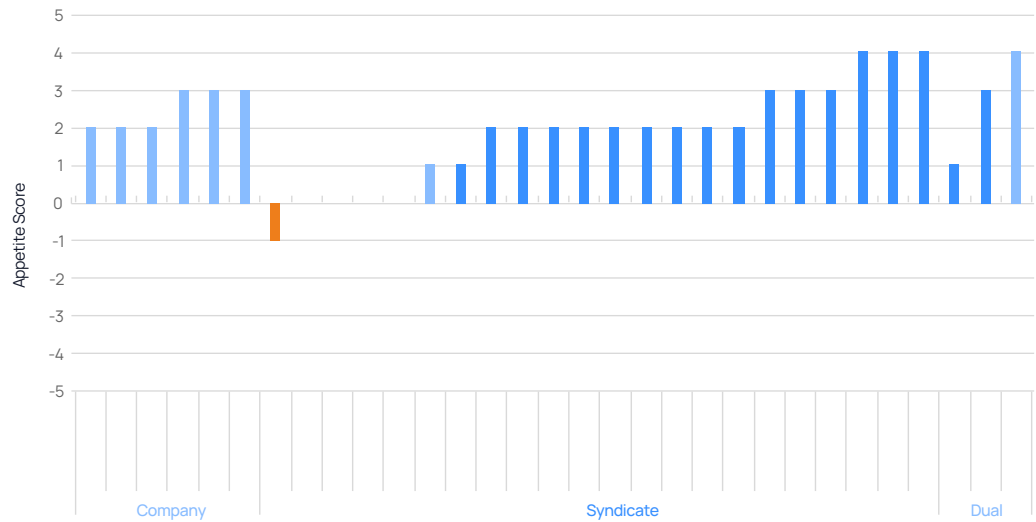
31

Sum of Share of Howden Portfolio

76.21%

Average Appetite

2.0



Public Entity & Infrastructure

Number of Insurers

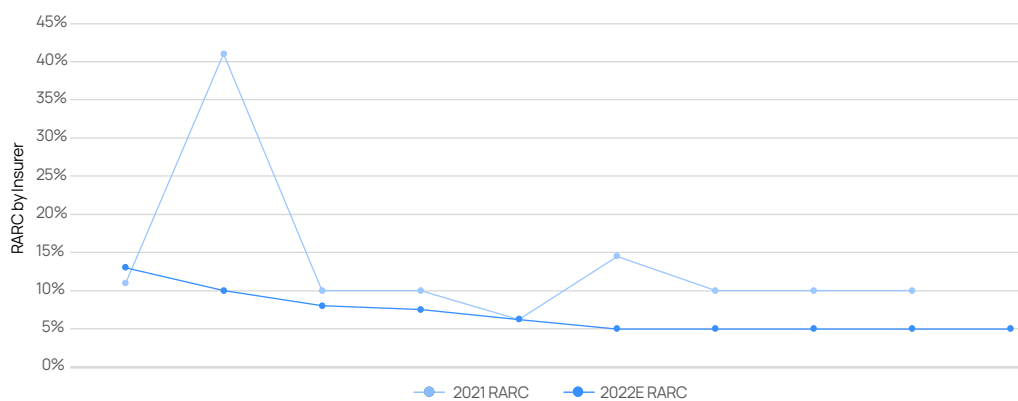
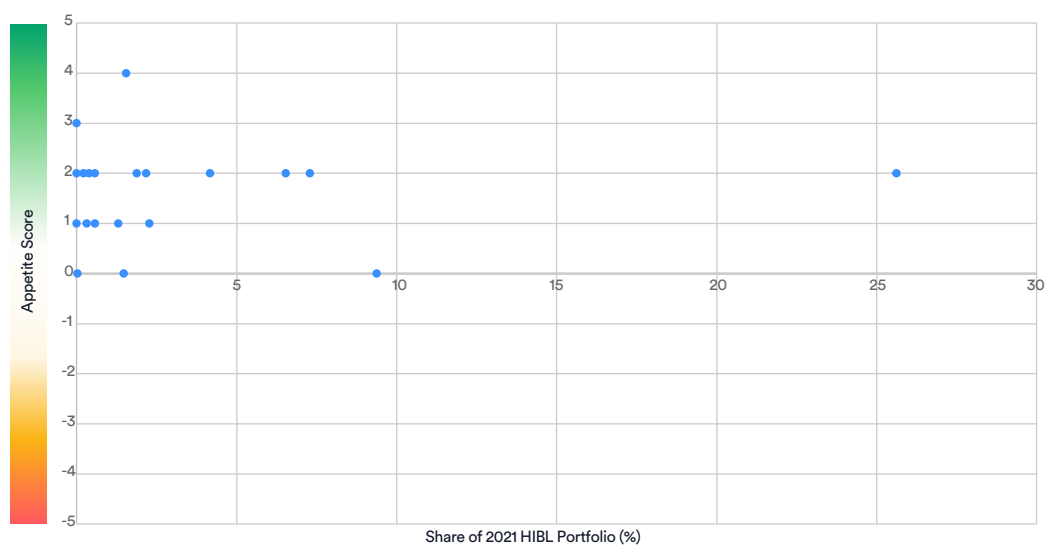
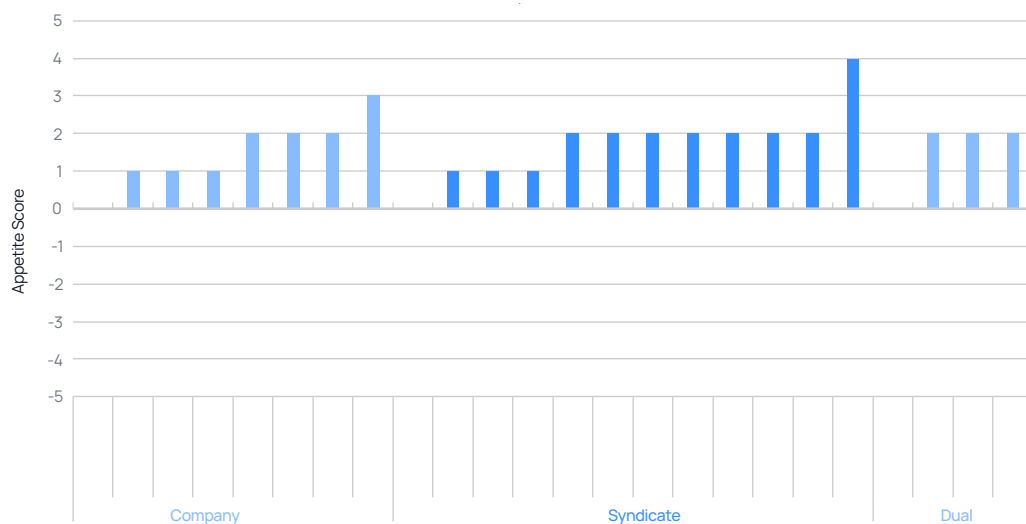
Sum of Share of Howden Portfolio

Average Appetite

24

66.07%

1.6



Agriculture

Number of Insurers

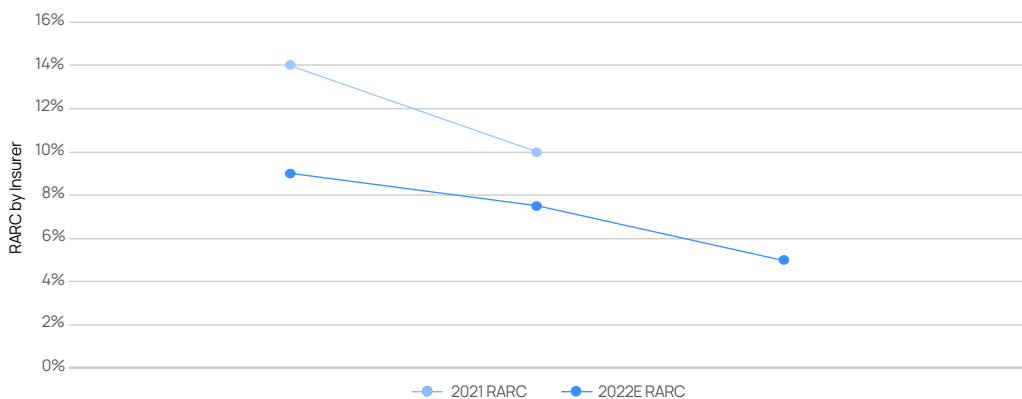
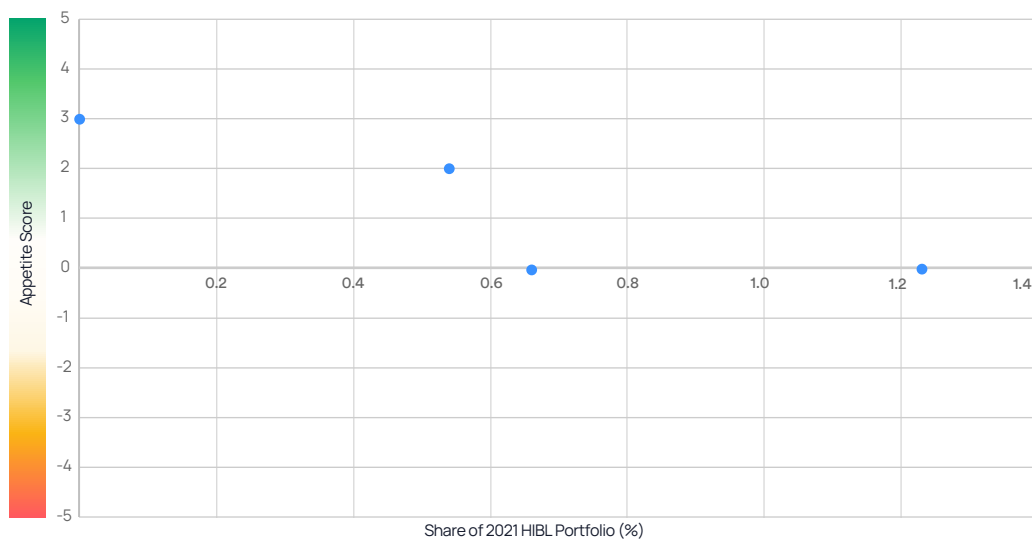
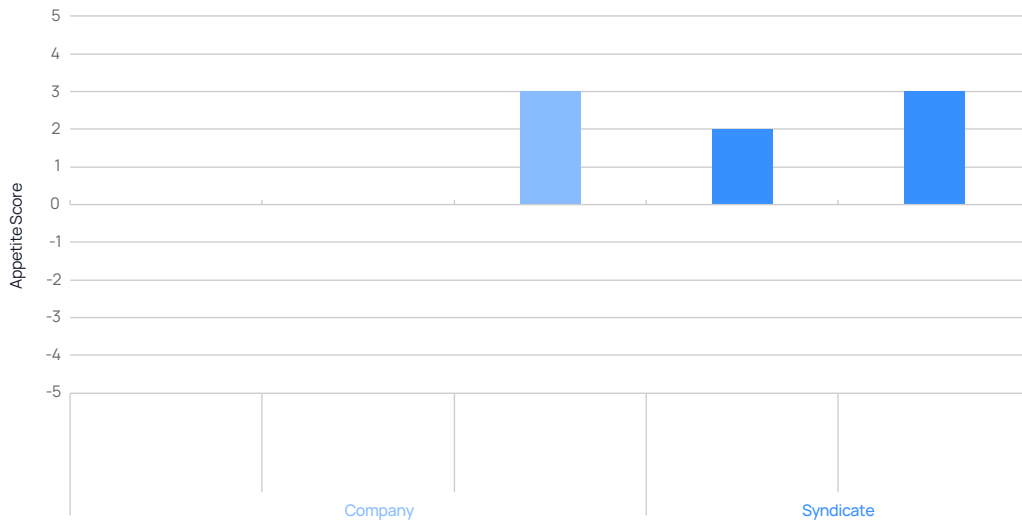
5

Sum of Share of Howden Portfolio

2.43%

Average Appetite

1.6



Liability (US)

Number of Insurers

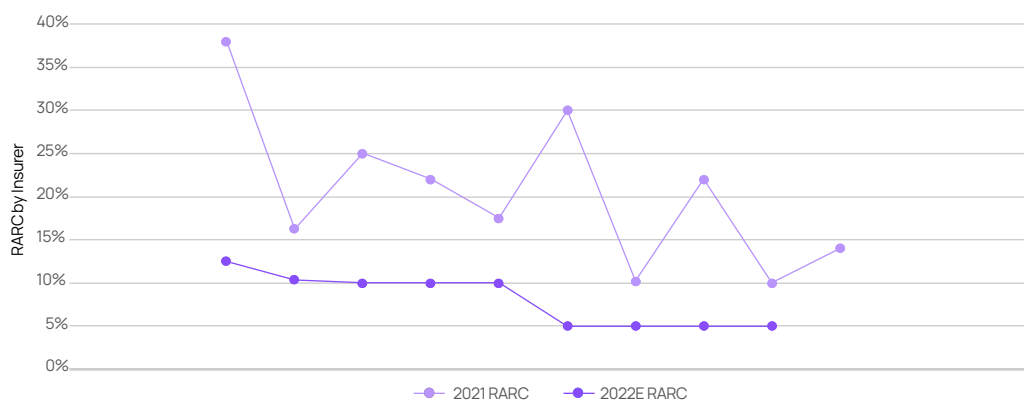
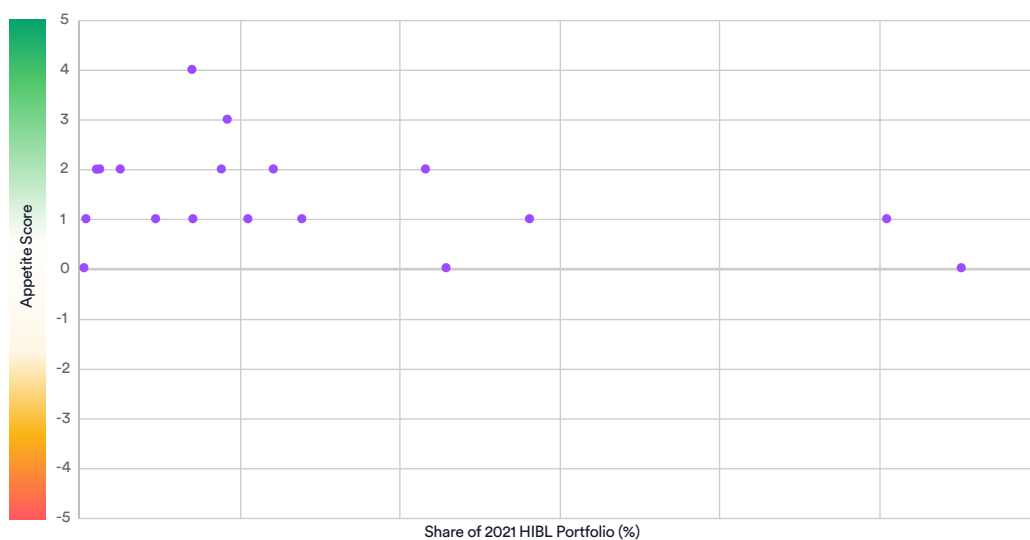
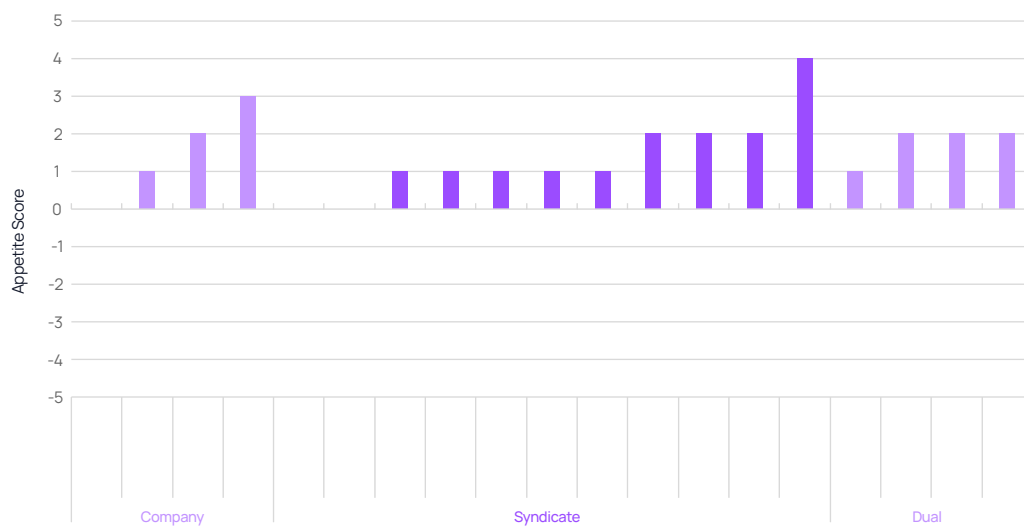
Sum of Share of Howden Portfolio

Average Appetite

19

51.93%

1.5



Liability (International)

Number of Insurers

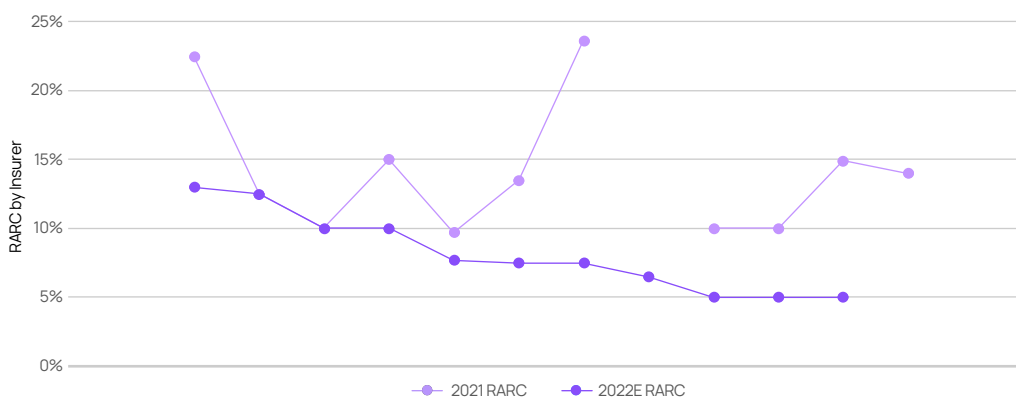
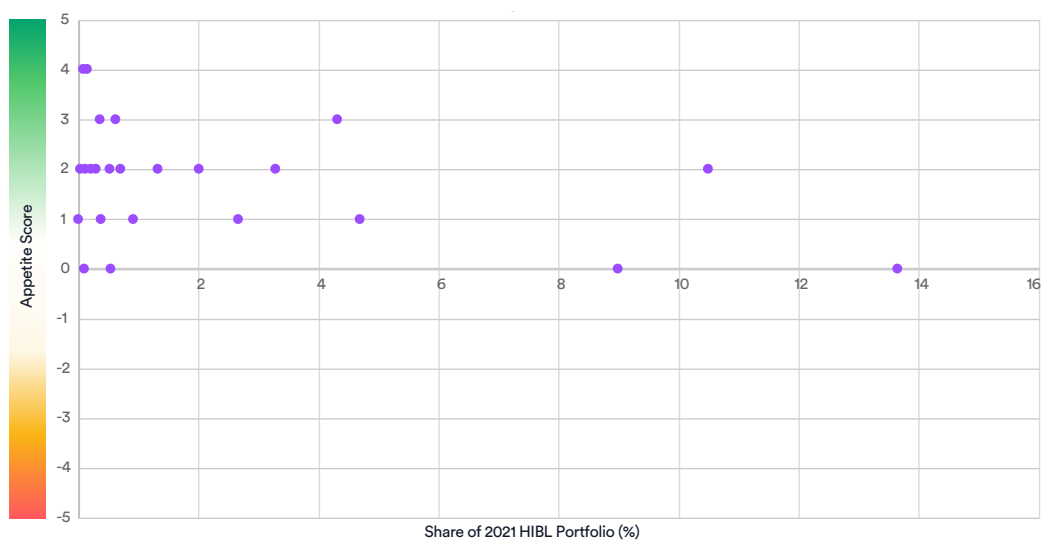
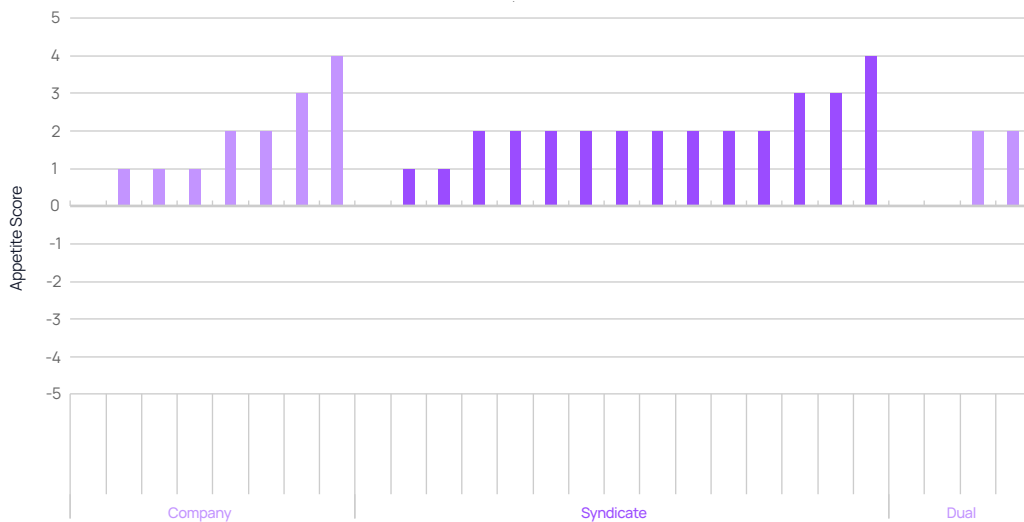
27

Sum of Share of Howden Portfolio

56.86%

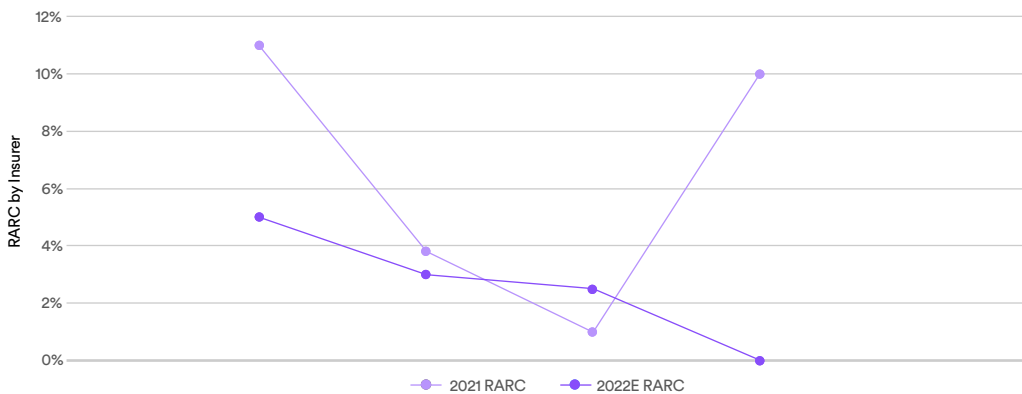
Average Appetite

1.8



Average Appetite

1.2



Clinical Trials & Life Sciences

Number of Insurers

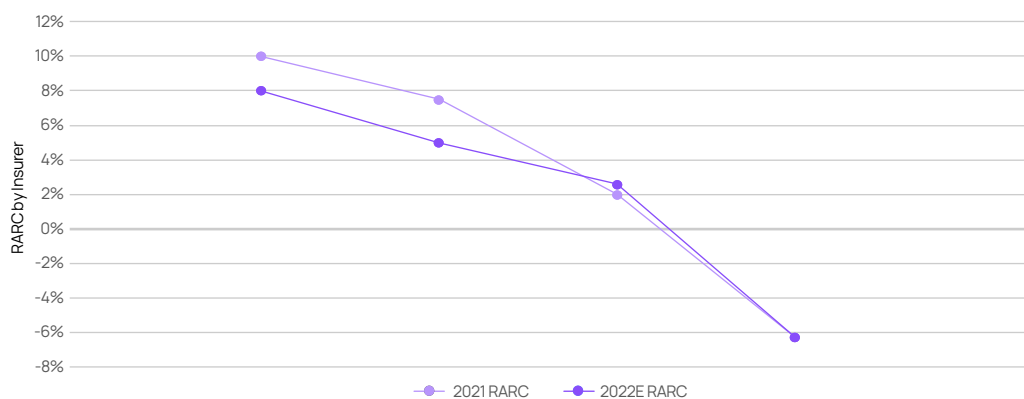
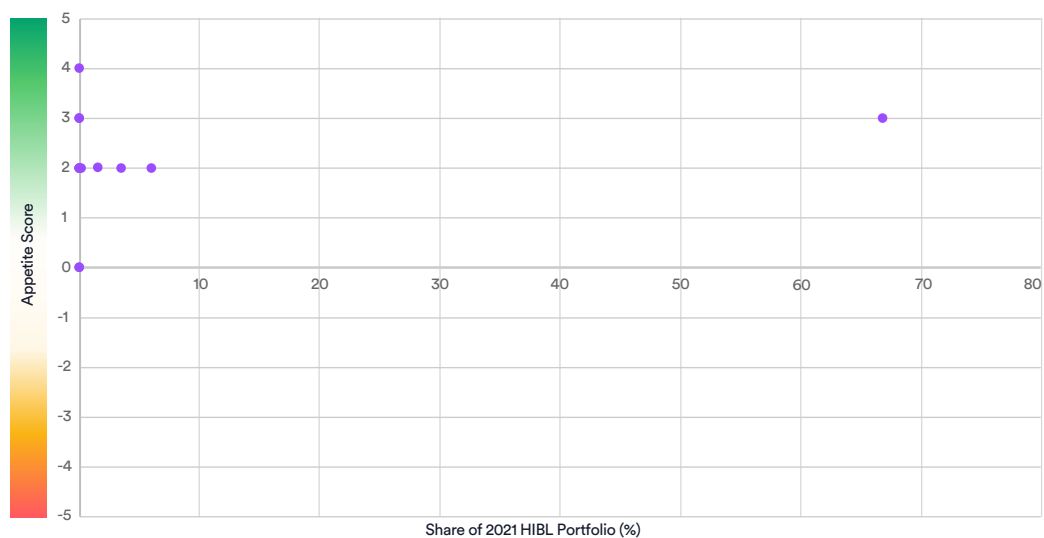
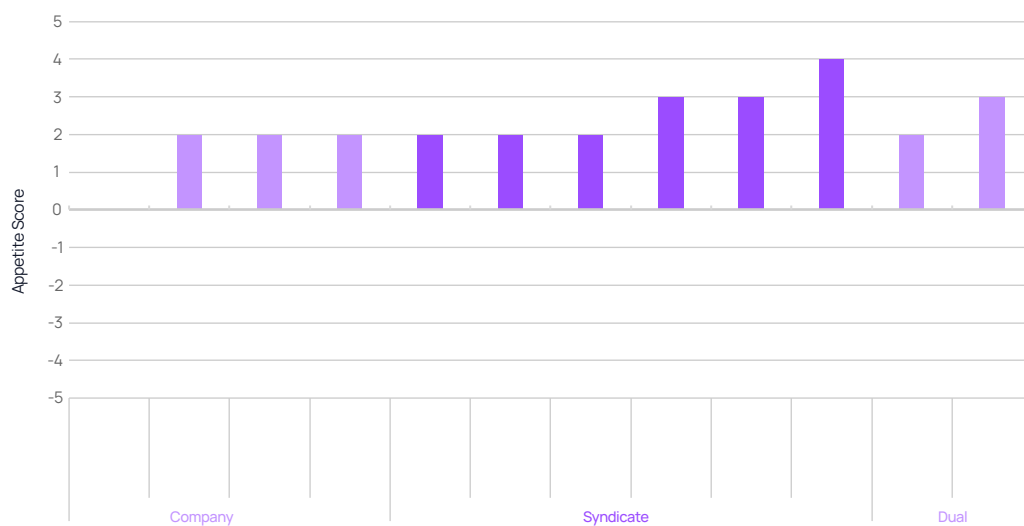
Sum of Share of Howden Portfolio

Average Appetite

12

78.09%

2.3



Accident & Health

Number of Insurers

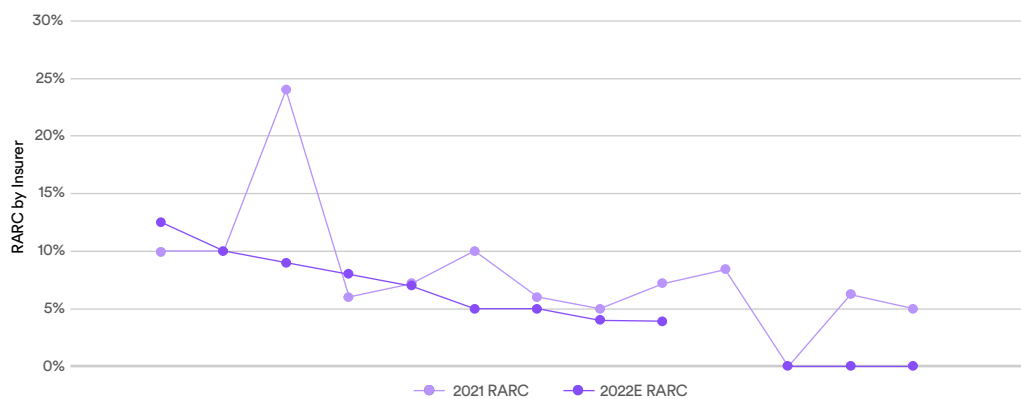
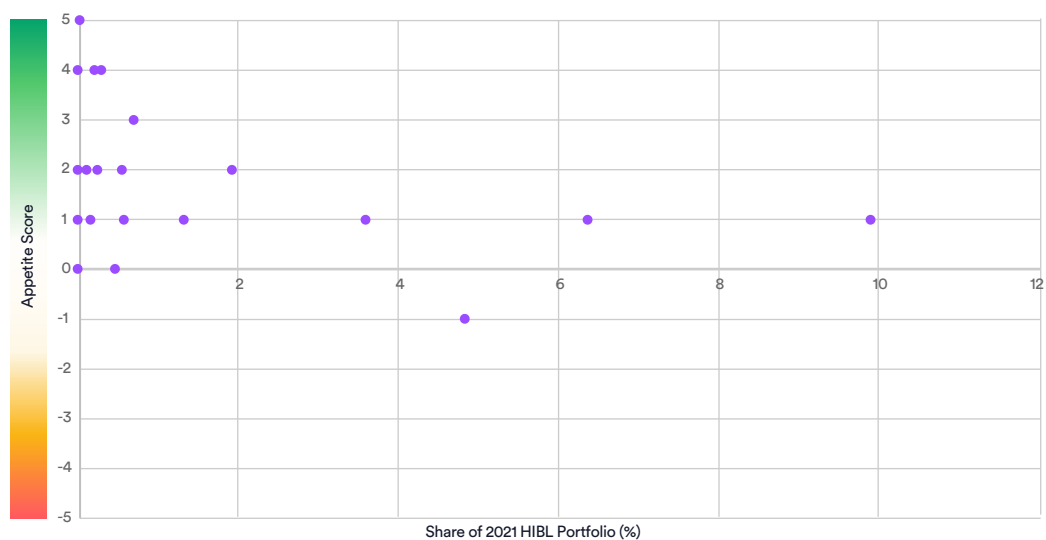
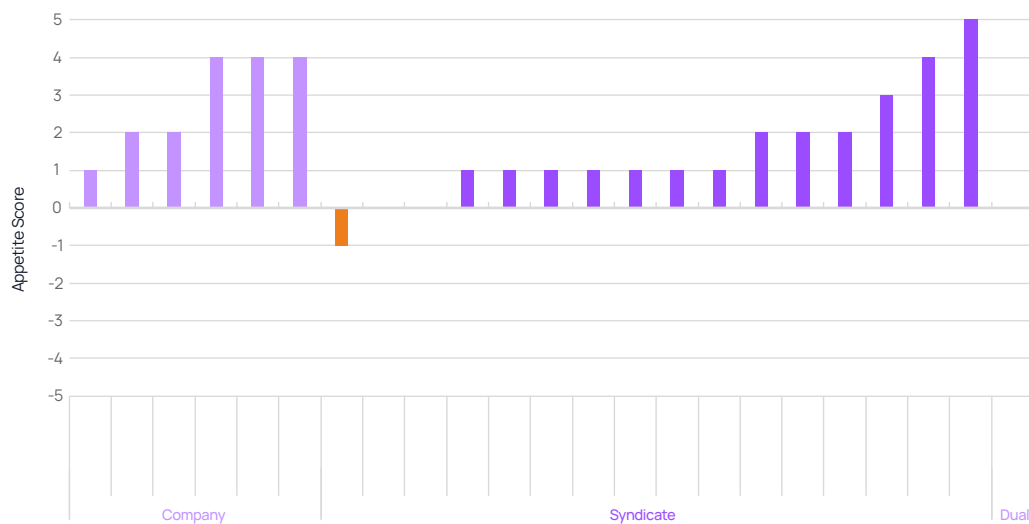
Sum of Share of Howden Portfolio

Average Appetite

23

31.19%

1.8



Upstream Energy

Number of Insurers

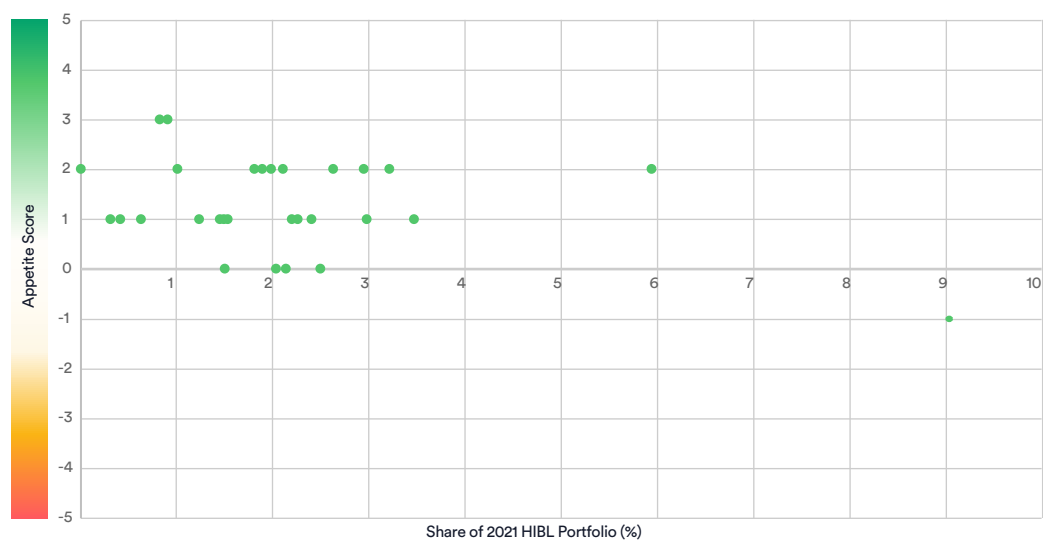
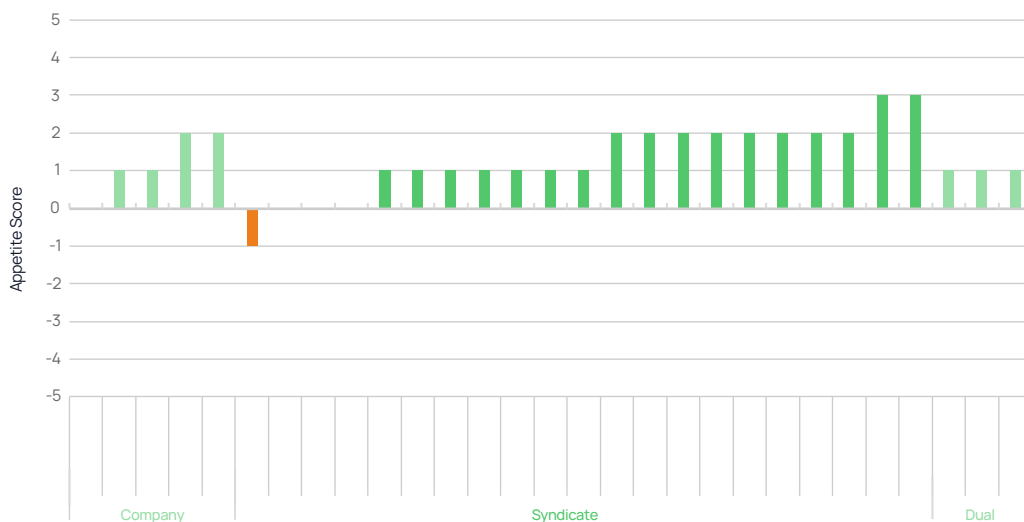
Sum of Share of Howden Portfolio

Average Appetite

29

62.79%

1.3



Midstream Energy

Number of Insurers

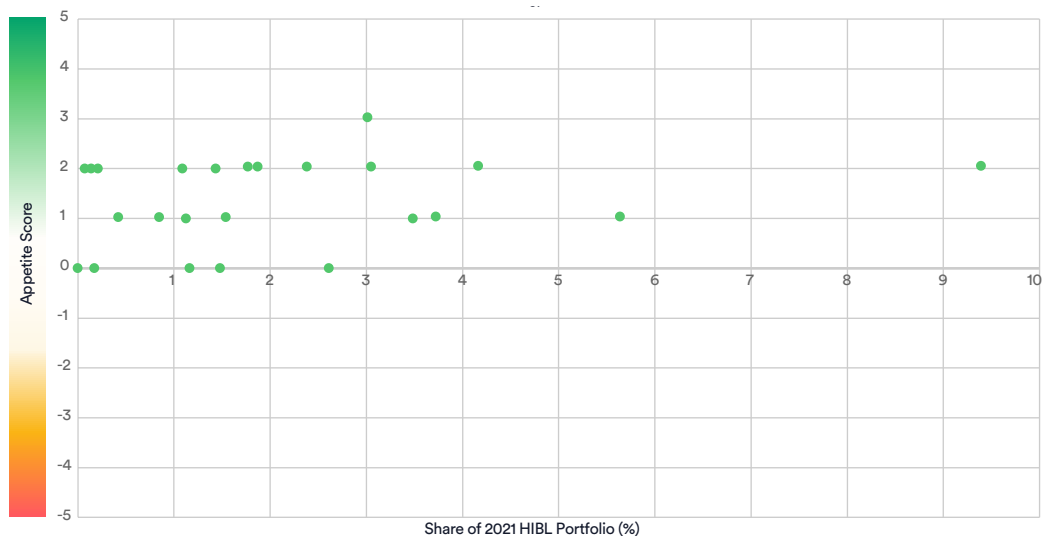
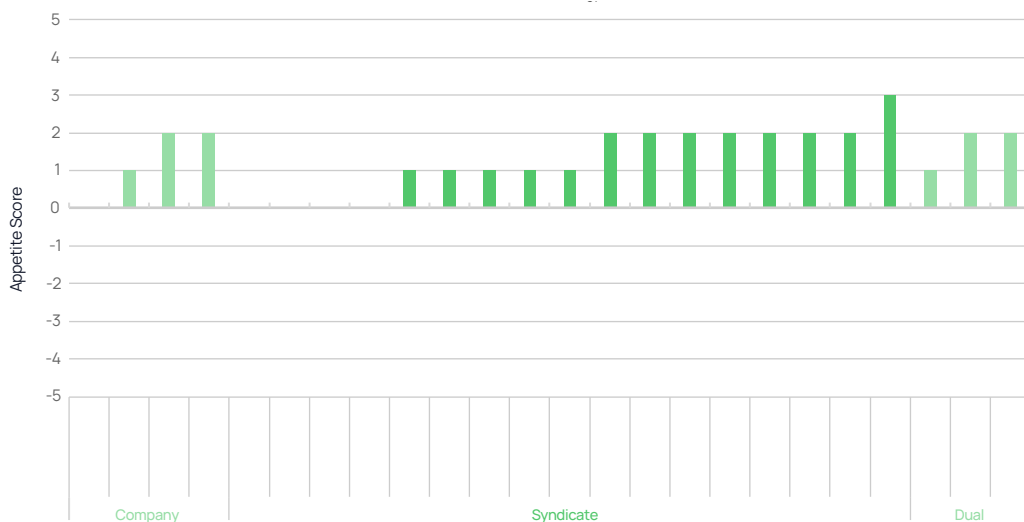
24

Sum of Share of Howden Portfolio

50.67%

Average Appetite

1.3



Downstream Energy

Number of Insurers

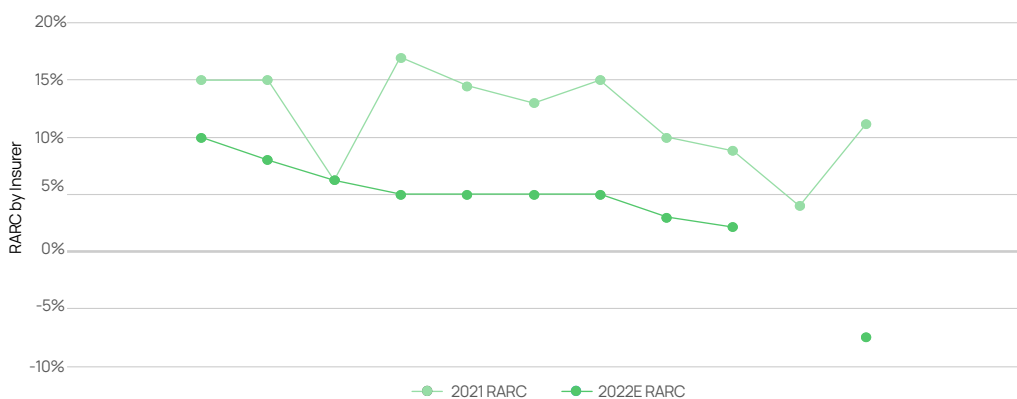
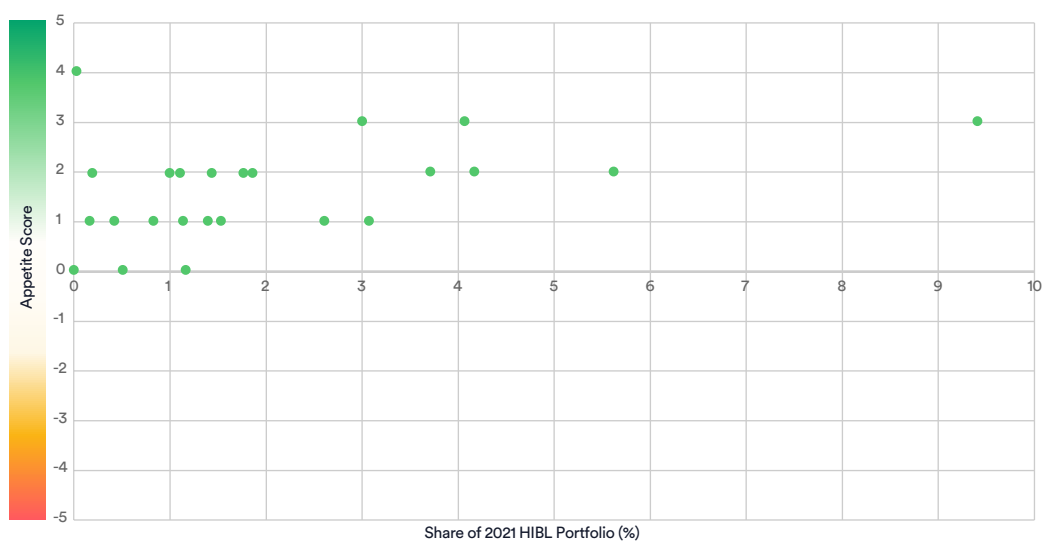
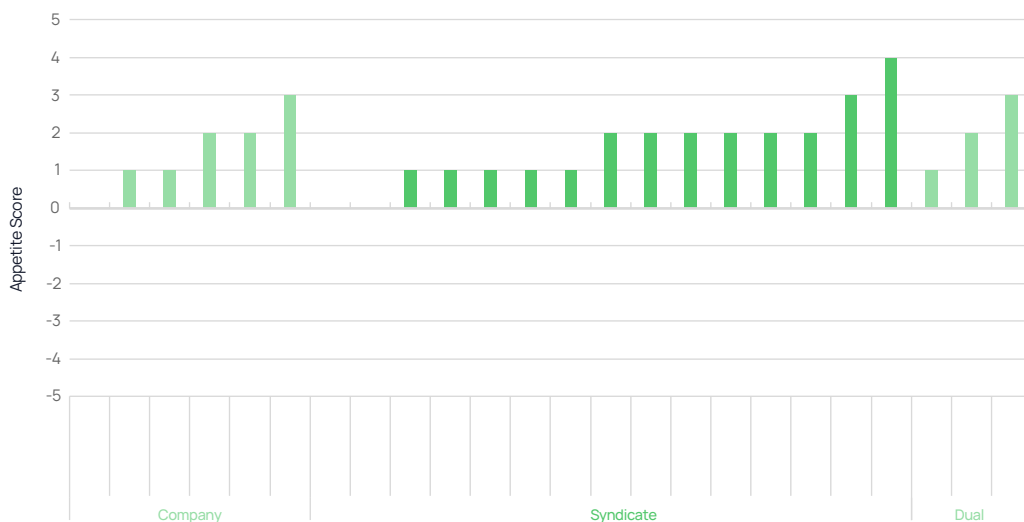
24

Sum of Share of Howden Portfolio

50.07%

Average Appetite

1.6



Mining

Number of Insurers

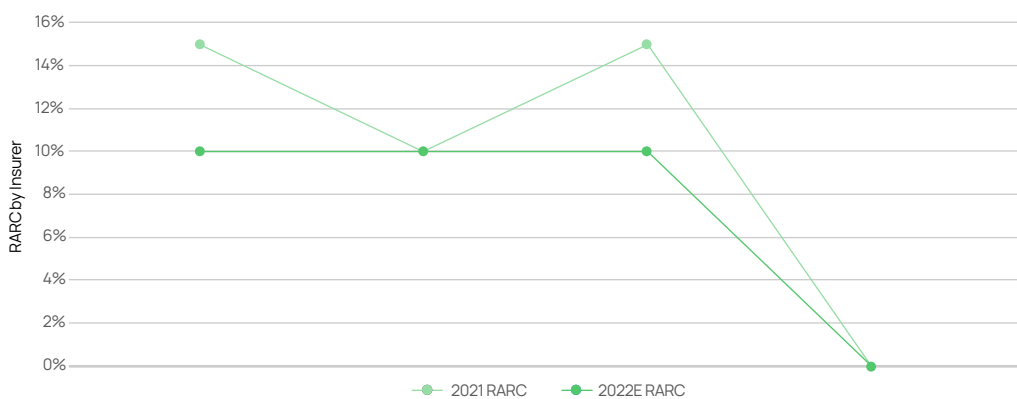
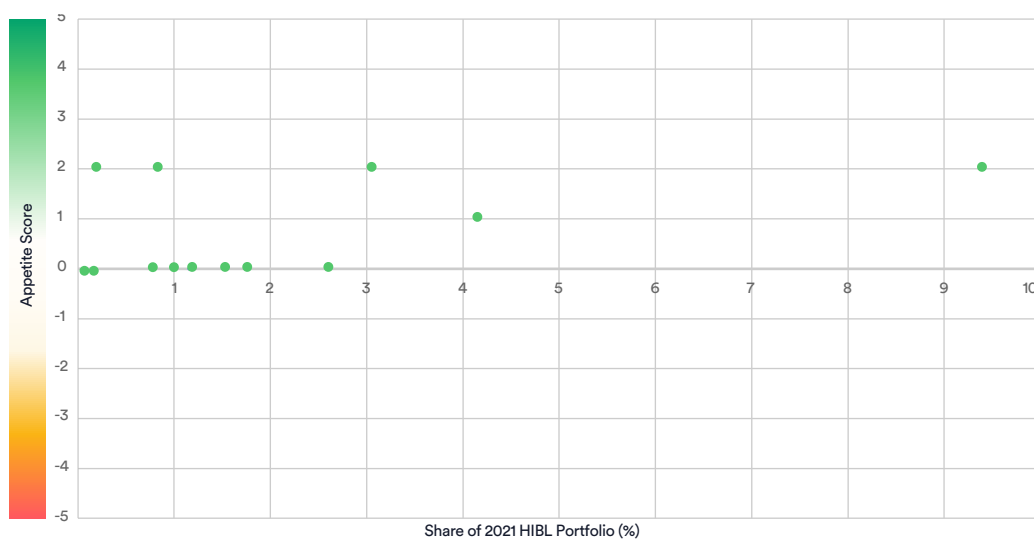
14

Sum of Share of Howden Portfolio

27.19%

Average Appetite

0.6



Power & Utilities

Number of Insurers

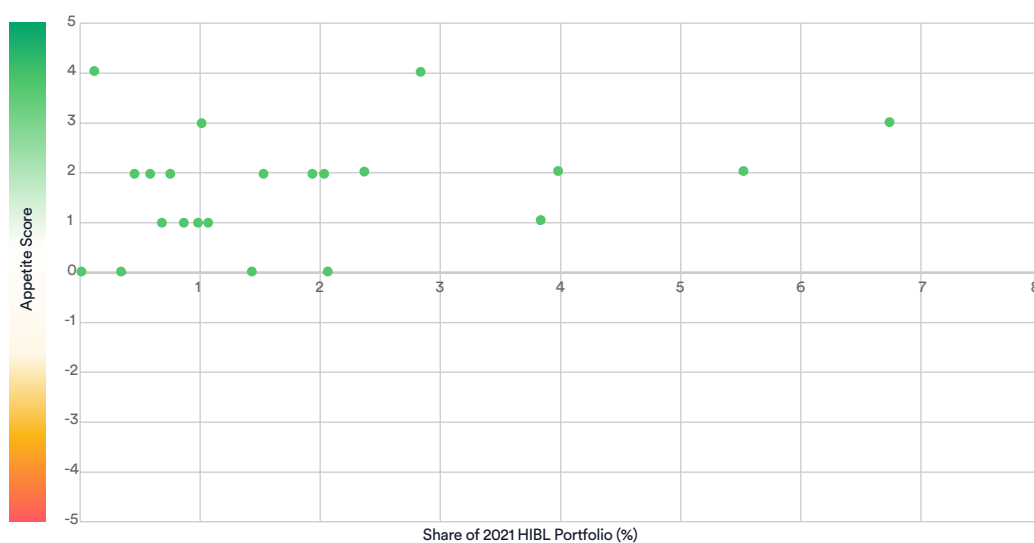
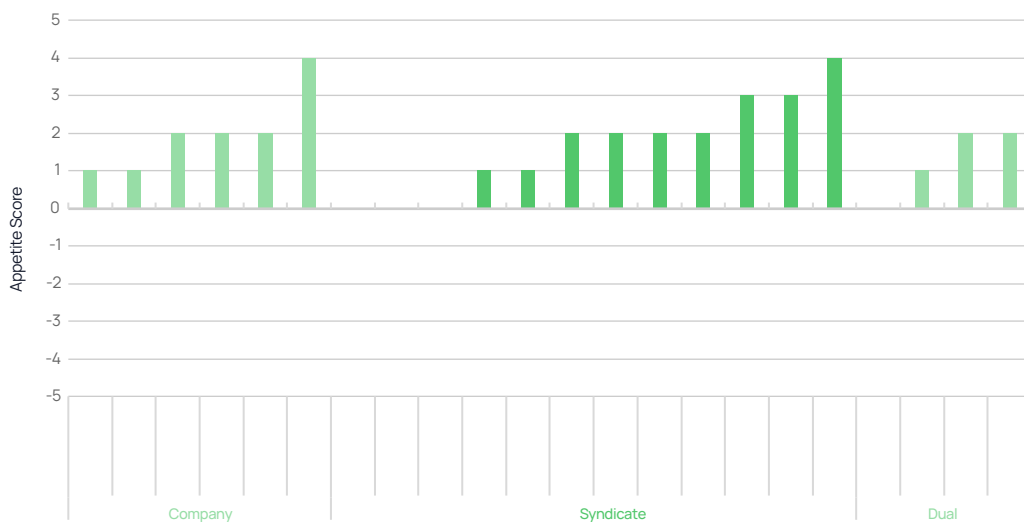
22

Sum of Share of Howden Portfolio

41.06%

Average Appetite

1.7



Sustainable Energy (Renewables)

Number of Insurers

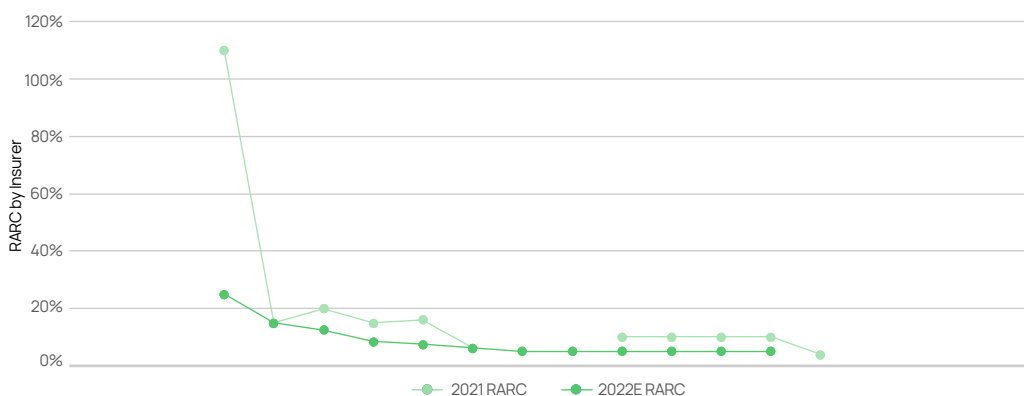
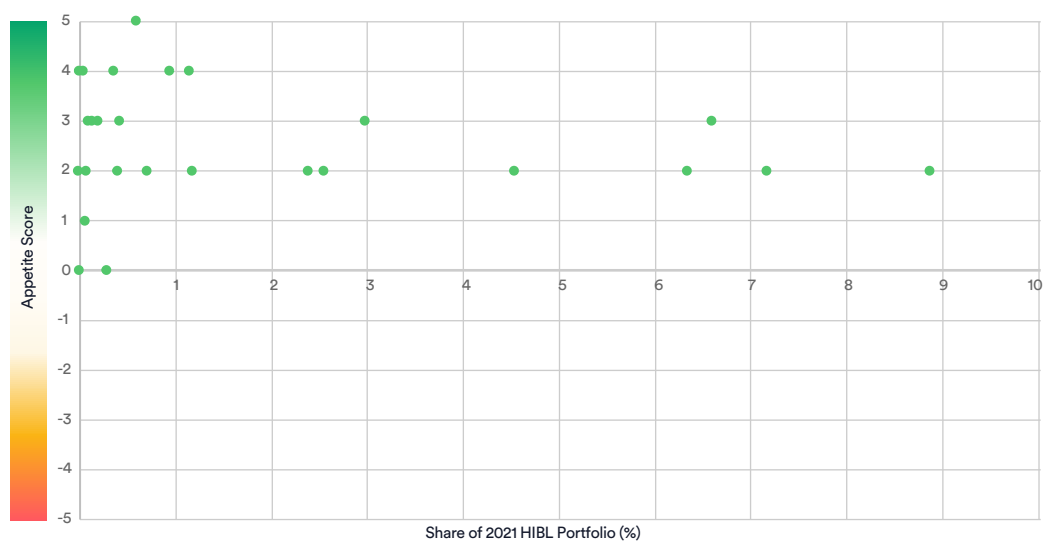
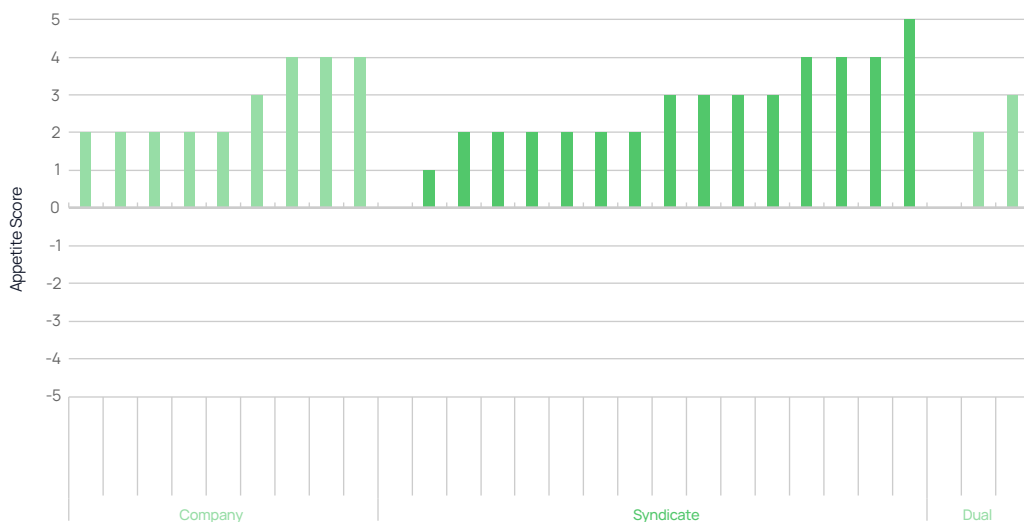
Sum of Share of Howden Portfolio

Average Appetite

28

48.51%

2.6



Energy Liability

Number of Insurers

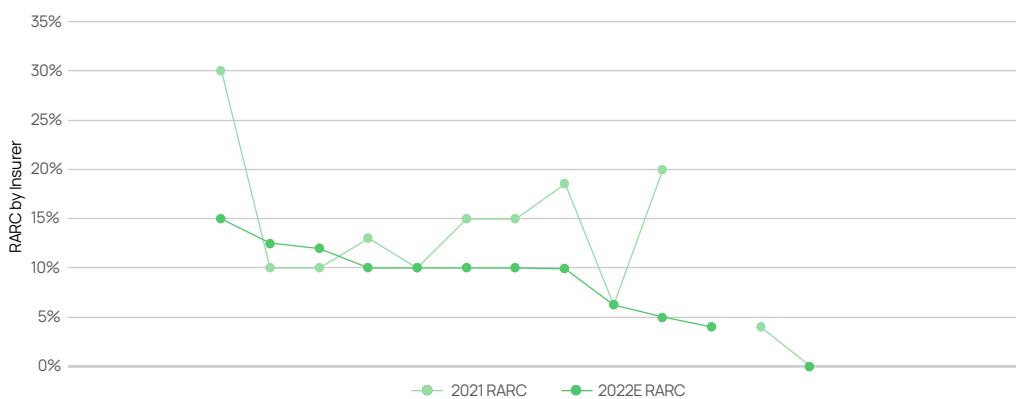
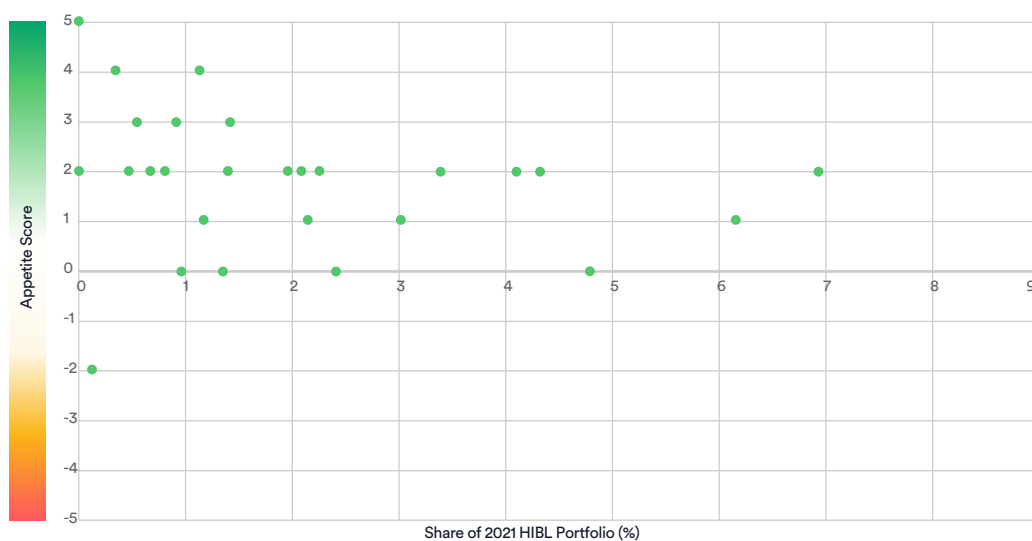
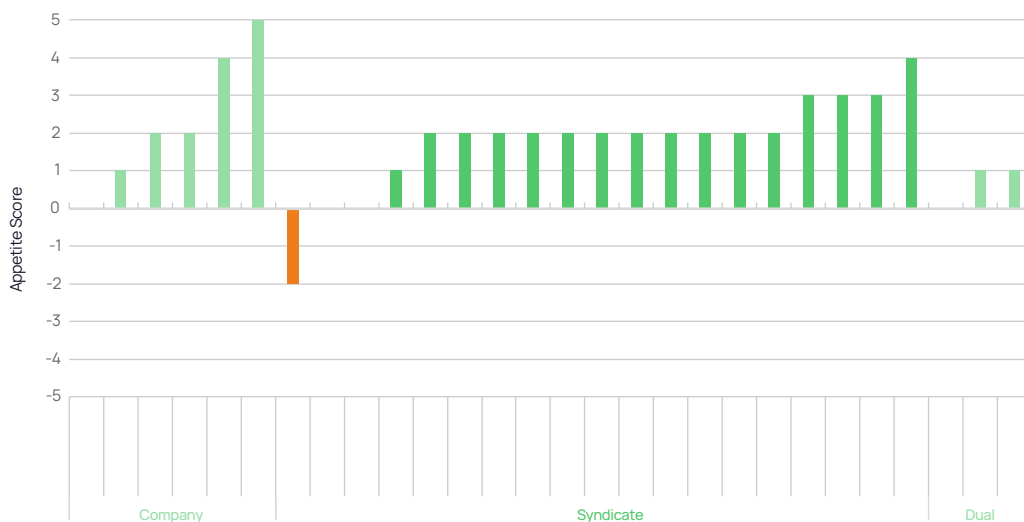
Sum of Share of Howden Portfolio

Average Appetite

28

55.43%

1.8



Marine Hull & War

Number of Insurers

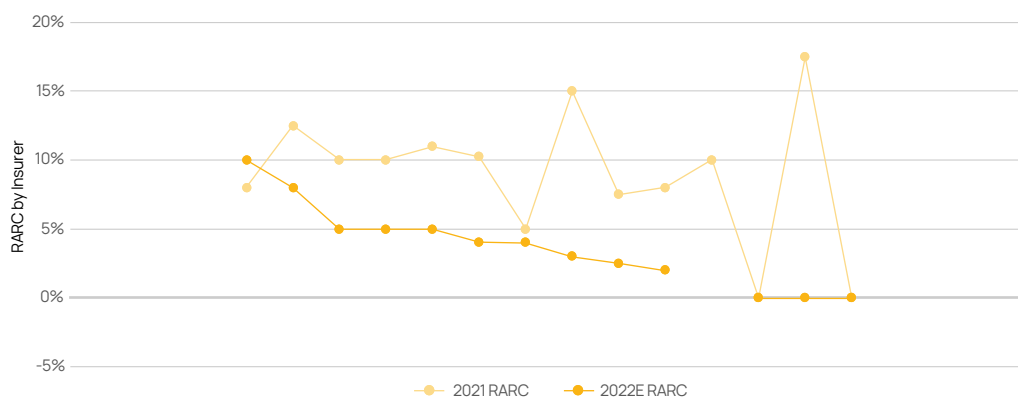
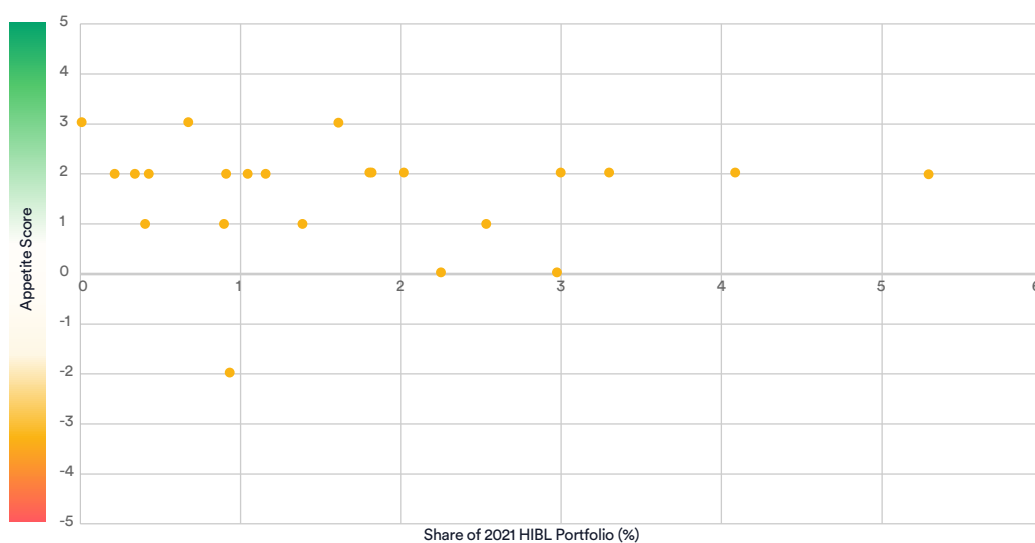
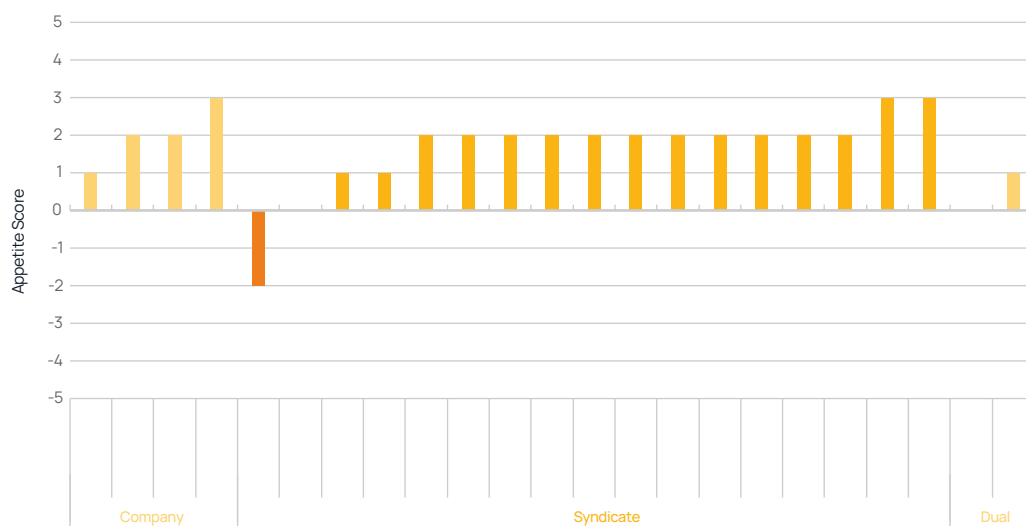
Sum of Share of Howden Portfolio

Average Appetite

23

42.02%

1.6



Cargo & Stock Throughput

Number of Insurers

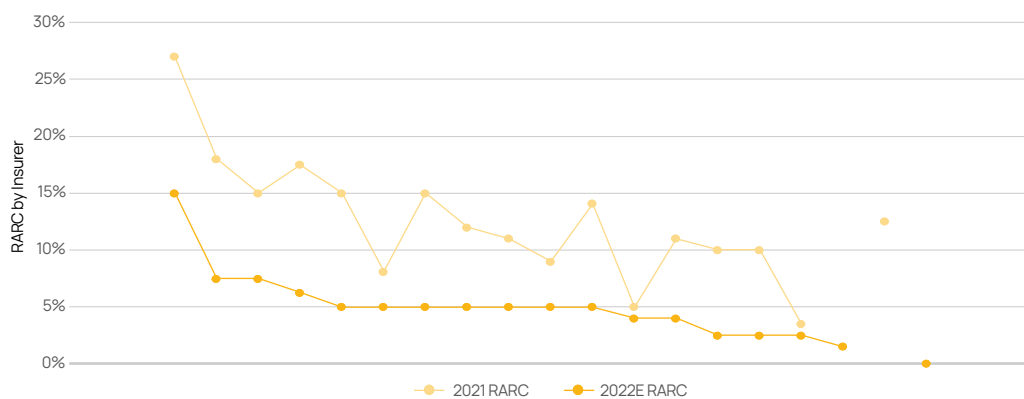
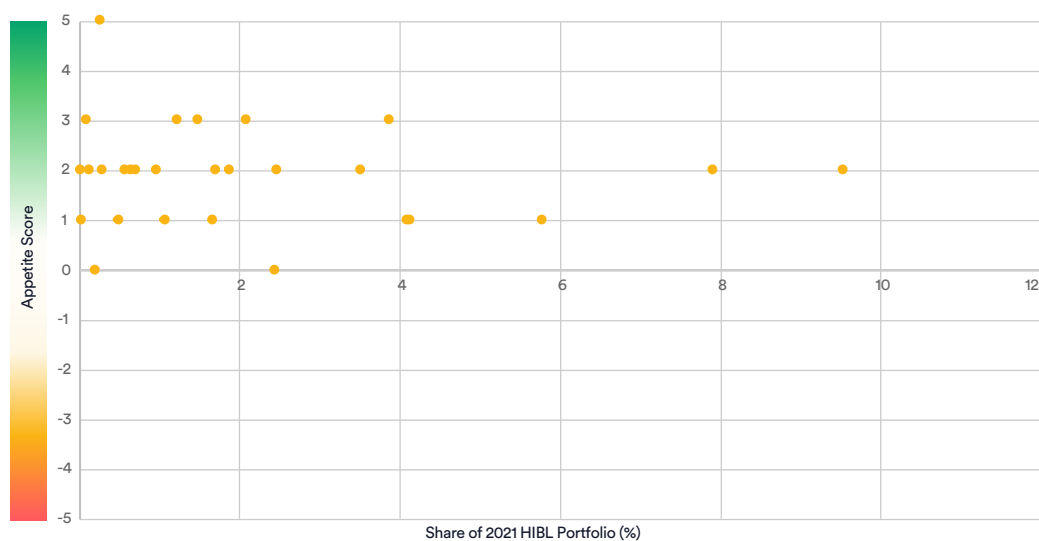
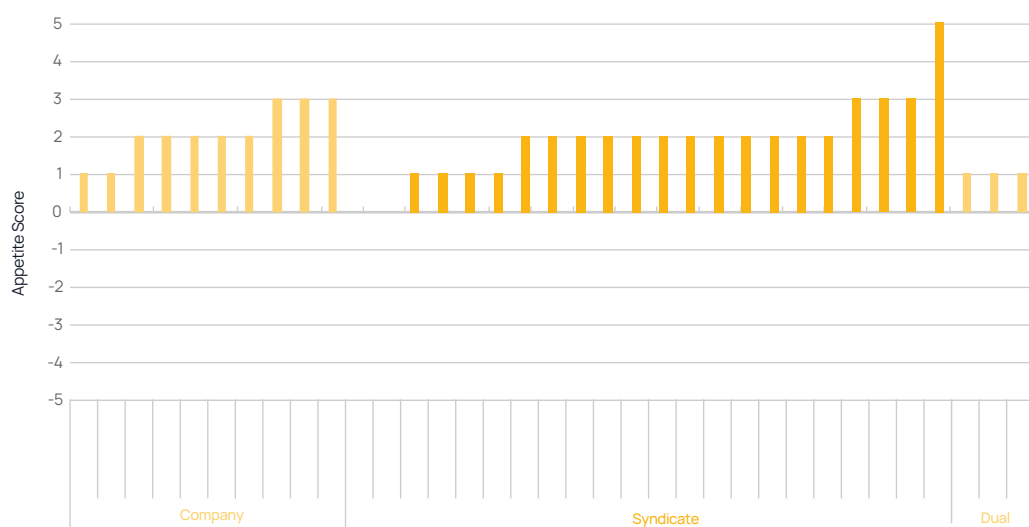
35

Sum of Share of Howden Portfolio

75.29%

Average Appetite

1.9



Marine Liabilities

Number of Insurers

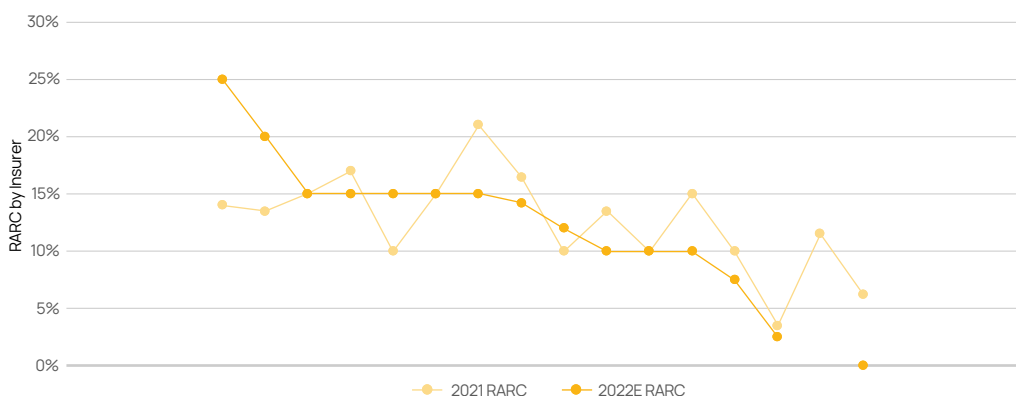
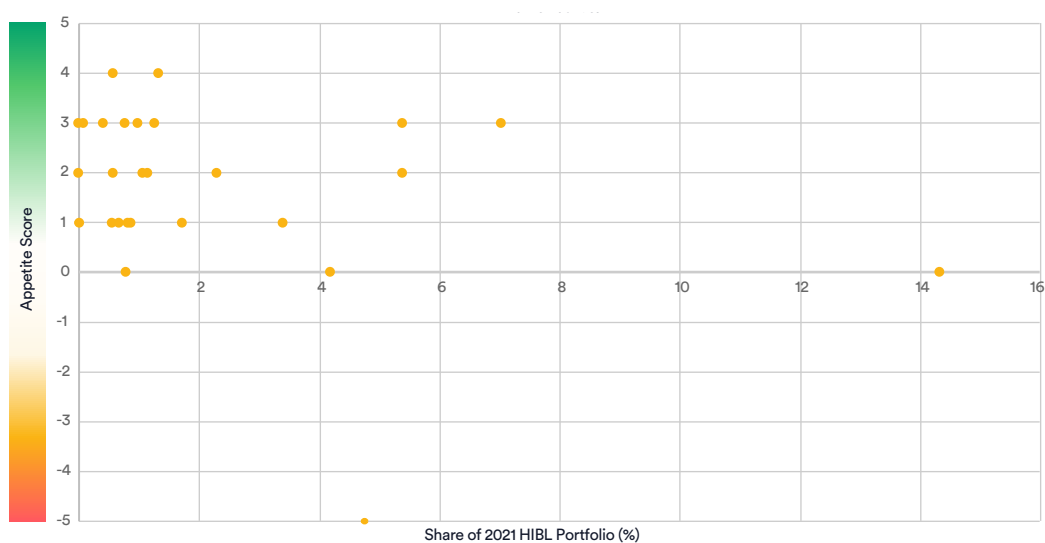
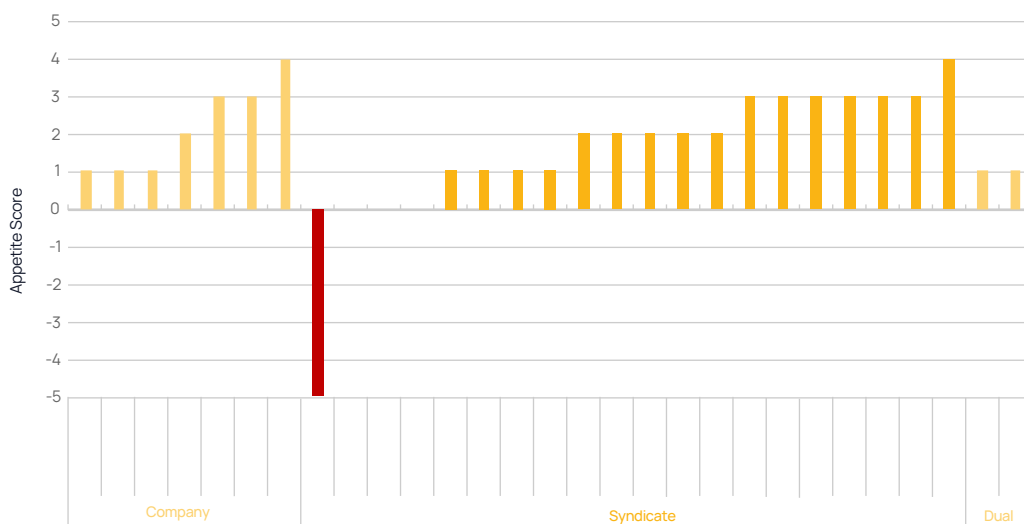
29

Sum of Share of Howden Portfolio

60.39%

Average Appetite

1.7



Airlines

Number of Insurers

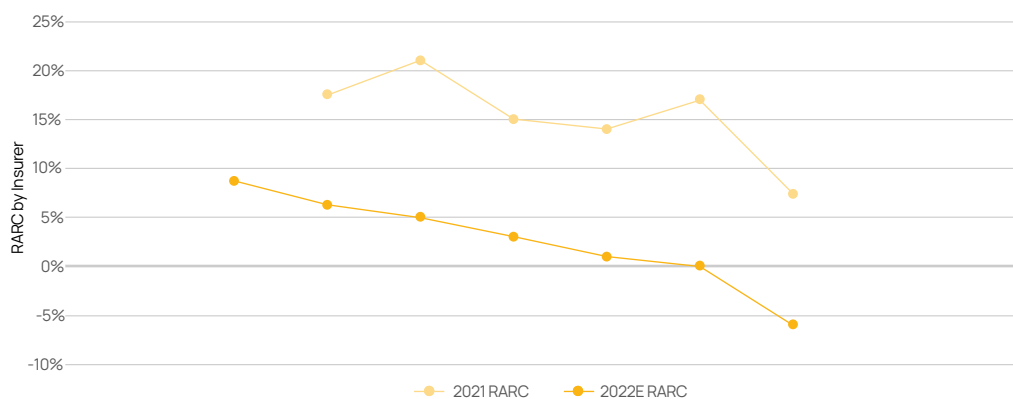
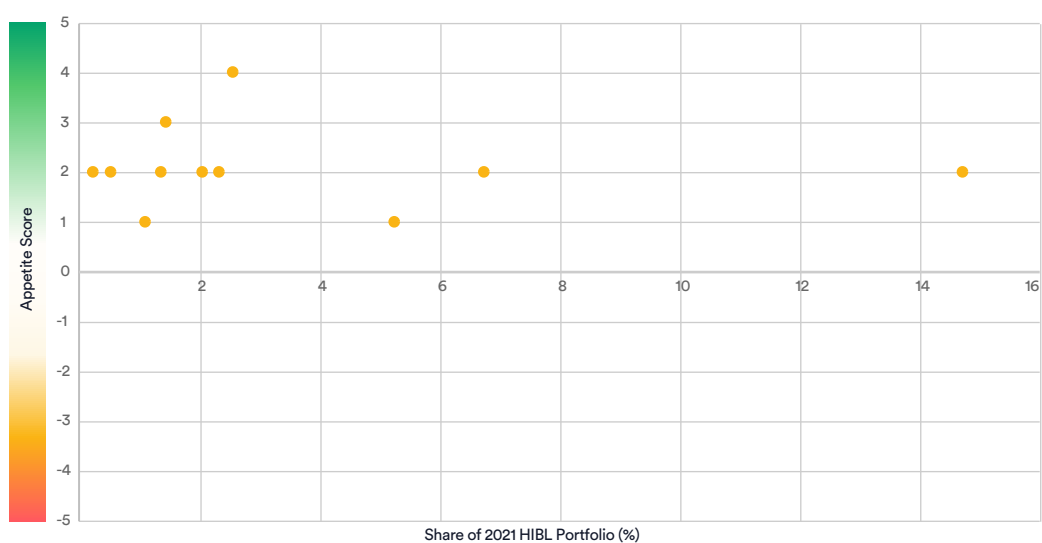
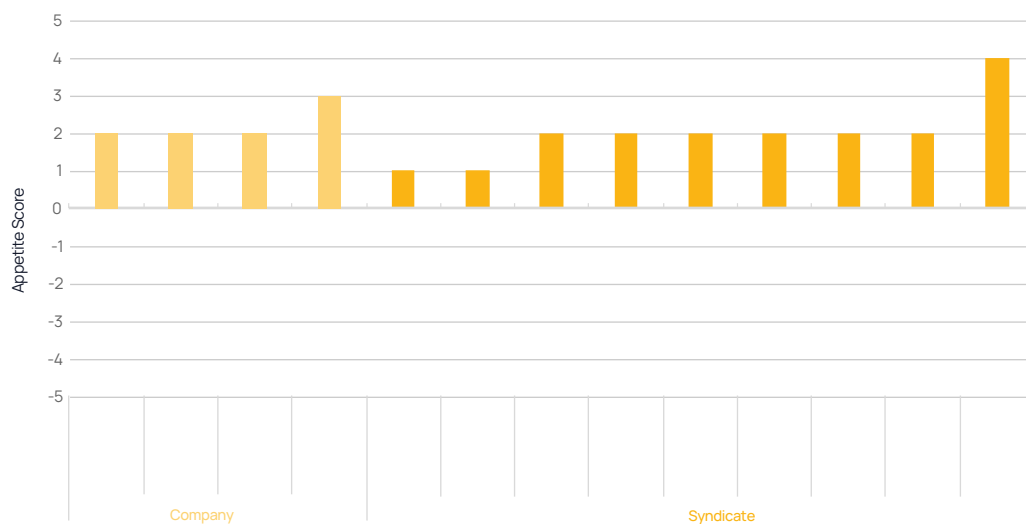
Sum of Share of Howden Portfolio

Average Appetite

13

40.05%

2.1



Aerospace

Number of Insurers

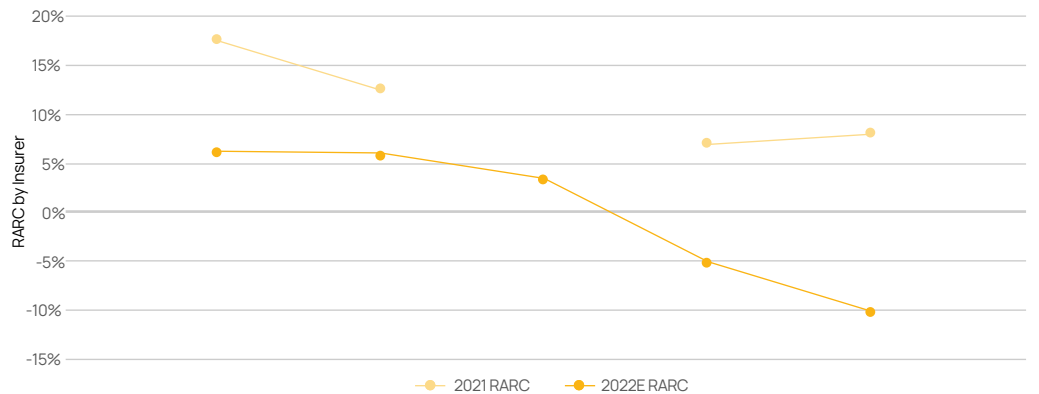
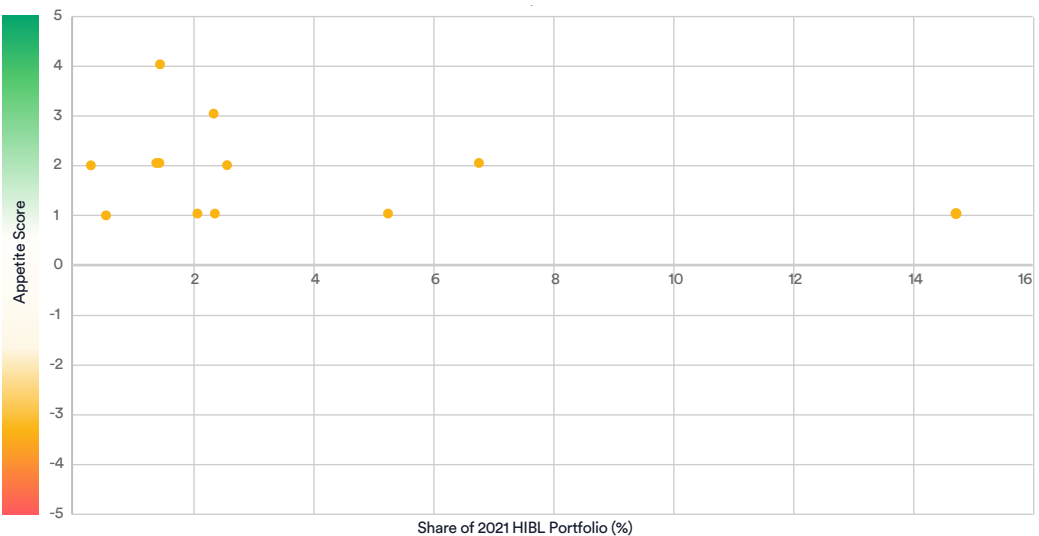
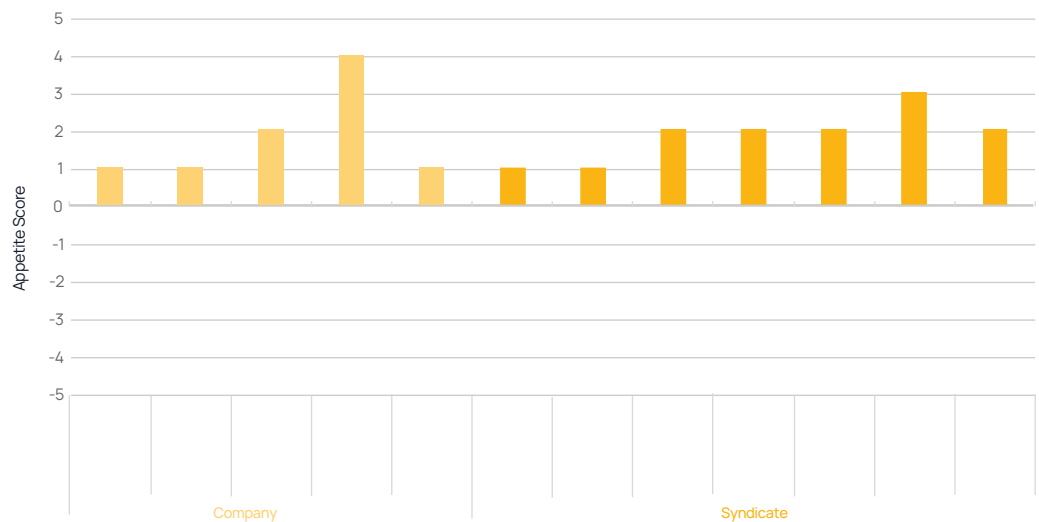
12

Sum of Share of Howden Portfolio

41.17%

Average Appetite

1.8



General Aviation

Number of Insurers

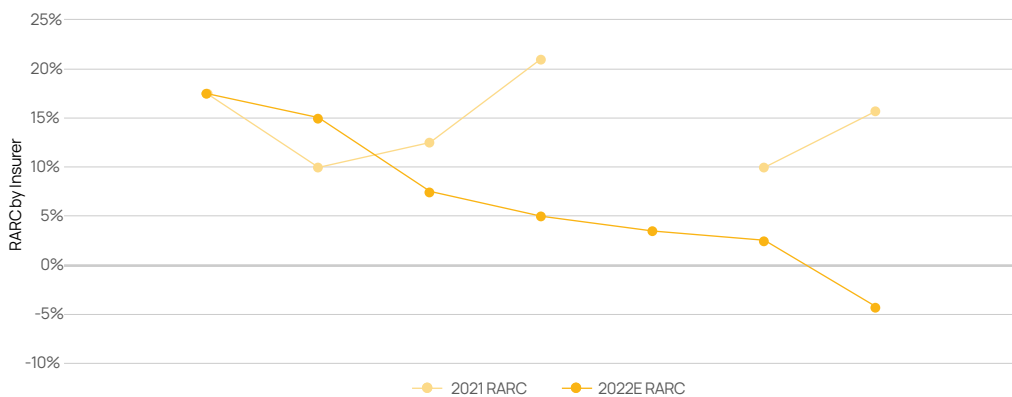
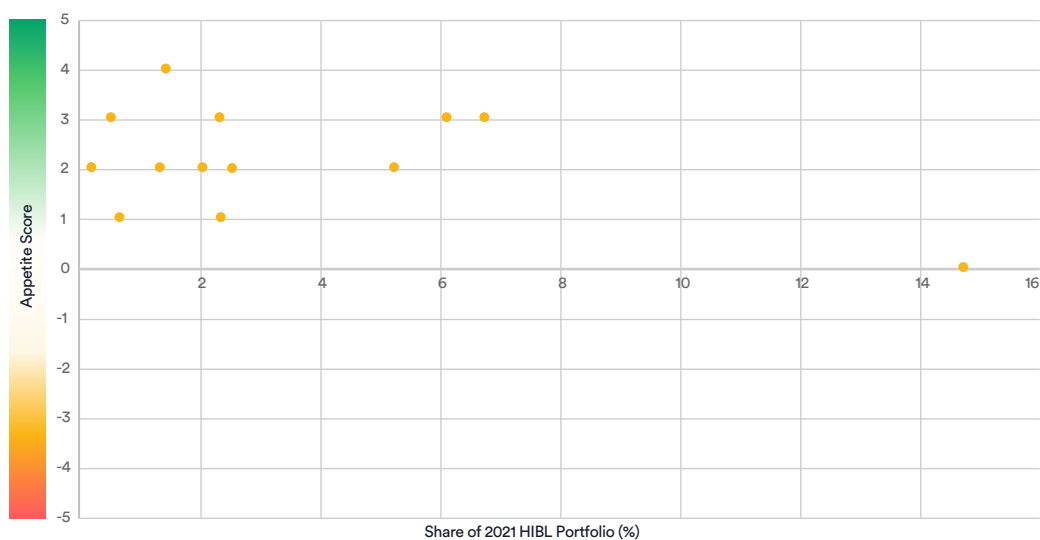
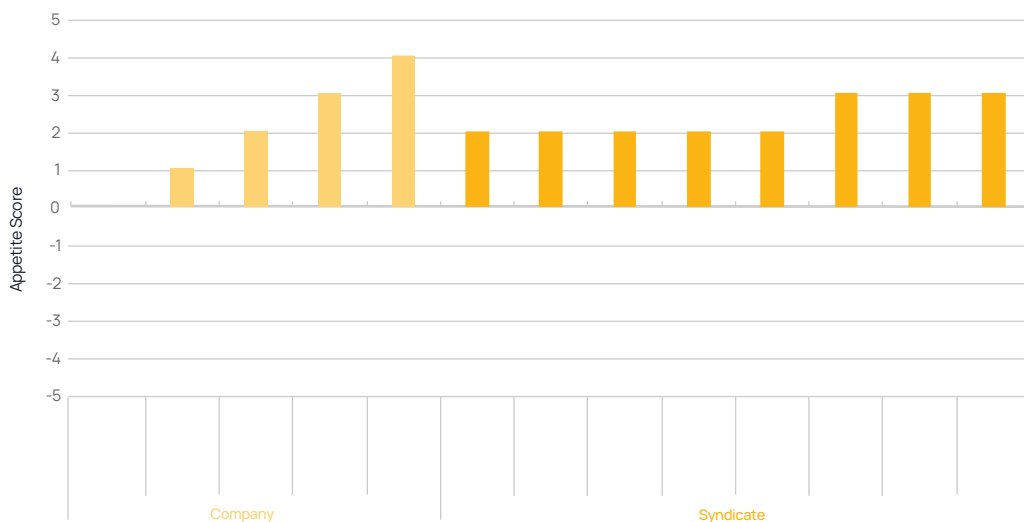
13

Sum of Share of Howden Portfolio

47.21%

Average Appetite

2.2



Yachts

Number of Insurers

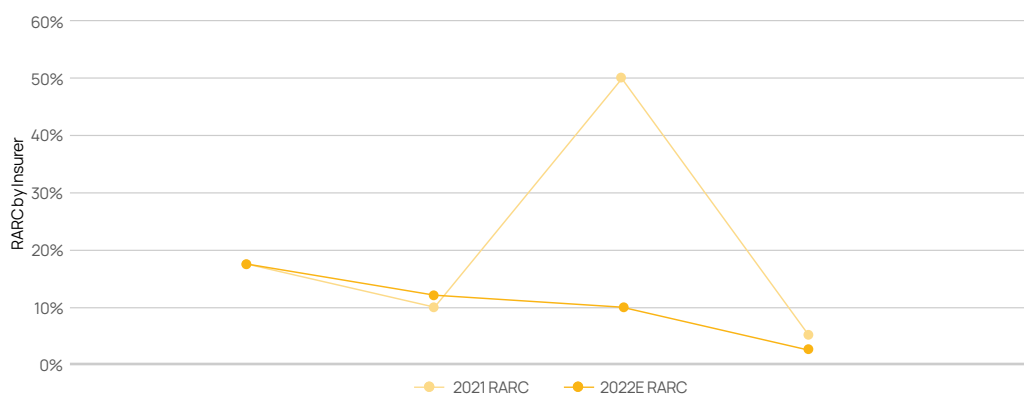
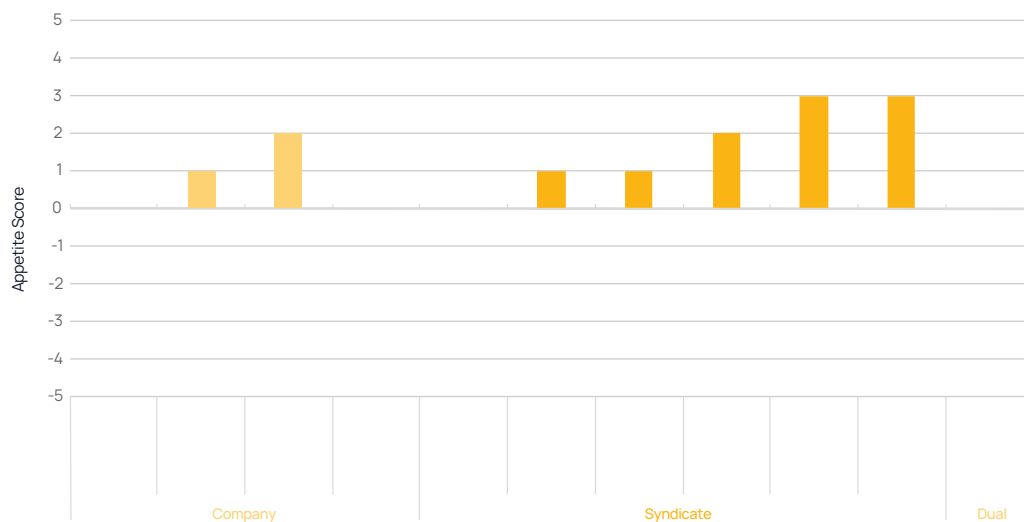
Sum of Share of Howden Portfolio

Average Appetite

11

N/A

1.2



Healthcare (US)

Number of Insurers

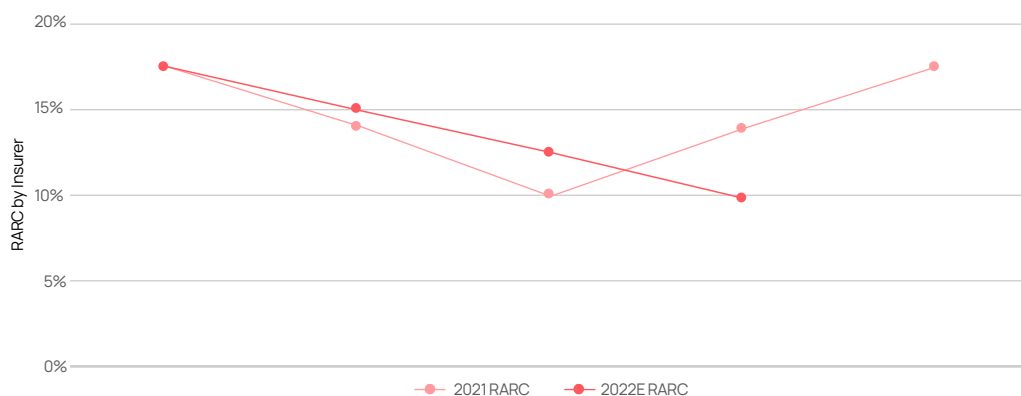
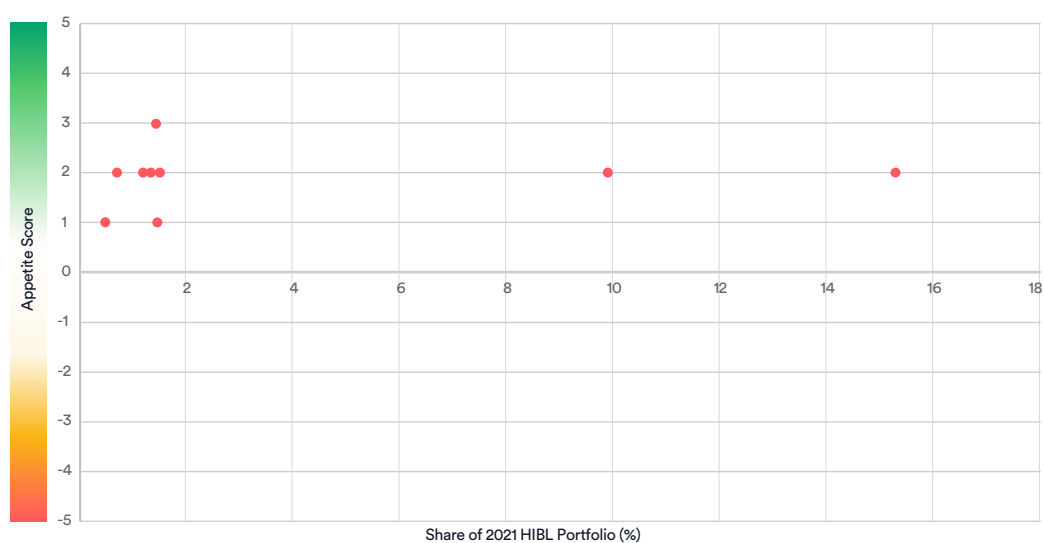
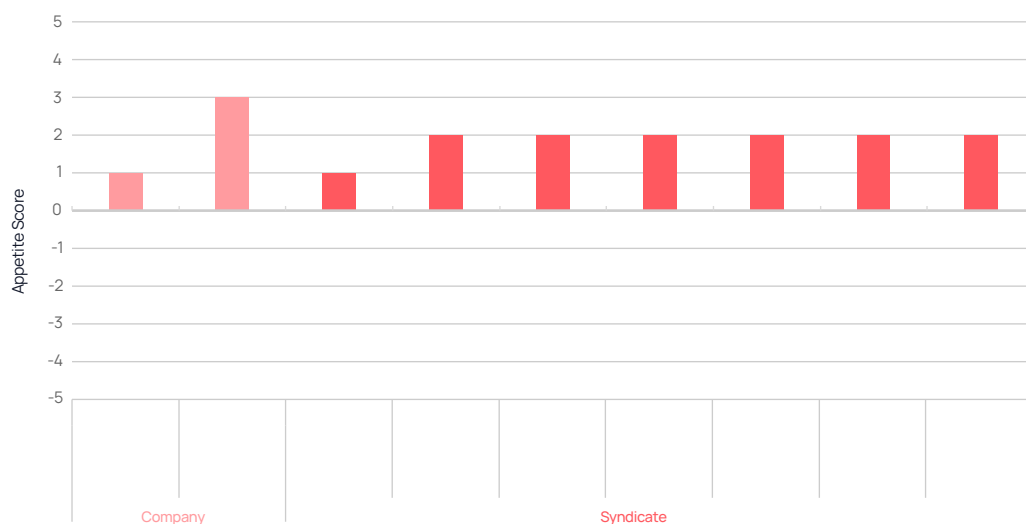
Sum of Share of Howden Portfolio

Average Appetite

9

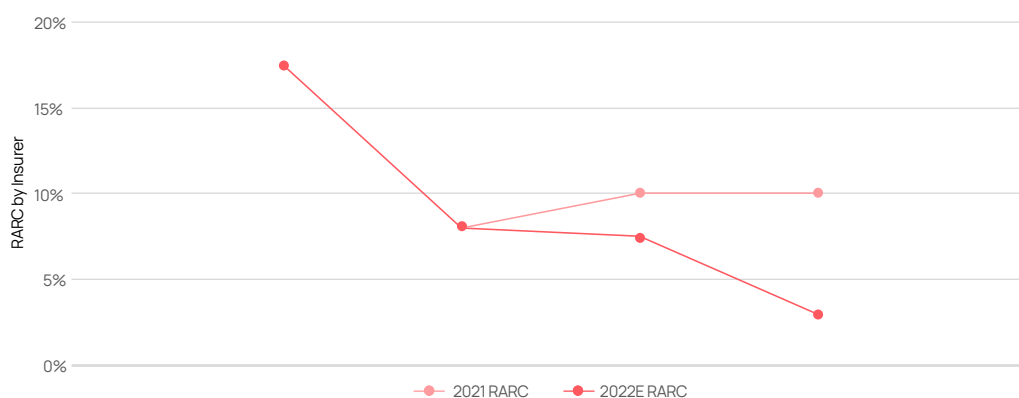
33.41%

1.9



Average Appetite

1.4



Healthcare (UK)

Number of Insurers

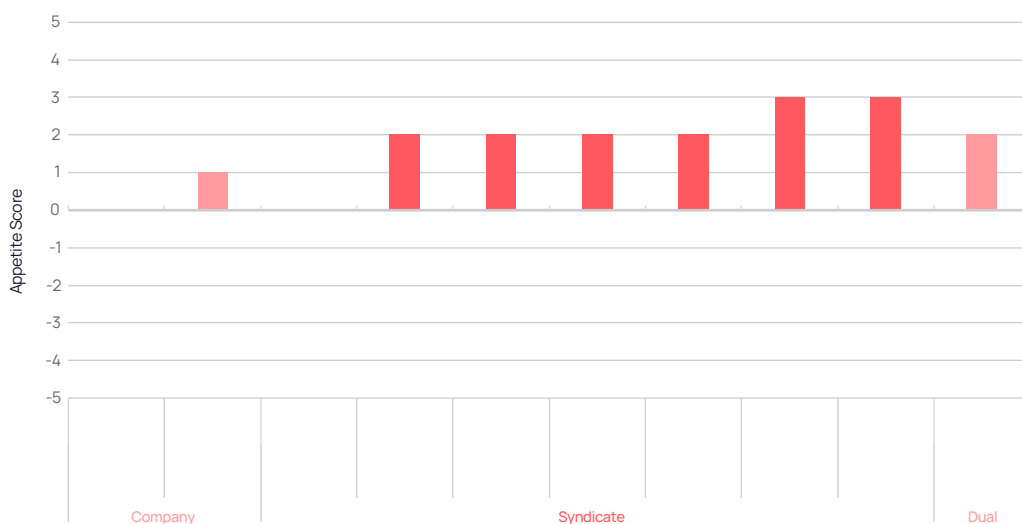
10

Sum of Share of Howden Portfolio

N/A

Average Appetite

1.7



Healthcare UK Social Care

Number of Insurers

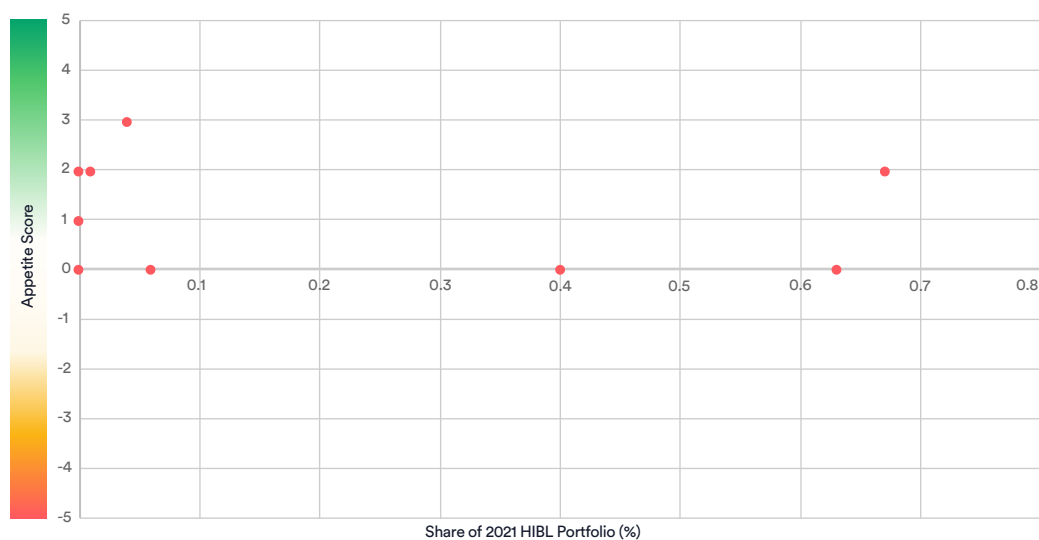
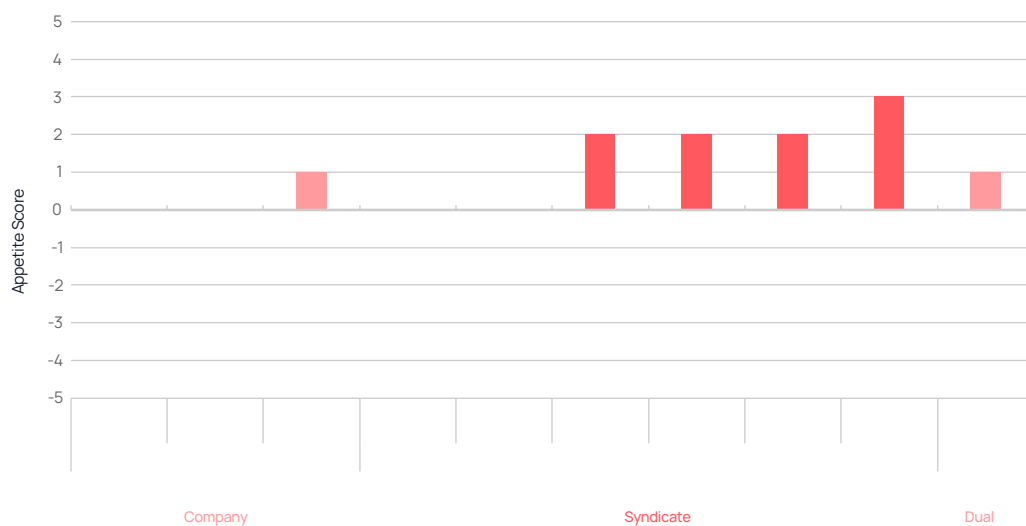
Sum of Share of Howden Portfolio

Average Appetite

10

1.81%

1.1



Healthcare UK Allied Healthcare

Number of Insurers

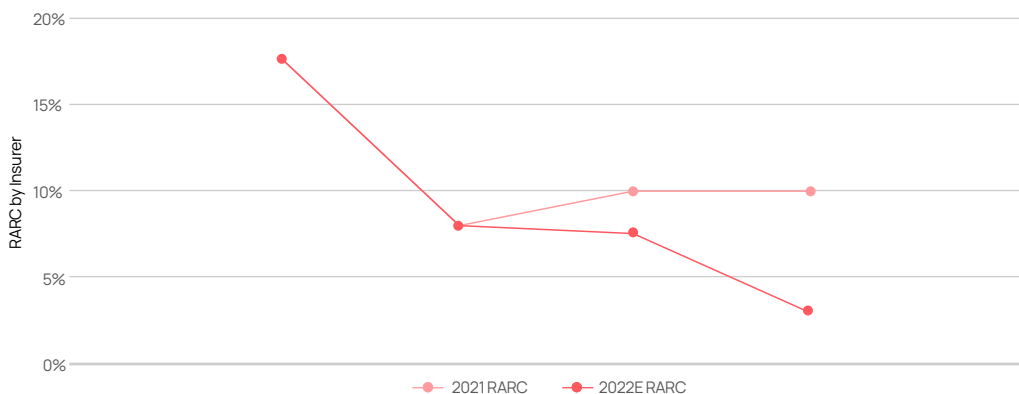
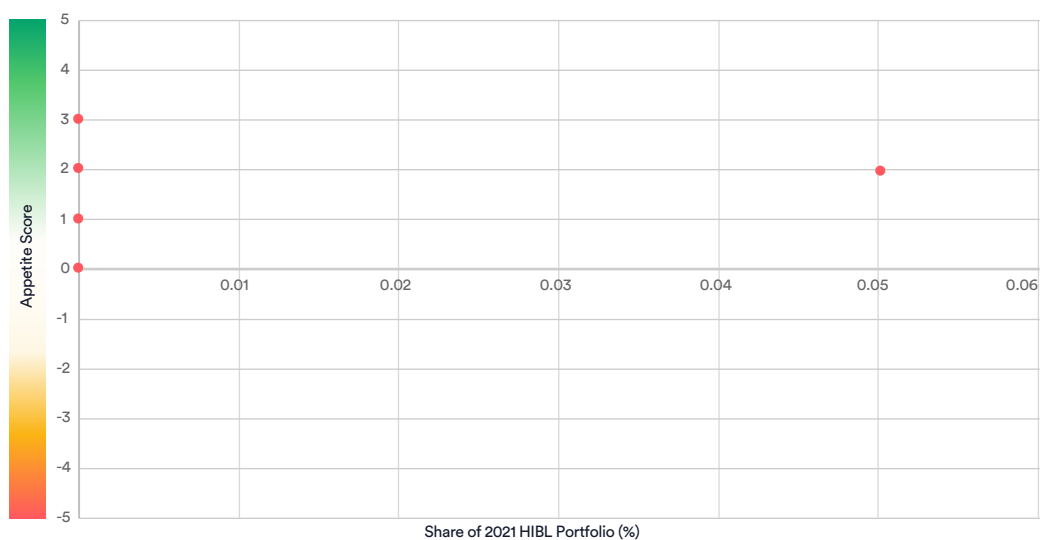
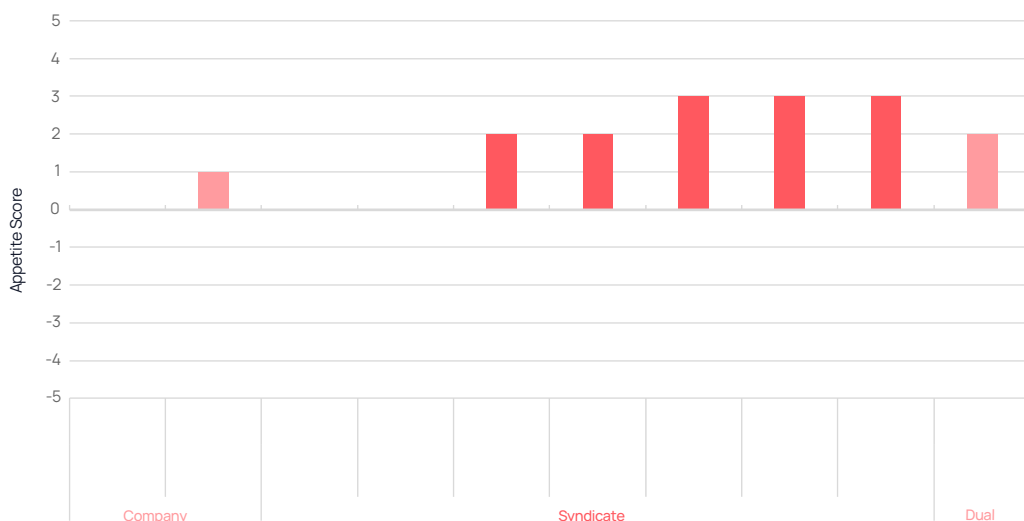
10

Sum of Share of Howden Portfolio

5.00%

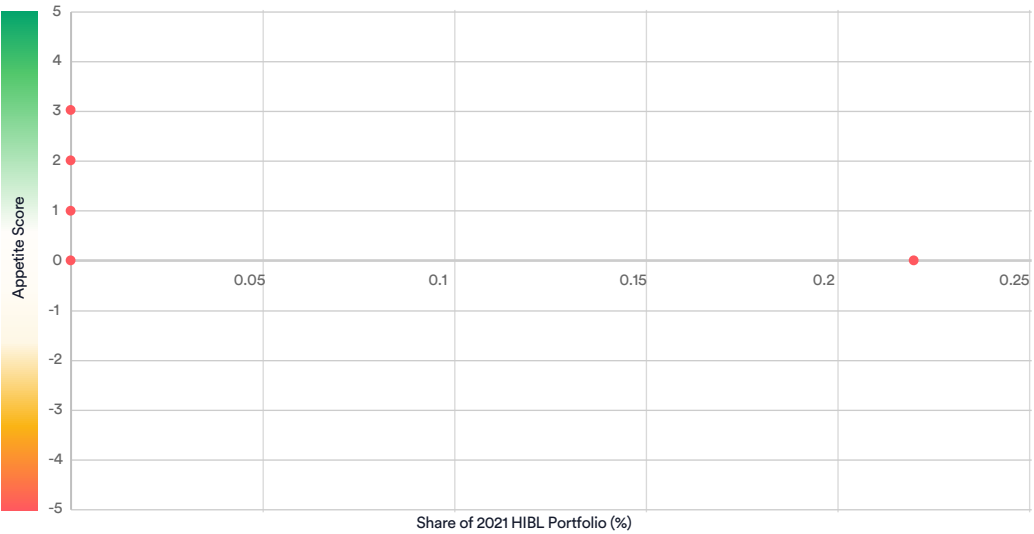
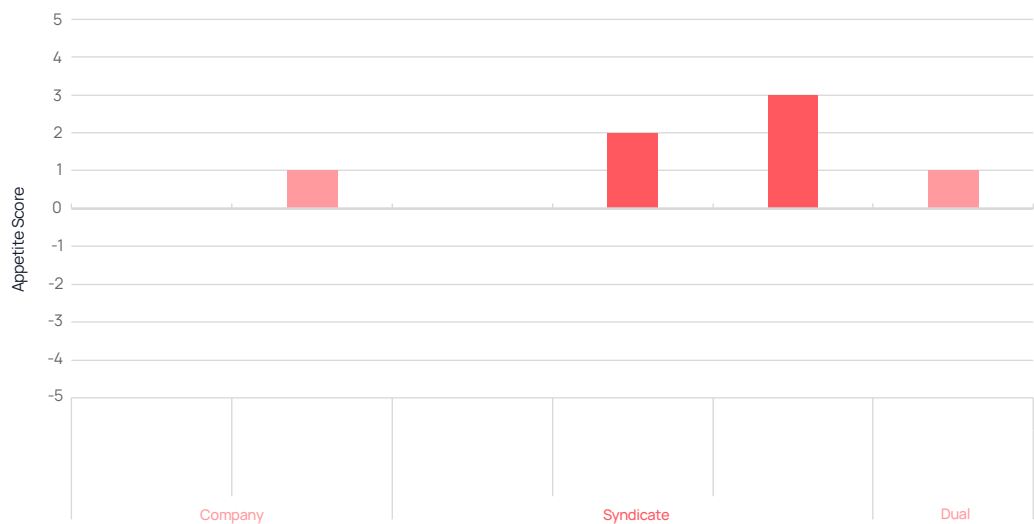
Average Appetite

1.6



Healthcare UK Primary Care

Number of Insurers	Sum of Share of Howden Portfolio	Average Appetite
6	22.00%	1.2



Healthcare UK Specialist Consultants

Number of Insurers

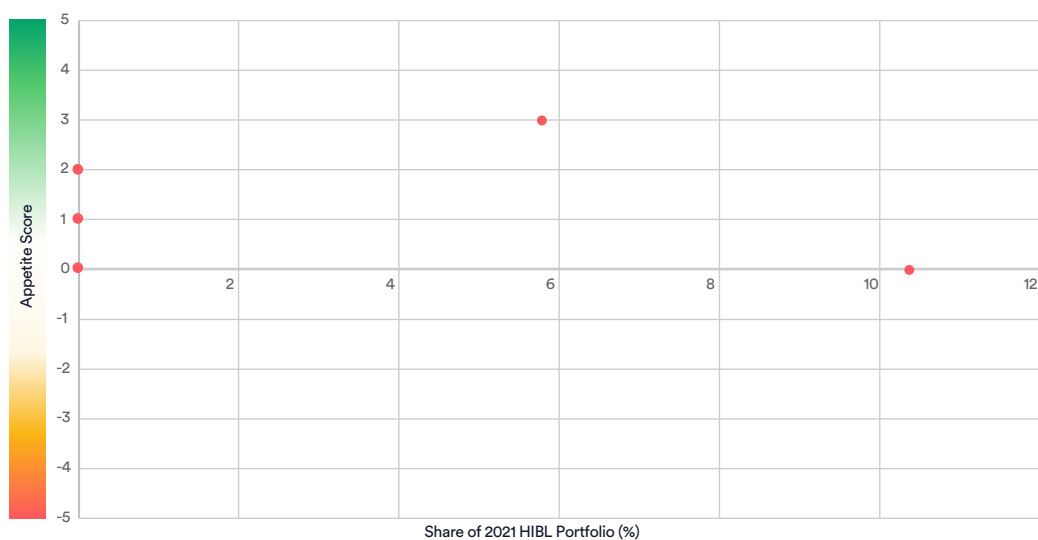
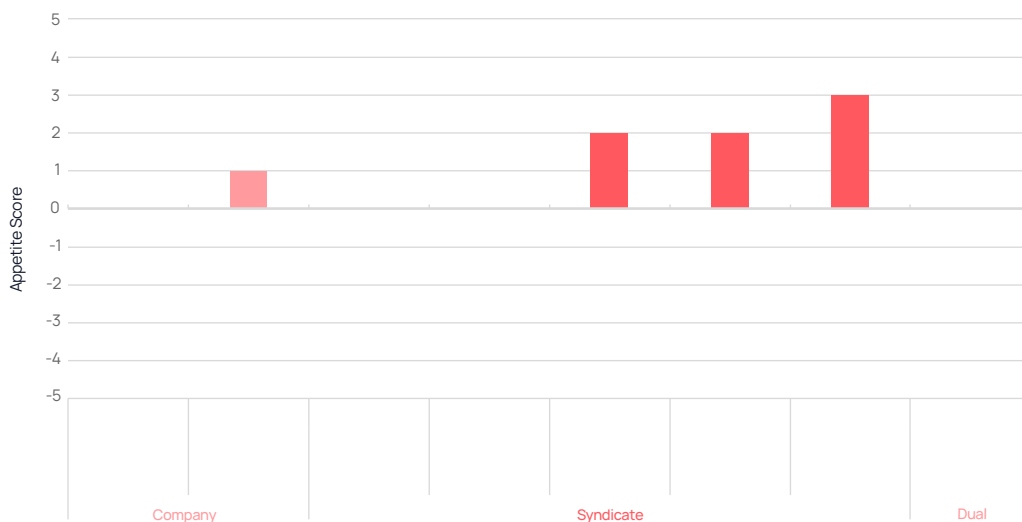
8

Sum of Share of Howden Portfolio

16.19%

Average Appetite

1.0



CAR/EAR

Number of Insurers

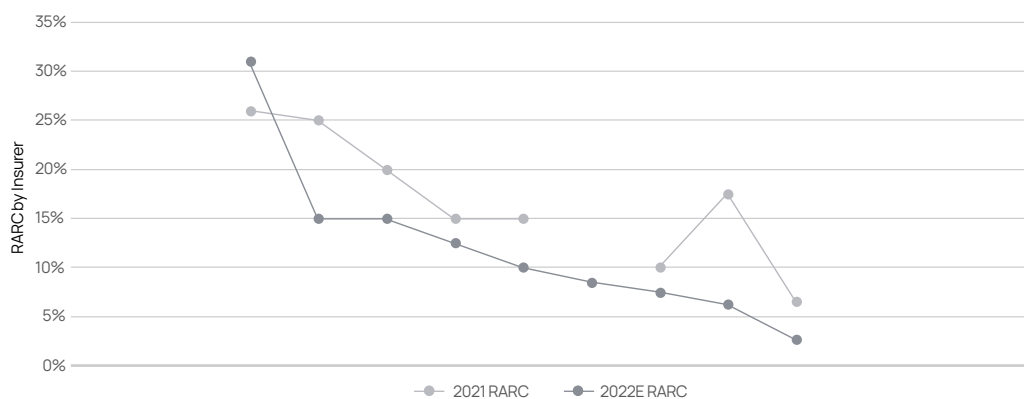
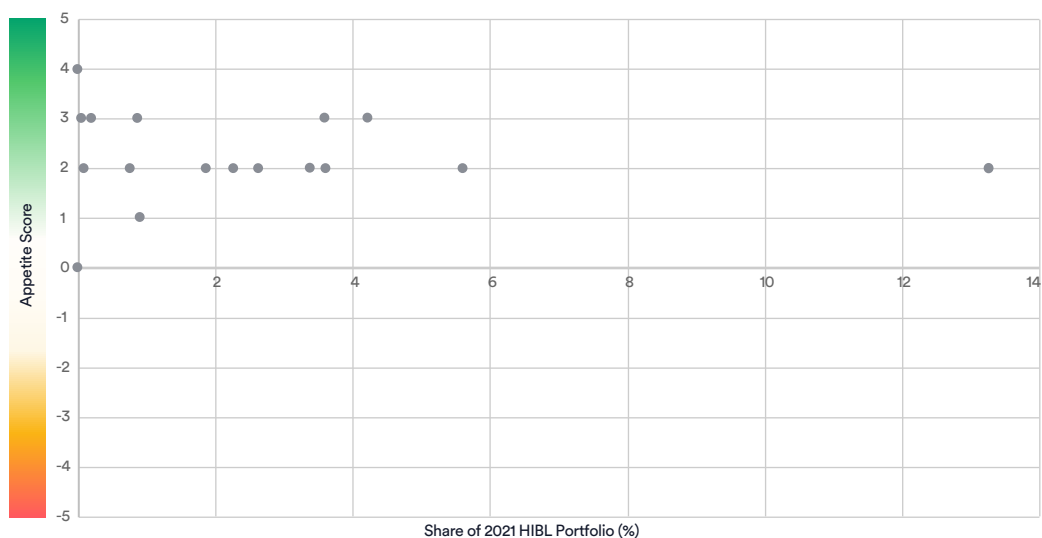
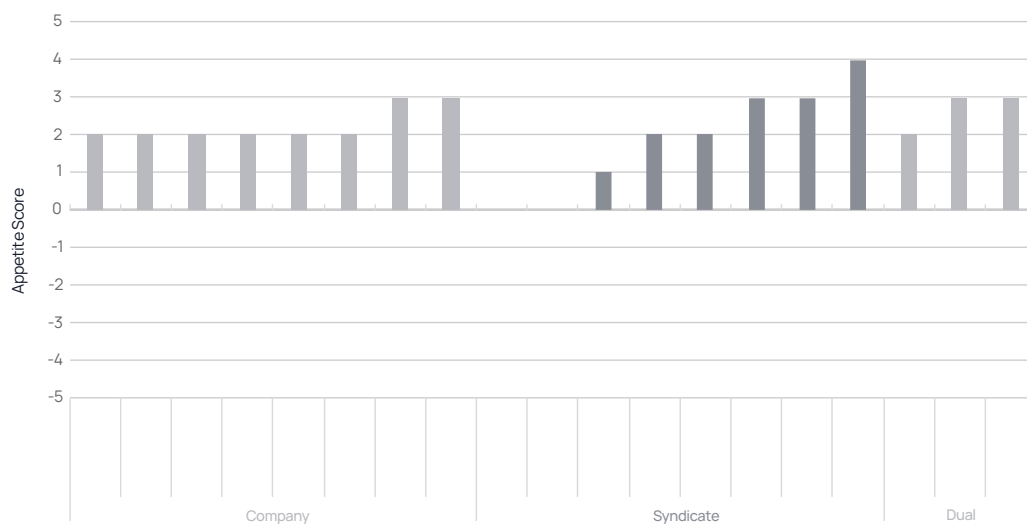
Sum of Share of Howden Portfolio

Average Appetite

19

45.38%

2.3



Liability

Number of Insurers

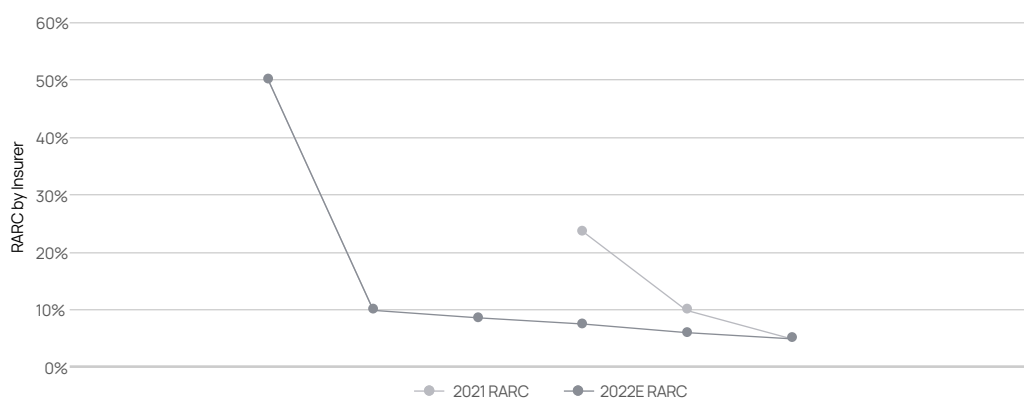
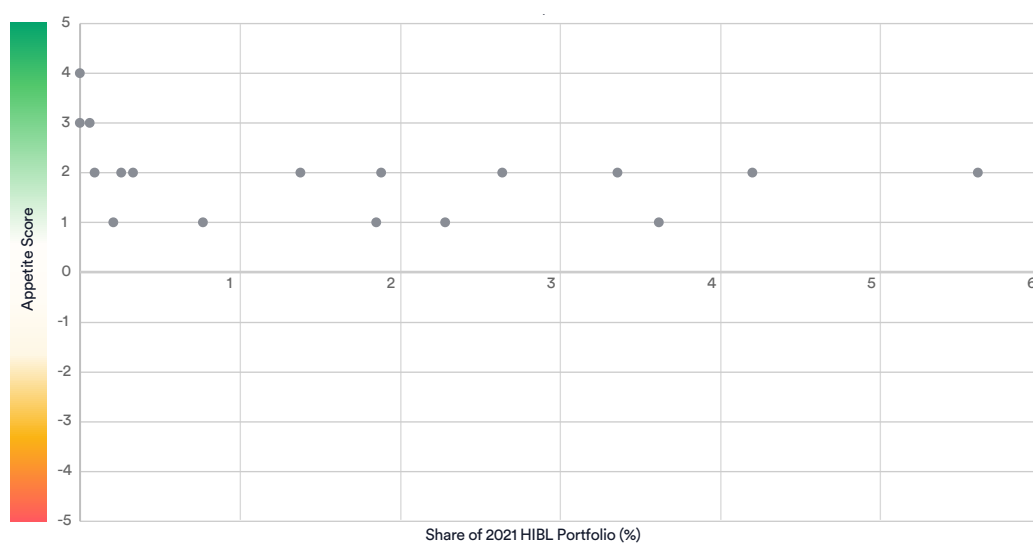
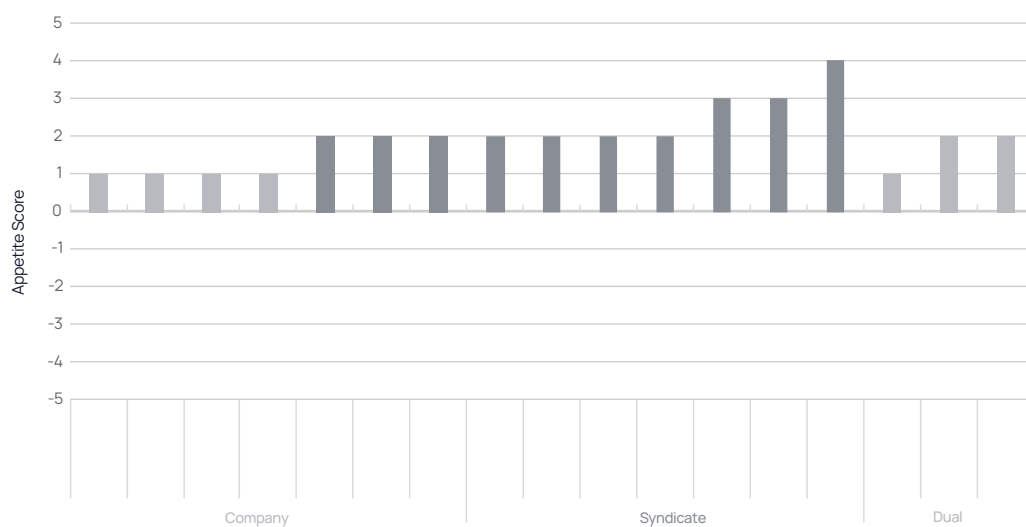
Sum of Share of Howden Portfolio

Average Appetite

17

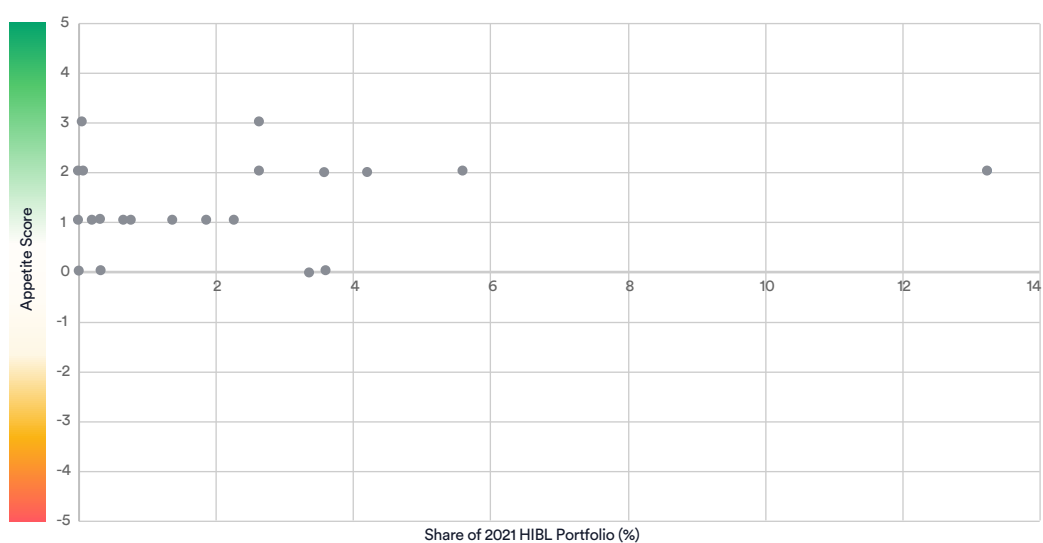
28.54%

1.9



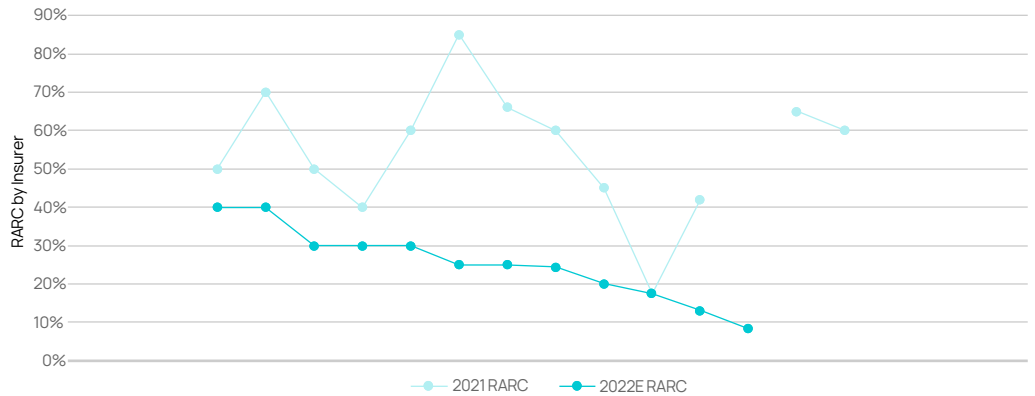
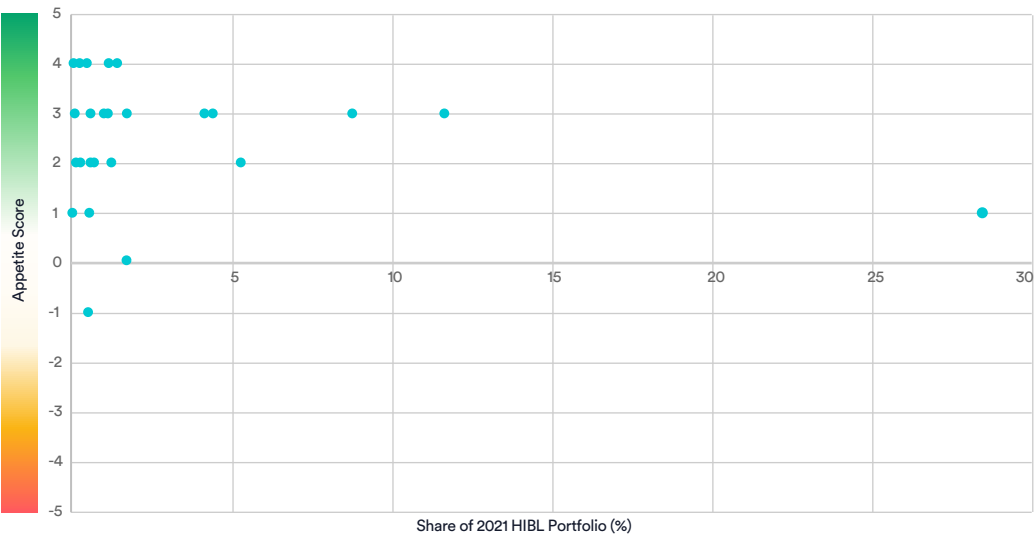
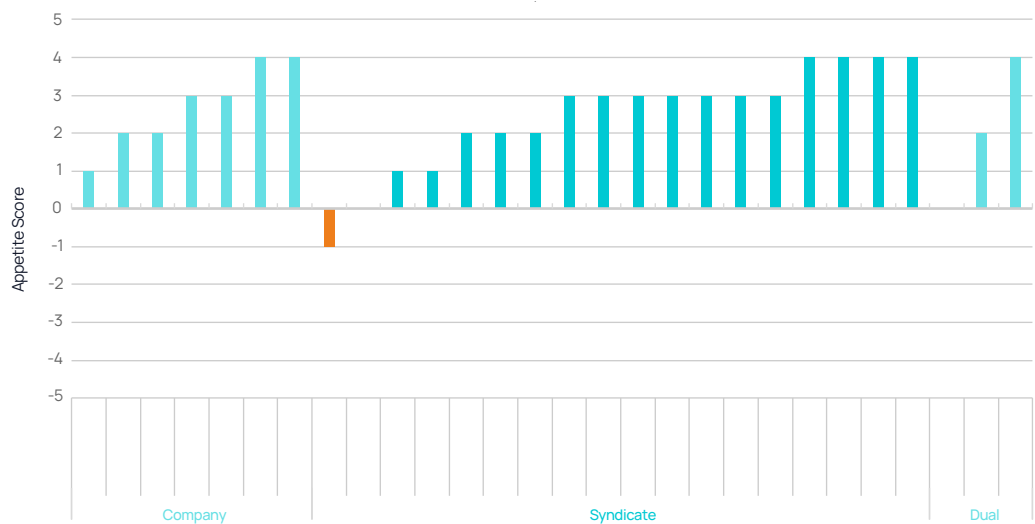
Average Appetite

1.4



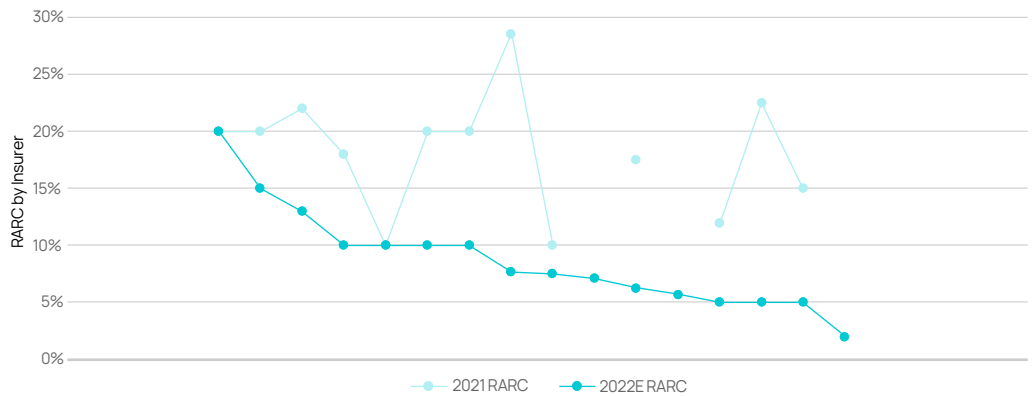
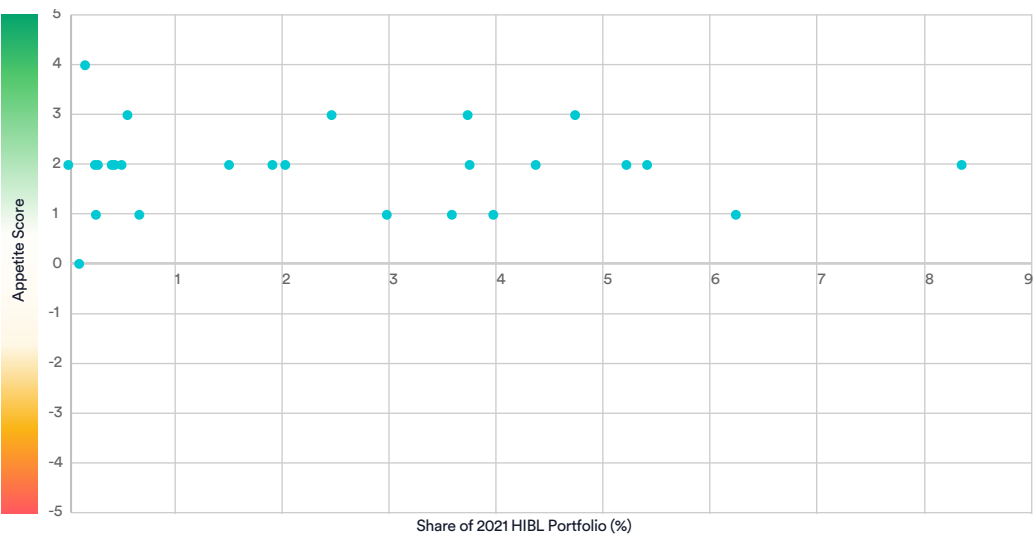
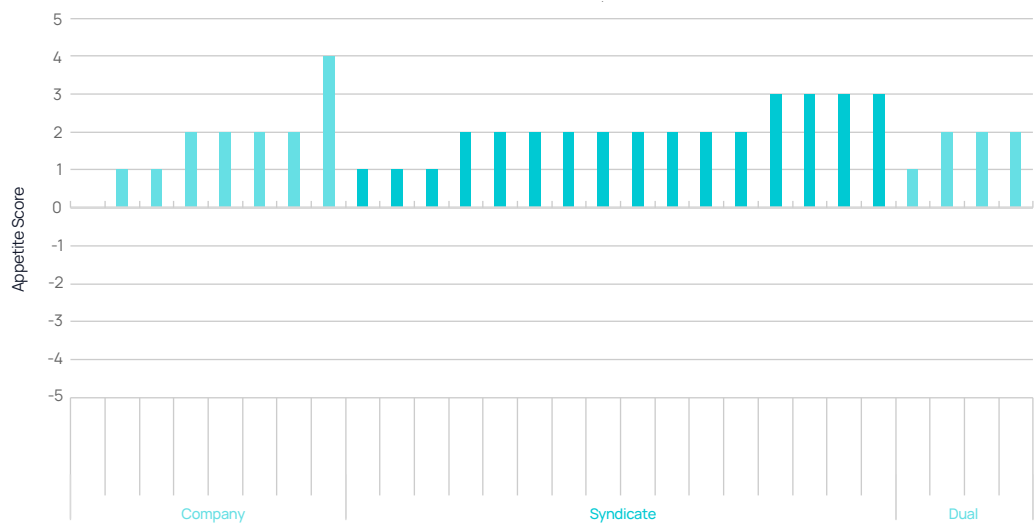
Cyber

Number of Insurers	Sum of Share of Howden Portfolio	Average Appetite
28	75.97%	2.5



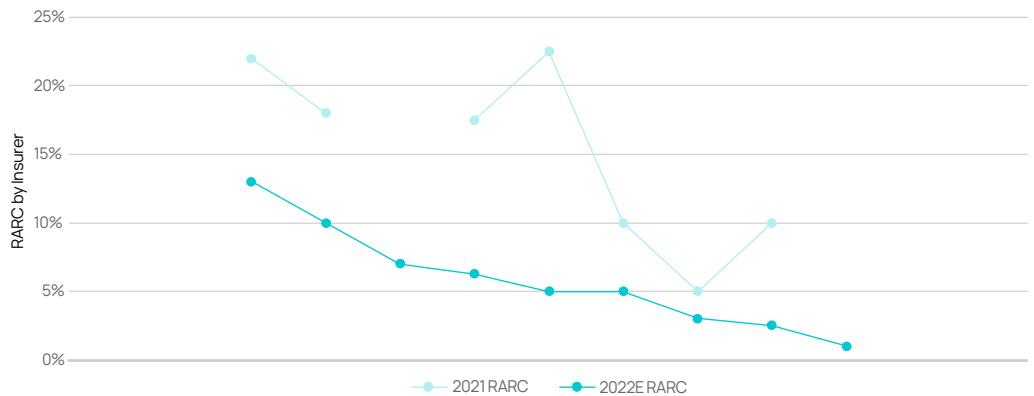
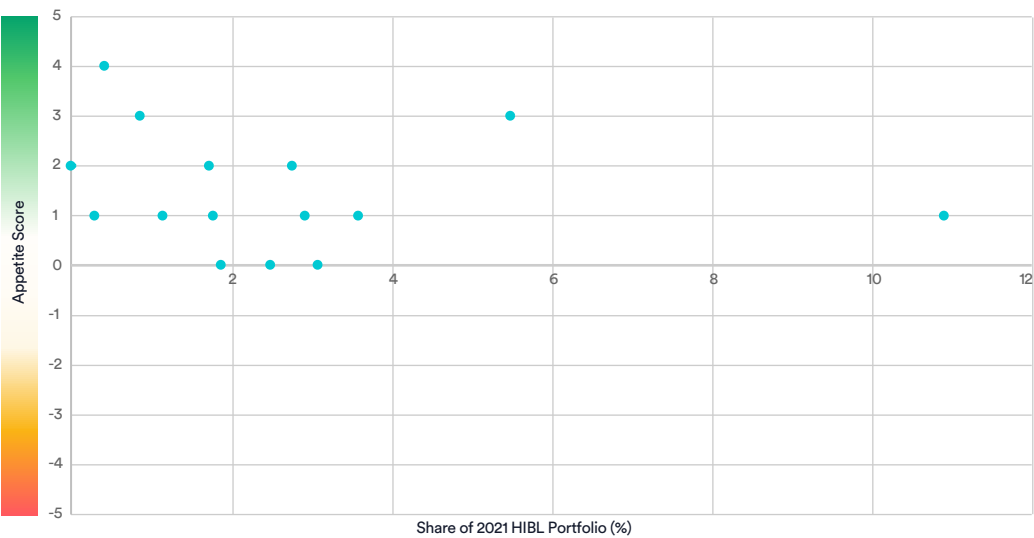
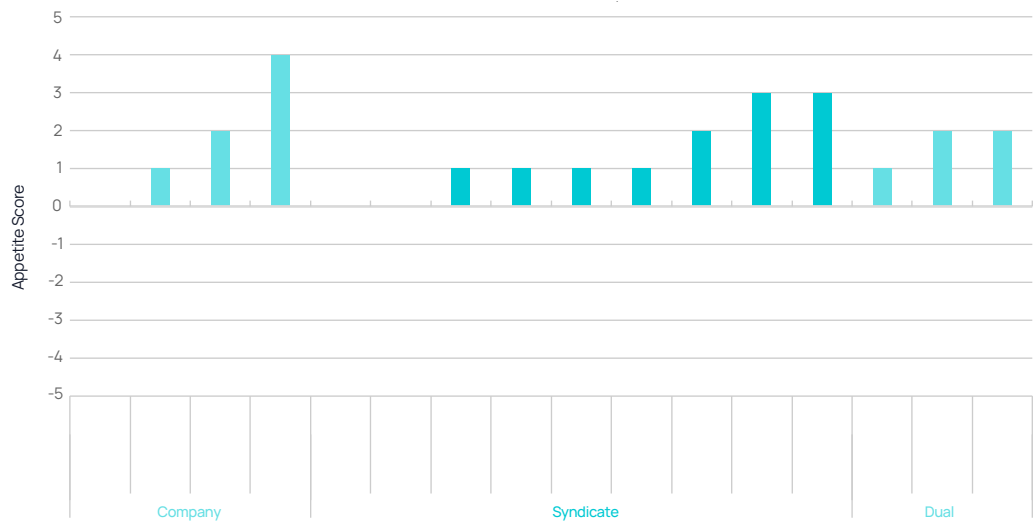
Professional Indemnity (International)

Number of Insurers	Sum of Share of Howden Portfolio	Average Appetite
28	64.81%	1.9



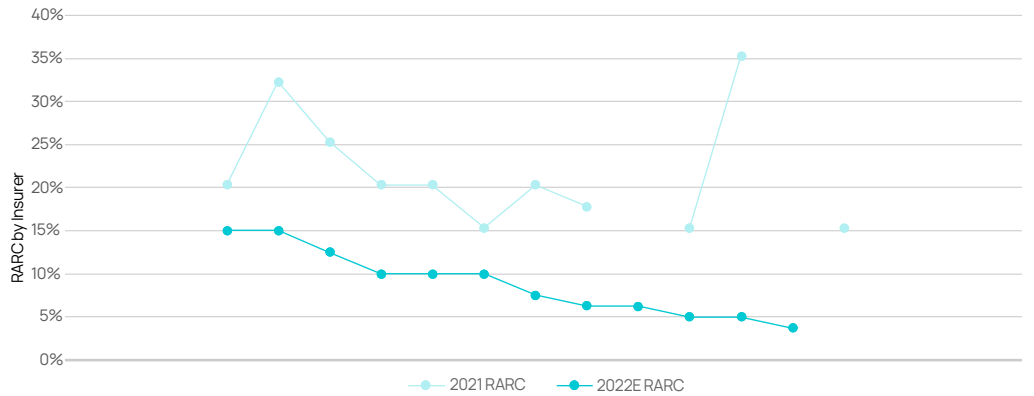
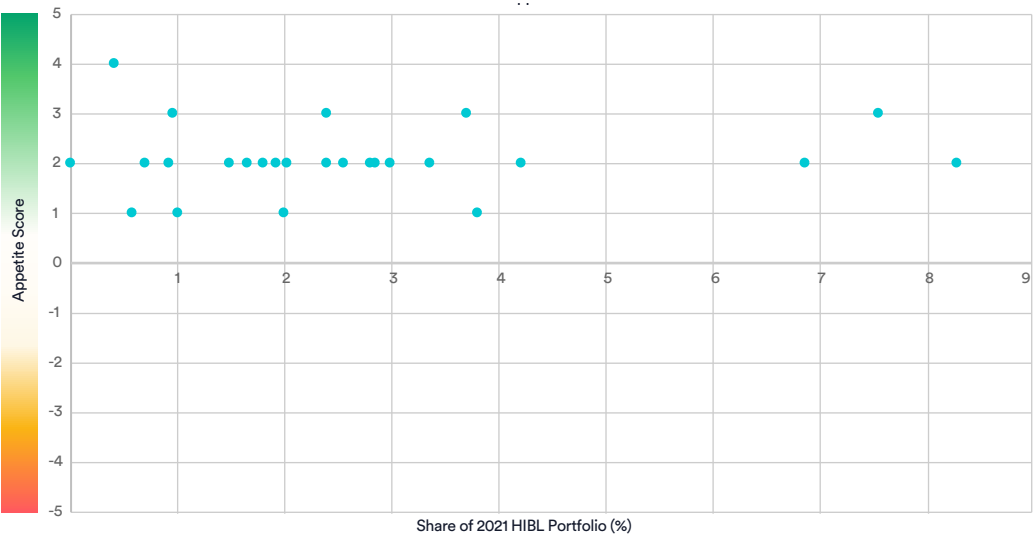
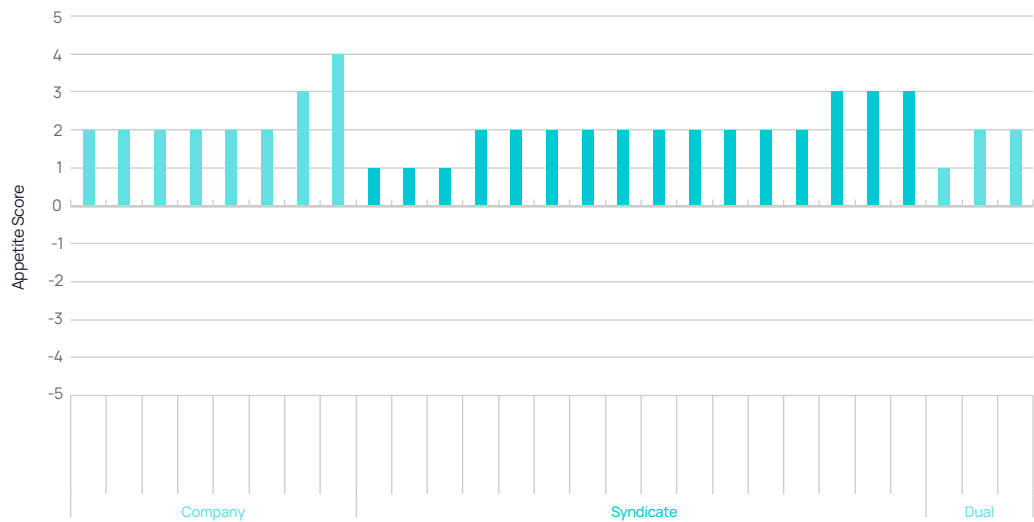
Professional Indemnity (US)

Number of Insurers	Sum of Share of Howden Portfolio	Average Appetite
16	39.27%	1.5



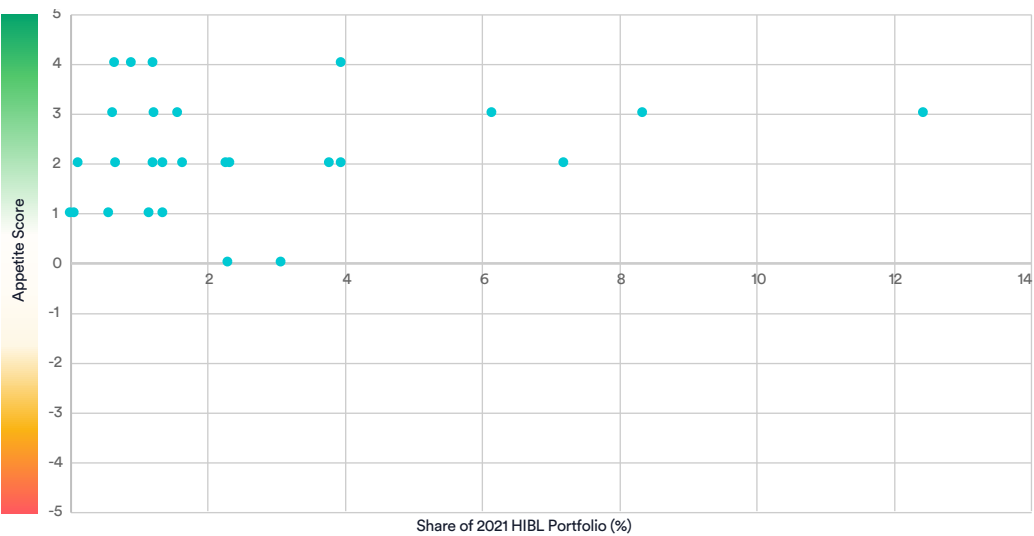
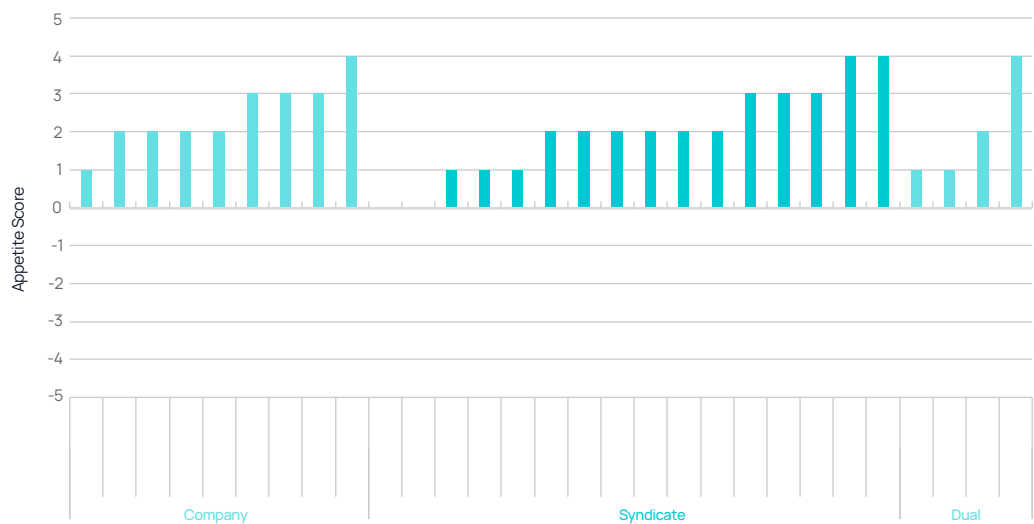
FI

Number of Insurers	Sum of Share of Howden Portfolio	Average Appetite
27	70.44%	2.1



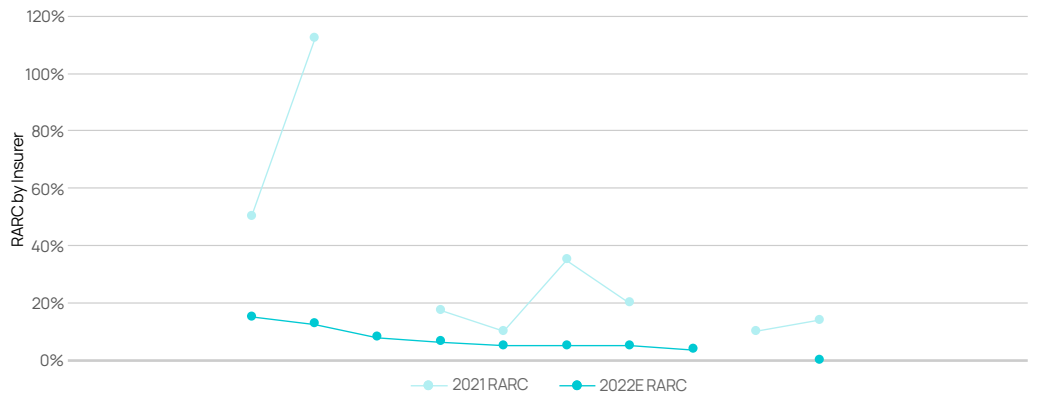
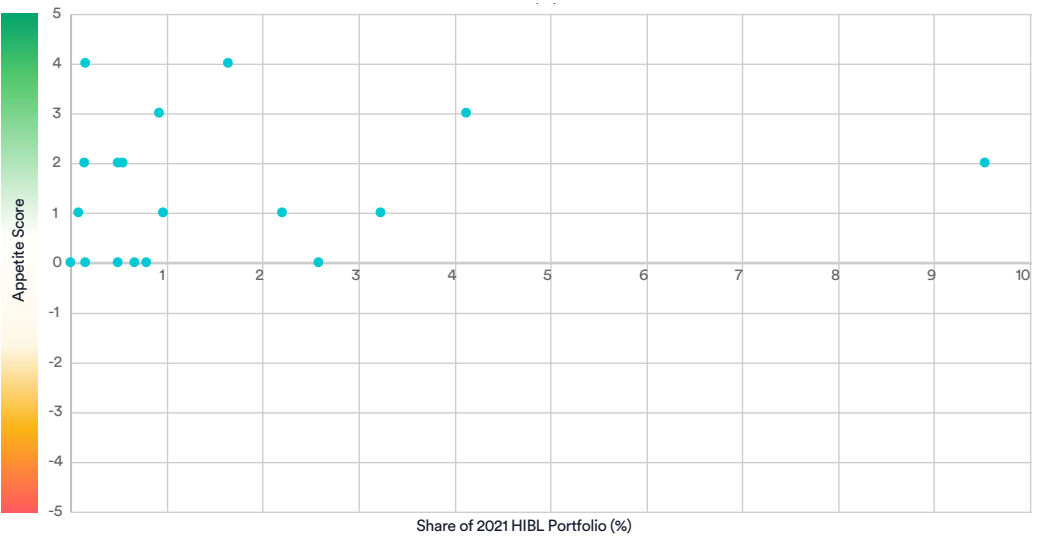
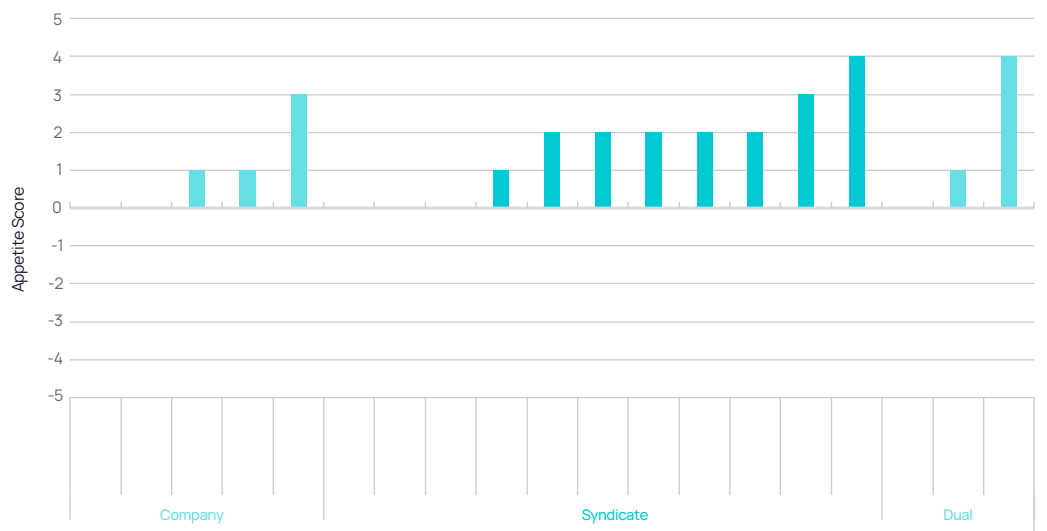
D&O (International)

Number of Insurers	Sum of Share of Howden Portfolio	Average Appetite
29	72.31%	2.1



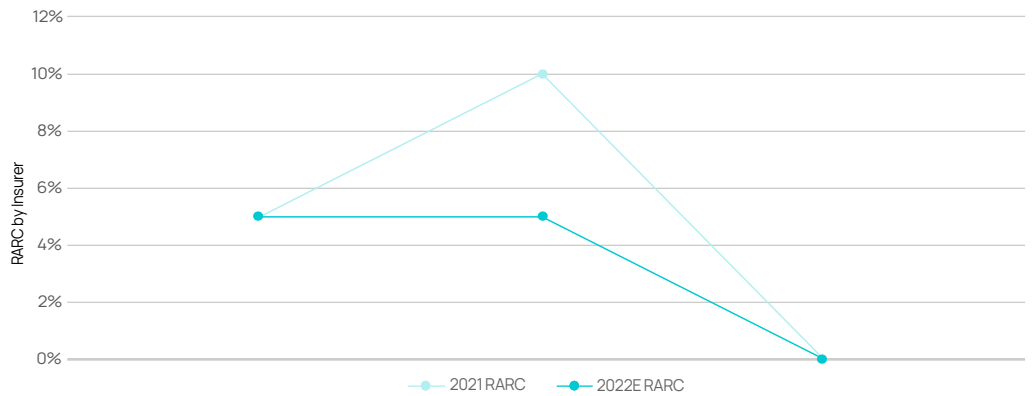
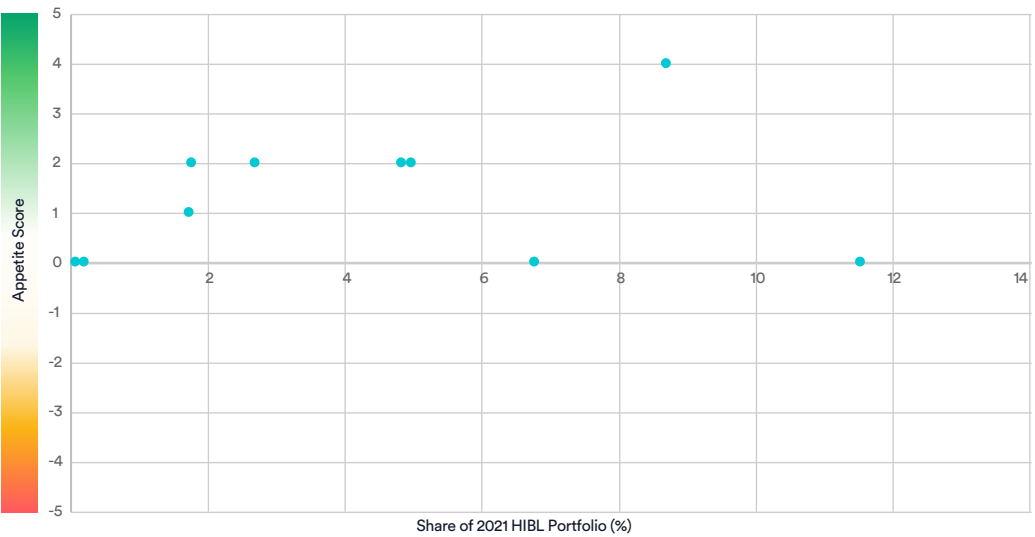
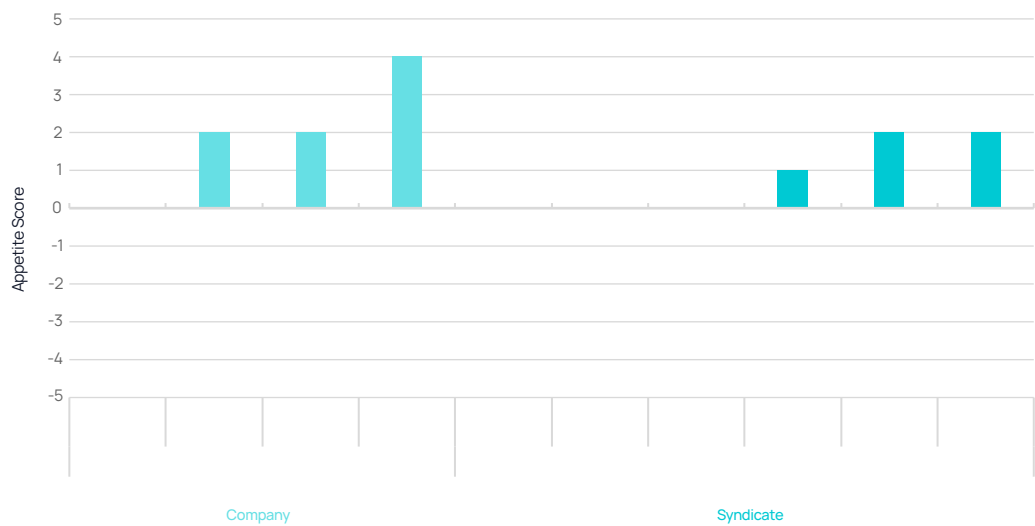
D&O (US)

Number of Insurers	Sum of Share of Howden Portfolio	Average Appetite
19	29.19%	1.5



M&A

Number of Insurers	Sum of Share of Howden Portfolio	Average Appetite
10	43.3%	1.3



Restructuring & Resolution (Insolvency)

Number of Insurers	Sum of Share of Howden Portfolio	Average Appetite
4	61.34%	0.8



Real Estate

Number of Insurers

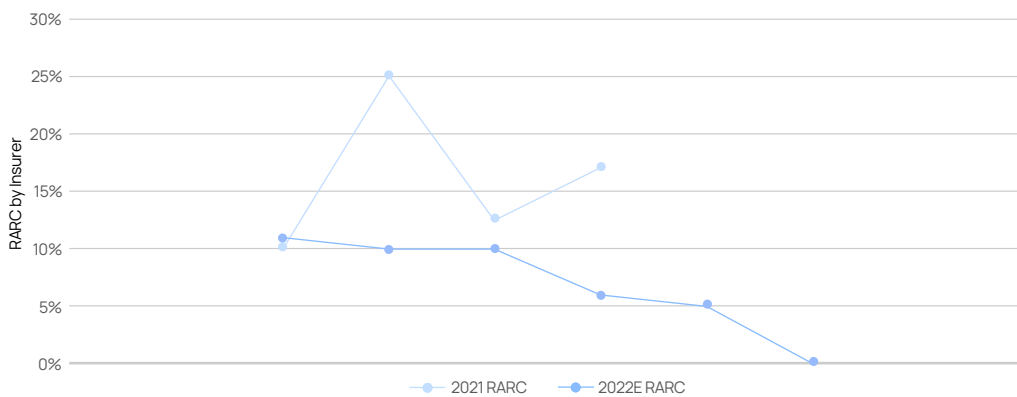
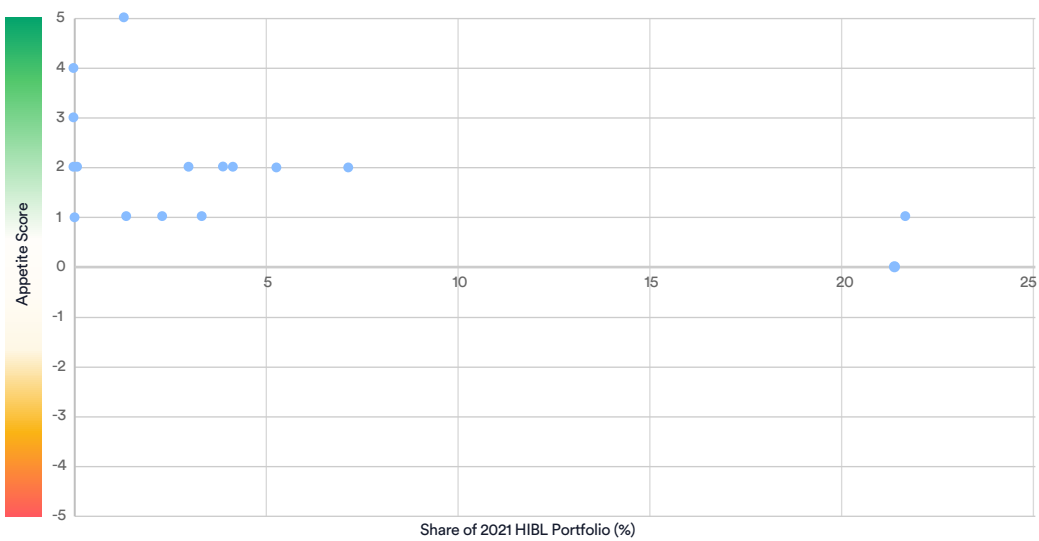
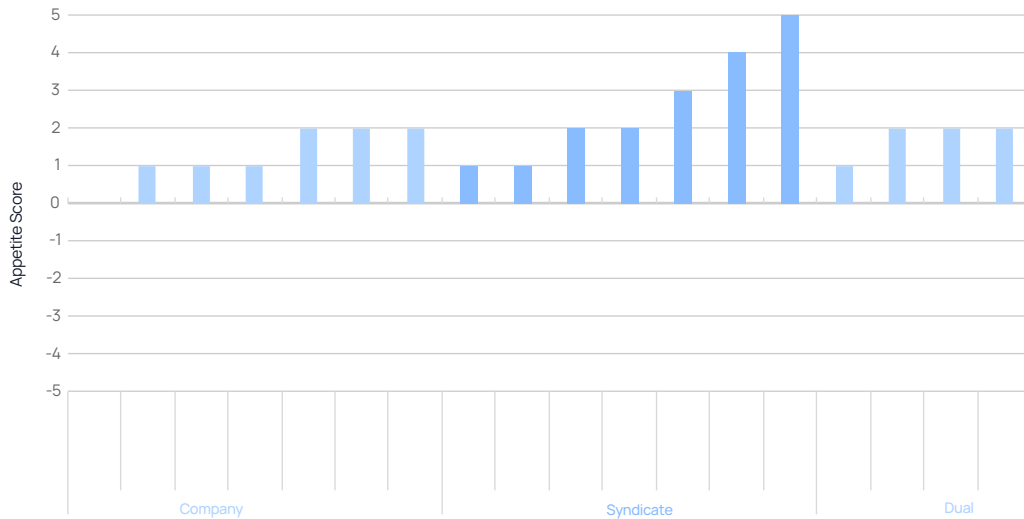
18

Sum of Share of Howden Portfolio

75.07%

Average Appetite

1.9



Corporate Risks

Number of Insurers

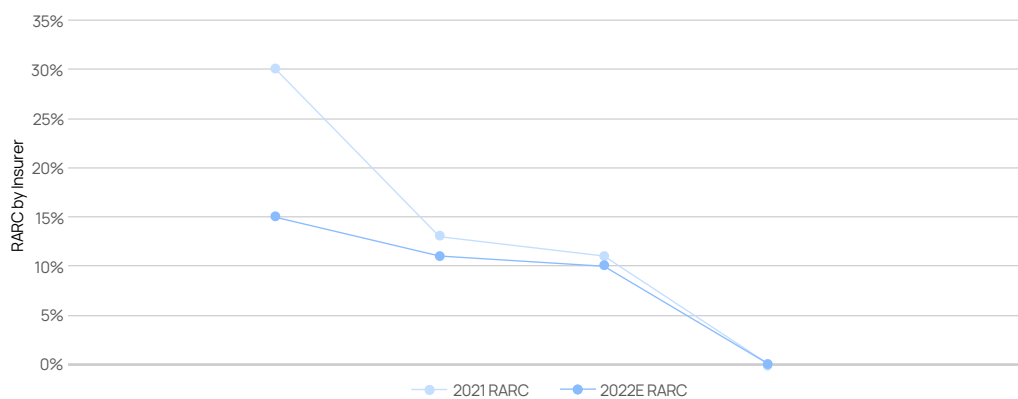
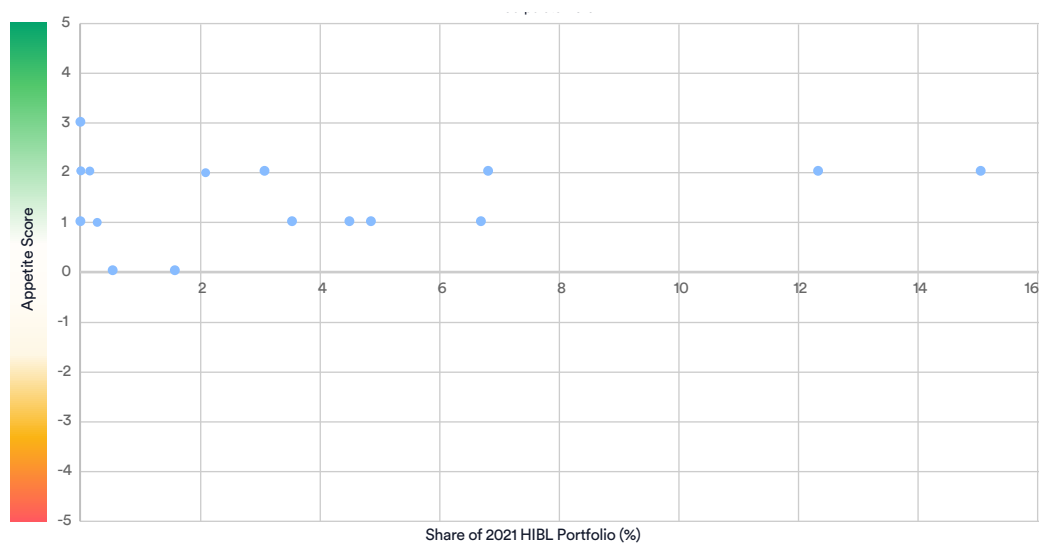
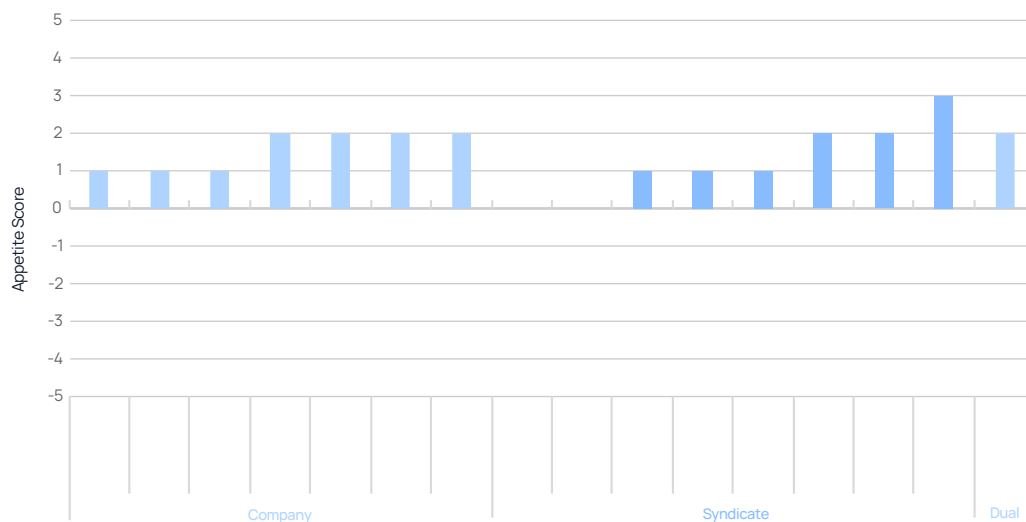
Sum of Share of Howden Portfolio

Average Appetite

16

61.51%

1.4



Fine Art & Specie

Number of Insurers

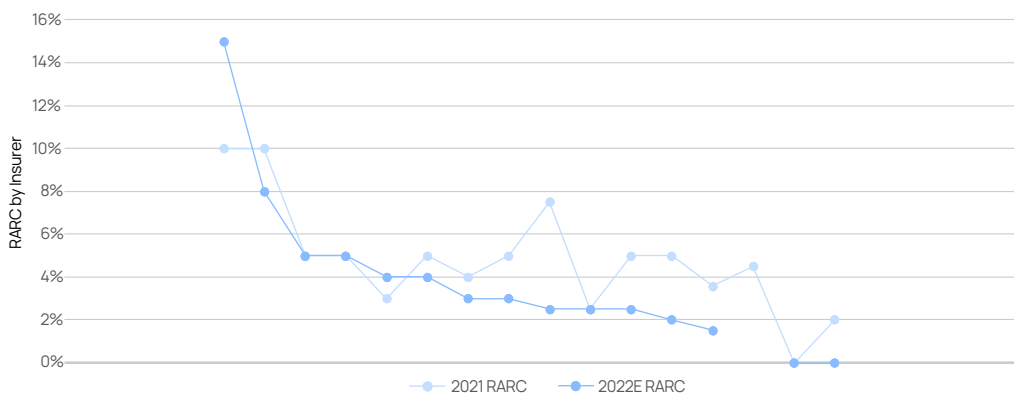
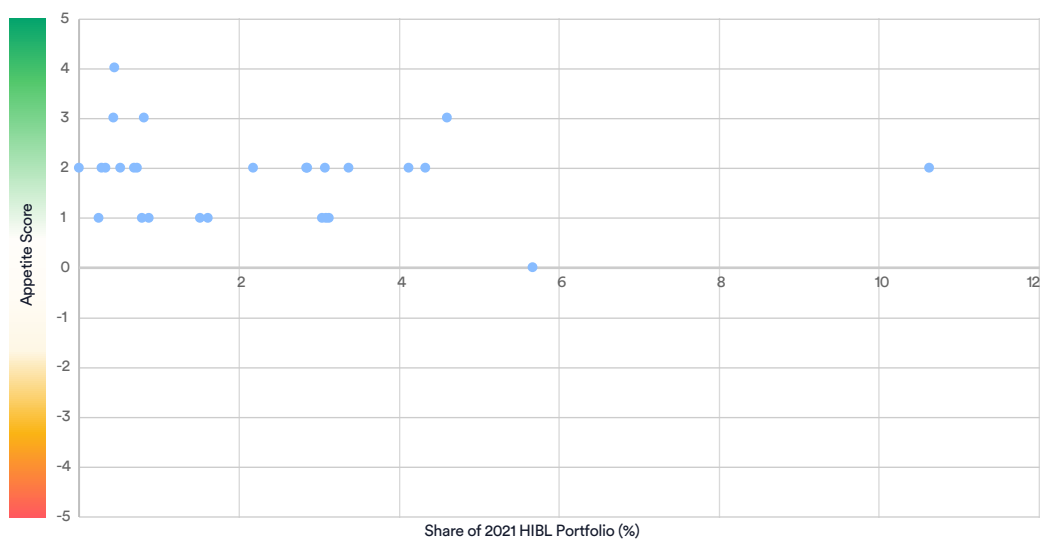
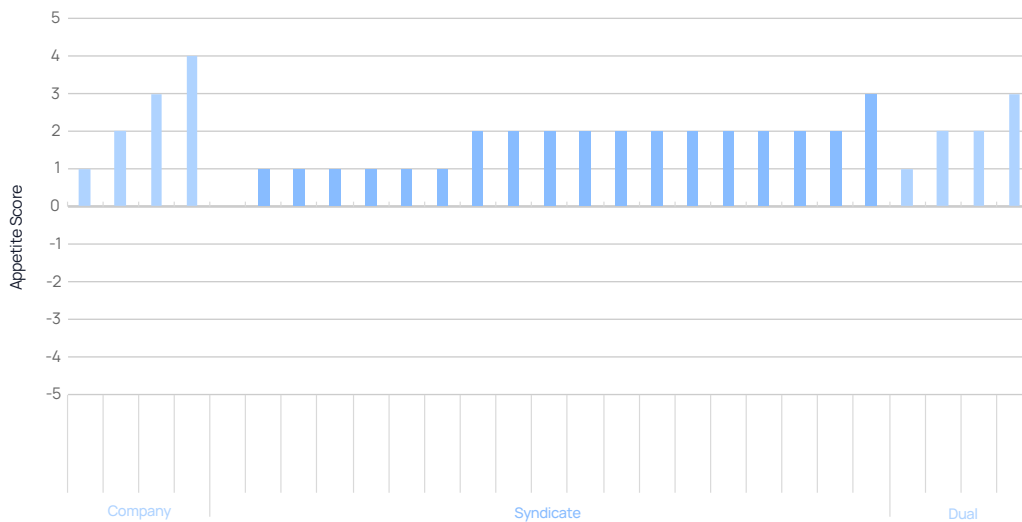
27

Sum of Share of Howden Portfolio

63.63%

Average Appetite

1.8



Surety

Number of Insurers

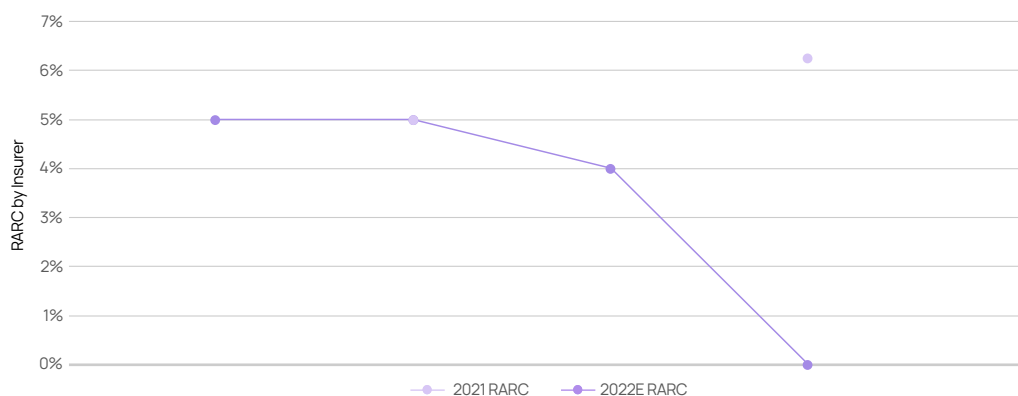
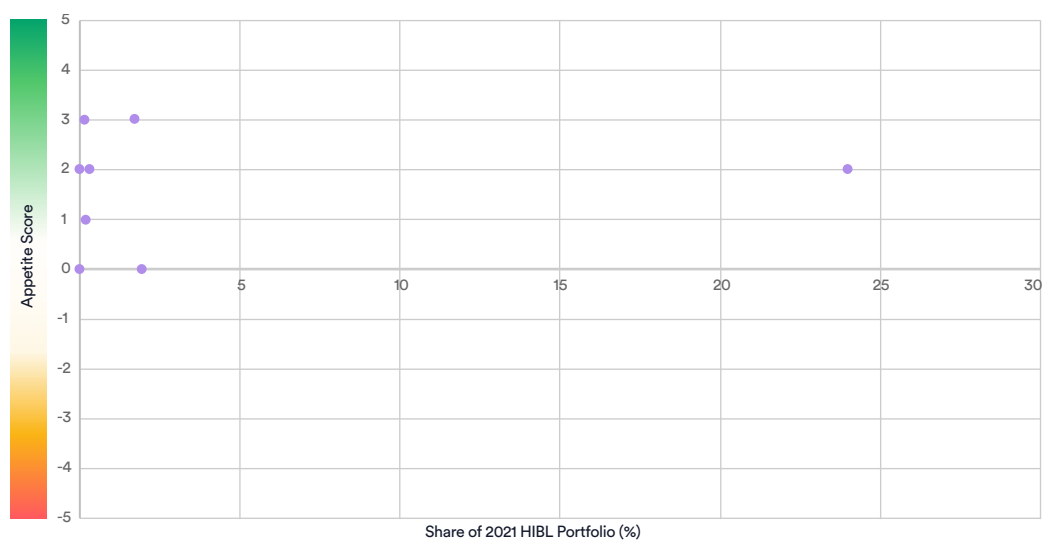
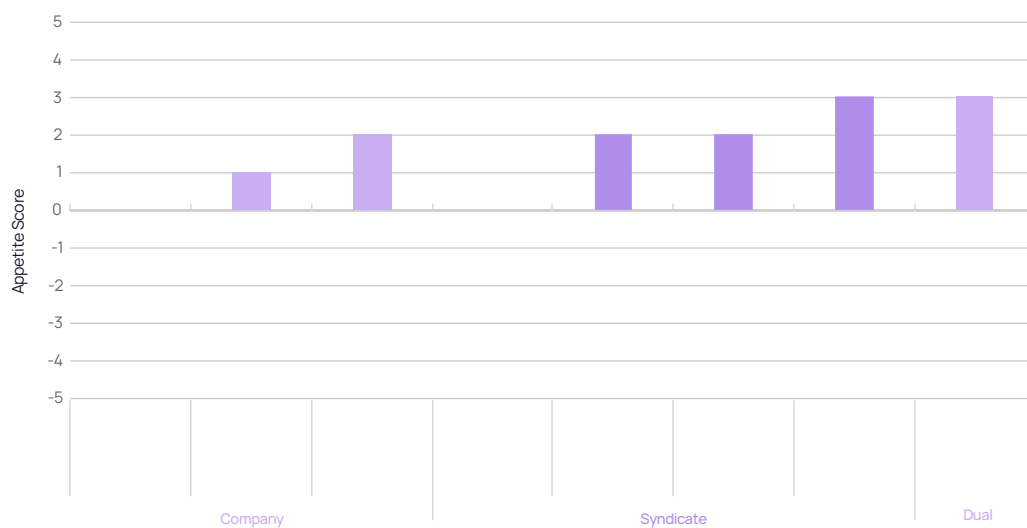
Sum of Share of Howden Portfolio

Average Appetite

7

28.50%

1.9



Intl. Trade Credit

Number of Insurers

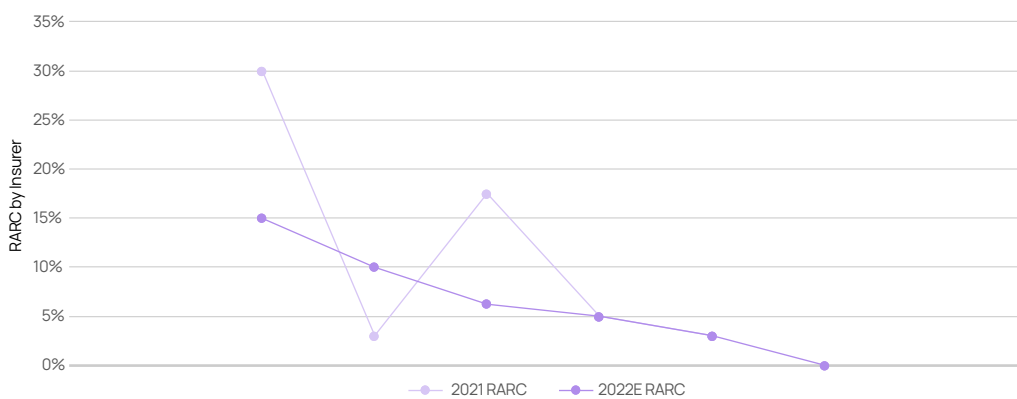
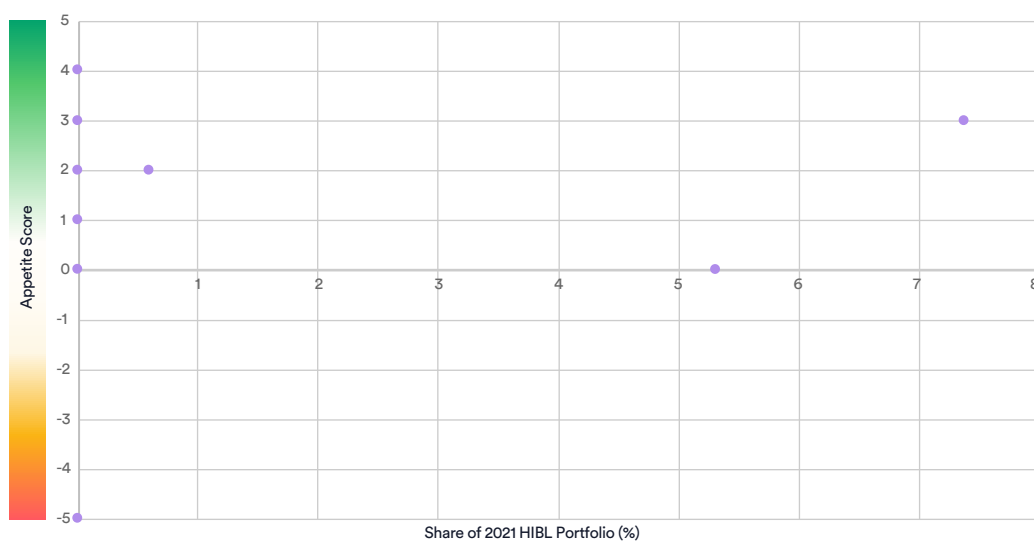
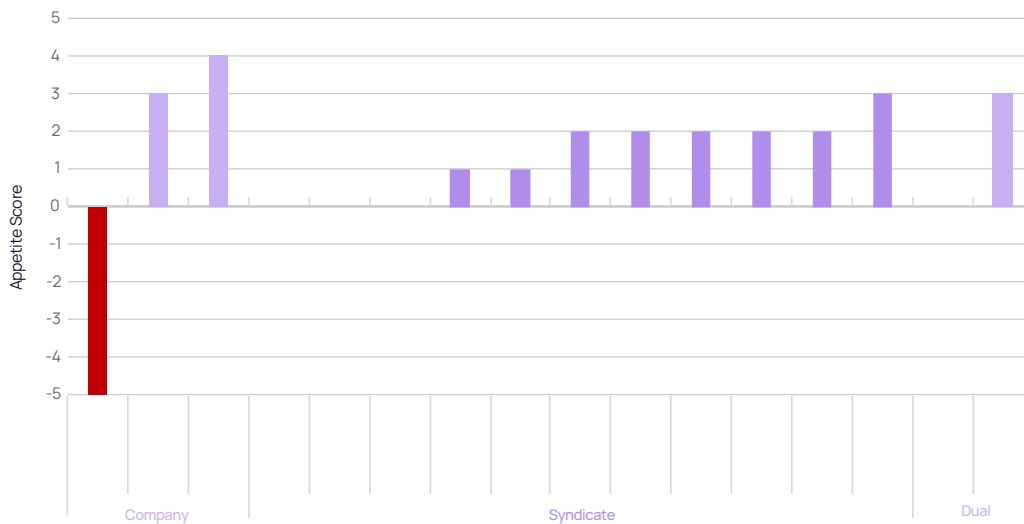
Sum of Share of Howden Portfolio

Average Appetite

16

13.31%

1.3



Politics Risks & Structured Credit

Number of Insurers

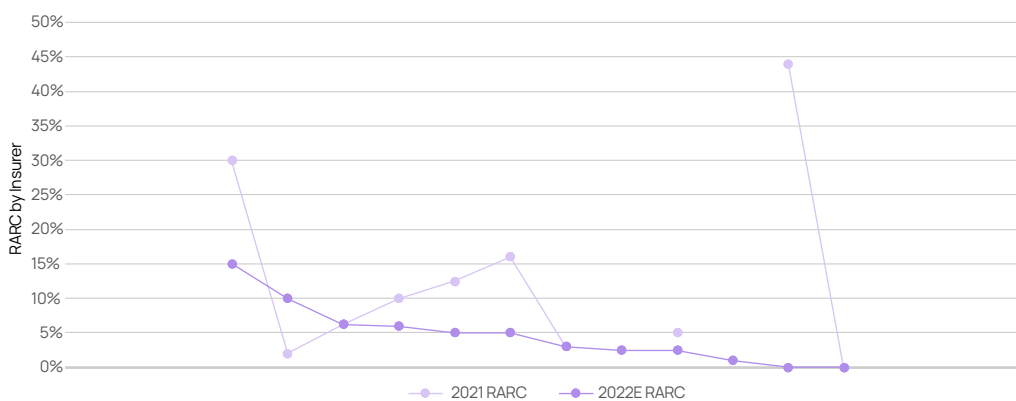
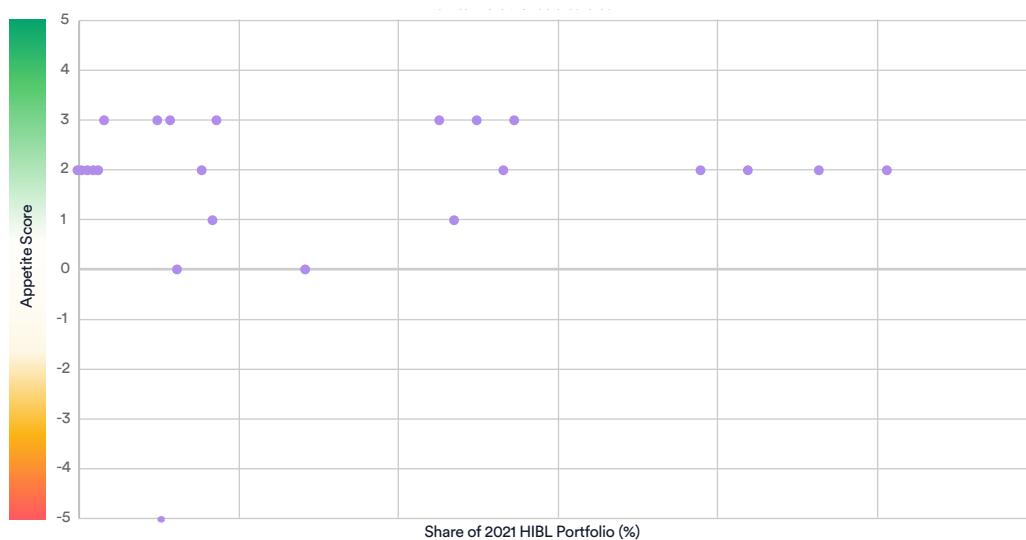
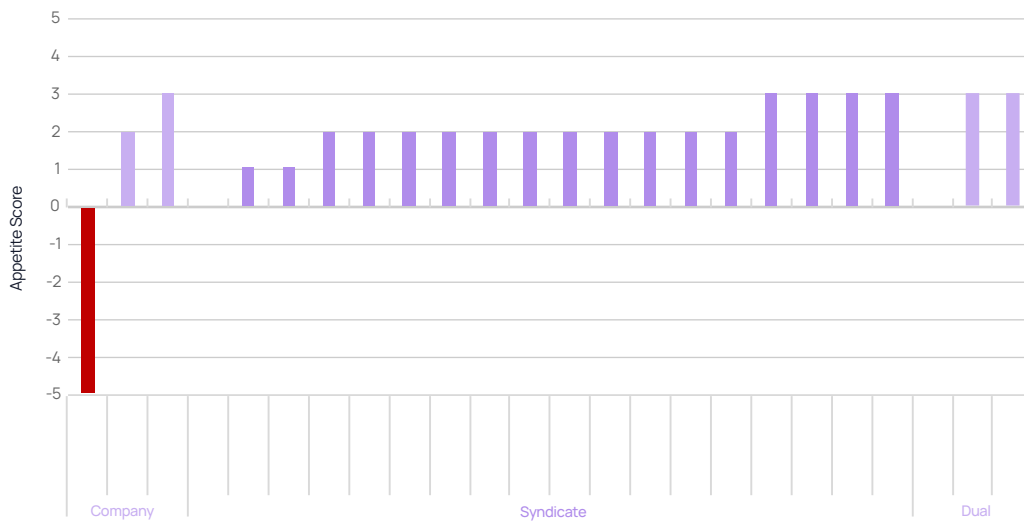
24

Sum of Share of Howden Portfolio

73.89%

Average Appetite

1.8



Contingency

Number of Insurers

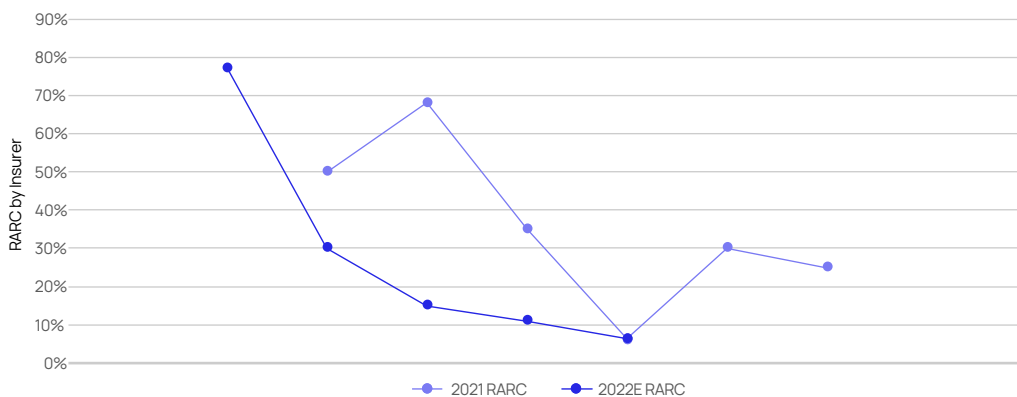
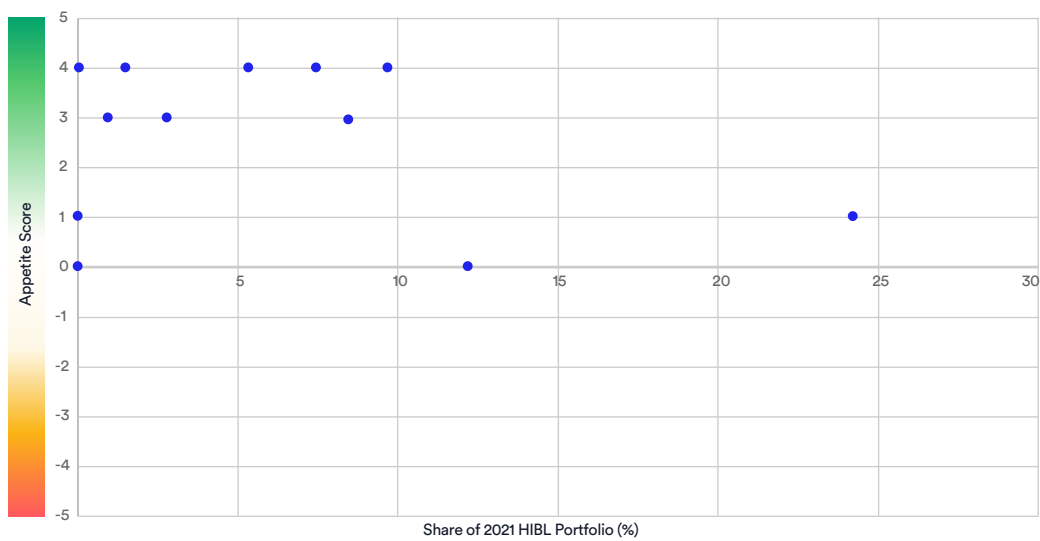
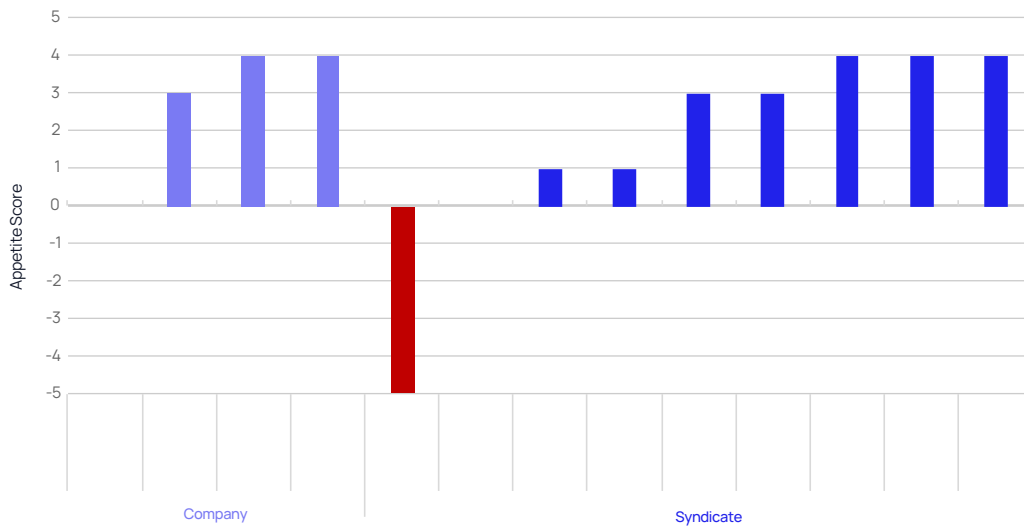
13

Sum of Share of Howden Portfolio

72.67%

Average Appetite

2.0



Sports Disability

Number of Insurers

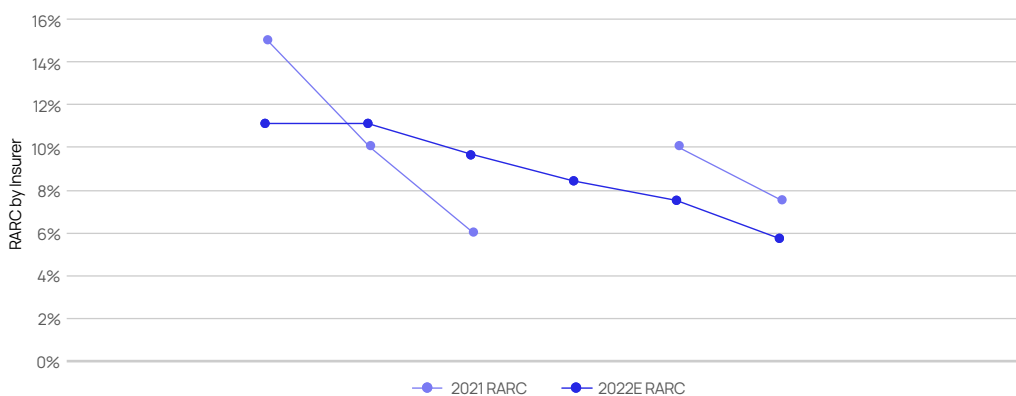
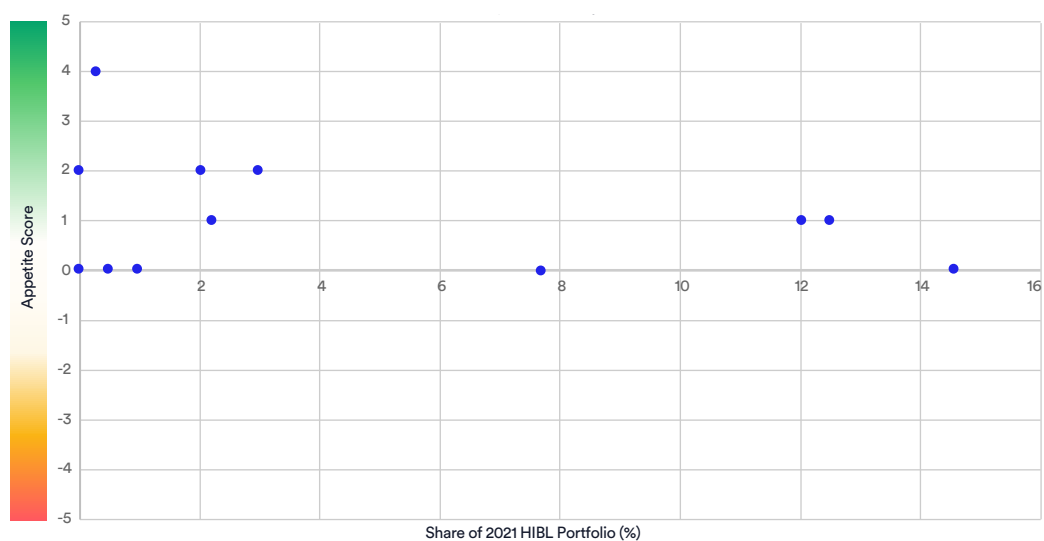
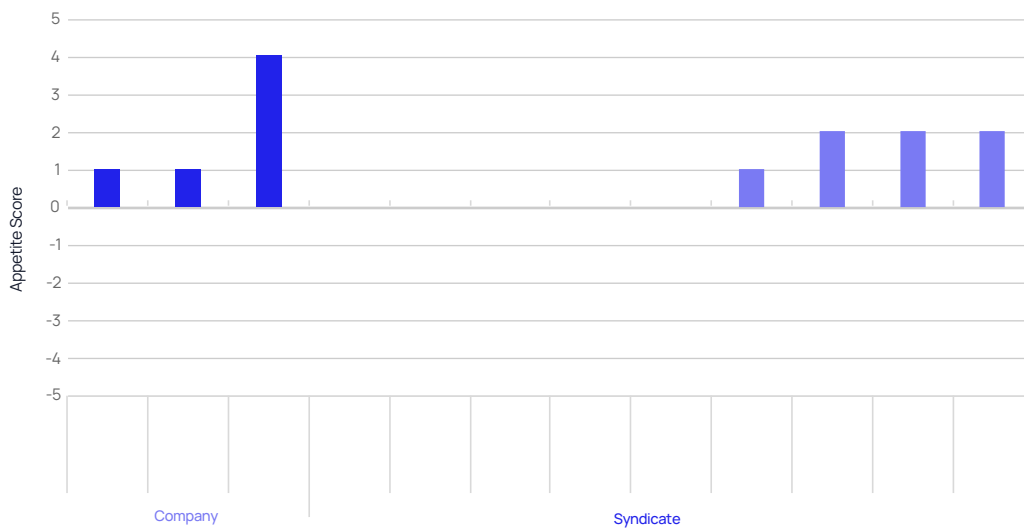
Sum of Share of Howden Portfolio

Average Appetite

12

55.79%

1.1



Amateur Sports Associations

Number of Insurers

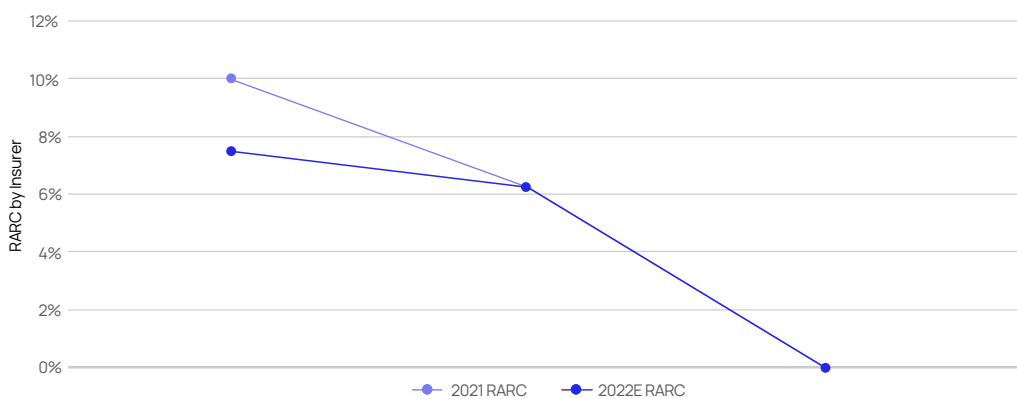
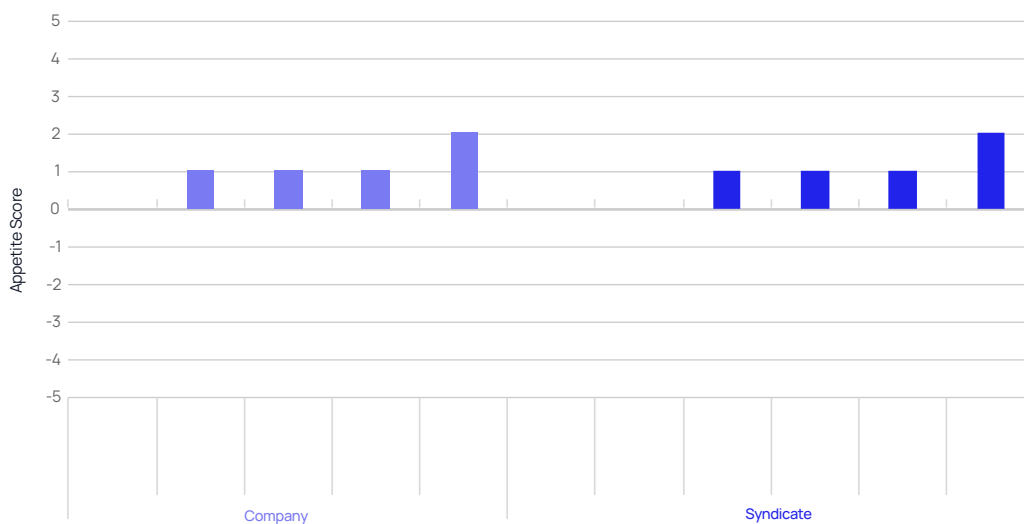
Sum of Share of Howden Portfolio

Average Appetite

11

N/A

0.9



Equine

Number of Insurers

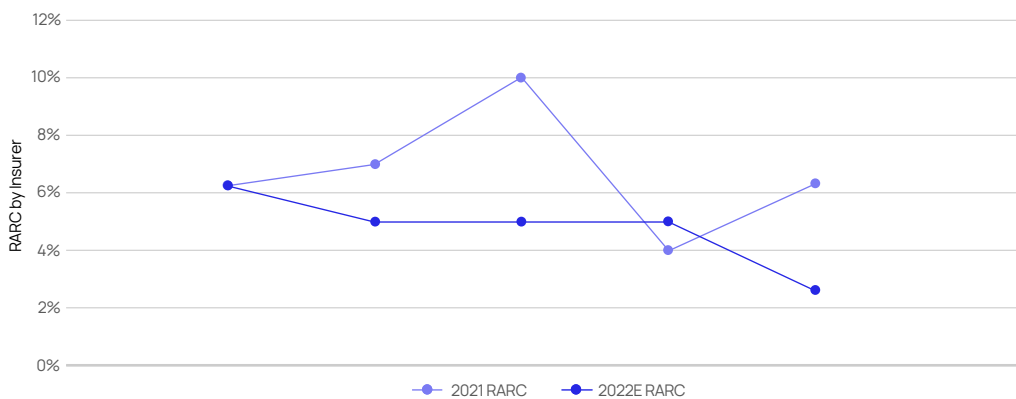
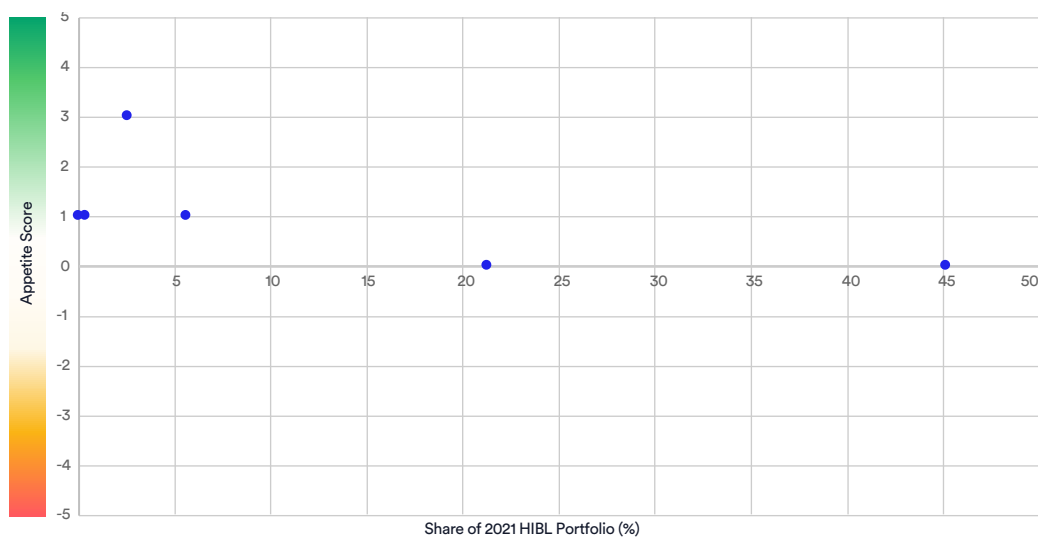
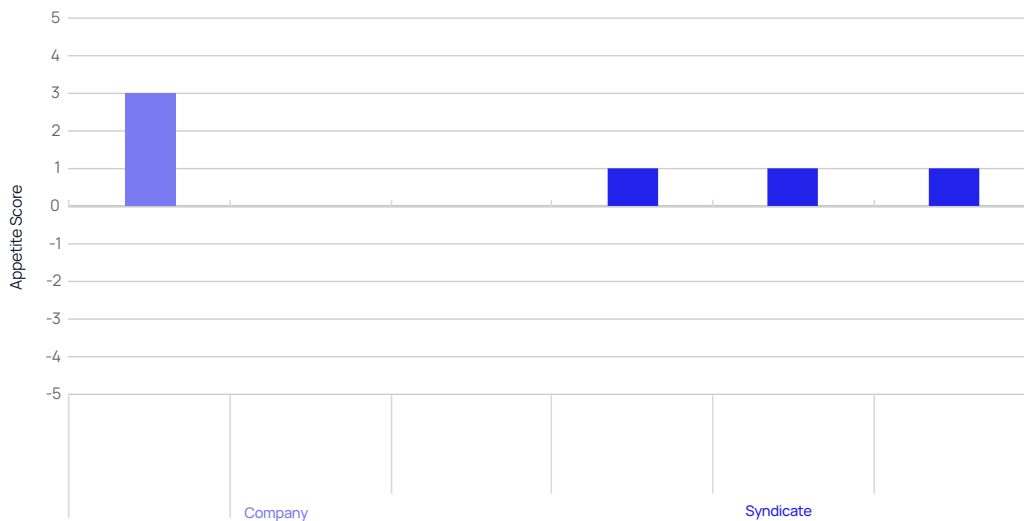
6

Sum of Share of Howden Portfolio

74.85%

Average Appetite

1.0



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