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Howden London Market Construction Appetite Survey

December 2021

Prepared by Howden Markets Insights

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Introduction

Mid way through 2021, Howden Markets Insights in partnership with the newly formed Howden Construction Division, interviewed and surveyed approximately 25 insurers (including MGAs) to fully understand and profile the underwriting capacity and appetite for construction in the London market. As a sample size this represents almost the entire London market, with only one notable exception declining to participate. The parameters covered were:

- PML line size
- Construction type (such as civils, infrastructure, oil & gas, power)
- Territorial scope
- Minimum project size
- Minimum premium
- Other cover and extensions (such as liability, first year operations and inherent defects)

Key Findings

USD\$3bn

Total London Capacity of Insurers Surveyed: (in total direct/RI all territories and all risk types).

Prominent Leaders

Strong Expression of Leadership: CV Starr, Axis and Zurich.

Territories

High Appetite

- UK
- EU
- USA

Low Appetite

- India
- Israel
- Russia



Construction Type

High Appetite

- Oil & Gas Processing
- Buildings
- Power (Gas)

Low Appetite

- Coal Mining
- Power (Coal)
- Frame



Construction Market Context

Insurer	Date of Exit	PML Capacity
Beazley**	Q4 2018	\$100m
Brit	Q4 2018	\$50m
CNA/Hardy**	Q4 2018	\$100m
Ironshore Bermuda	Q4 2018	\$50m
Talbot**	Q4 2018	\$100m
Pioneer	Q4 2018	\$50m
Starstone***	Q1 2019	\$150m
TMK***	Q1 2019	\$150m
Probitas	Q1 2019	\$50m
QBE*	Q1 2020	\$100m
Samsung	Q1 2020	\$100m
Partner Re	Q4 2020	\$100m
Travelers**	Q4 2021	\$50m
Total PML Capacity		\$1bn

Excess of \$1bn

Lost capacity for any single project since 2018 is estimated to be in excess of \$1bn.

* Lloyd's syndicate only, continue to write follow lines only on company paper for existing clients only. UK centric focus.

** Beazley, CNA/Hardy, Talbot and Travelers also constituted a block of capacity under a Lloyd's consortium which lead major construction projects and/or underwrote 100% from London.

*** London lead market capacity.

Construction Market Context

Keys to Success

Significant capacity exists in the London Market. It is clear to see that significant capacity can still be found in the London market, however to get the most of out the market clients and broker partners must be strategic in their approach to the market.

Strategic Approach to Risk

Many of our clients and broker partners have suffered from the changes in both the domestic and International markets. To deliver the best results it is essential to understand and navigate the global marketplace. We tailor marketing to the project characteristics and approach the best carriers in the best location to achieve the best outcome for clients and broker partners.

Engage Howden Early in the Process

Consulting with Howden is key before any market approach, including that in the domestic market. Engaging us at an early stage allows time to understand your insurance requirements, collate underwriting information, utilise our data and analytics (for Nat Cat) and design and deliver a robust insurance programme. In a hard market, things are constantly changing and the earlier you engage us the better. **We are much more than just a placing broker into London, we are here to help you with your strategy and win business together.**

Adopt a Global Mind-Set

Gain a competitive advantage by adopting a global mind-set in your approach to marketing risks. This is of particular relevance where your clients have JV partners or a foreign interest, as markets local to them will often provide extremely competitive terms and conditions, which can set you part from your peers in the market.

Unlock the Best Terms

High quality information is the key to unlocking the most competitive terms in any market, and especially true in hard market. Detailed and relevant underwriting information is necessary for insurers to fully understand the risk exposure and provide terms. In hardening market you are competing for an underwriters time, and **those with full detailed presentations and complete information rise to the top.**

Construction Market Context

Appetite Tightening



Those insurers remaining in the sector have tightened their underwriting appetite substantially, fuelling the hard market conditions precipitated by the exits detailed above. Examples for some of the more prominent London markets are provided below:

Insurer 1	Reduced PML line size; construction underwriting has ceased in their US/Dubai/Singapore offices and brought back to their London team.
Insurer 2 & 3	Under intense managerial scrutiny following several significant losses.
Insurer 4	Ceased writing CAR for buildings and civils etc. but have maintained an engineering team to write EAR for power and renewables.
Insurer 5	Have significantly reduced team size.

Whilst these developments can be interpreted negatively and are painful from the perspective of pricing and conditions, it is a 'natural selection' process that should leave the remaining markets more robust and resilient to take the market forward.

New Market Entrants



There has been a small number of new market entrants over this period, as detailed below:

Insurer 1	A London based MGA incubator, employed the former Beazley team and commenced underwriting in Q4 2019 backed by Scor, Arch, Atrium and Aegis. Their sweet spot is projects < \$300m sum insured.
Insurer 2	Also utilising their Lloyd's platform, commenced November 2021 but with a very modest TIV capacity of \$10m, clearly feeling their way into the market.

Lead appetite capability is examined in greater detail, both for new market entrants and incumbents in this report. Generally speaking, in the London market Howden are observing lead lines between 15-30% and follow lines 5-25% on a quota a share basis.

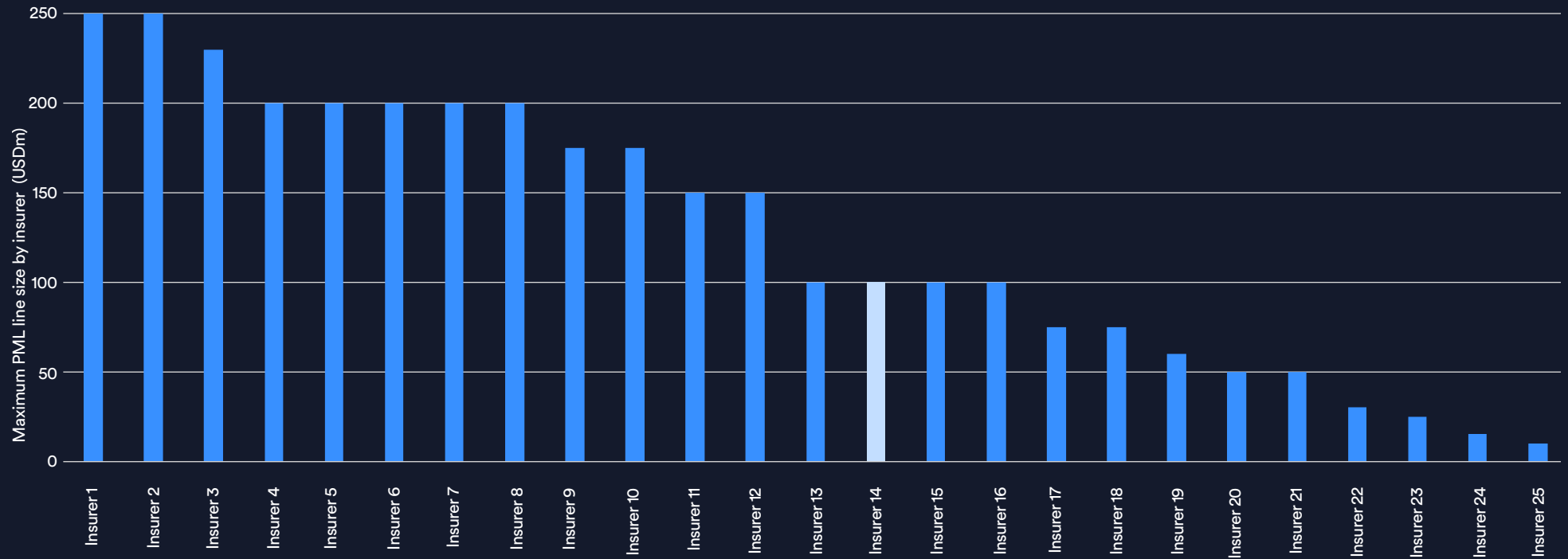
Survey Findings

USD3bn

Total PML capacity of surveyed insurers.

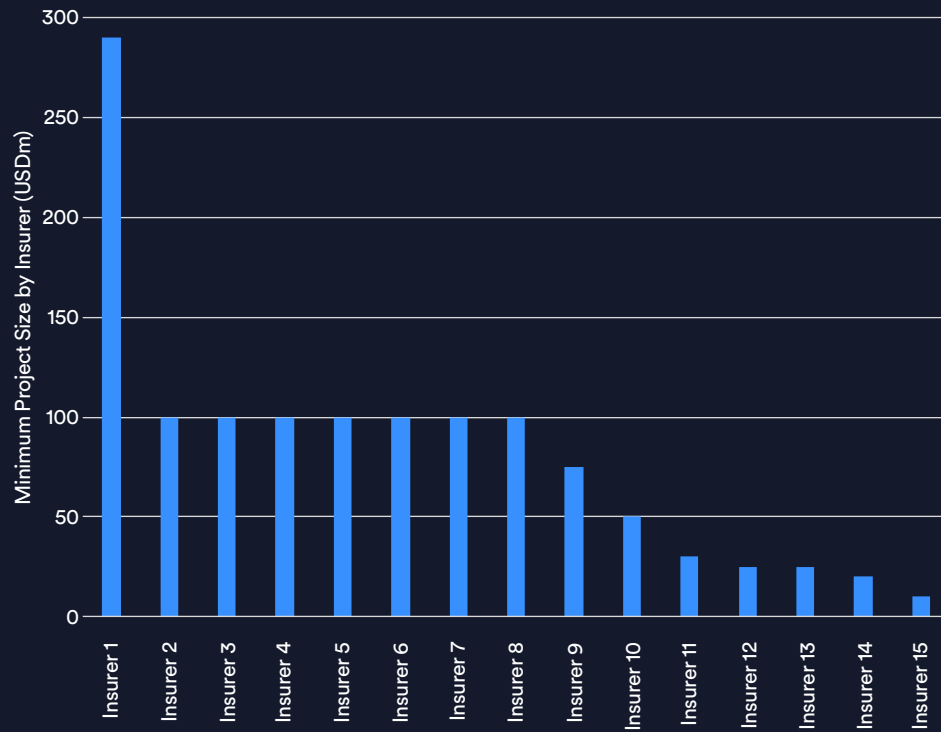
Maximum PML Line Size

The breadth of PML capacity in the London market is very broad, ranging from \$250m at the top end to \$10m at the bottom end.

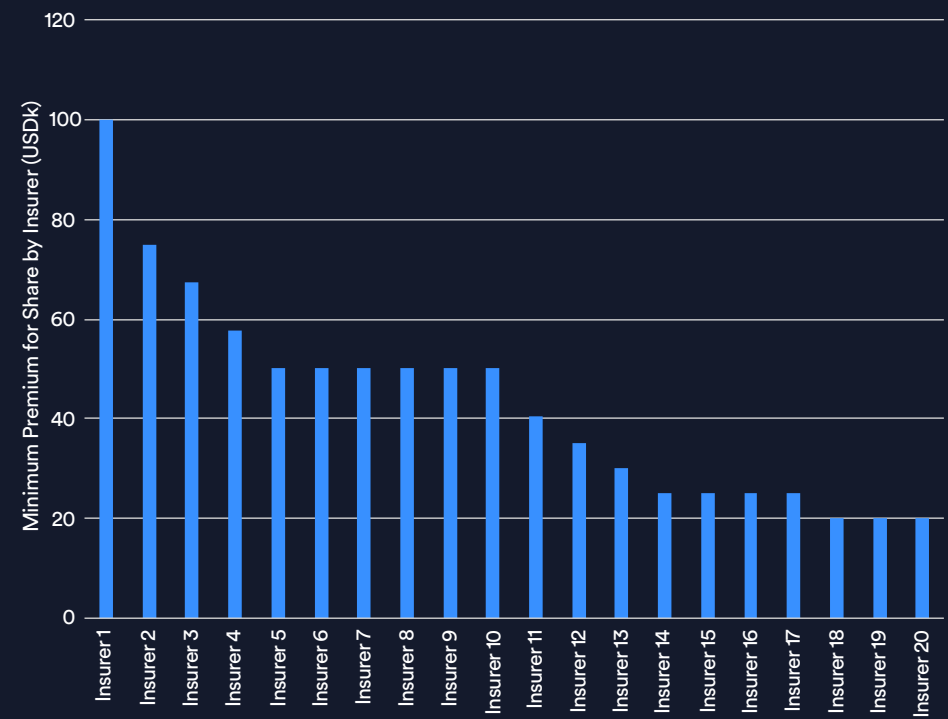


Survey Findings

Minimum Project Size by Insurer



Minimum Premium for Share by Insurer



Survey Findings

Insurer survey respondents were asked to attribute a score to their appetite by region (and for all the other criteria assessed) in accordance with the following scale:

Appetite Score & Description

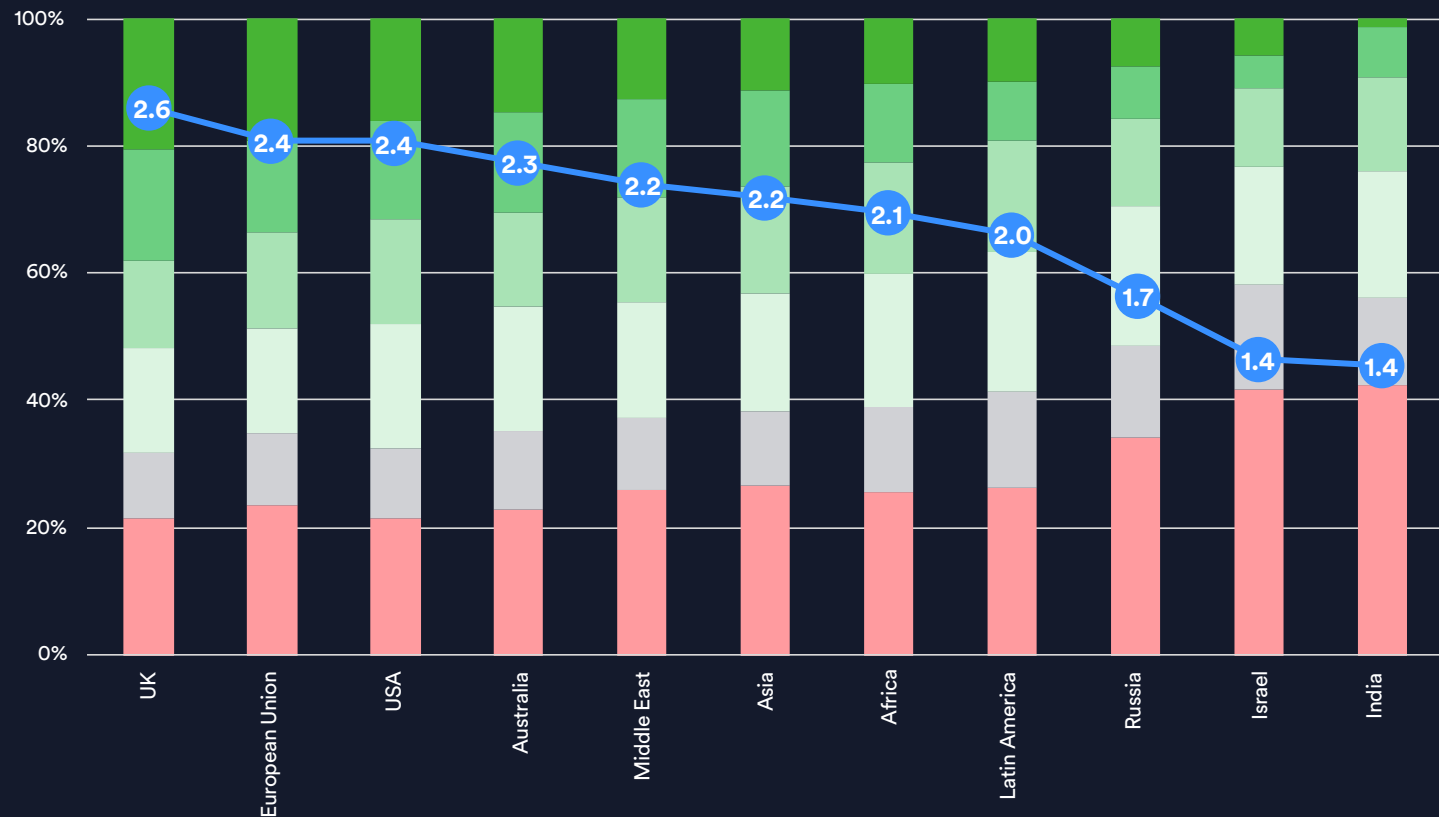
5	Quote as Lead – Target Business
4	Quote Lead
3	Follow – Target Business
2	Follow
1	Outside of Appetite*
0	Not Currently Writing**

 Average Appetite Score

* But can consider terms

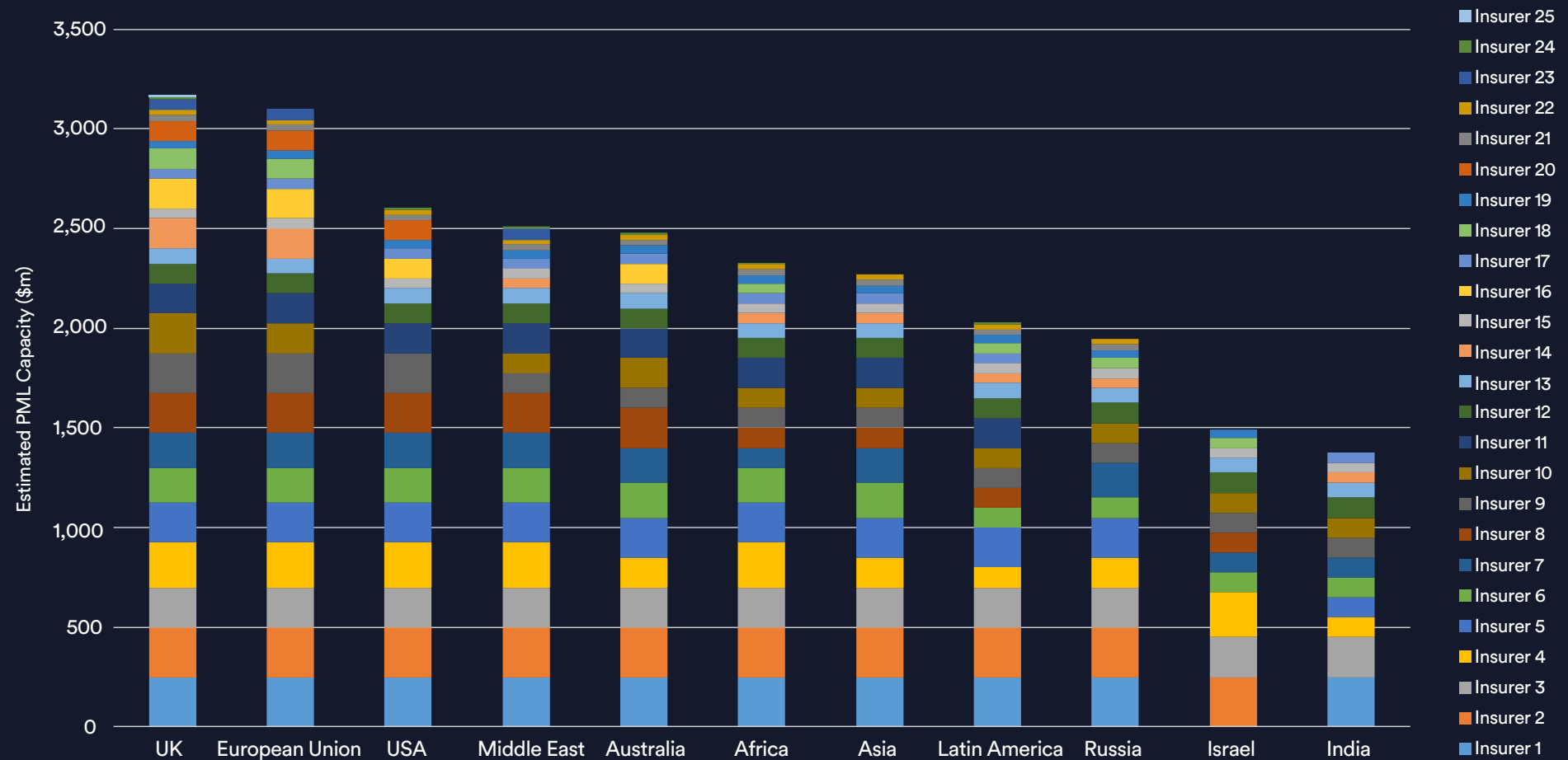
** Or Treaty exclusion

Appetite by Region (Proportion of Insurer Responses & Average Appetite Score)



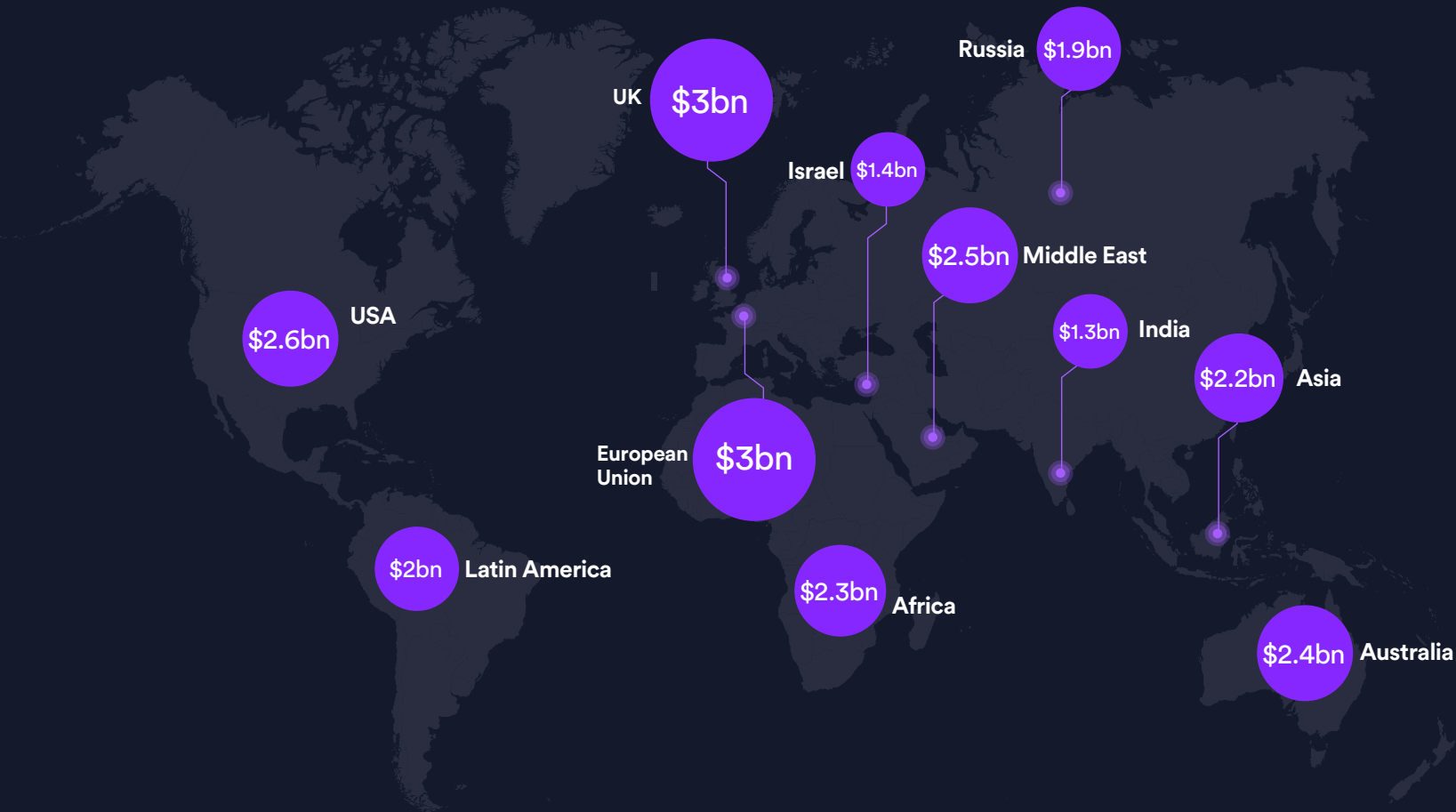
Survey Findings

Estimated PML Capacity by Territory



Survey Findings

Estimated Total PML Capacity by Territory



Survey Findings

This graphic illustrates London market insurer appetite by construction type. As can be observed, Oil & Gas Processing and Power – Gas are the most popular on the left hand side. Whilst Power – Coal and Coal Mining are the least popular on the right hand side of the chart.

Appetite Score & Description

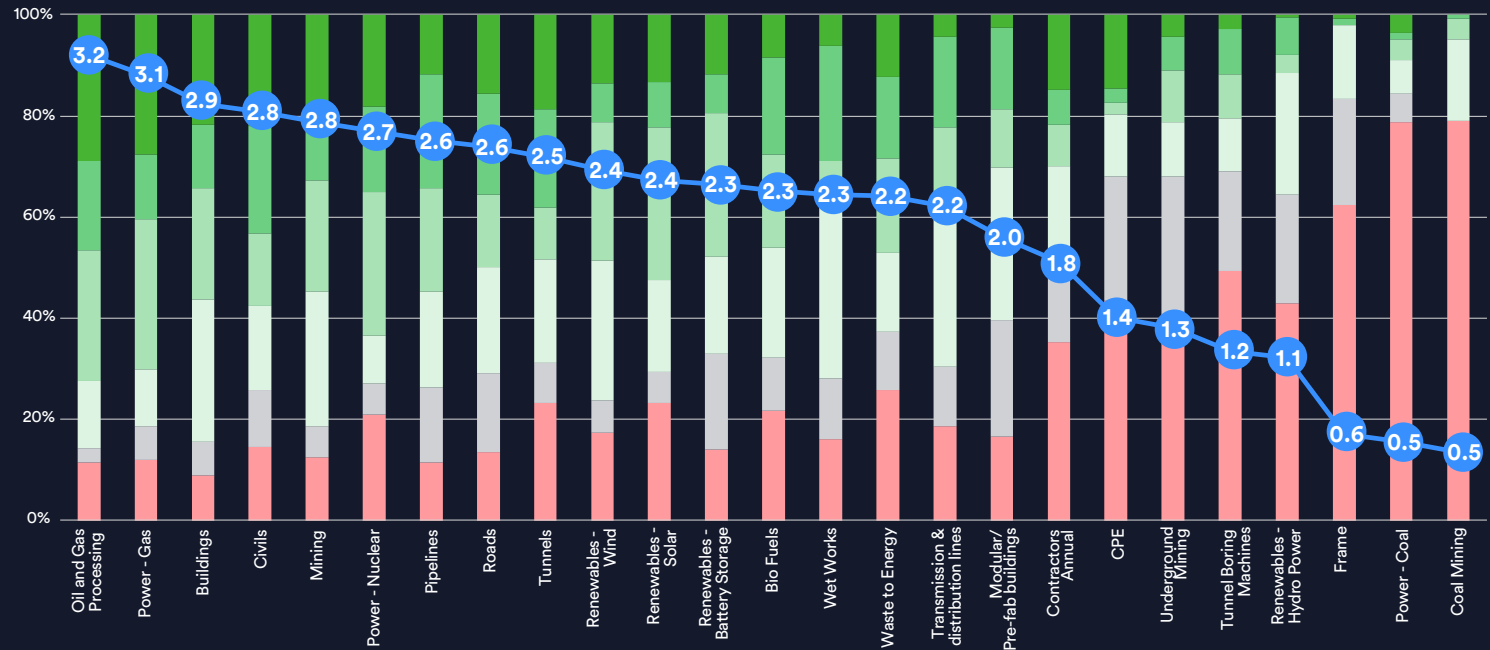
5	Quote as Lead – Target Business
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2	Follow
1	Outside of Appetite*
0	Not Currently Writing**

 Average Appetite Score

* But can consider terms

** Or Treaty exclusion

Appetite by Construction Type (Proportion of Insurer Responses & Average Appetite Score)



Survey Findings

Construction Type By Region Appetite Heat Map

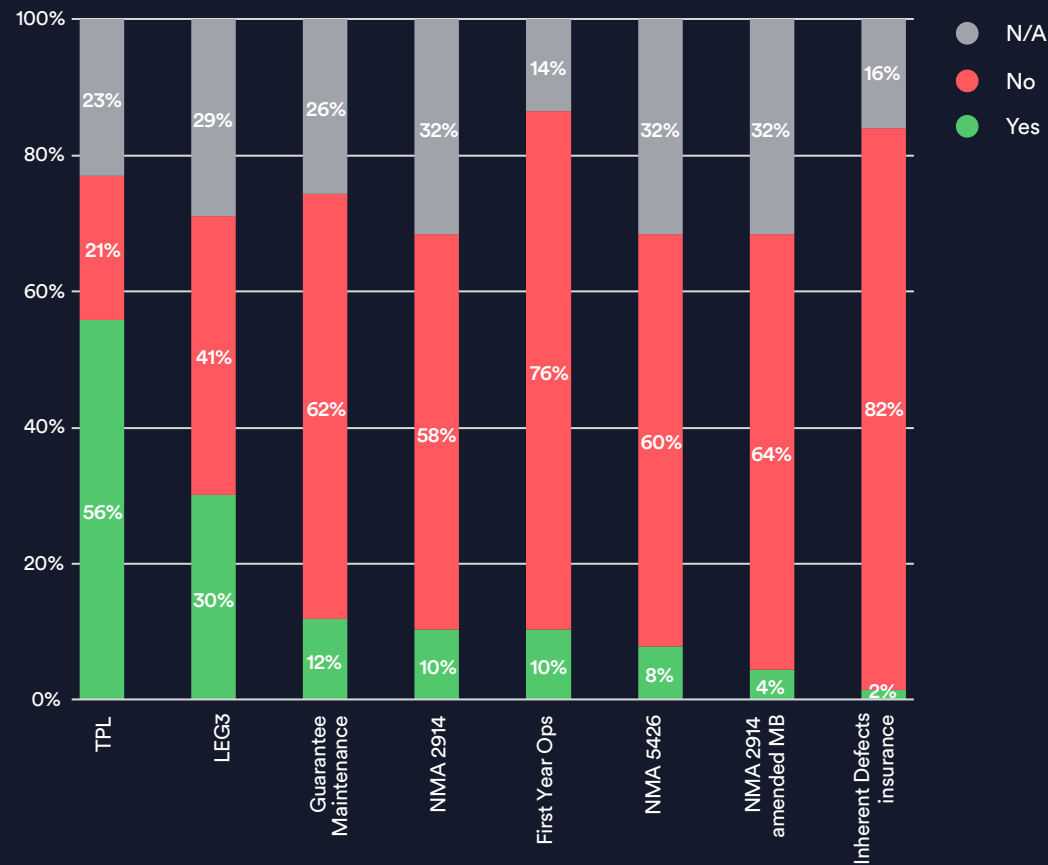
Coverage Type:	UK	European Union	USA	Middle East	Asia	Australia	Africa	Latin America	Russia	Israel	India
Buildings	4.0	3.5	3.5	3.3	2.9	3.2	3.0	2.5	2.2	1.9	1.5
Civils	3.9	3.8	3.5	3.0	3.0	3.1	2.7	2.5	2.0	1.9	1.6
Oil and Gas Processing	3.6	3.6	3.8	3.7	3.6	3.8	3.4	3.0	2.8	2.2	2.1
Power – Gas	3.5	3.5	3.4	3.5	3.4	3.5	3.2	2.9	2.8	2.2	2.1
Roads	3.5	3.4	3.1	2.6	2.8	2.7	2.3	2.3	1.9	2.0	1.8
Mining	3.3	3.2	3.3	3.0	3.0	3.2	2.9	2.8	2.4	1.7	1.6
Contractors Annual	3.2	2.5	2.4	1.8	1.6	2.1	1.4	1.5	1.1	1.2	0.8
Tunnels	3.2	3.3	3.2	2.6	2.7	2.8	2.4	2.2	1.9	1.8	1.5
Pipelines	3.0	3.0	2.9	3.0	2.8	3.0	2.7	2.6	2.3	1.8	1.9
Power – Nuclear	2.9	2.9	2.9	2.9	2.9	3.0	2.8	2.6	2.6	1.9	2.3
Renewables – Wind	2.9	2.8	2.9	2.6	2.5	2.8	2.5	2.5	1.8	1.8	1.6
Renewables – Solar	2.8	2.8	2.8	2.5	2.4	2.8	2.5	2.5	1.7	1.7	1.5
Modular/Pre-fab buildings	2.7	2.3	2.5	2.2	1.9	2.4	1.8	1.9	1.5	1.2	1.2
Bio Fuels	2.7	2.5	2.6	2.6	2.4	2.6	2.2	2.2	2.1	1.6	1.7
Wet Works	2.6	2.7	2.5	2.5	2.5	2.5	2.3	2.3	1.9	1.4	1.6
Renewables – Battery Storage	2.6	2.6	2.6	2.6	2.5	2.7	2.5	2.4	1.7	1.7	1.6
Waste to Energy	2.6	2.5	2.5	2.4	2.4	2.5	2.2	2.2	2.2	1.4	1.8
Transmission & distribution lines	2.4	2.3	2.4	2.5	2.3	2.4	2.3	2.3	2.0	1.4	1.5
CPE	2.3	1.5	1.7	1.5	1.5	1.7	1.6	1.1	1.0	0.7	0.9
Underground Mining	1.5	1.5	1.4	1.3	1.4	1.4	1.4	1.4	1.2	1.0	1.1
Frame	1.4	0.7	1.1	0.4	0.4	0.5	0.4	0.4	0.4	0.4	0.3
Tunnel Boring Machines	1.4	1.3	1.4	1.3	1.3	1.4	1.3	1.1	1.0	0.8	0.6
Renewables – Hydro Power	1.2	1.2	1.4	1.2	1.1	1.3	1.3	1.2	0.9	0.8	0.9
Power – Coal	0.7	0.7	0.6	0.6	0.6	0.6	0.6	0.6	0.4	0.3	0.4
Coal Mining	0.6	0.6	0.5	0.5	0.5	0.5	0.5	0.4	0.5	0.4	0.3
Average Territories Score	2.6	2.4	2.4	2.2	2.2	2.3	2.1	2.0	1.7	1.4	1.4

The table here plots insurer appetite score in descending order by construction type on the left hand side of the table against territory across the top of the table also in descending order. The effect is to show the strongest appetite by type and territory in the top left hand corner and the weakest appetite in the bottom right hand corner.

 Strong Appetite
 Weak Appetite

Survey Findings

Other Coverages & Extensions



The chart here shows the proportion of insurers surveyed willing to offer additional coverage and extensions. Unsurprisingly liability has a reasonably strong showing but the other coverages are modest.

Although the graph gives the broad picture, there are some variances when drilling down within segments as per the below table:

Construction types where additional coverages are strong:

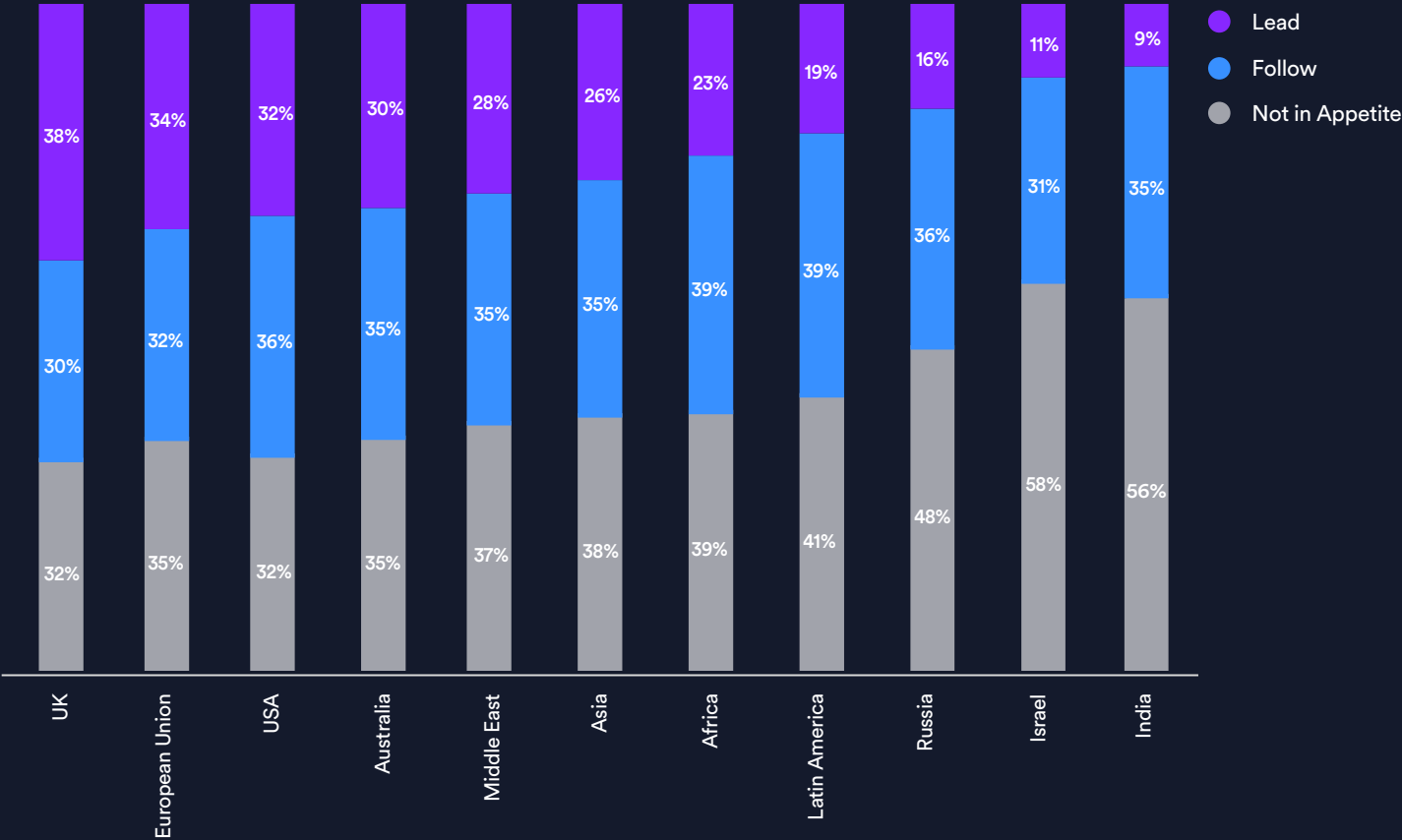
Coverage	Construction Type	Proportion of Insurers Prepared to Offer Coverage
First Year Ops	Renewables Wind	42%
	Renewable Solar	42%
TPL	Civils	70%
LEG3	Buildings	57%
	Contractors Annual	52%
Guarantee Maintenance	Buildings	44%
	Contractors Annual	39%
Inherent Defects	Buildings	22%

London Market Lead vs. Follow Appetite

With the market exits described earlier in this report, there has been concern that the London market has been depleted of lead capacity.

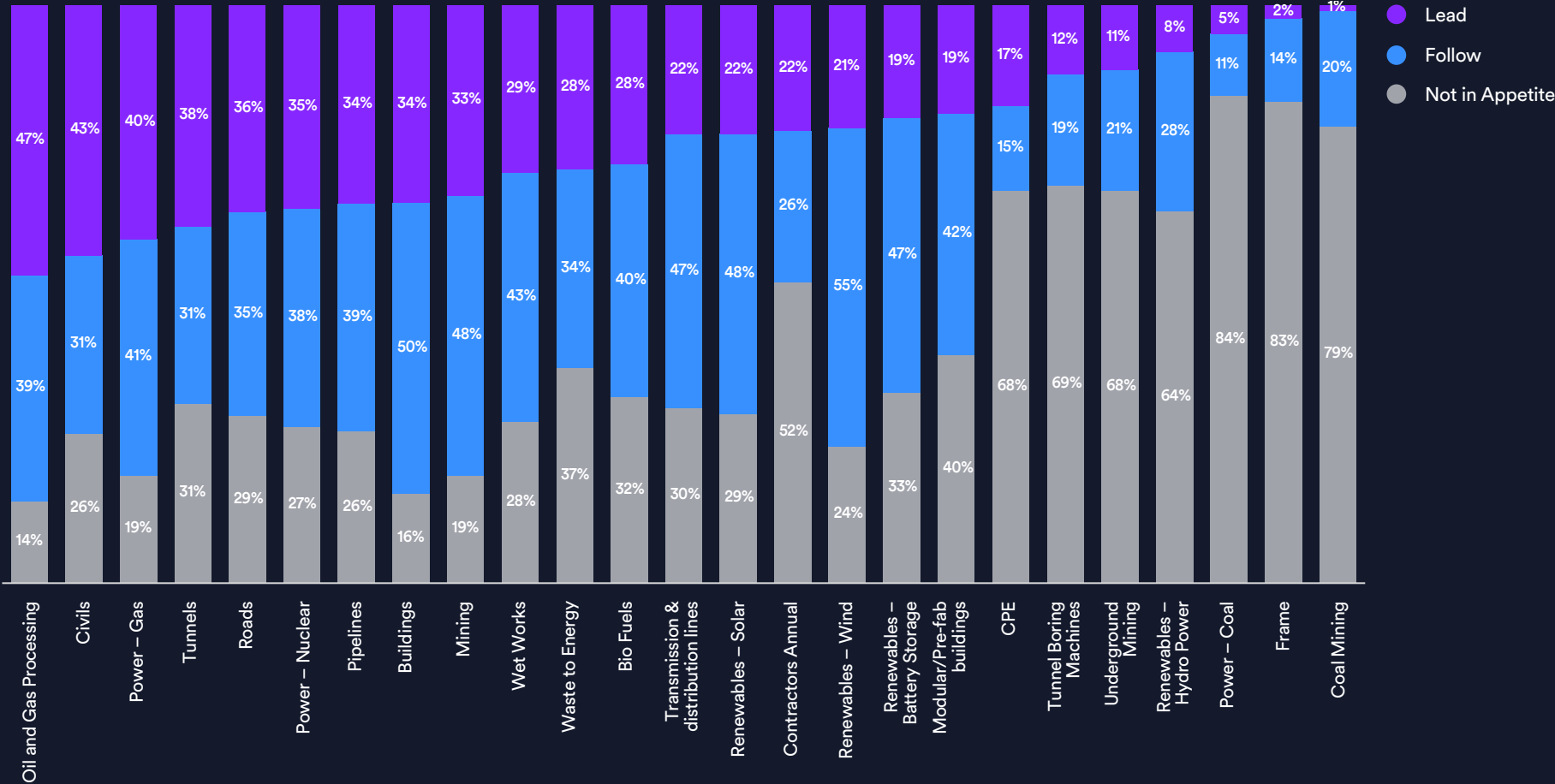
Appetite responses show a healthy lead appetite by the majority of territories and construction types.

Lead vs. Follow by Region (Proportion of Insurer Responses)



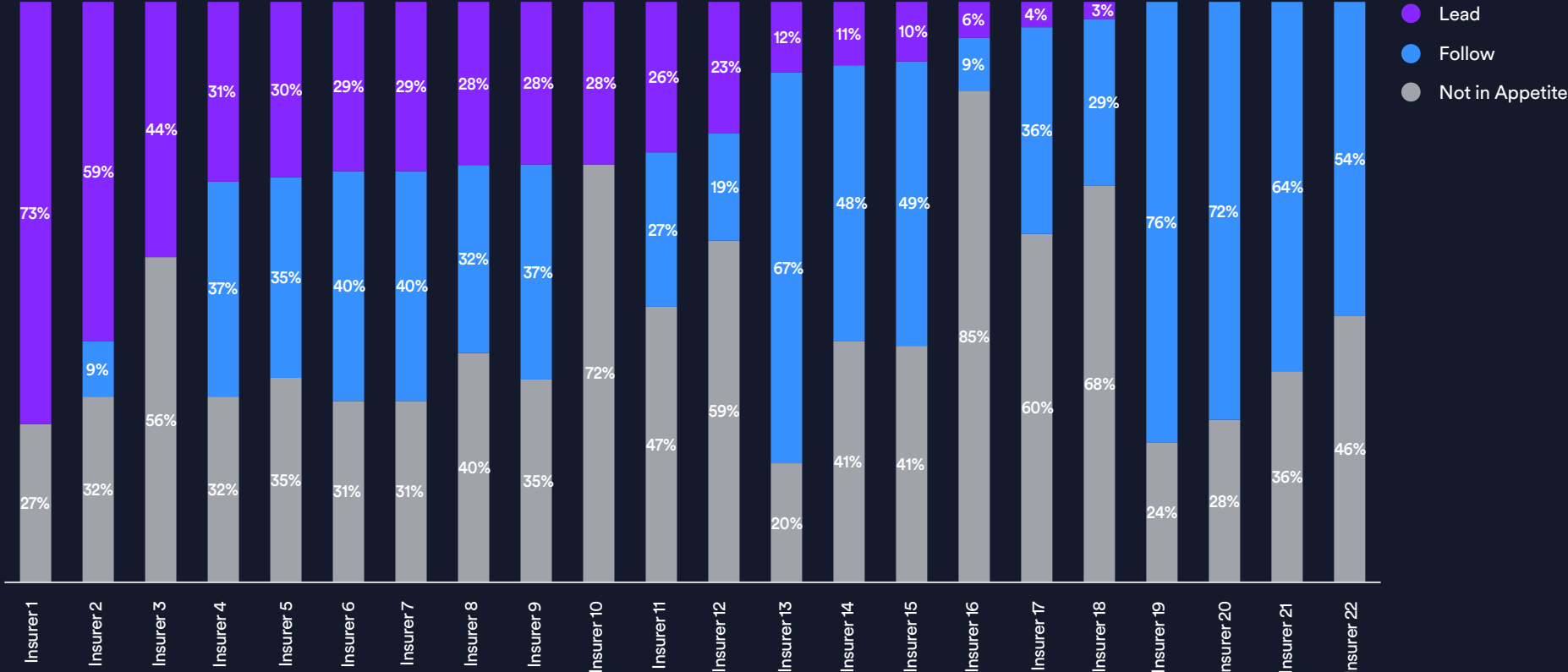
London Market Lead vs. Follow Appetite

Lead vs. Follow by Construction Type (Proportion of Insurer Responses)



London Market Lead vs. Follow Appetite

Proportion of Lead vs. Follow by Insurer



About Howden Construction

30+

Team Size

Howden Construction, which officially launched October 2021, is a newly formed Division part of Howden Specialty in the UK.

2025 Plan:

GBP210m

GWP

Top 20

Portfolio to include top 20 UK and international contractors.

50%/50%

Wholesale/Retail

Howden Construction Territorial Focus

● Key Hub



About Howden Construction

Product Expertise

We can meet the insurance requirements for all types of onshore and offshore construction and engineering projects, across the planning, construction, erection, installation and – if required – operational phase. Full range of construction related covers, including:

- Erection “All Risks”/Construction “All Risks”/ Builders Risk Project Policies
- Delay in Start-Up
- Advanced Loss of Profits/Rentals
- Contractor Annual Cover (“Risks Attaching” and “Losses Occurring”)
- Inherent Defects Insurance
- Third Party Liability
- Professional Indemnity
- Contractor Plant & Equipment including Tunnel Boring Machines
- Terrorism
- Project-related Marine Cargo/Marine Delay in Start Up
- First Year Operational Power Property Damage/ Business Interruption

Industry Expertise

Oil & Gas

LNG facilities

Pipelines & gathering systems

Processing facilities

Refineries

Cryogenic plants

Fractionators

Industrial/Process/Natural Resources

Petrochemical/chemical plants

Steel mills

Mining and ore processing

Manufacturing

Renewable Energy

Wind Farms/Solar/Battery Storage

Biomass

Waste to Energy

Geothermal

Power

Gas, coal, hydroelectric

Simple cycle, combined cycle

Prototypical technology

Emissions management

Transmission and distribution lines

Infrastructure

Roads

Bridges

Tunnels

Ports and Terminals

About Howden Construction

Sample project experience

Airport Projects



La Guardia Airport Central Terminal B	NY, USA	USD 6,000,000,000
Airport International Arrivals Facility (anon.)	WA, USA	USD 600,000,000
LF Wade International Airport Terminal Building	Bermuda	USD 475,000,000
BAA Airport Improvement Programme	UK	USD 500,000,000

Rail Infrastructure Projects



London Underground Jubilee, Northern & Piccadilly	UK	USD 5,000,000,000
California High Speed Rail Track & Systems	CA, USA	USD 1,500,000,000
Asik Ha'emek Valley Railway	Israel	USD 38,000,000
Keshet Modi'in Railway	Israel	USD 21,000,000

Road Design Build Finance & Operate Infrastructure Projects



IP5 Grande Porto Toll Road	Portugal	USD 850,000,000
A417/419 Swindon to Gloucester	UK	USD 450,000,000
M1-A1 Link Road	UK	USD 345,000,000
A13 Thames Gateway	UK	USD 275,000,000
A1(M) Alconbury to Peterborough	UK	USD 250,000,000

PFI/PPP Infrastructure Projects



Gordie Howe Bridge	Canada	USD 4,000,000,000
University College London Hospital	UK	USD 350,000,000

Other Major Projects



Petrobras Nordeste Oil Refinery	Brazil	USD 8,500,000,000
Petrobras Comperj Oil Refinery	Brazil	USD 7,800,000,000
Refineria de Barancaberneja	Colombia	USD 6,200,000,000
Refineria de Cartagena	Colombia	USD 6,200,000,000
Crude Oil Pipeline (anon.)	Canada	USD 4,500,000,000
Copenhagen Metro Phase I	Denmark	USD 3,300,000,000
Ultra-Supercritical Power Stations	Germany/ Netherlands	USD 3,000,000,000
TOTAL Deep Conversion Delayed Coker	TX, USA	USD 2,050,000,000
Hidroituango Project	Colombia	USD 2,000,000,000

Howden Construction Team



Naresh Dade FCII CFIRM
Managing Director & Head of Construction



Andrew Harrison-Sleap
Executive Director & Deputy Head of Construction

International

John Perrin
Executive Director

Mark Playle
Executive Director

Robert Webb
Divisional Director

Larissa Rosam
Divisional Director

Christopher Graves
Divisional Director

Orla Crosara
Associate Director

Mike Robinson
Associate Director

Connor Martiello
Account Handler

Alexander Belotti
Apprentice

Middle East

Nick Sparrow
Associate Director

LatAm

Leandro Ramirez
Associate Director

Singapore

Leon Chan
Divisional Director
Head of Construction Asia

UK Projects & Contractors

Duncan Willcocks
Executive Director Head of
UK Contractors

David Lyle
Executive Director Deputy
Head UK Contractors

James Crow
Divisional Director

Andrew Birt
Executive Director
Head of UK Projects

Lizzie Conolly
Associate Director

Jessica Lee
Associate Director

Infrastructure Assets

Paul Tubb
Head of Infrastructure

Matheu Challinor
Divisional Director

Karen O'Donnell
Divisional Director

Nicole Welch
Associate Director

Emma Archer
Associate Director

Jack Gilbert
Associate Director

General Liability

Martin Hurley
Divisional Director

Claims

Neil Higgins (08/22)
Executive Director

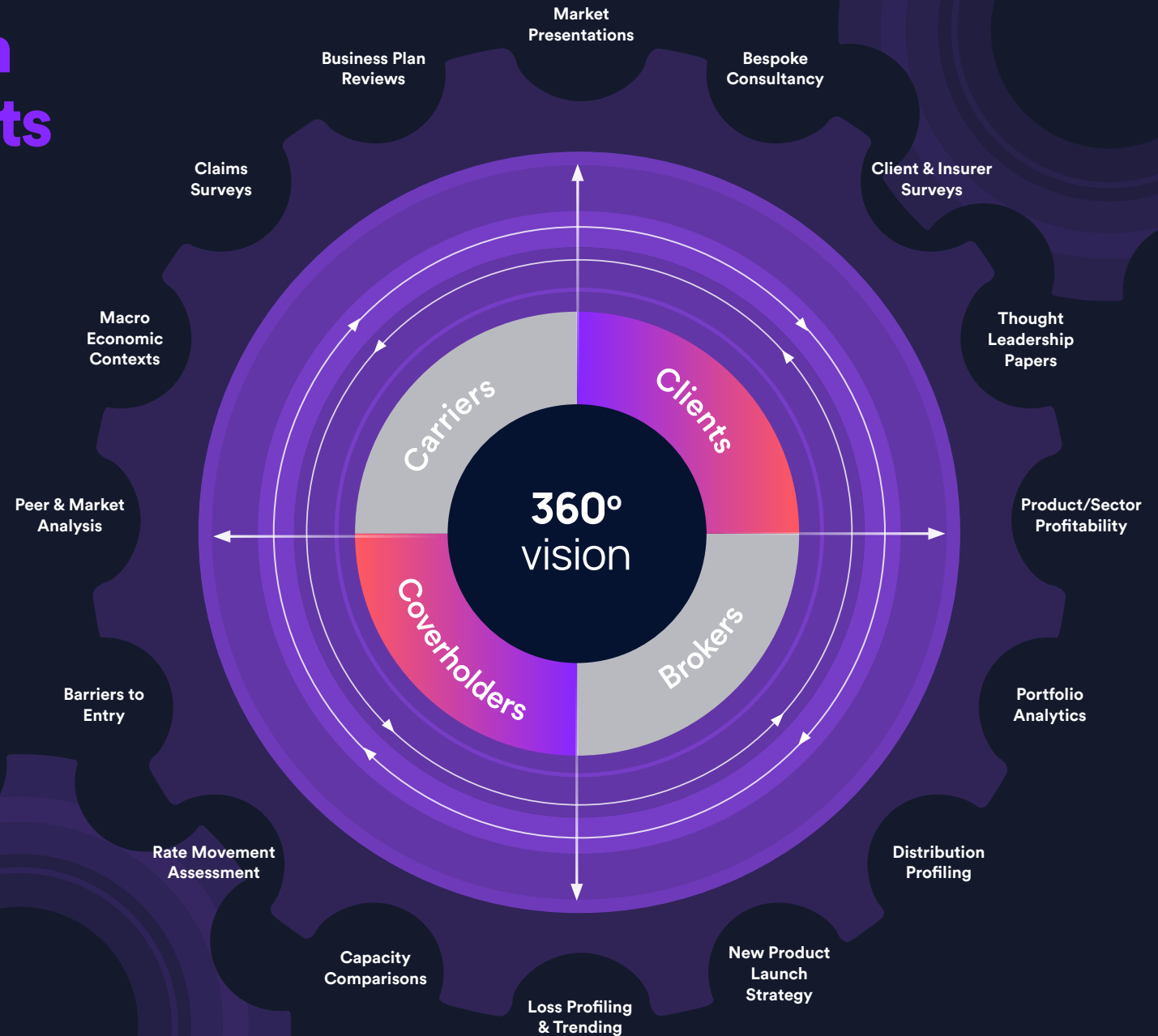
Tim Friday
Executive Director

A true alternative to the world's largest global brokers, our independence and scale makes us a natural partner for brokers looking to access specialist international markets for their clients.

About Howden Markets Insights

Howden Markets Insights 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.





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