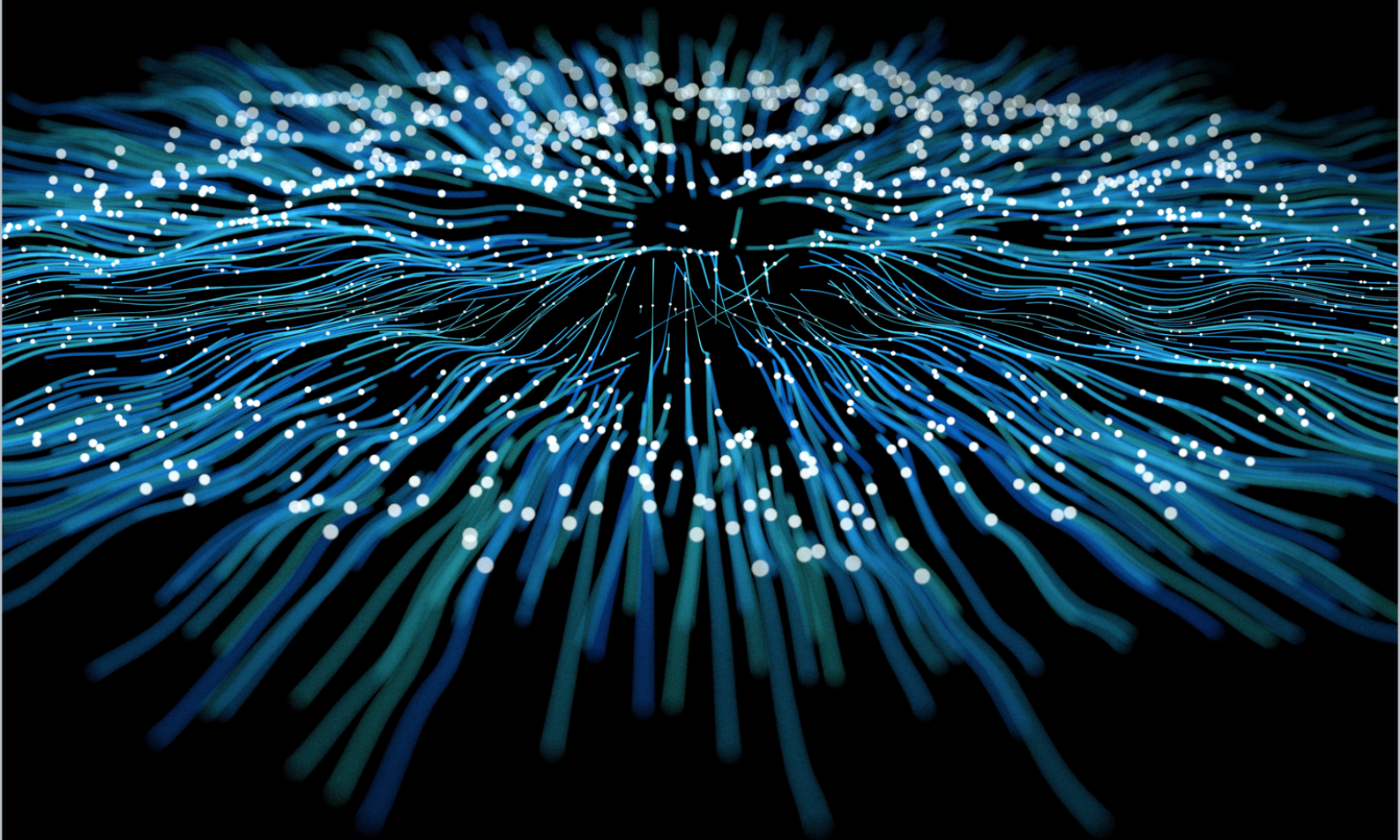


2023 London Market Appetite Survey

March 2023

Prepared by Howden Markets Consulting



The Howden Markets Consulting team is delighted to present the findings from the 2023 London Market Appetite Survey, a market leading report unique to Howden, offering an insightful perspective on the underwriting appetite and rate landscape of the London Market as described by our insurer partners.

This year, the team interviewed 43 London Market insurers at CEO/CUO level to ascertain underwriting appetite across 40+ lines of business, rate change achieved in 2022 and anticipated rate change in 2023.

With the findings of this report, our aim to facilitate better informed and more confident decision making, planning and business alignment, bringing our insurer partners closer to the Howden Broking Group, and ultimately delivering best in class solutions our mutual clients.

Howden Markets 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 2024 survey and beyond.

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.

Yours Faithfully,



Paul S Cumberland ACII
Executive Director
Howden Markets



Hamish Barcroft
Associate Director
Howden Markets



Paul Cumberland

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.



Hamish Barcroft

Hamish joined the Howden Group in January 2021 as an Associate Director as part of the Howden Markets Asia team. In his role he had responsibilities across strategic carrier engagement, data and analytics across the Asia region. Prior to this role, Hamish spent 3+ years in the insurance industry working at JLT and Marsh, all of which were in Singapore. He is now based in London, still working in the Howden Markets team, with split responsibilities between carrier management and consultancy.

Contents

| | |
|--|--|
| | |
| | |
| | |
| | |
| | |
| | |
| | |
| | |
| | |
| | |



Click a title to jump to a section,
or navigate as you would usually.

Executive summary

Howden Markets are delighted to present the third London Market Appetite Survey (LMAS) Report for the interest of Howden's strategic insurer partners.

This report has been conducted in order to provide our strategic partners with objective, reliable and meaningful knowledge to facilitate better informed and more confident decision making, planning and business alignment.

2023 **six key** findings

1

Varied Optimism across the Market

Respondents to this year's survey provided a broad and varied appetite response, with the respondent average scores ranging from 0.8 to 4.0. Ultimately this averaged out to a score of 2.1, equating to 5-10% planned growth and tracking just above the 4.0% average estimated Risk Adjusted Rate Change (RARC) for 2023.

2

Rate increases continue to slow...

Whilst prices across most commercial lines continued to rise in 2022 which was the fifth year of a hard market cycle, the annual increases are on a downward trend. This year's LMAS results align with the wider market environment, with an average Estimated Risk Adjusted Rate Change of 4.0%, compared to 7.6% for 2022.

Menu

£49bn

2023 total Lloyds
stamp capacity

2.1

Average appetite score

4.0%

2023 estimated risk
adjusted rate change

3

Cyber and Political Violence & Terrorism buck the trend

With the majority of classes receiving lower anticipated rate growth than to 2022, Cyber and PV&T have the highest estimated rate increases for 2023 projecting 12% and 18% respectively. For the latter, current political and economic conditions, social unrest around the globe, and the ongoing war in Ukraine are combining to drive up pricing.

4

CAT Events squeeze the marketplace

In 2022, appetite for North American Property was muted with an average score of 1, against an anticipated rate increase of 7.0%. Whilst the average appetite score in the 2023 report is similar to last year, insurers are anticipating an average rate increase of 14%, with two insurers expecting greater than 30%. A highly distressed marketplace came under even greater pressure after historical losses from Hurricane Ian in the latter half of 2022. Respondents to this survey provided low appetite scores for US CAT, with average estimated RARC of 50%, aligning well with Howden's recent publication, 'The Great Realignment'. Only two insurers provided a high appetite score for US CAT, potentially seeking to 'make hay' whilst pricing conditions are favourable.

5

Rising appetite for Sustainable Energy

With ESG matters centre stage, Sustainable Energy received the highest number of responses, with an average appetite score of 3.2. Whilst rates are expected to be flat YoY, there is increased appetite for new business, estimated to be with estimated YoY growth of 12%.

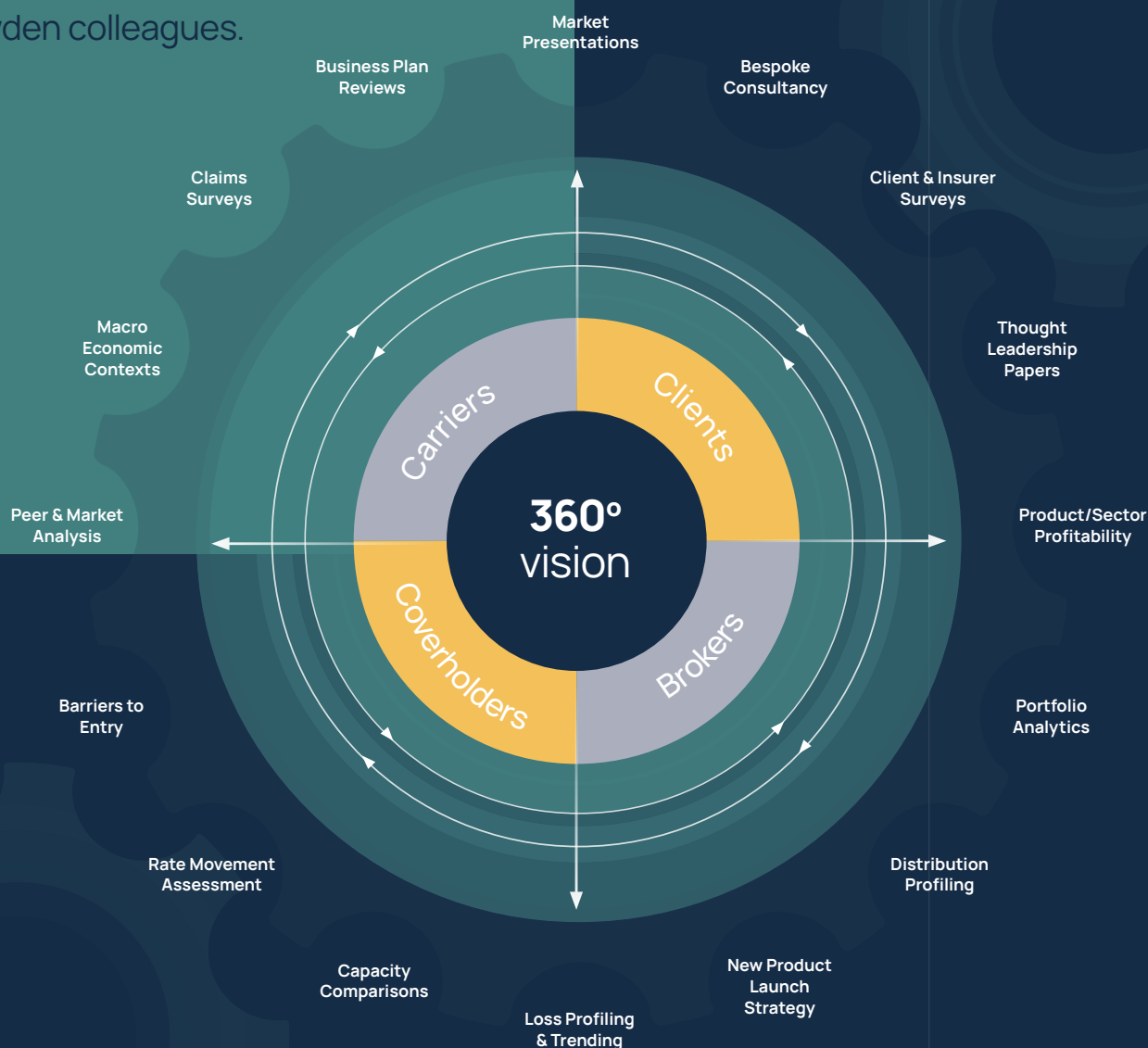
6

Delegated Authority market remains stable

Overall appetite scores for DA classes were more balanced, with stalwarts such as Marine Cargo, Fine Art & Specie, and International Property, receiving the highest total appetite scores. Similar to the Open Market response, the estimated line of business 2023 RARC's are lower than those experienced in 2022, with Terrorism and North American Property being the key outliers.

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 clients with **objective, reliable & meaningful knowledge** to facilitate better informed and more confident business planning, alignment and decision making.



Introduction

Menu

Over the course of November and December, Howden Markets interviewed a total of 43 insurers at C-suite level to gauge the underwriting appetite (strength or otherwise) for the 2023 year of account.

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

2023 Summary

43

Insurers surveyed
(38 last year)

26

Lloyd's
syndicates

17

Company
markets

C65%

of HIBL 2022
GWP placed

30

Insurers responded
for Delegated
Authority

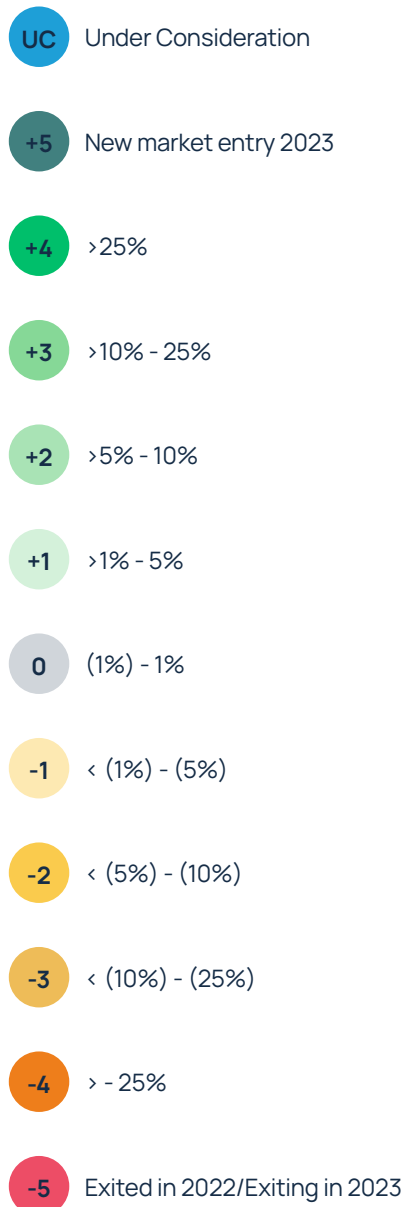
+20%

Average forecasted
GWP for 2023

1/1/2022 – 31/12/2022 (CY 2022)

Survey methodology

2023 Underwriting Year Appetite Scale



Respondents were asked to indicate the degree to which they plan to grow or contract GWP in 2023 by line of business, according to the scale illustrated in the table to the left. Respondents were also asked to indicate where a line of business was being provisionally considered for entry (Under Consideration 'UC') but no formal forecasts have been put forward for the 2023 YOA.

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

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

To account for the impact of rate within respondents growth plans, we gathered achieved 2022 (YTD) rate change by line of business as well as that estimated for 2023. This report therefore includes a comprehensive direction of travel for the year ahead in the London Market.

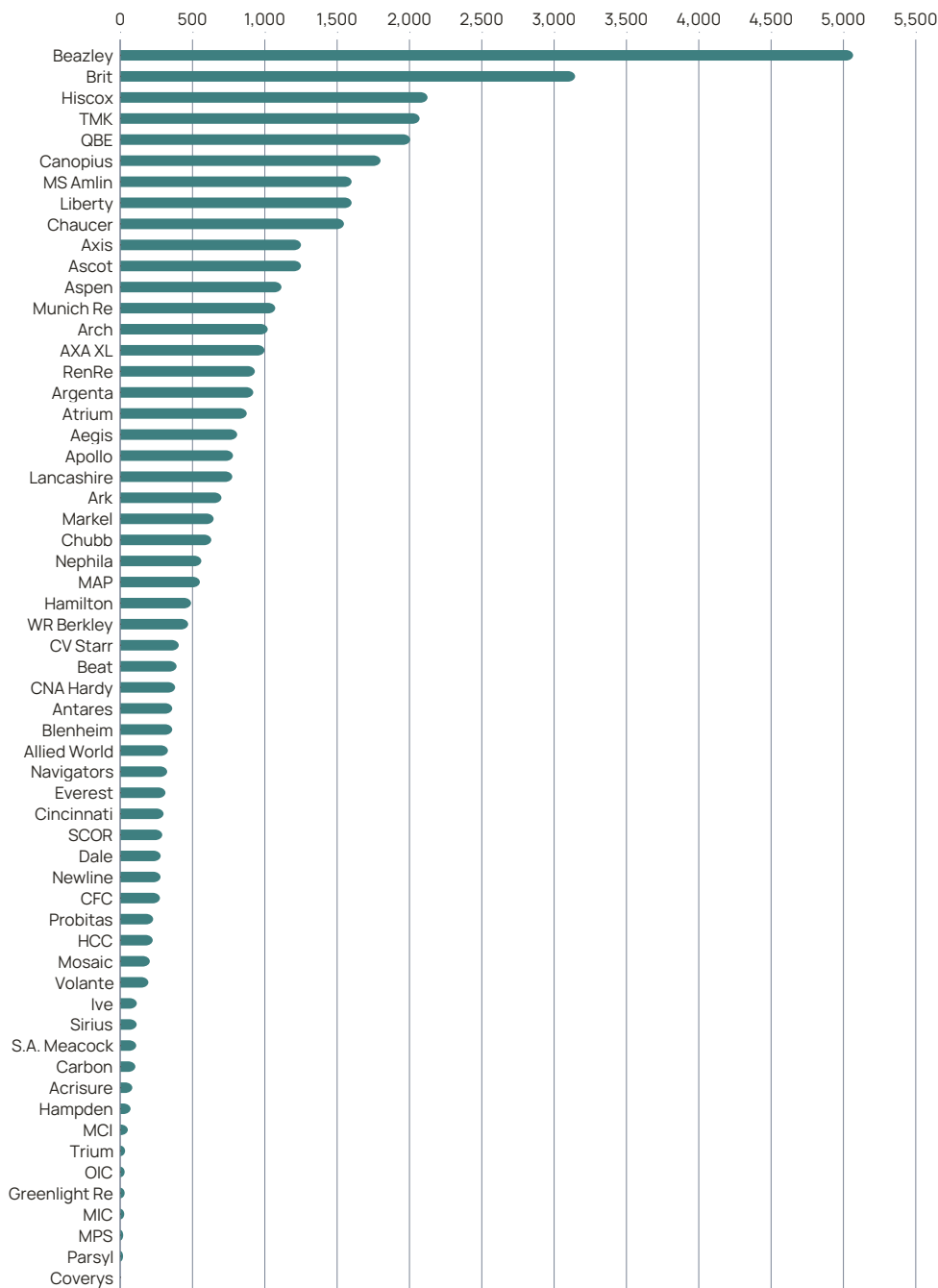
Based on planned GWP growth or contraction for 2023.

Inclusive of estimated 2023 rate movement in GWP growth/contraction.

Lloyd's stamp capacity

Menu

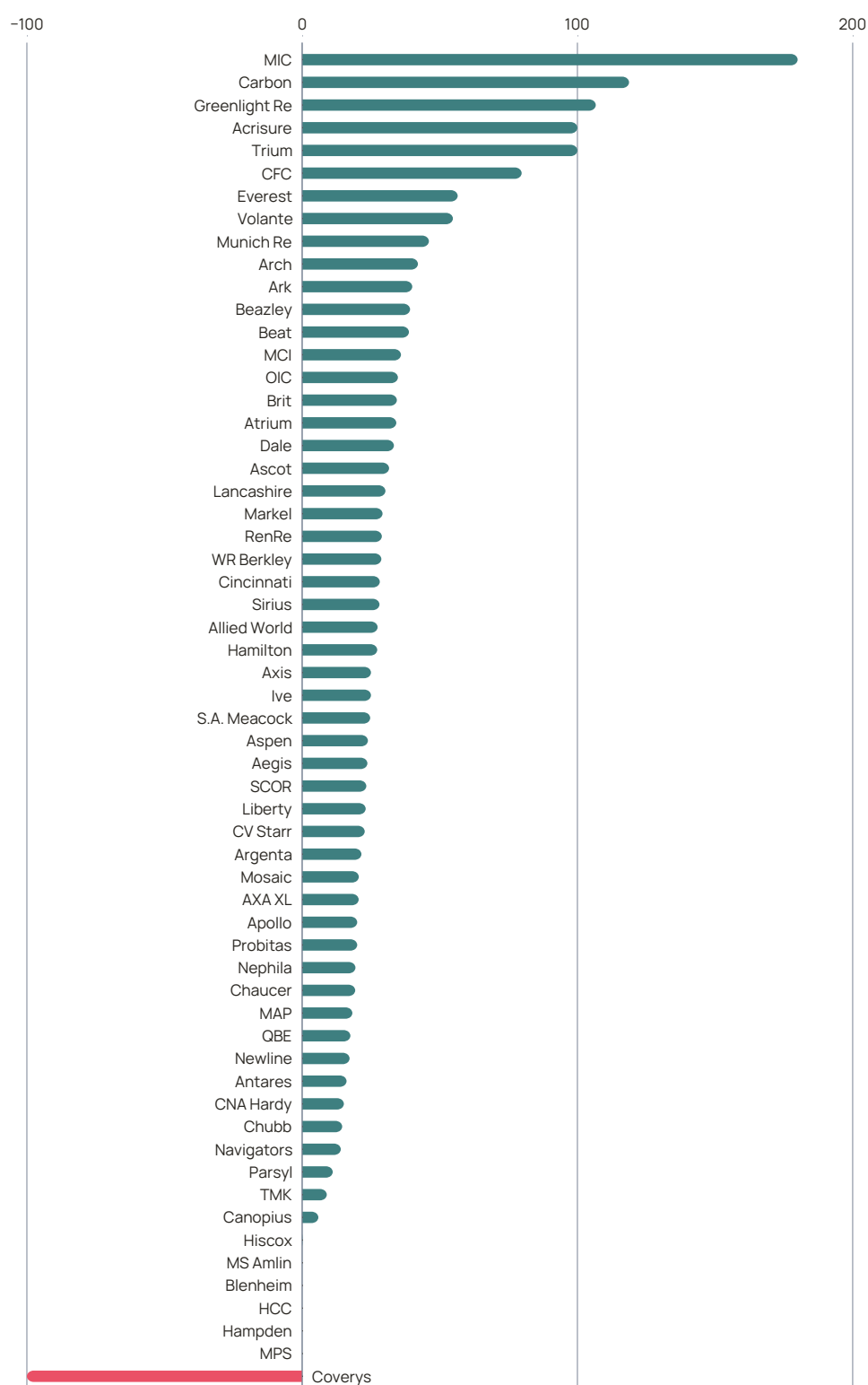
Lloyd's Syndicates 2023 Stamp Capacity (GBPm)



£49bn

2023 total stamp capacity

Increase/Decrease in Lloyd's Stamp Capacity from 2022 (%)



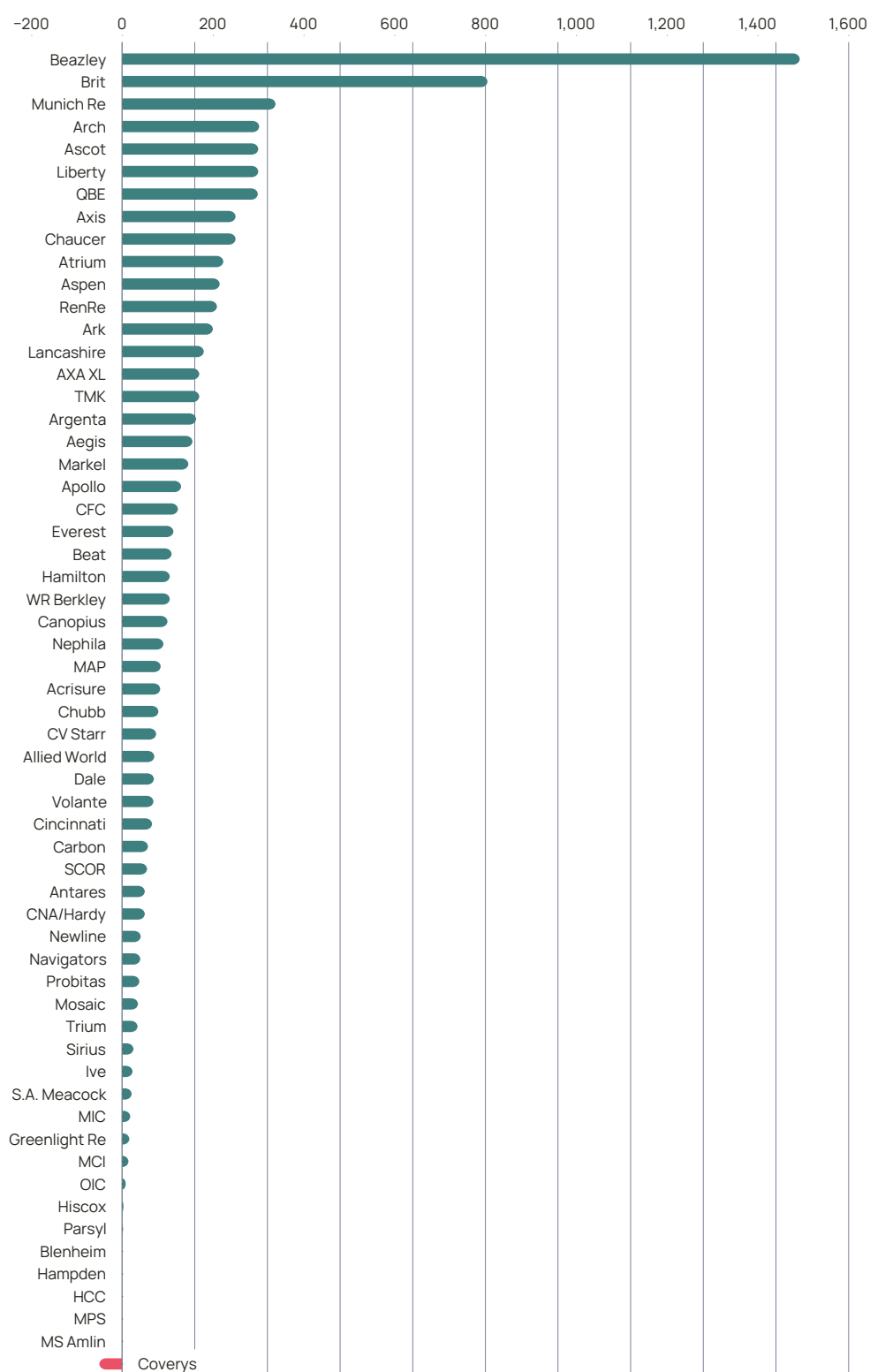
£41bn
2022 total stamp
capacity



£8.1bn
Increase on last year

Source: Insurance Insider, Howden Markets London Market Appetite Survey

Increase/Decrease in Lloyd's Stamp Capacity from 2022 (GBPm)



23%

Change on prior year

Source: Insurance Insider, Howden Markets London Market Appetite Survey

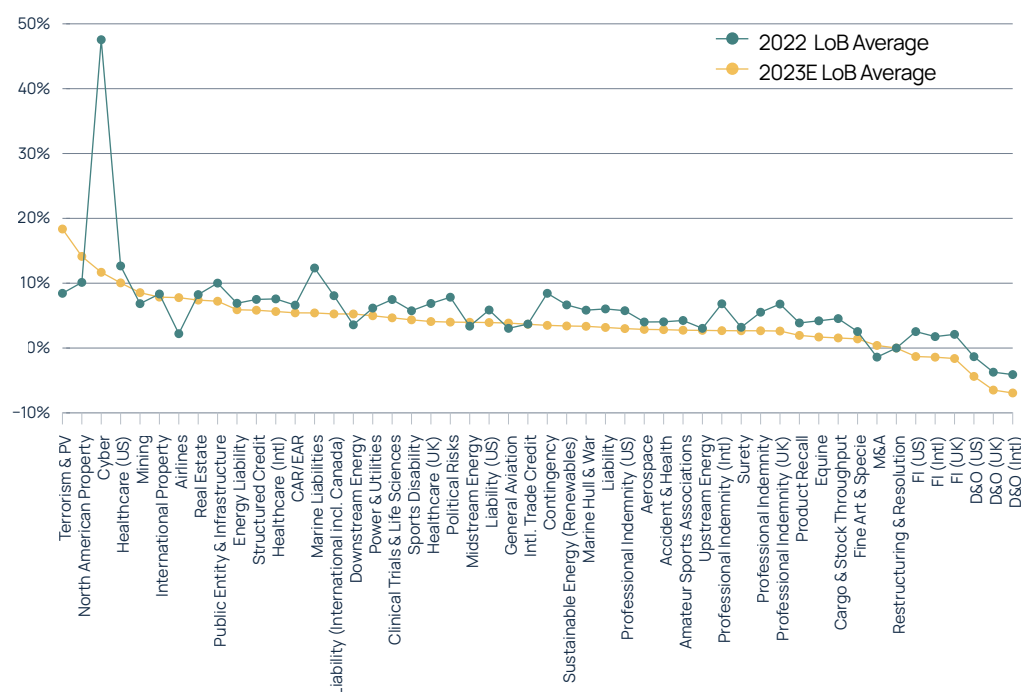
2022 & 2023 rate movement

Menu

Risk adjusted rate change (RARC) was obtained (for each insurer respondent willing and able to provide it) for both actual and achieved for 2022 (YTD as at November/December) and for that anticipated for 2023. The average open market RARC across all insurer respondents by line of business is illustrated in the graphic below.

2022 (YTD) RARC Vs 2023 Estimated RARC

Open Market 2022 RARC Vs 2023 Estimated RARC by Line of Business



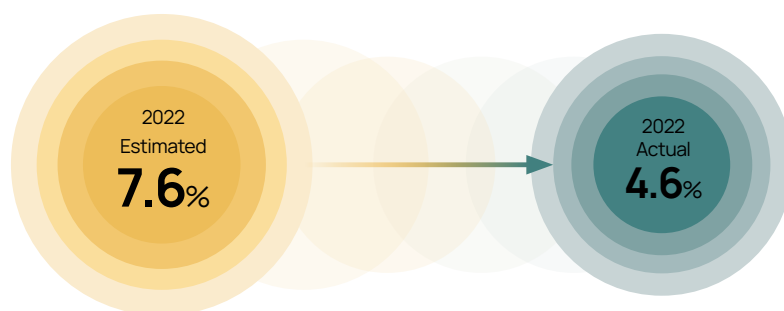
12.7%

Average aggregate
2021 RARC

7.6%

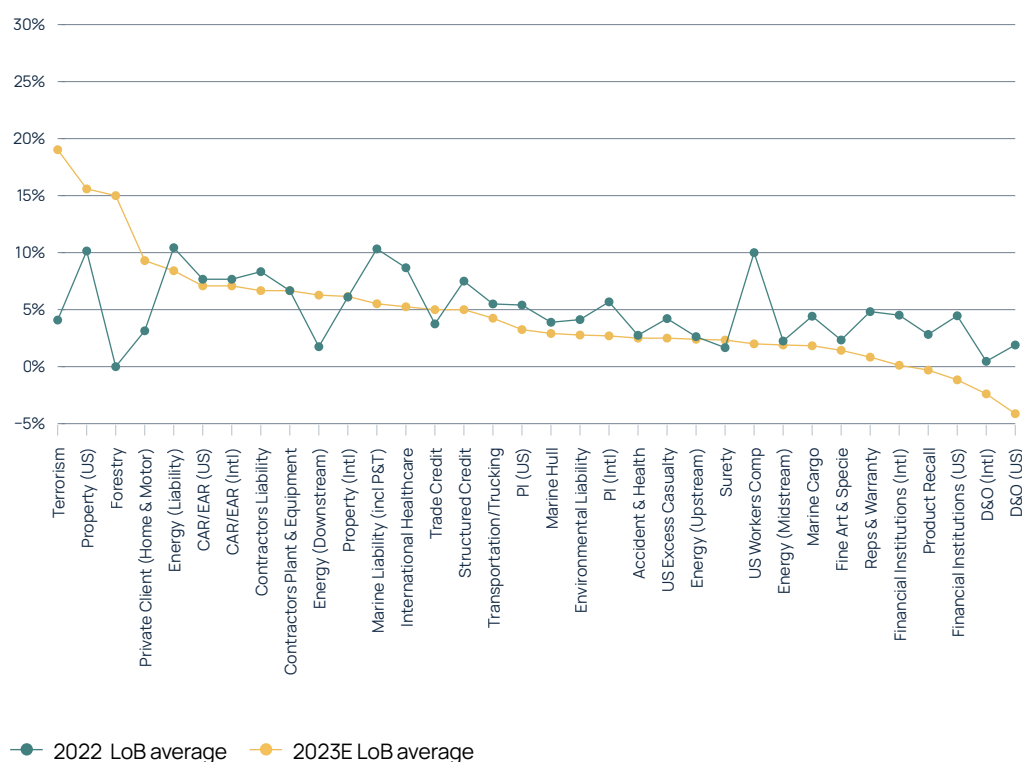
Average aggregate
2022E RARC

In last year's London Market Appetite Survey (2022) we asked respondents to forecast expected RARC for 2022 which saw an average of 7.6%. We saw this eventuate in last year's survey, with markets achieving overall aggregated 2022 RARC of 4.6%, a delta of -3% from the estimated RARC.



Notwithstanding the conservatism built into the planning process, which can be observed in the graphic above, it is evident that the pace of rate increase is slowing, with an average aggregate rate movement across insurers down from 12.6% in 2021, to 4.6% in 2022.

Delegated Authority 2022 RARC Vs 2023 Estimated RARC by Line of Business



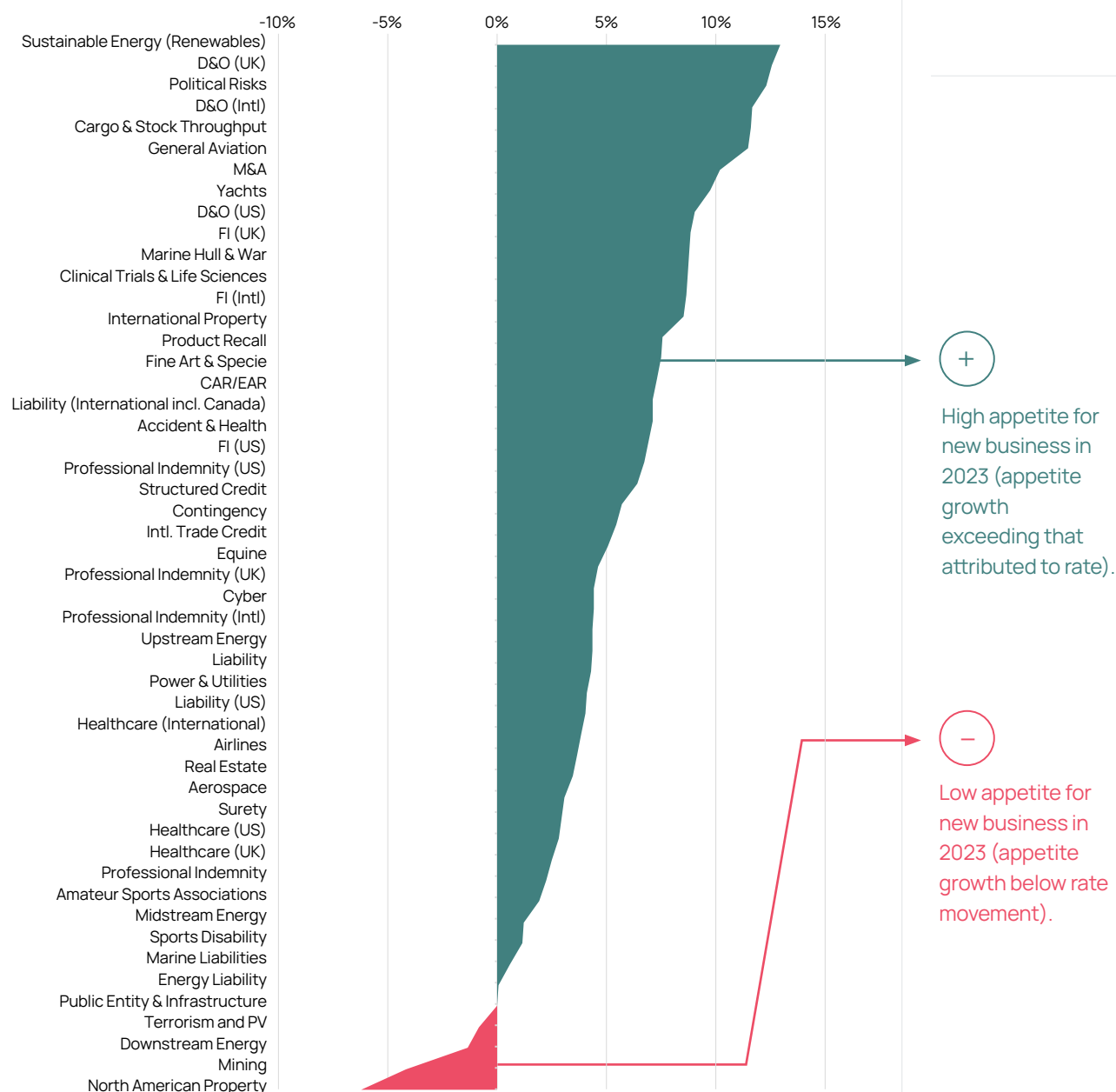
In last year's LMAS survey the average estimated RARC for Delegated Authority was 6.7% with the actualised rate closer to 5.0%; a steadier decrease YoY compared with Open Market placements. This year the average estimated RARC is 4.5%, further validating the downward trend in pricing.

Similar to the Open Market RARC graph above, most lines of business rates for Delegated Authority are expected to decrease or remain flat in 2023. Terrorism and US Property rates are instead projected to increase, driven by the ongoing economic and political uncertainty, and CAT events and losses respectively.

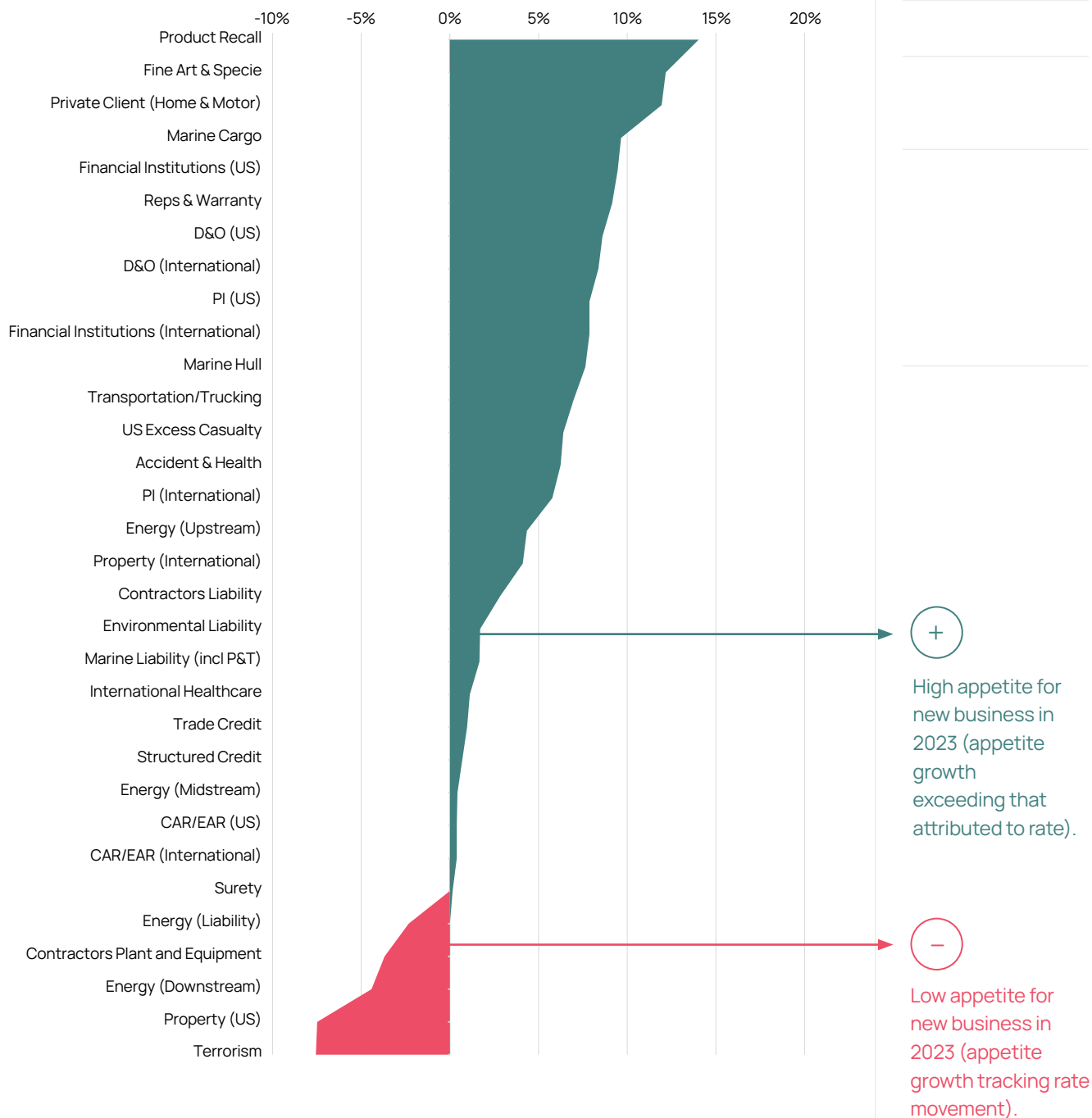
The below graphs seek to outline how much of planned GWP growth is driven by rate movement versus new business. Lines of business are ordered by the delta between planned GWP growth (converted to a comparable percentage) and estimated RARC for 2023, thereby indicating how much of growth is on the table for new business.

In the Open Market graph, there is implied appetite for new business for Sustainable Energy, International D&O, Political Risks and General Aviation, ranging from 10-14%. Whilst forecasts for 2023 RARC for these lines are stable or negative YoY, the average appetite scores range from 2-3, indicating planned GWP growth of 10-25%.

Open Market 2023 Growth Appetite vs 2023E RARC by LoB



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



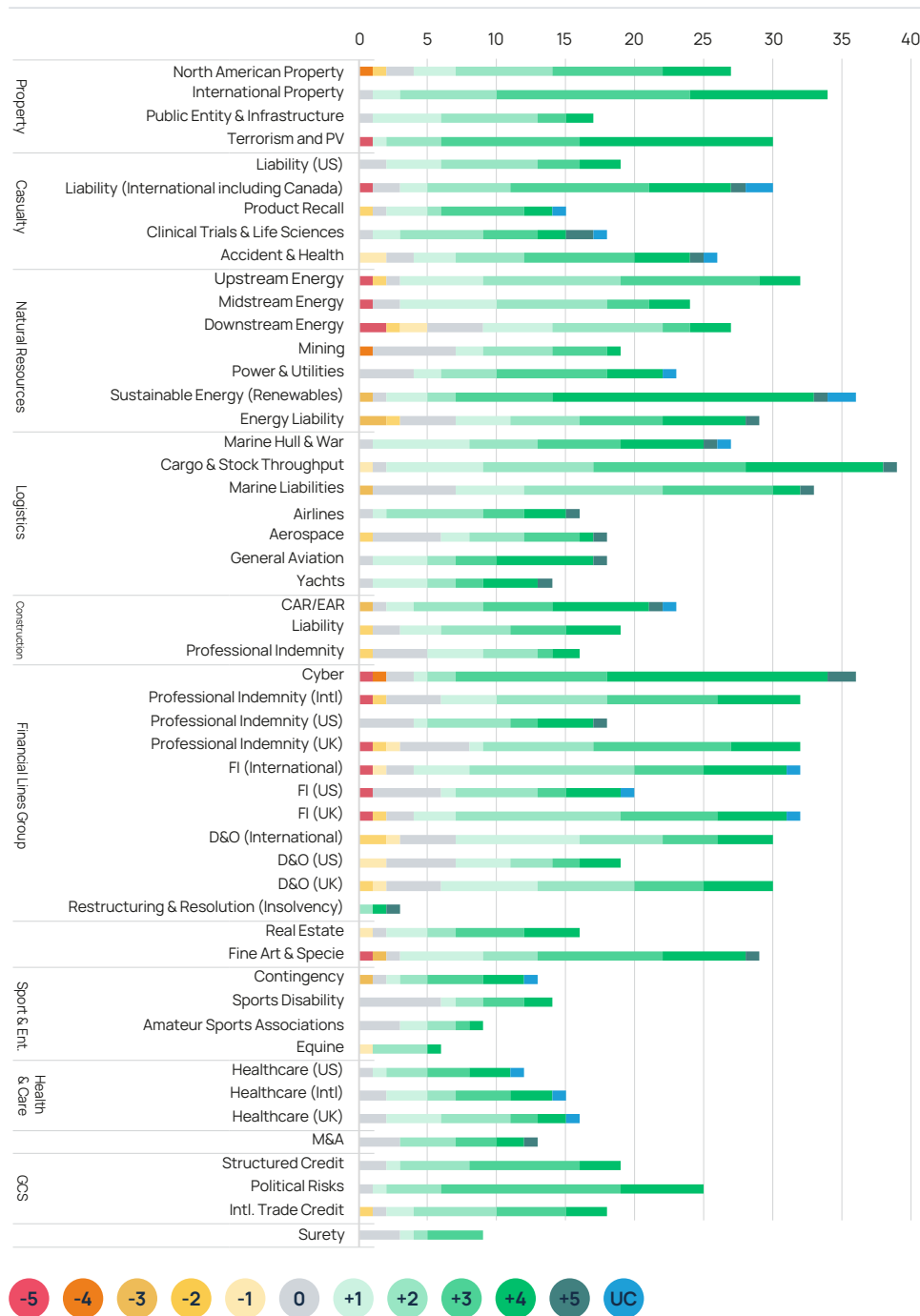
Howden Markets

2023 LMAS findings

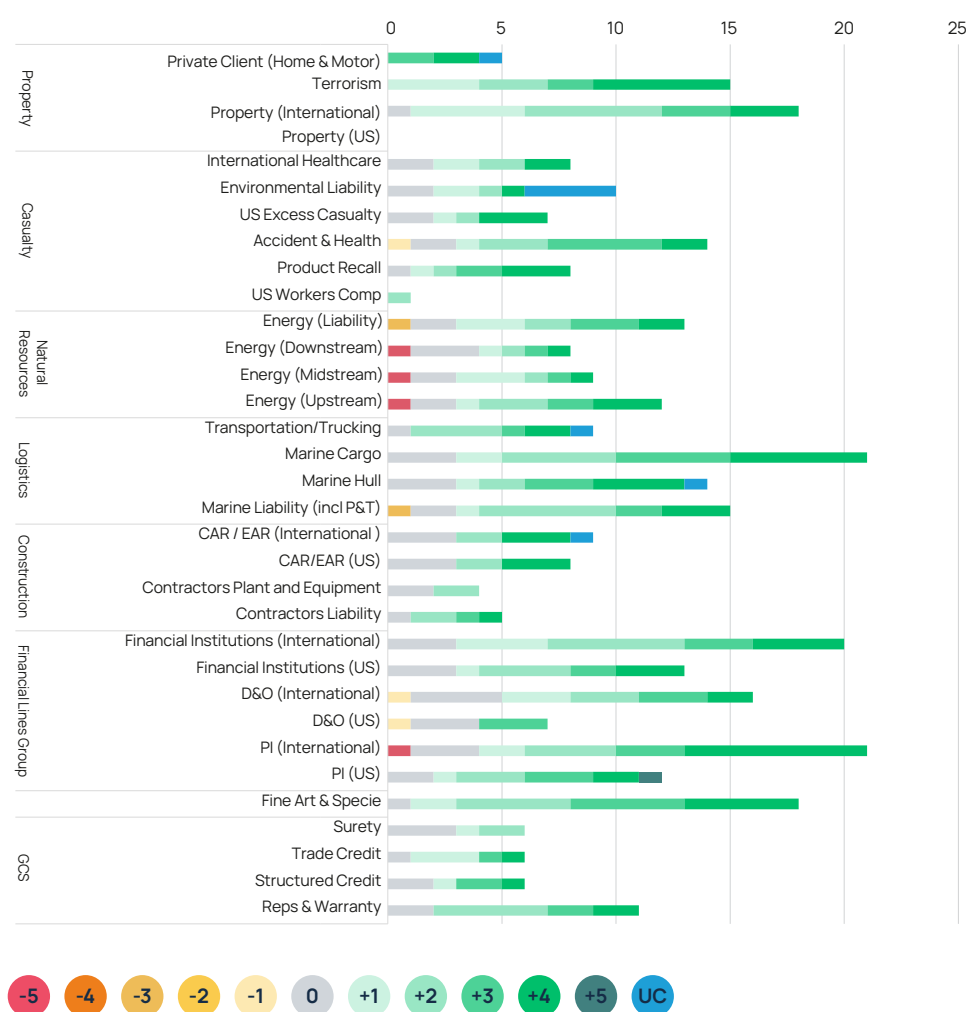
Menu

A complete view 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

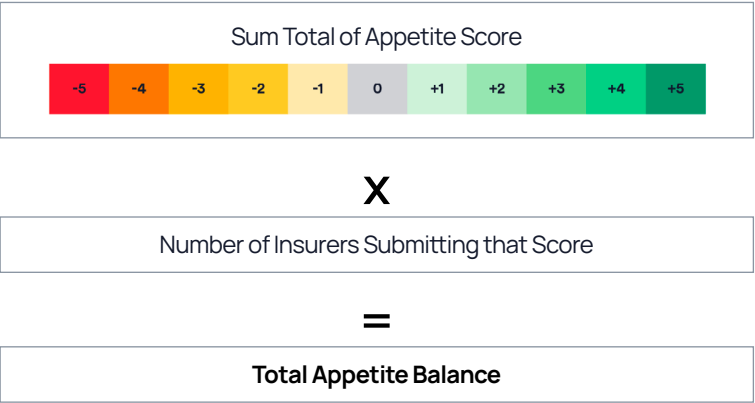


Delegated Authority Insurer Appetite per Bowood Line of Business



Market Appetite Balance

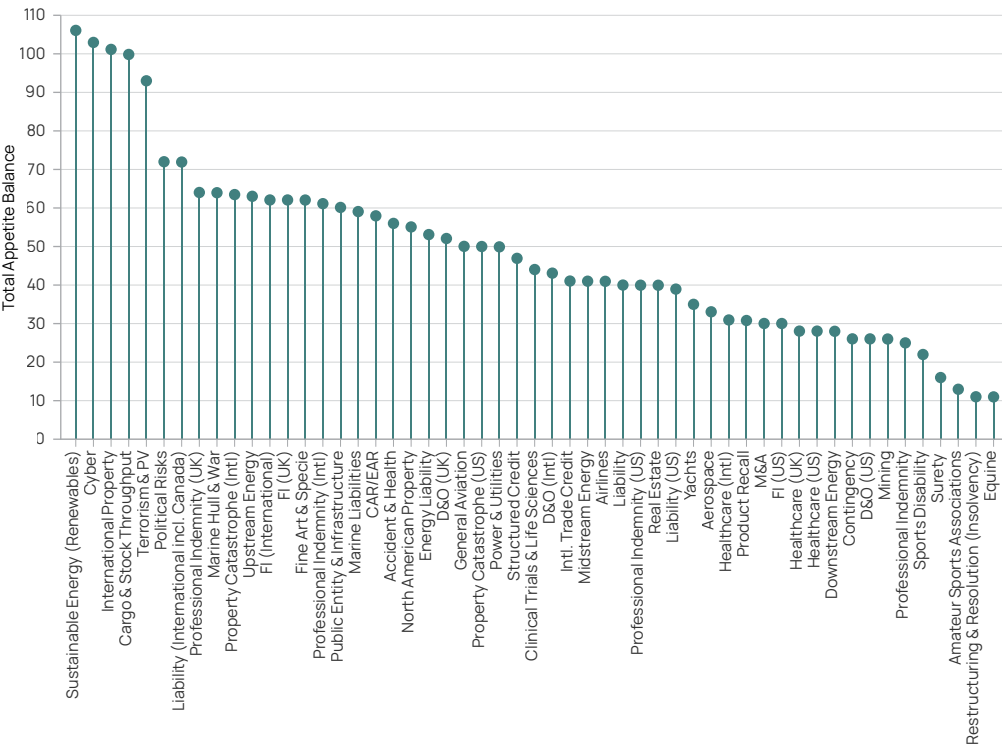
Aggregation of all insurers' appetite scores provides a good indication of the strength of growth (or contraction) in a line of business. As can be seen in the graphic below, the balance of appetite is positive across all lines of business both for open market and delegated.



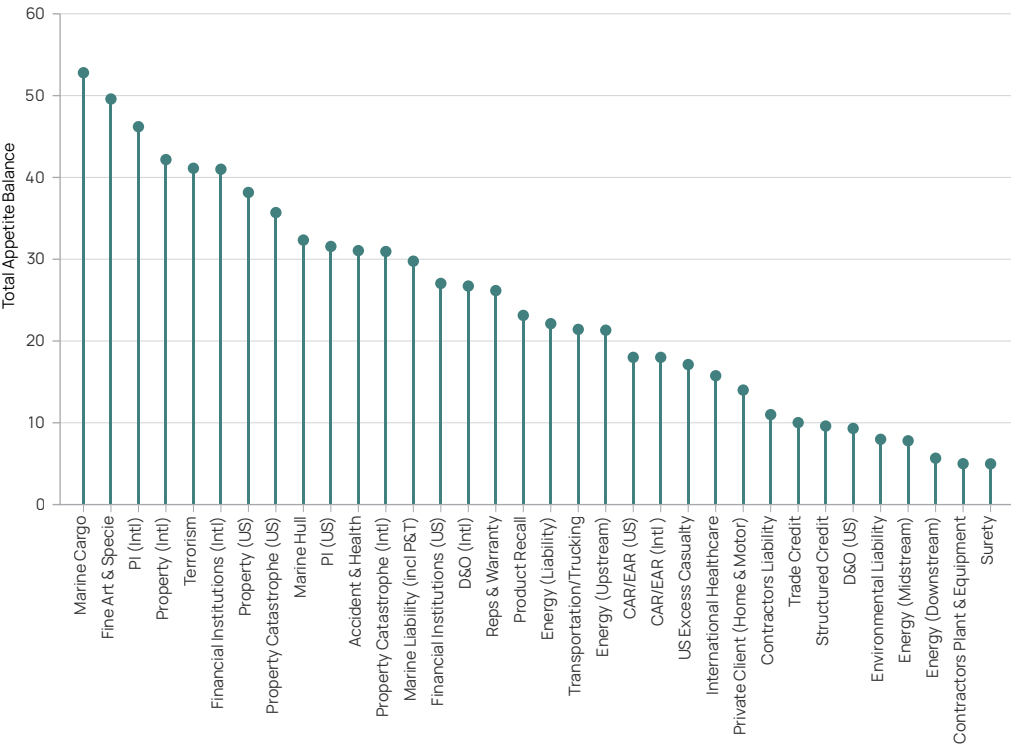
Open Market Total Appetite Balance



High appetite for new business in 2023 (appetite growth exceeding that attributed to rate).



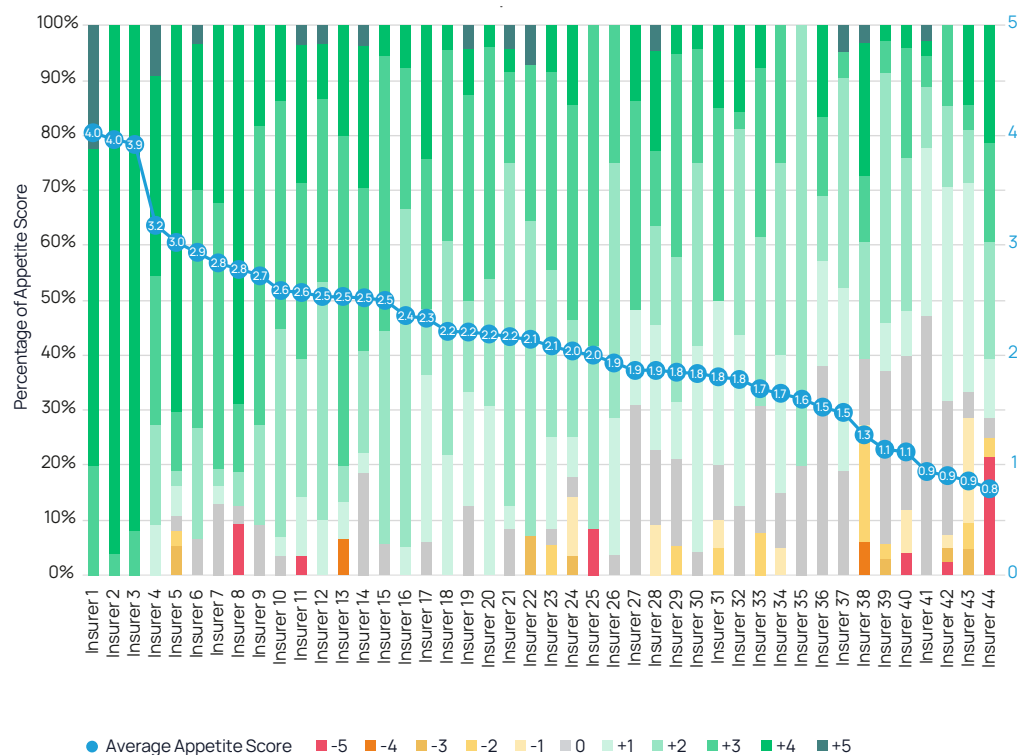
Delegated Authority Total Appetite Score



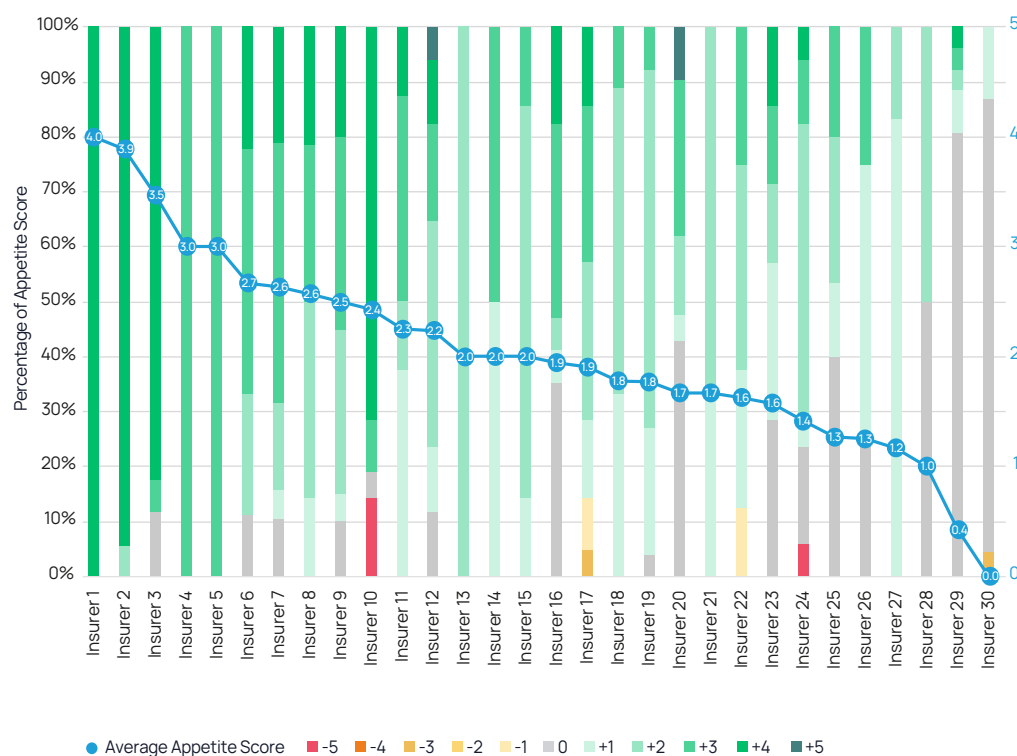
Menu

The graphics below show the proportion of all scores provided on average attributable to each appetite score category by insurer. For example, an insurer placing their London Market operations into run-off would be represented as a solid red bar (-5) from 0-100%. Appetite for growth is far stronger for open market risks than delegated authority, mirroring the trend seen in 2022.

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



The material and information contained in this report is for general information purposes. Whilst every effort has been made to ensure that the information contained in this report has been obtained from reliable sources, Howden Group is not responsible for any errors or omissions or for the results obtained from the use of this information. Howden Group accept no liability whatsoever for any direct, indirect or consequential loss or damage arising out of the use of all or any of the material or information in this report. Nothing in the report shall to any extent substitute for the independent investigations and the sound technical business judgment of the reader. The material and information contained in this report is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to local law or regulation. It is the responsibility of any person publishing or communicating the contents of this document or communication, or any part thereof, to ensure compliance with all applicable legal and regulatory requirements.

Contacts

Project Team

Paul S Cumberland ACII
Executive Director
Howden Markets Consulting
p.cumberland@howdengroup.com

Hamish Barcroft
Associate Director
Howden Markets Consulting
hamish.barcroft@howdengroup.com

Joseph Adeyefa
Junior Account Handler
Howden Markets Consulting
joseph.adeyefa@bowood.co.uk

Laura Gualdi
Assistant Account Manager
Howden Markets Consulting
laura.gualdi@howdengroup.com

Carrier Management Team

Toby Pollard
Managing Director, Howden Markets
t.pollard@howdengroup.com

Edward Howland Jackson
Head of Global Carrier Management, Howden Markets
edward.jackson@howdengroup.com

Lucy Gough
Head of Strategy, Howden Markets
lucy.gough@howdengroup.com

Will Adler
Head of UK Carrier Management, Howden Markets
will.adler@howdengroup.com

Emma Dollemore
Associate Director, Howden Markets
emma.dollemore@howdengroup.com

Charlotte Welch
Associate Director, Howden Markets
charlotte.welch@howdengroup.com

Louise Page
Associate Director, Howden Markets
louise.page@howdengroup.com

Howden

One Creechurch Place,
London, EC3A 5AF

T +44 (0)20 7623 3806
F +44 (0)20 7623 3807
E info@howdengroup.com

www.howdengroup.co.uk

Howden is a trading name of Howden Insurance Brokers Limited, part of Howden Group Holdings. Howden Insurance Brokers Limited is authorised and regulated by the Financial Conduct Authority in respect of general insurance business. Registered in England and Wales under company registration number 725875. Registered Office: One Creechurch Place, London, EC3A 5AF. Calls may be monitored and recorded for quality assurance purposes. 03/23 Ref: 8223