The London market in the throes of change

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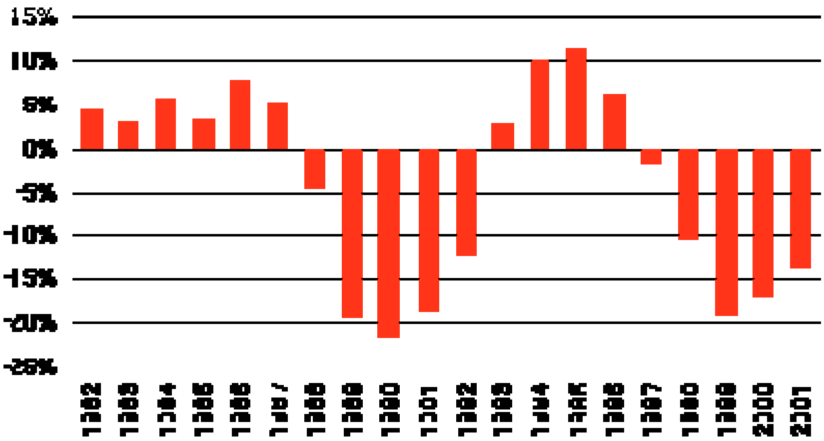
Zurich, 3 July 2002 - The London Market lost market share in the 1990s, but as a trading centre for marine, large industrial and reinsurance risks it continues to play a key role for the global insurance industry. Swiss Re's latest *sigma* study deals with the most important developments on the London Market.

The London Market is the most important international transaction centre for insurance risks, despite having declined in importance slightly in the 1990s, mainly as a result of the severe crisis at Lloyd's. At present, the London Market accounts for a share of about 10-15% in the large industrial risks and reinsurance business worldwide, while its share in marine and aviation insurance continues to be significantly higher.

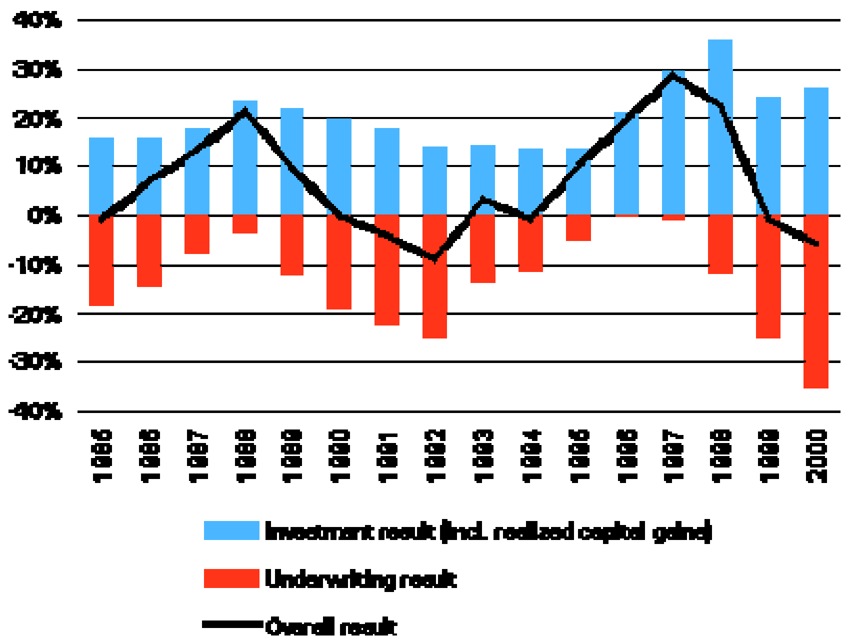
Major losses due to erosion of premium rates and the attack on the WTC

As an international trading centre for insurance risks, the London market is active in those branches of insurance that are particularly susceptible to the cycles affecting the global insurance industry. In recent years, the erosion of premium rates that was endemic until the year 2000 and then the terrorist attack on the World Trade Center in New York have resulted in massive losses for London Market insurers and Lloyd's syndicates.

Lloyd's: pre-tax profit in % of capacity



London Market insurers: results in % of net premiums



London Market shows inadequate performance in the long term, too

The long-term perspective also shows that the London insurers have been putting up an inadequate performance:

- On average over the past decade and more, the London Market insurers achieved a return on investment of less than 7%, which is not enough, considering the wide fluctuation of their results.
- In the past twenty years, Lloyd's has made more losses than prof-its.

The number of insurers and syndicates active on the London Market has declined drastically

Since the early 1990s, the London Market has been going through a period of strong consolidation. The number of active insurers has more than halved, with the withdrawal of most of the UK insurers be-ing particularly striking. However, the decline in the number of Lloyd's syndicates from 400 to 86 has less to do with the general shake-down in the insurance industry than with the shake-out that followed the major crisis Lloyd's went through in the early 1990s.

Non-UK insurers control nearly half of Lloyd's capacity

Since the admission of limited-liability corporate capital (as opposed to private investors with unlimited liability, known as Names), the nature of Lloyd's has been radically transformed: de facto insurance companies have been set up within the Lloyd's framework. Non-UK insurers, especially from Bermuda and the US, currently control just on half of Lloyd's overall capacity.

London still features some unique advantages

Despite some problems, the London Market continues to offer a number of outstanding advantages. The high density of brokers and insurers and the highly developed infrastructure, including specialised service providers, are London's trump cards as the most important transaction centre for insurance risks world-wide. Intensified co-operation since 1999 between Lloyd's and the IUA, the association of the London Market insurers, is helping to ensure that London will remain the leading market-place for insurance risks in the future, too.

Obtaining a copy of this *sigma*:

The English, German, French, Spanish and Italian versions of the *sigma* study are available electronically on **our sigma section**.

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Data from selected figures and tables are available from the sigma chartroom on the **Swiss Re Portal**.

Notes for editors:

Swiss Re is one of the world's leading reinsurers with more than 70 offices in over 30 countries. Gross premium volume in the 2001 business year amounted to CHF 28.5 bn. Swiss Re can look back on a long history of sound growth in profits, inter-rupted only by a loss of CHF 165 mn in 2001, essentially due to the loss event of September 11. At the end of 2001, Swiss Re's shareholders' capital and reserves amounted to CHF 22.6 bn. The balance-sheet total was CHF 170 bn. Swiss Re is rated AAA by Standard & Poor's, Aaa by Moody's and A++ by A.M. Best.

Contact:

Roman Lechner, Zurich, tel. +41 43 285 2344
Clarence Wong, Hong Kong, tel. +852 2582 5644
Thomas Holzheu, New York, tel. +1 212 317 5190
Group Media Relations, Zurich, tel. +41 43 285 7171

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