

Global Casualty—International

Market Update Fall 2009



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The insurance market is calmer and less volatile than in recent months. The established markets are fighting to retain market share, and the new markets are struggling to make budget. This has had the effect of preventing the much-heralded hard market.

There are a few pockets of resistance in the market for risks such as energy and those with poor loss records—otherwise the market at the lead level is flat.

The excess market remains competitive due to the fact that new markets continue to provide a great deal of competitive tension. While senior management are pushing for rate increases from their underwriters, market forces continue to exert a steady hold on the insurance rate environment.

What is the outlook in the future? Despite the fact that the well of past reserves scheduled to be released is drying up and that there is a greater need for capital required by different regulators, and weakening cash-flow for insurers may create pressure on rates, there are no strong signs at present of upwards movements.

In London, the market for U.S. risks is being strongly led by Lexington, which has capitalized on the continuity of its underwriting staff. They have recently taken on several new lead accounts.

There is speculation about other markets seeking to enter the lead market but this remains something to watch for in the future. XL London, Berkshire Hathaway,

Aspen, Cat Excess, and Catlin all continue to offer options and still attract a very experienced underwriting workforce for U.S.-based risks. Iron-Starr Excess intends to open an office by year end.

At an excess level for U.S. risks, the new markets (Argo, Torus, Iron-Starr Excess, Aspen, and Canopus) are seeing huge submission flow and are binding accounts regularly. Their binding ratio is obviously higher where submissions are sent to them on a qualified basis by those that understand their various appetites.

The longer-term markets such as XL, ACE, Allied World, Arch, and Cat Excess are striving to maintain market share as well as seeking new business. All this has served to create a competitive market for all but the most exposed risks.

For non-U.S. risks, the market dynamic remains unchanged from our Spring Lockton *Market Update*. There is a tremendous amount of capacity in London, Dublin, and elsewhere in Europe for non-U.S. risks—especially at the excess level.

Pricing remains competitive.

Chartis has recently announced an initiative to write Australian business from London, and the market in London is vibrant for risks from all over the world.

The product recall market continues to grow for U.S. and non-U.S. risks. Catlin, XL, Sagicor, Canopus, Liberty, and Chartis (for non-U.S.) are all creating a competitive landscape for primary risks. Aspen and Argo have joined XL Dublin and Max in the excess space.