

London Market All Staff Meeting

17th December 2019



Agenda

Revised Plan 2020

Paul Lawrence

Future Operating Model

Kate Markham

Data Strategy

Adam Rushin & Tabitha Johnston

Q&A

TO LEAD

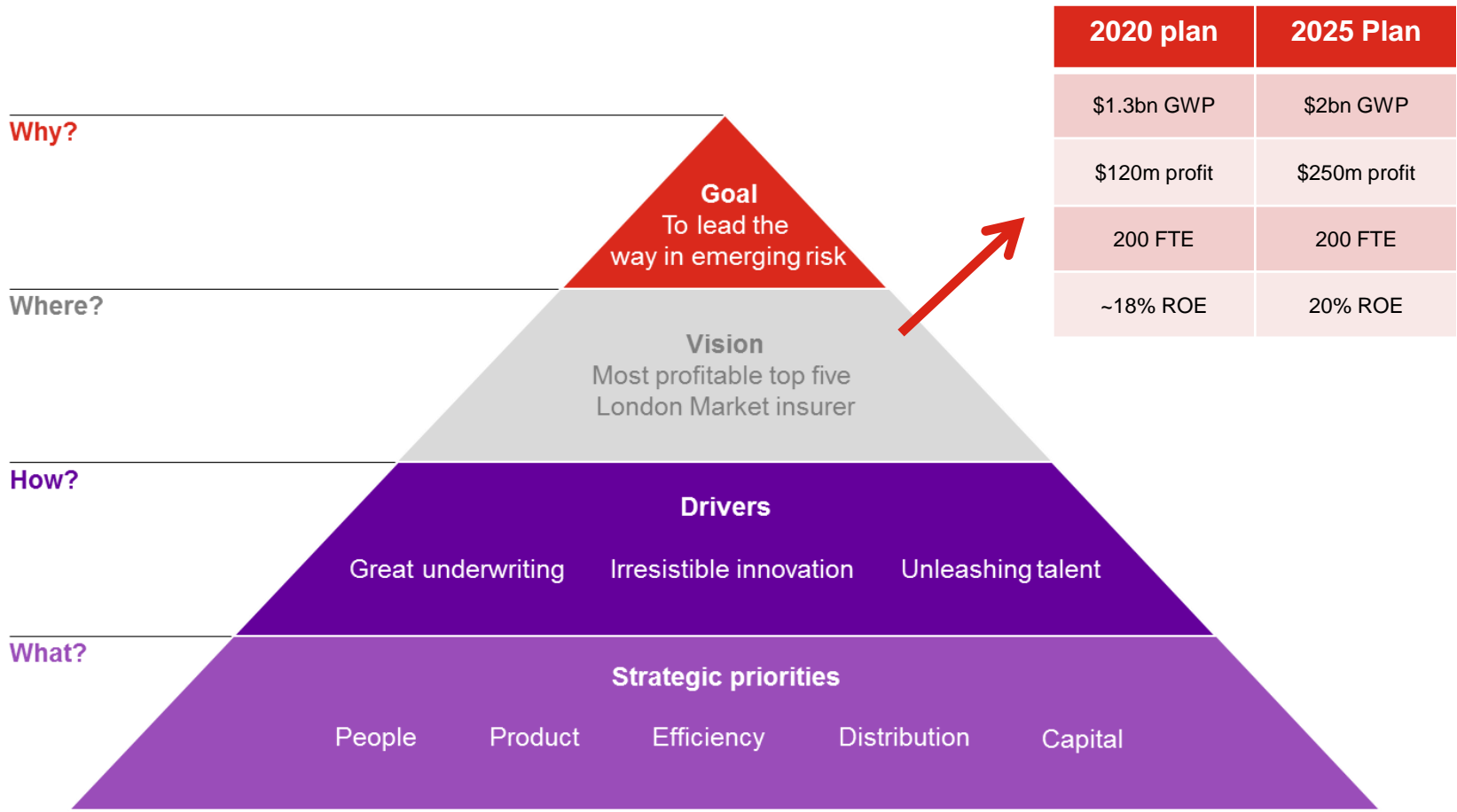
THE WAY IN
EMERGING RISK.

HISCOX
LONDON MARKET

2020 Plan - 17th December 2019

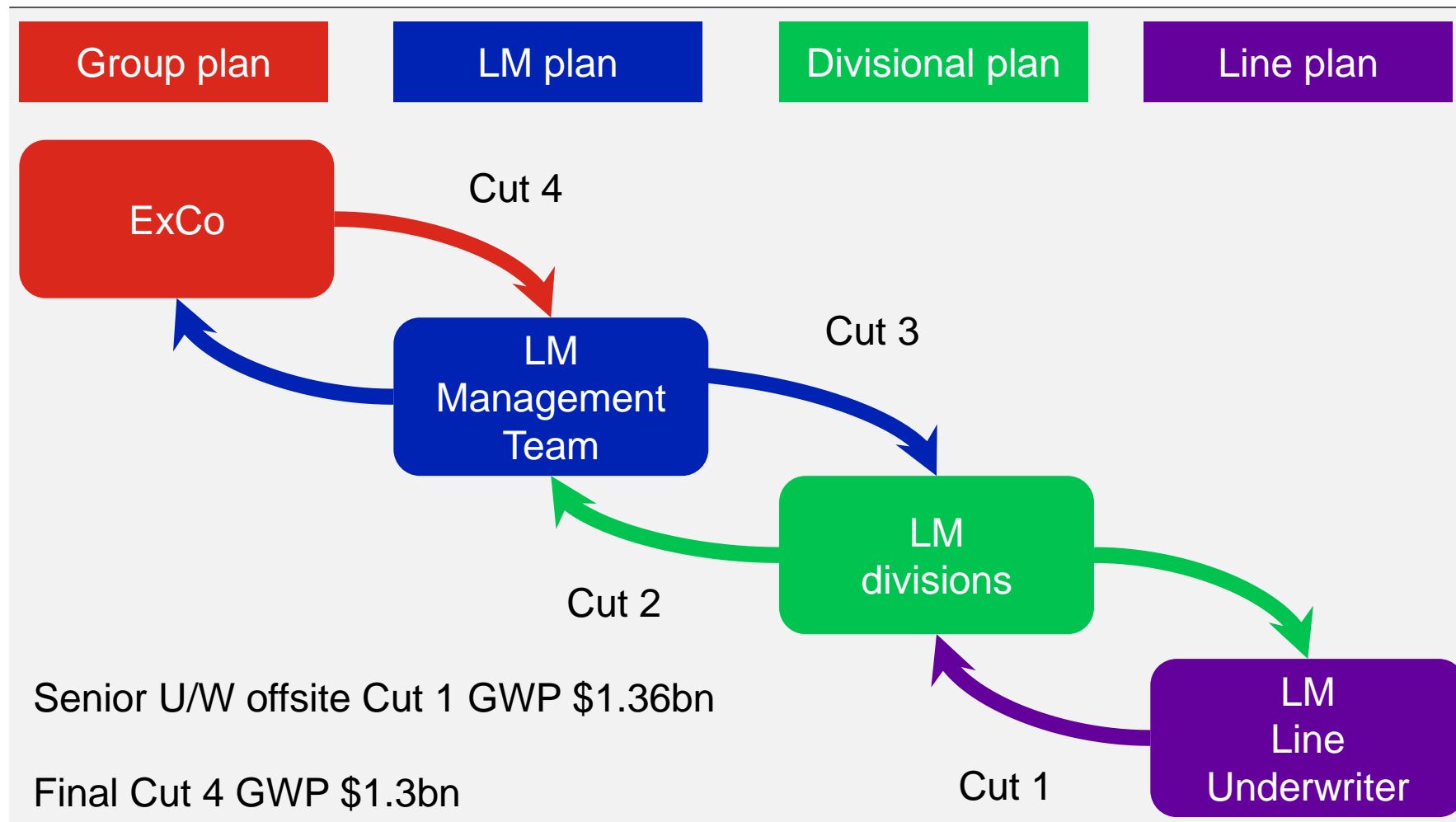


The LM goal remains to be the most profitable, top five London Market insurer, leading the way in emerging risk



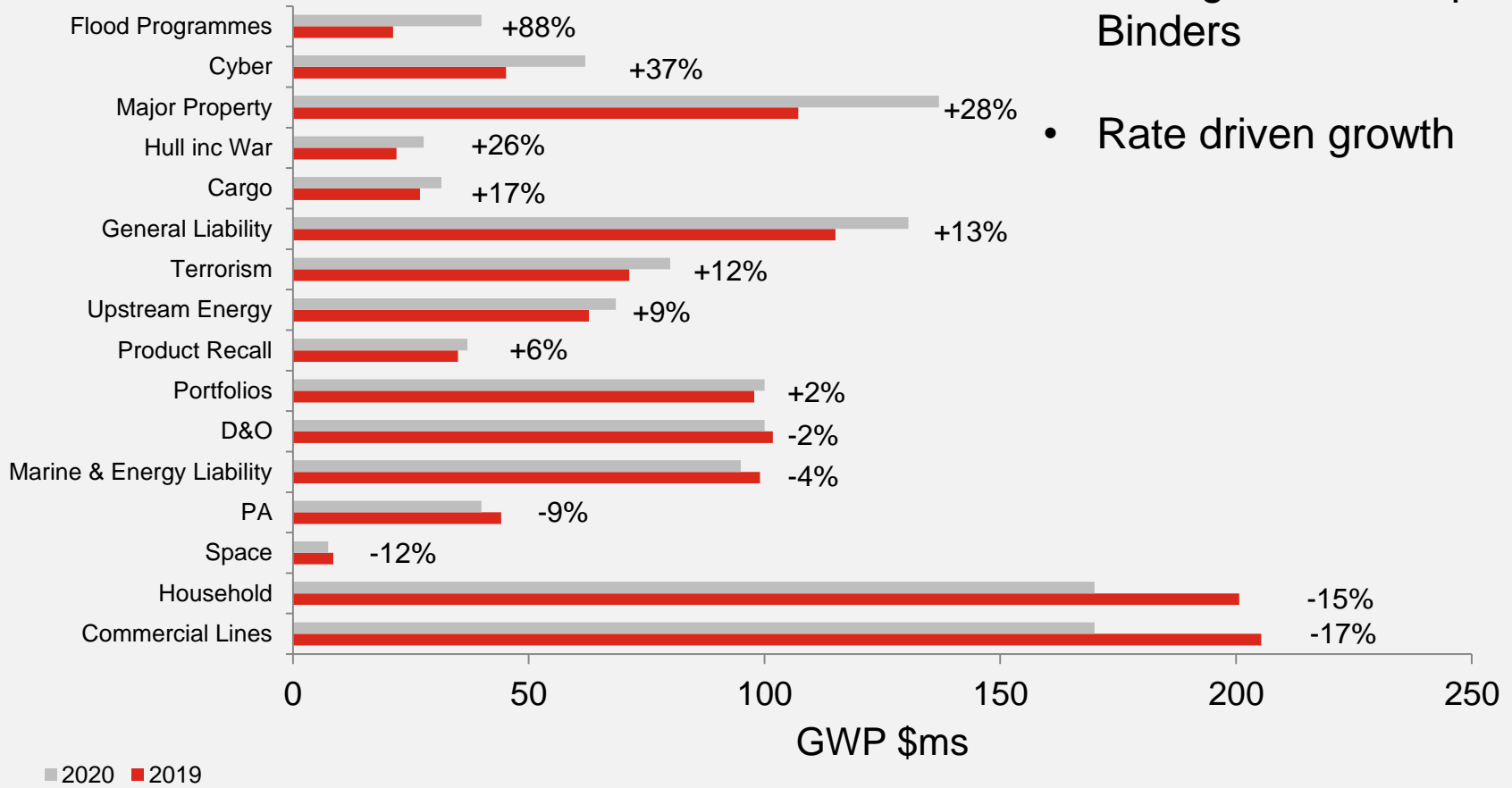
Business planning cycle

Top-down and bottom-up iterative process



GWP and Growth rates %

Q4 projections ultimate 2019 vs 2020 +\$3m (2.6%)

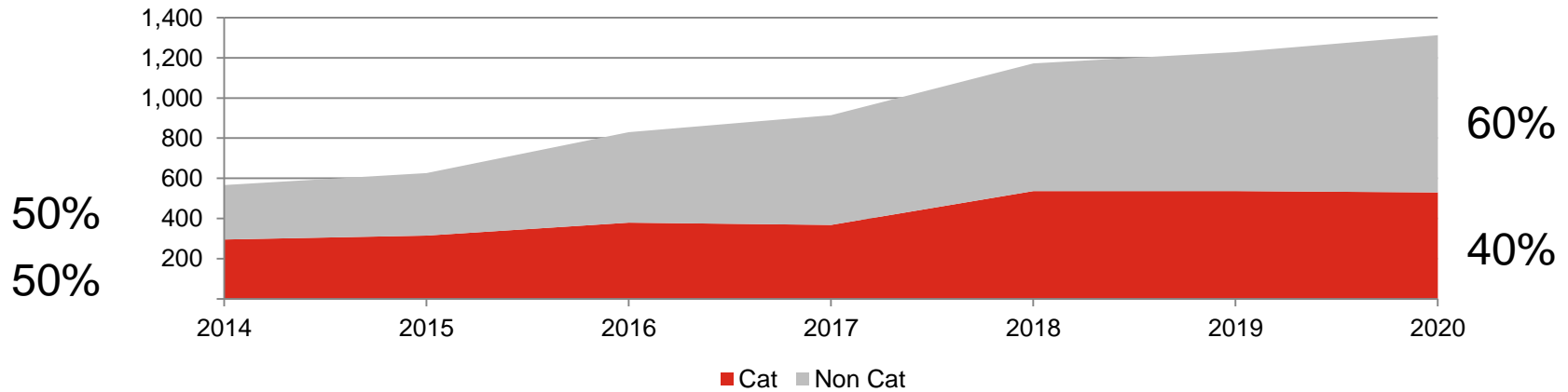


- Pulling back in Property Binders
- Rate driven growth

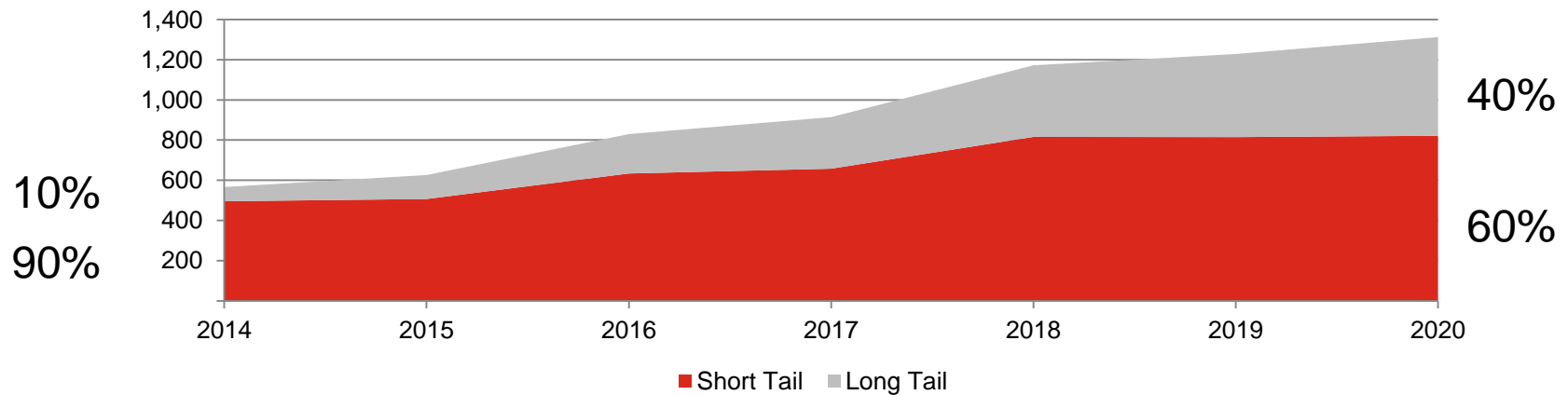
Strategic shift in Mix

More long tailed, Non-Cat exposures

Cat vs Non Cat GWP \$ms

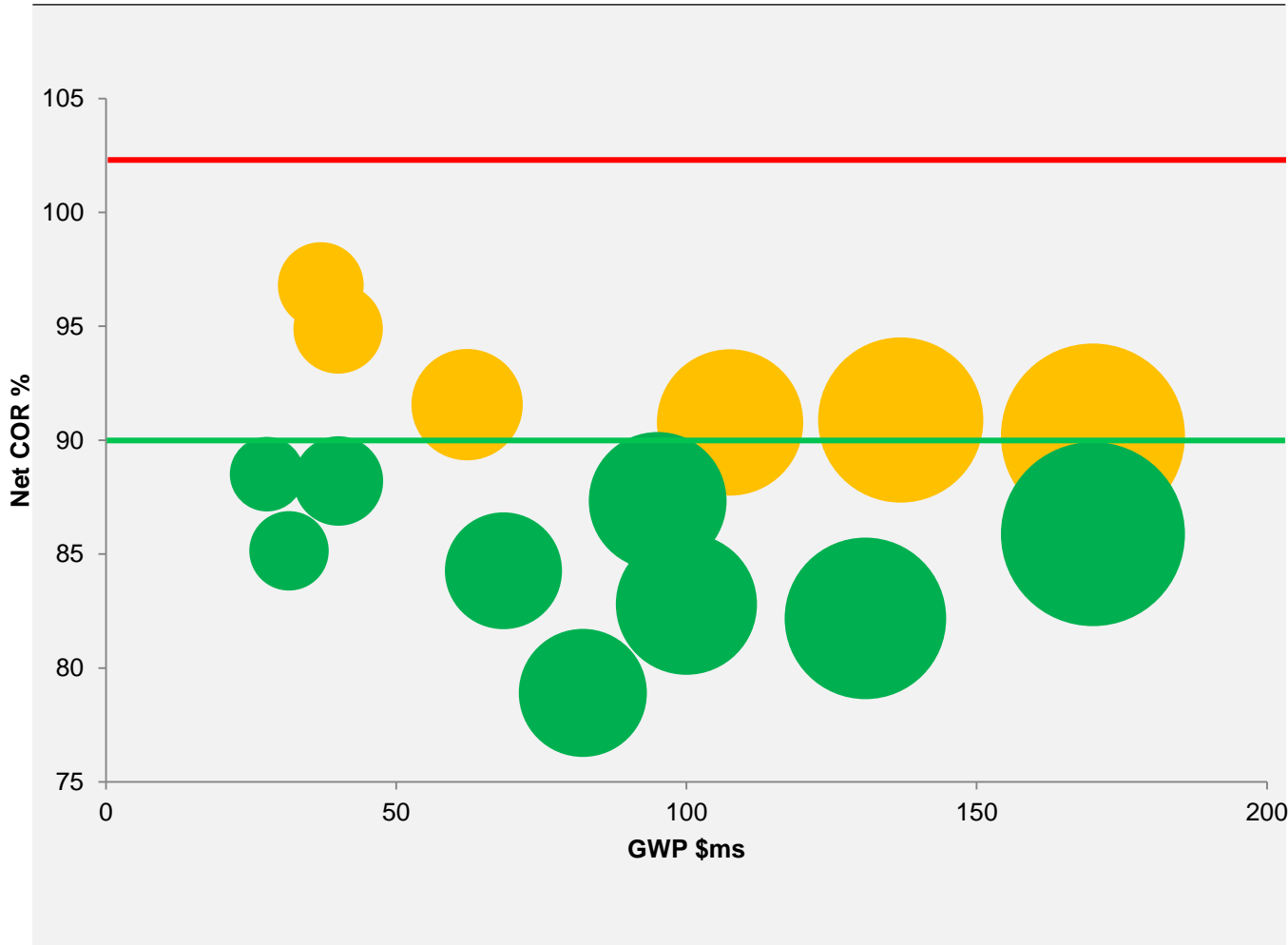


Long Tail vs Short Tail GWP \$ms

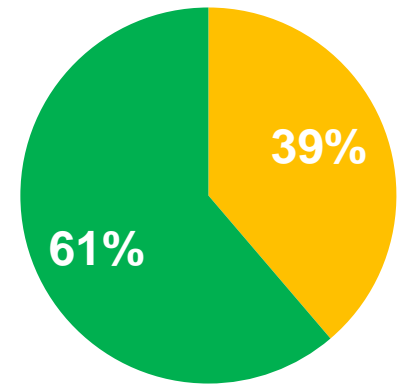


Doughnuts

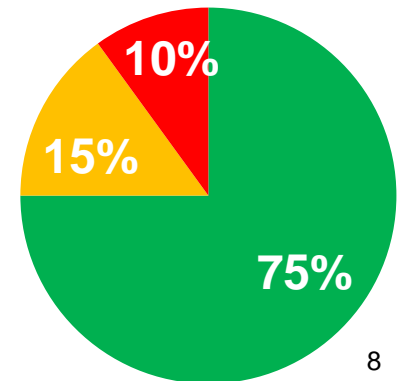
Overall LM Net Ultimate 2020 COR:- 87, still some work to do



2020 Ultimate YOA

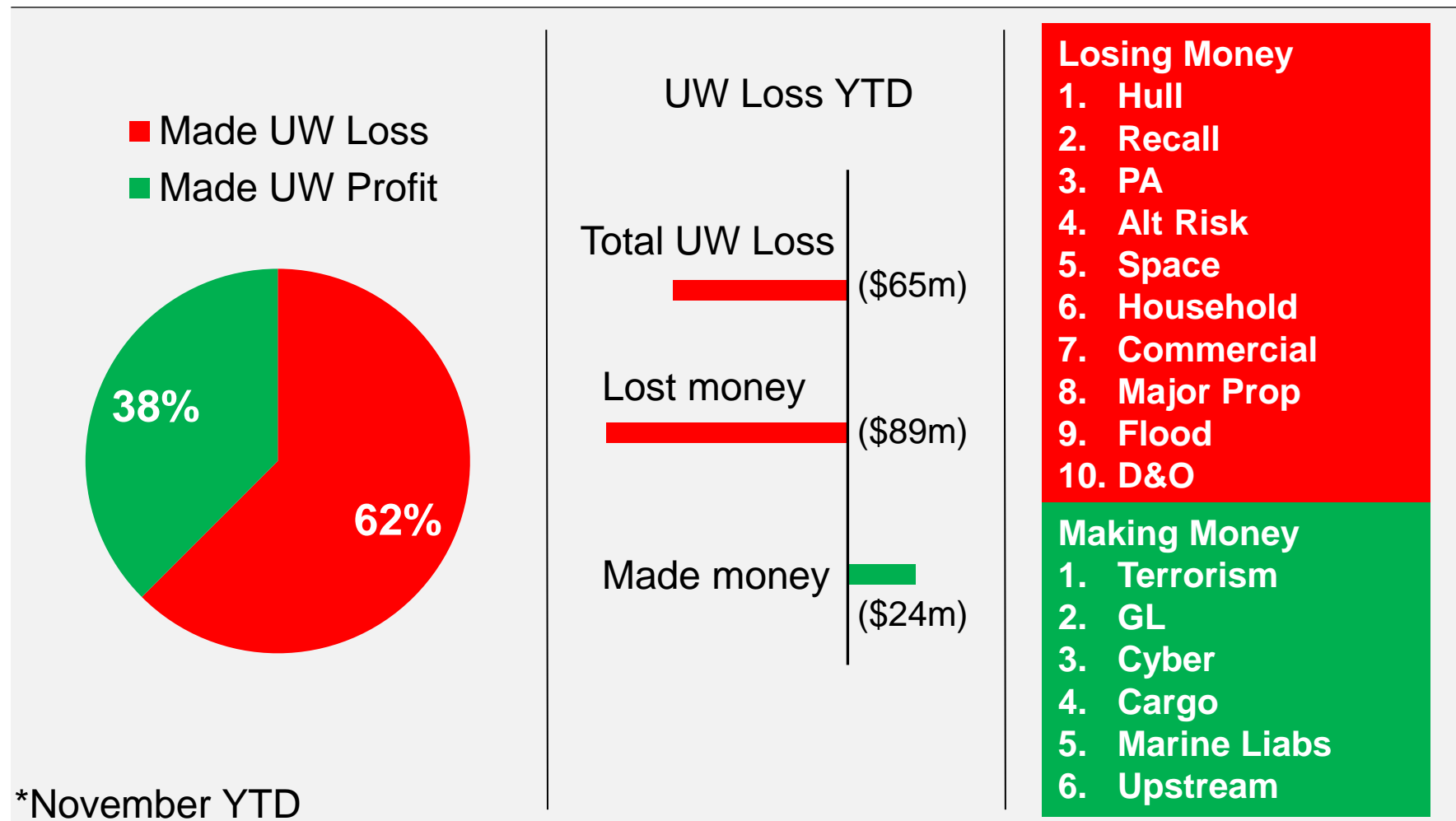


Target- sub 90



To repeat Bronek's view for LM

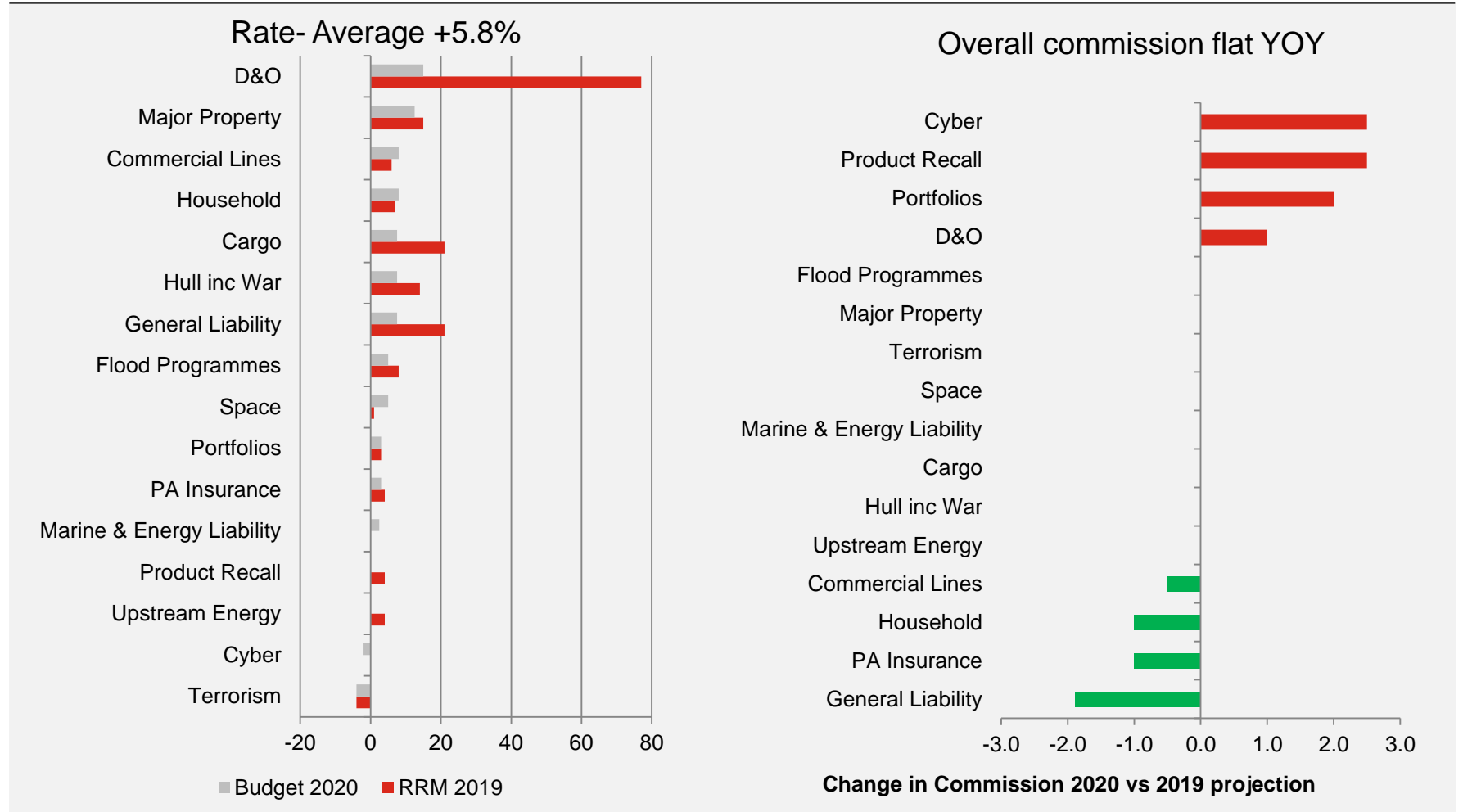
10 out of 16 lines are losing money in 2019*



*November YTD

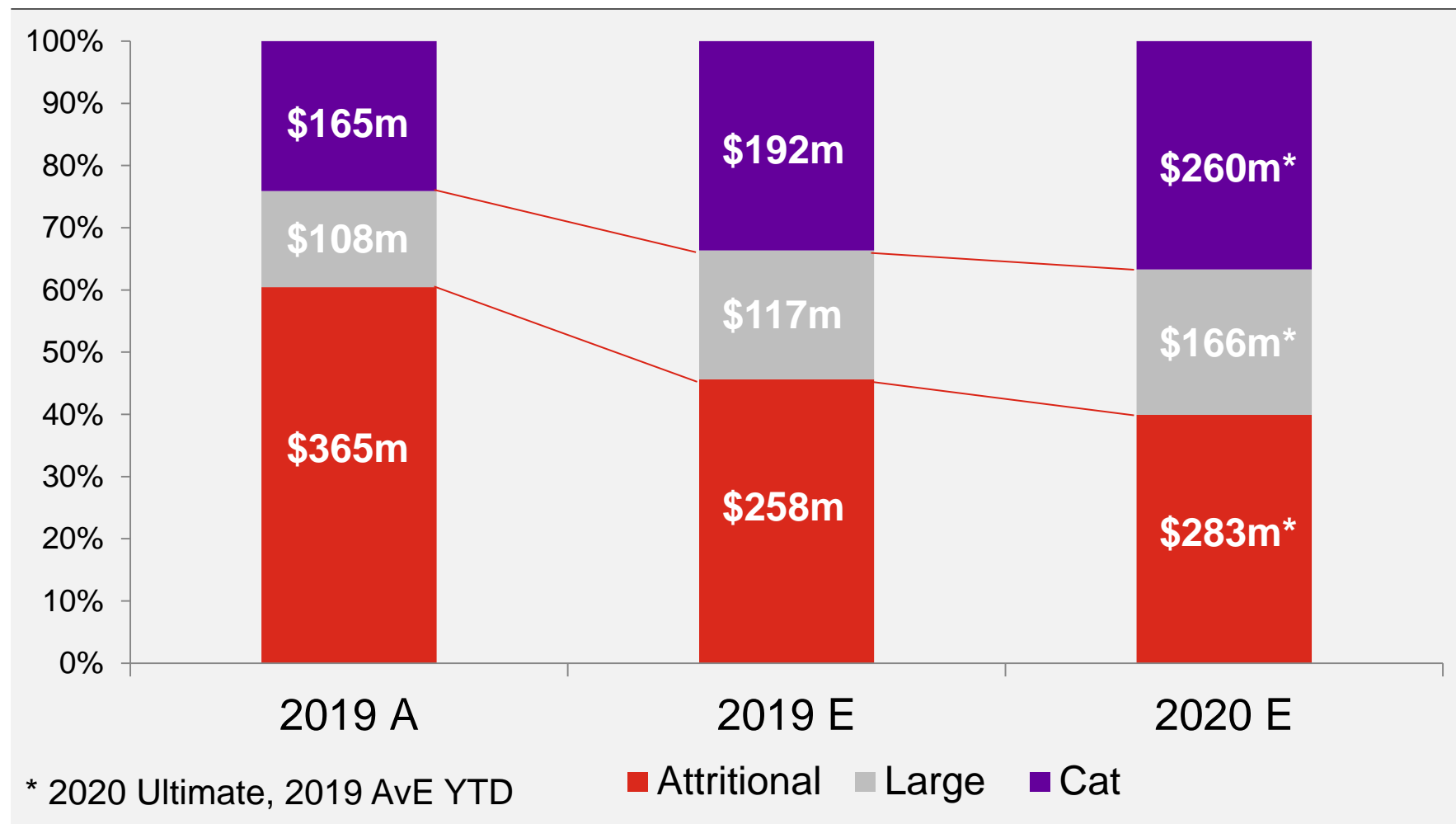
3-1-1 Must deliver

Push rate increases, challenge commission, keep expenses flat and focus on profit



2020 priorities to deliver plan

Fix the loss mix AvE- less attrition



Future Operating Model

Kate Markham



2025 ambition and strategy

Double the profit, same headcount

Goal

To lead the way
in emerging risk

Why?

Vision

Most profitable top five
London Market insurer

Where?

Drivers

Great underwriting Irresistible innovation Unleashing talent

How?

Strategic priorities

People Product Efficiency
Distribution Capital

What?

2025 ambition and strategy

Double the profit, same headcount



Premium

\$2bn



Headcount

200



Profit

\$200m



ROC COR

20% 80%

But the world around us is changing

Our strategy must address key trends

TECH

Evolution of technology and digitisation, and how it enables productivity improvements and expense reduction – in Lloyd's and us.

TECH

Explosion of data and availability of increasingly sophisticated analytical tools (AI, ML, NLP) that are becoming a competitive differentiator.

CAPITAL

Growth in global capital fluidity, resulting in lower cost capital (e.g. ILS) accessing insurance risk, driving compression of value chain.

MARKET

Growth in expertise of domestic insurers driving decline in flow of business to London in benign years.

MARKET

Growth in the number of class actions, combined with ever-increasing scale of awards.

CUSTOMER

Change in the nature of risks facing organisations from tangible to intangible assets, and from known to emerging risks.

But the world around us is changing

Our strategy must consider key enablers and risks

Key enablers

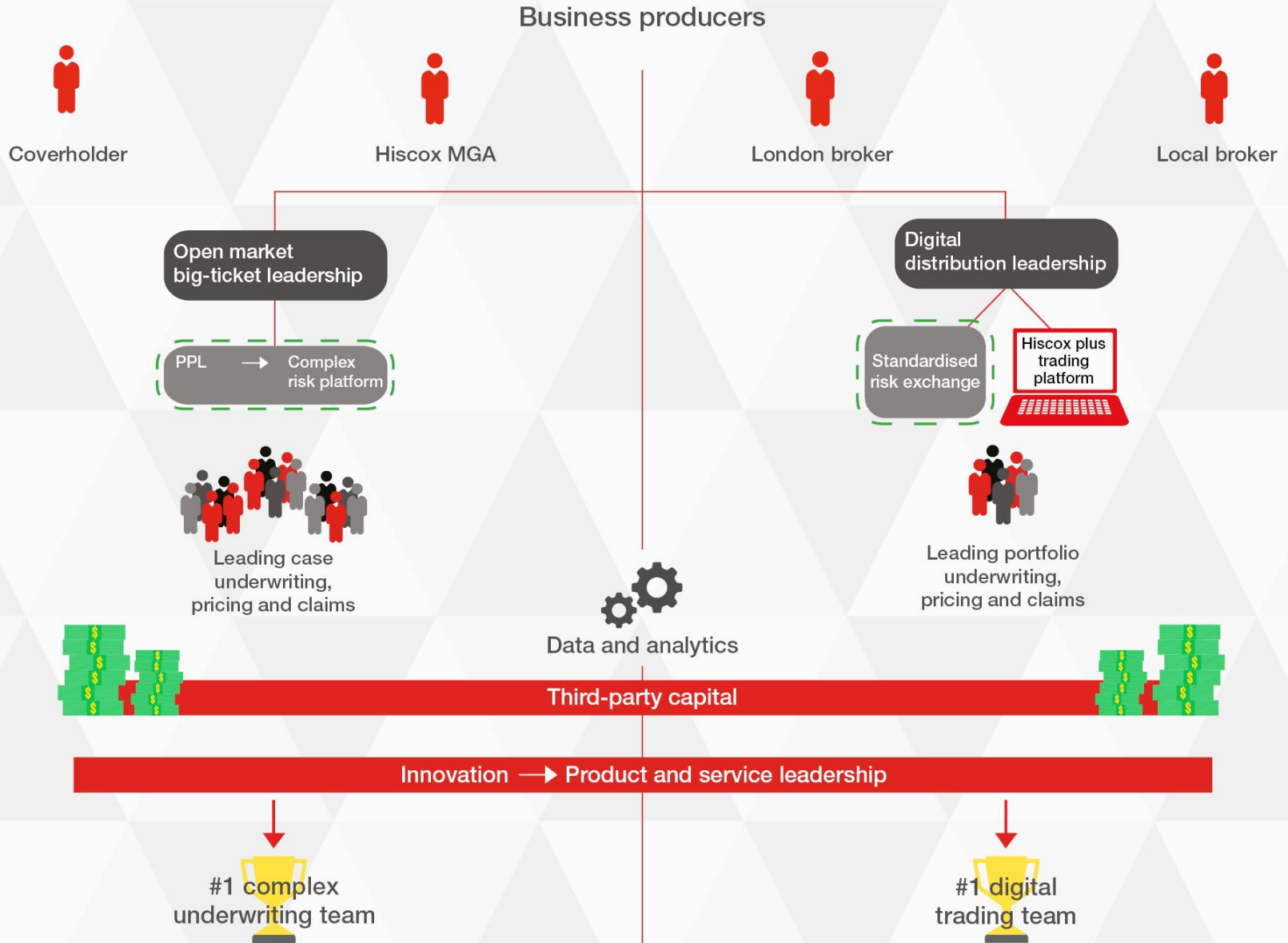
- Underwriting expertise, relationships (London and local distribution) and a head start on digital trading.
- Our values, specifically integrity, ownership and courage.
- Status within Lloyd's (size, stature and light-touch governance).
- Third-party capital capability (ILS, quota share, MGA).
- Talent composition – half over, half under the age of 30 and an on-going commitment to learning and development.

Key risks

- Pace of change – our ability to evolve our operating model and take cost out of the business quickly enough.
- Innovation – our ability to develop new products that tackle emerging and intangible risks.
- Arrival of competitors who are better, faster, cheaper, e.g. new Lloyd's entrants, insurtech, domestic players.
- Rating momentum dissipates and soft market returns.

Future potential operating model

Digital core, client focused



Data Strategy

Adam Rushin & Tabitha Johnston



Underwriters away day 2019

Finance away day 2019

“More active management at a broker level, to eliminate poor quality producers”

“More data in a more consumable format”

“Trusted data – accurate & timely”

“AI led predicative pricing”

“Revolutionised pricing models with the use of external data”

“Lack of strategy and ownership of data”

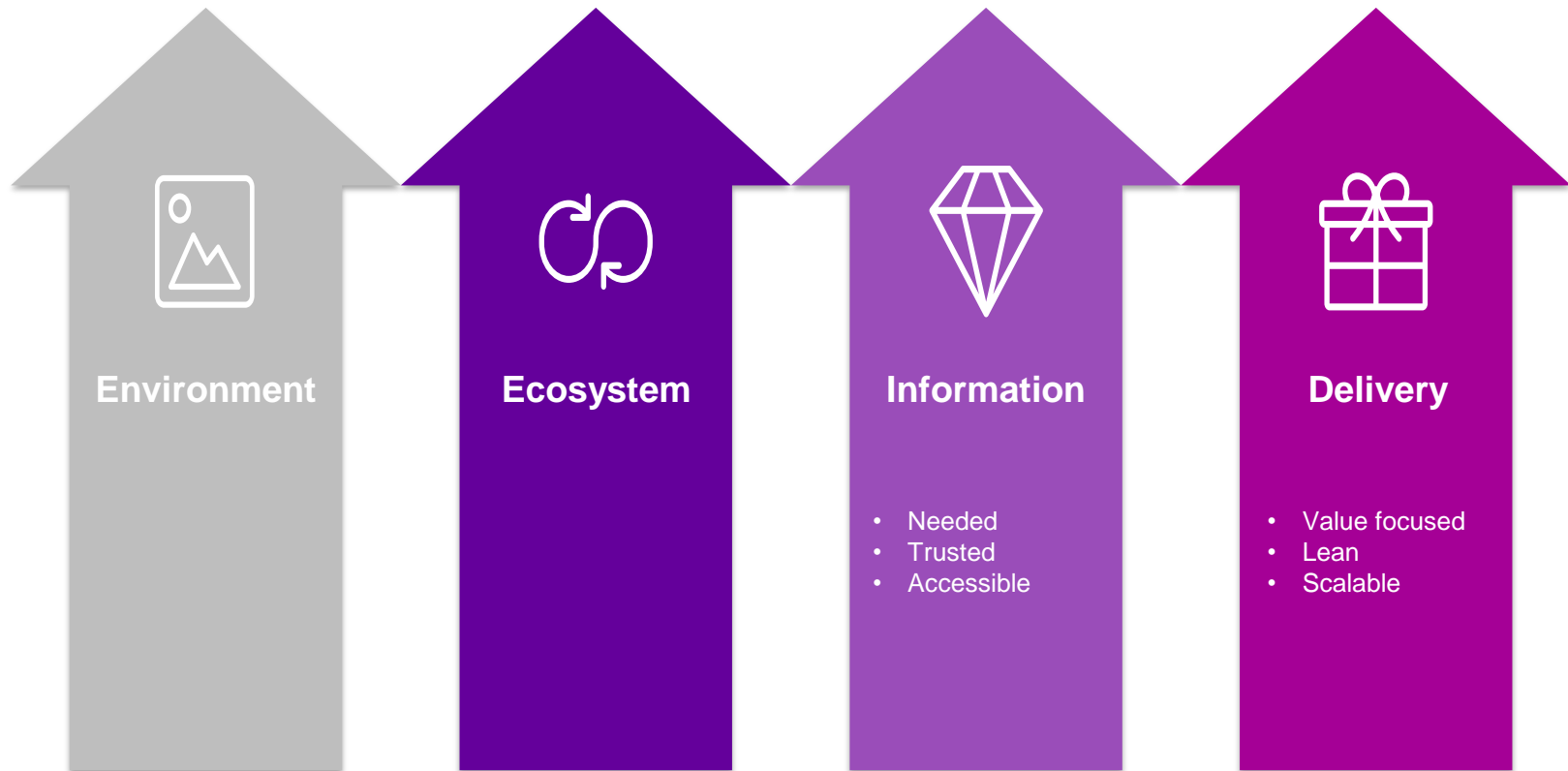
“Best people, best data, best processes”

“A more real time view of exposure – need to be closer to the data, and quicker”

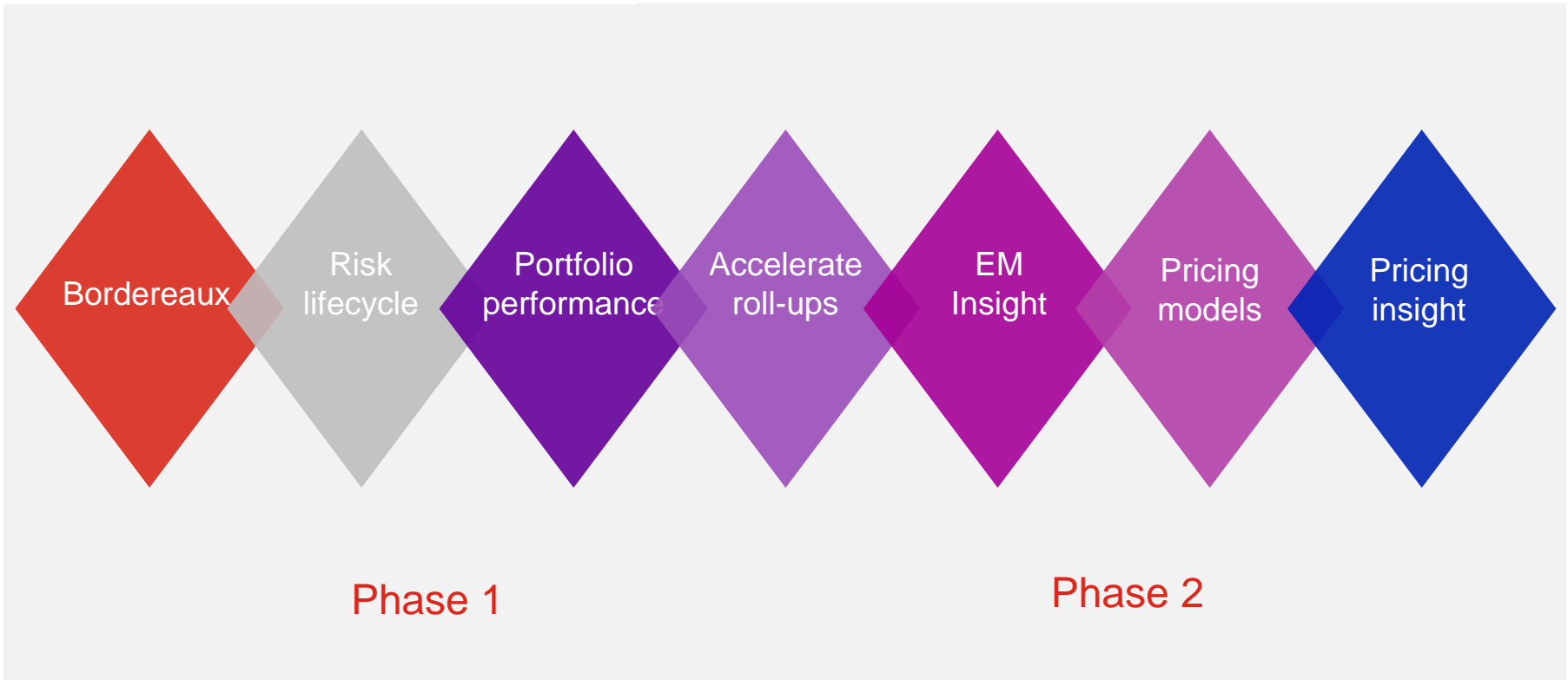
Building a strategy which gets to the heart of what London Market needs



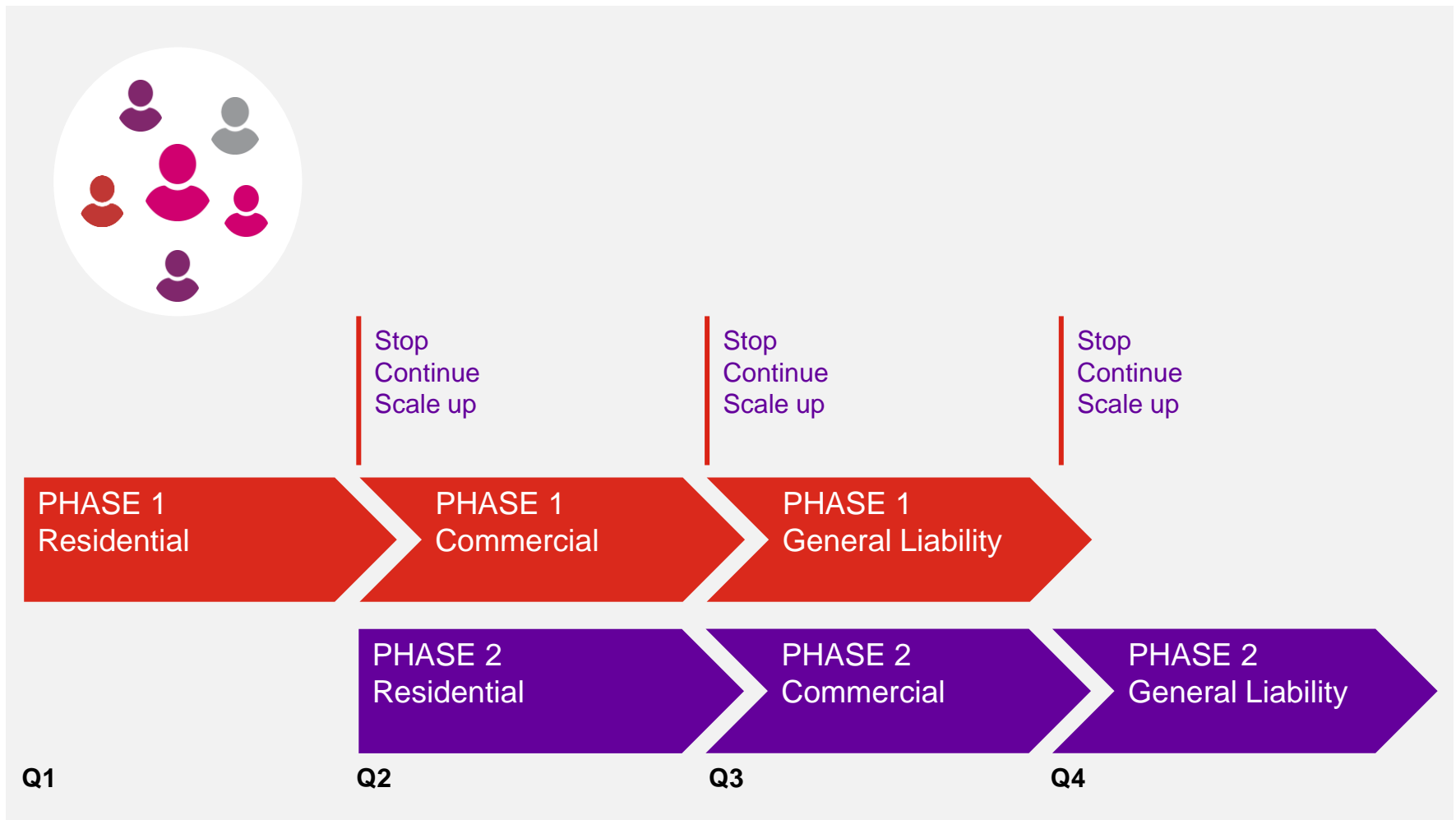
Delivering a sustainable data environment



Targeted insights, driven by value



Starting quickly, with a lean squad & room to scale



Q&A and wrap-up