Managing risk in the 21st century

Lloyd’s and NATO look to private and public partnerships to tackle emerging global risks.
WELCOME TO THIS ISSUE OF MARKET

This issue, the focus is on public and private partnerships, following the Lloyd's 360 Risk Insight Live Debate, Managing risk in the 21st Century, co-hosted by Lloyd's and NATO in October.

As Lord Levene said, such a collaboration would be unthinkable 20 years ago, but co-operation between government and private enterprise is now essential to tackling the threat of three major contemporary risks: piracy, climate change and cyber attack.

As Rolf Tolle, Lloyd's Franchise Performance Director, approaches retirement, Market looks back on seven years of high achievement.

Following a spate of cancelled pop concerts and sporting events in 2009 and the fast-approaching Winter Olympic Games in Vancouver, we examine the risks involved in organising public events and the many different levels of insurance within sport.

Most importantly, we want you to tell us what you think of Market and what you'd like to see more of. We have one year to do this is enter our reader survey by 1 February 2010 to be in with a chance.

We hope you enjoy this issue and look forward to hearing your views — you can find the survey at www.lloyds.com/reader survey. Thank you in advance for taking part.

Anna Willey
Editor

LLOYD'S APPOINTS
new President of North America

NORTH AMERICA

Lloyd's has appointed Hank Watkins as the new President for its North American operations. With 28 years’ experience in the commercial insurance industry, Watkins said his priorities include helping Lloyd's develop the small and medium enterprise (SME) market and facilitating communication between managing agents and the North American distribution network.

"Despite the challenges presented by ongoing economic and insurance market conditions, there is a significant opportunity in the SME segment for Lloyd's, with its reputation for creativity, financial strength and claims paying," he explained. "Lloyd's North America is charged with expanding the awareness of the market among the vast distribution network in the US and Canada, while communicating market developments and potential opportunities to London in a timely manner."

Watkins added that, although many intermediaries are familiar with Lloyd's, assumptions remain about the market being best suited for challenging, exotic risks that require more time to place, and often at a higher price, than competing carriers may provide.

"This is particularly true among recent entrants to the industry who have joined the soft market and may not have needed a surplus lines alternative to meet their clients' needs or, when they did, limited the distribution of submissions to carriers they had become familiar with," he said. "The Lloyd's market is a viable alternative for more risks than many of our distribution partners realise."

Watkins added that the organisation's profile has been elevated in recent months via press reports and a renewed effort by his team to develop front-line relationships through periodic regional broker council and coverholder meetings.

Another example of Lloyd's leadership, he added, is the latest Lloyd's 360 Risk Insight Conference held in New York on 29 October. Entitled Managing Risk in the 21st Century, expert speakers from business and Lloyd's conference partner NATO examined strategies for tackling climate change, piracy and cyber risk.

Lloyd's CEO Richard Ward opened the event, which was attended by more than 200 senior business and insurance leaders.

Summarising, Watkins said: "We have a terrific opportunity right now in the US and Canada to capitalise on the message delivered by Lloyd’s financial performance, our leadership on global risk issues and acknowledgment by the industry of our role in the delivery of creative, stable risk solutions."

Watkins is responsible for all Lloyd's operations in the US and Canada, including offices in New York, Chicago, Frankfurt, Kentucky, Los Angeles, the Virgin Islands, Montreal and Toronto.
A BRAVE NEW WORLD

Lloyd’s and NATO discuss how public and private co-operation could be fundamental to dealing with the 21st century’s most pressing risks

Partnerships between businesses and government organisations are key to tackling major risks such as climate change and piracy, according to speakers at a prestigious event hosted jointly by Lloyd’s and NATO at Lloyd’s in London in October.

Attended by more than 200 insurance industry professionals, business leaders and government representatives, the Lloyd’s 360 Risk Insight live debate, Managing Risk in the 21st Century, saw leading experts from business and the government sector discuss the threats and potential solutions of three risks facing society today: climate change, piracy and cyber security.

Today’s complex and industrialised world is under attack from myriad determined and deadly threats, said Lord Levene, Chairman of Lloyd’s and co-host of the event. “If we do not take action soon, we will find ourselves, like Gulliver, pinned to the ground and helpless, because we failed to stop a series of incremental changes while we still could,” he warned.

At first glance, the risks in question do not appear to have much in common. But all of them share three similar features: they are growing quickly, they are gaining in complexity, and they involve the need to build coalitions.

Levene pointed to the rapid melting of polar ice as a frightening example of the new pace of risk, while indicating that climate change may be the ultimate symbol of interdependence.

Forging solutions

Compared with the past, however, society is better positioned today to tackle these threats. A stronger scientific, technological and political grasp of risk means that the world can concentrate on the solutions. And business, governments and non-governmental organisations (NGOs) are working together to do that.

“We are able to form new alliances to fight our common threats,” said Levene. “We are co-hosting this event with NATO, a joint Lloyd’s/NATO enterprise simply would not have happened 20 or even ten years ago. Now, forming new coalitions is an essential part of risk management.”

Governments no longer have a monopoly on power, he added, so new networks are needed to craft joined-up, pluralistic policies to deal with risks and create sustainable solutions.

While Lloyd’s alone cannot bring the rule of law to Somalia and end piracy off the Horn of Africa, or reduce the threat of global warming, said Lord Levene, “these things are not beyond the limits of collective action.”

In his opening address, Anders Fogh Rasmussen, Secretary General of NATO, said the world’s largest insurance market and NATO may, at first, appear to have little in common. But a second look shows that they do.

“We are both focused on predicting threats, taking steps to reduce their likelihood and, when necessary, managing the effects,” he explained.

Risks affect business, governments and NGOs alike and cut across the divide between the public and private sectors. The security challenges presented by these three risks are big. “But much can be done to address the root causes, to minimise their impact and to manage the effects when they hit,” Rasmussen stated. “All it will take is a lot more vigour, innovation and cooperation.”

From top: Lord Levene, Secretary General of NATO; Anders Fogh Rasmussen

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Climate change requires visionary and pragmatic policies

The time has come for businesses to address the challenges of global warming, and there are business benefits in doing so, according to speakers at the 360 Risk Insight debate. Pen Hadow, polar explorer and leader of the Catlin Arctic Survey, warned that, within our lifetimes, the Arctic sea ice might cease to be a year-round feature of the planet. But the seasonal disappearance of sea ice could create opportunities for, as well as threats to, business, he said in his presentation.

It will open up new shipping lanes, fishing grounds and make possible access to the region’s oil and gas resources. However, climate change will also have negative implications closer to home.

David Smith, Chief Executive of Global Futures and Foresight, emphasised that there is a strong business case for developing a robust response to climate change, and companies should recognise the opportunities in doing so.

This is a “defining moment” for business, he said, adding that the time has come for companies to explore the benefits in sustainable development and differentiate themselves from their competitors. “Setting goals as a leader on environment, social and ethical management can make an organisation more attractive to consumers, suppliers, lenders, investors, new talent and insurers, and can reduce cost and waste in operations,” Smith concluded.

Anders Fogh Rasmussen reiterated that climate change is a major threat and could lead to more natural catastrophes, rising sea levels, falling food production and political unrest. The response to these challenges will require action from government and industry.

And Lord Levene summed up by saying that tackling climate change requires visionary and practical policies.

“A policy of pragmatism means we have to accept the inevitable fact that climate change is with us and it is not going away. We need to focus more on adapting our businesses and homes to reduce our vulnerability.”
The cyber attacks on Estonia in 2007 showed just how potentially devastating cyber risk can be. Discussions at the Lloyd's 360° Risk Insight Live debate hinted at some of the solutions.

In the middle of a dispute with Russia over the relocation of a war memorial in Estonia, the country was subjected to “severe and clearly politically motivated cyber attacks that targeted government, industry and private internet sites,” said Jaak Aaviksoo, Minister of Defence for Estonia at the event.

The attacks effectively blocked the country from global cyberspace, causing a partial information breakdown within Estonia and limiting citizens’ access to foreign media. Aaviksoo stated that the main aim of the cyber attack, which denied the people of Estonia the ability to go about their everyday business, was to create political instability.

Estonia’s experience showed the need for government and private organisations to work together to build their cyber defence capabilities and meet this threat, he added.

Ray Stanton, Global Head of Business Continuity at BT, urged businesses not to sit back and ignore cyber security risks. Rather, they should engage with their stakeholders and work with others to combat the threat and bring about prosecutions against attackers.

While new technology may combat digital attacks, it will also present new threats. Collaboration between public and private sectors can help identify and contain cyber risks, which will remain very much a part of the 21st century.

How are emerging risks, such as cyber terrorism, changing the nature of war-related insurance?

Some years ago the market implemented clause 380, which effectively included any form of cyber terrorism from marine business. A lot of these emerging risks can potentially have a systemic impact across different classes of business. However, usually what happens when there is an exclusion in the standard policy is that a product is specifically designed to deal with such a risk, and that’s the case with both cyber and terrorism risks.

Are there sometimes disputes in the insurance market in relation to war and terrorism cover?

This remains a grey area. In a sweeping statement, one could define war as a government using military action as a weapon, whereas terrorism concerns a group of people, or an individual, using aggression or force against a government. There have, of course, been legal challenges around war and terrorism insurance. Indeed, we like to sell the two coverages together, especially in places like Israel, so there is no argument. Some clients go for a policy that excludes war because it is cheaper and then try to collect on their terrorism policy.

Piracy attacks more than doubled to 240 from 114 during the first six months of 2009 compared with the same period in 2008, according to the ICC International Maritime Bureau’s Piracy Reporting Centre. Why is this?

The reasons why the number of attacks is going up is that there is a new area of operation in Africa, particularly Somalia. This is a huge area that presents different circumstances to those seen in the Malacca Strait where, a few years ago, there were violent attacks with pirates allegedly throwing crew off the bridge. In Somalia, crew don’t seem to be under threat and, although the pirates use weapons, they tend to use the crew as a negotiating tool.

There is speculation that piracy is creating economic growth within Somalia. This is a big trend that unquestionably results from the difficult situation Somalia has onshore. There is even speculation that piracy is creating economic growth within the country. In a very poor country, a US$2m ransom can dramatically change the standard of living for many communities.

How is this trend affecting insurers and their clients?

There has been an impact on rates, and what is ironic is that we are paying out for physical damage policies without there being any physical damage. We are settling on a ‘use and labour’ basis and paying the ransom to get the ship back to mitigate loss. This type of peril was not originally envisaged or contemplated, so now we have drafted a policy specifically to address the risks associated with piracy.

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**WHAT THE MARKET SAID**

David Gittings, Chief Executive of Lloyd’s Market Association “Rolf Tolle’s contribution to re-establishing Lloyd’s reputation as a safe place in which to do business has been immense.”

Stephen Catlin, Chief Executive of Catlin Group Limited “Rolf has done a great job in bringing structure and discipline to the Lloyd’s market. The creation of the FPD was an important milestone in Lloyd’s development and Rolf was the right person to serve as the first Franchise Performance Director.”

Julian James, Chief Executive of Lockton Companies International and former Director of Worldwide Markets at Lloyd’s “Rolf’s contribution has been to define a role for Lloyd’s in managing the market’s appetite for risk. He built the current regime and, in the process, won over many of the doubters. He has proved wrong all the doomsayers who argued that the Franchise Performance approach wouldn’t work.”

**ROLF TOLLE’S CV**

- Rolf Tolle was appointed Lloyd’s Franchise Performance Director in March 2003.
- Prior to joining Lloyd’s, he was Chief Underwriting Officer and a board member of the Faraday Group. During a career in insurance spanning 34 years, Rolf was CEO at Europa Re, Managing Director of the Norwegian insurer Polaris/Unipolam, and held senior positions at Scandinavian insurer Storebrand.
- Rolf has a diploma in political science from the Free University of Berlin.
- In his leisure time he likes to go salmon fishing, listen to classical music and play bridge.

**HIGH PERFORMANCE**

As Rolf Tolle, Director of Franchise Performance at Lloyd’s, approaches retirement, Market reflects on his successes.

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The medicine he regarded as necessary to return the market to health.

Tolle is quick to point out that it is the underwriters that make the end decision, and cites the collaborative partnership between the market and the Corporation as the reason for Lloyd’s success.

“FPD’s job is to share information with underwriters on the state of the market, to help them see the whole picture. The signature on the paper at the end is theirs.”

**AND WHAT OF 2010?**

“There is slightly too much optimism around at the moment. People want to think that the little green shoots are the start of something more sustained. But we don’t see that reflected in the rating environment. As a result, some people may build into their plans growth aspirations that are a little over the top.”

The febrile global economy, which is showing the first fragile signs of recovery, is the biggest challenge now facing global insurers.

“Only those firms that show the greatest degree of discipline and capital management, and that are best at preserving their capital during this period, will come out on a strong footing.”

But as this is the mantra Tolle has been repeating to Lloyd’s underwriters for the past seven years, he believes the market is well placed to face the future with confidence.

“Summing up his time at Lloyd’s, Tolle says: “There are no dull days here. You can’t normally say that of a job. It’s because it’s a marketplace: you have everything here so you never know what’s going to happen.”

The next challenge facing Tolle is a once-in-a-lifetime trip that will take him and his family from the glaciers and fjords of southern Chile through the Atacama desert, on to the wonders of Cuzco and Machu Picchu before ending in the Galapagos Islands.

“Apart from that I have no plans,” he says. “After I return in mid-February I’ll decide what I want to do next.”

Tolle will be succeeded by Tom Bolt, who will take over as Lloyd’s Franchise Performance Director on 1 January 2010.

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CFC COMES UP TRUMPS WITH NEW ON-LINE GAMING POLICY

NEW PRODUCT
Lloyd’s underwriting agency CFC Underwriting has launched a tailored insurance policy for online gaming companies called Esurance ICE (Interactive Casinos Errors and Omissions Insurance).

Online gaming is a large and rapidly growing international industry, with innovative games being developed and launched daily. Competition is diverse, with operators based around the world; the island of Malta alone has more than 120 licensed gaming companies.

The risks in this type of business are varied and include the regulatory framework in which the gaming company operates, the integrity of the software and the infringement of intellectual property (IP) rights. ICE has been developed specifically for these emerging industry risks.

CFC’s Business Development Director, Graeme Newman, said: “Gaming companies operate in both regulated and unregulated jurisdictions and there have been numerous reports of unregulated businesses going bankrupt and leaving players’ funds frozen.”

ICE is different from most other policies in that it offers full breach of contract cover, whereas most other policies have a contractual liability exclusion. “For example, if a contractor develops software for an online gaming operator that contains a bug that allows users to exploit the system to cheat and win, then the contractor [i.e. the software developer] would be covered for subsequent liability claims,” Newman explained.

The policy also makes provision for intellectual property infringements. A number of high-profile IP infringement cases have occurred in recent years. One such case involved star players of a leading Spanish football club, who filed infringement suits against seven online bookies that had allegedly used their names and pictures in the club’s strip in online marketing material without consent.

ICE is backed 100% by Lloyd’s underwriters and cover is provided on a worldwide basis as standard, excluding only US claims.

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PREPARING FOR SOLVENCY II

SOLVENCY II
Market participants in Europe have spent much of 2009 assessing their readiness for the new regulatory regime.

The framework directive has been agreed and final advice on Level 2 implementing measures follows a series of consultation papers released by the Committee of European Insurance and Occupational Pensions Supervisors. But there is still some uncertainty. “It is a framework text only,” explained Alastair Evans, Head of Government Affairs at Lloyd’s. “It sets out general principles and a lot of the detail needs to be spelled out in the Level 2 and Level 3 measures.”

Managing agents have been required to undergo Quantitative Impact Study Four (QIS4), which some completed in 2008, and a gap analysis. These assessed the resilience of internal models and identified any weaknesses. “We’re trying to prepare up to the level of knowledge and information that is publicly available,” says Evans. “The volume of work that’s been done by Lloyd’s on this subject in recent months has escalated enormously and I think we’re going to see that going forward as well.”

Once Level 2 measures have been agreed, managing agents will be expected to undertake QSS5, which will put these measures to the test. QSS5 has been tentatively scheduled for April 2010. While there is still some uncertainty as to what the final regime will look like, and how it will be interpreted by the Financial Services Authority, the key at this stage is not to be left behind, advises James Illingworth, Chief Risk Officer at Amlin. “It’s absolutely crucial that people start preparing now. People who are starting tomorrow are probably already too late.

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A RATING REAFFIRMED
A.M. Best has reaffirmed Lloyd’s A (Excellent) rating, citing the market’s solid 2008 performance, among other factors. It wrote: “Lloyd’s has an excellent business profile, particularly in the US and London markets, and continues to expand its global reach through the extension of its licence network and local trading platforms.”

A.M. Best also pointed to Lloyd’s “sold and flexible” capital base, the expected continuing strength of central solvency and the benefits of the collective size of the market.

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NEW RUN-OFF SYNDICATE MAP

MARKET TOOLS
Lloyd’s has developed a map of all active, open and run-off syndicates and their corresponding managing agents from 1993 through May 2009. The ‘syndicate map’ also shows all of the historical reinsurance to close (RITC) transactions, as at the original closure dates, that took place between 1993 and 2008.

The graphical format of this information provides comprehensive insight into the workings of the Lloyd’s market for more than a decade. The map will be updated once a year and is an essential tool for the broking community. As the click of a button, brokers and agents will be able to establish which syndicate is responsible for business underwritten some years ago by a syndicate that is now closed. It will also help managing agents interested in looking at the history of liabilities that their syndicate has acquired through various RITC transactions.

Paul Speller, a senior analyst at Lloyd’s, said: “Although the information was available before, the new format will make it easier for brokers. All they need to do is type in the syndicate number in the PDF document and they will be taken straight to the relevant section of the report.”

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Remaininig competitive is a TOP PRIORITY FOR THE CITY

LONDON CITY DINNER
The ninth annual Lloyd’s London City Dinner held a strong and clear message. The City must remain competitive and be prepared to meet the challenges of a recovering and changing global economy. Keynote speaker James Wolfensohn, former head of the World Bank, told the 250 business leaders who attended the dinner at the Merchant Taylor’s Hall to prepare for the future global economy. He warned that the G7 economies may account for just 25% of global output by the middle of the century, while China and India together could account for half.

“This is the true challenge to the City and a true challenge to the G7 as we know it,” he said.

Lloyd’s chairman Lord Peter Levene warned of more immediate challenges facing the City of London – a knee-jerk reaction to the financial crisis that could undermine the financial services sector. While parts of the banking sector had behaved “irreparably and a change in regulation and governance was needed to prevent a repetition of the excessive risk-taking”, talk on limiting pay, curbing bonuses, restricting financial activities and even downsizing the UK’s financial sector is “dangerous”, he said.

Levene said it made him shudder to hear people questioning whether the competitiveness of the City and wider financial sector should be a priority for the UK. “This is the one industry where we are world beaters. We must regard this continuing competitiveness, in a ruthlesly competitive global marketplace, as an absolute priority.”

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FIRST NORDIC OFFICE OPENS
Lloyd’s first representative office in Sweden was officially opened in September and will act as a hub for all Nordic operations. The office was opened by the British Ambassador to Sweden, Andrew Mitchell, and Enrico Bertagni, Lloyd’s Regional Manager, Europe. Lloyd’s premium income from Nordic countries grew from £300m in 2007 to £500m in 2008.

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NEWS IN BRIEF

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In the EVENT of DISRUPTION

From concerts to trade shows and sporting events, contingency planning is a complex class of business.

Events are never without the risk of disruption – the split of rock band Oasis this summer, Michael Jackson’s death ahead of a comeback tour in London and recent threats to sporting events in Asia are just three examples. Extreme weather, a terrorist attack, industrial action, a flu pandemic or even the incapacity of an artist can see cricket test matches, pop concerts and large conferences called off at the last minute.

Event cancellation insurance – which comes under the banner of contingency insurance – protects organisers, sponsors and broadcast rights holders against unanticipated trouble. “Generally, the purpose of contingency cover is to fill a need where conventional insurance does not cover something to the full extent,” explains Rob Wood, Contingency Underwriter for HCCSU. “We provide cover for the Guards Polo match right the way up to the Olympic Games and the FIFA World Cup. We look at limits of anything from £10,000 on our web-based product, up to the Olympic Games where the total value is something like £2bn plus.”

For any event, risk managers need to decide on a worst-case scenario and insure the event for that amount. “In my opinion, the Olympic Games are highly unlikely to be cancelled, but they could well be postponed or interrupted,” says Wood.

Contingency is a complex class of business, with risks that vary depending on what type of event is being organised and where in the world it is being held. Weather is an issue for open-air events, while terrorism might be more of an issue for sports organisers in certain countries.

Two examples of the varying risks include wet summers in 2007 and 2008, which caused disruption to a number of festivals and sporting tournaments in the UK, and the 2001 outbreak of foot and mouth disease, which forced cancellation of a number of country shows.

At present, the outbreak of swine flu has many event organisers concerned. “Communicable disease is a topical example of an aggregate loss because it can shut down any number of events, all of which you may be insuring,” explains Wood.

The outbreak of SARS in 2002 and 2003 was particularly problematic for events and trade shows being organised in China and Hong Kong, which had the highest number of cases.

For pop concerts and festivals with key artists whose absence would result in the shows being cancelled, there can be a lot at stake. Not only is there the cancellation risk – which could be weather, terrorism, or disease – there is the risk of non-appearance. “Non-appearance is more hazardous because more things can go wrong, particularly when you are dealing with talented and highly strung people,” reveals Wood.

The recent Oasis split threatened a string of cancelled appearances. The band broke up after lead guitarist and chief songwriter Noel Gallagher quit the group, blaming a deteriorating relationship with his brother, the band’s lead singer Liam. Oasis was forced to call off the remaining dates of its 12-month world tour in Paris, Konstanz and Milan, while the band’s appearance at V Festival in August was also cancelled.

TERRORISM AND POLITICAL RISK

In March this year, the Indian Premier League decided to drop India as a base for its cricket tournament in favour of South Africa, citing security concerns. This followed an attack earlier that month on the Sri Lankan cricket team as it made its way to the Pakistani city of Lahore, less than four months after attacks in Mumbai.

Six policemen and a bus driver were killed in an ambush by masked gunmen. In July, Manchester United called off the Indonesian leg of its tour after bomb blasts hit the hotel in Jakarta that the team was due to stay in. In August, the England team withdrew from the World Badminton Championships in India, citing “a specific terrorist threat” made by extremists. “All these attacks combined have led to a definite awareness of the need to have protection from the threat of terrorism,” explains Chris Rackliffe, Contingency Underwriter at Beazley.

Terrorism is typically excluded from cancellation policies, but can be written back in, Rackliffe explains. “Underwriters will look to give the cover depending on where it is and when it is.” This has not always been the case. Capacity for terrorism cover was severely limited after 9/11. Only an insurer of last resort was prepared to step in and cover the 2002 FIFA World Cup in Korea and Japan.

This led to a unique transaction for the 2006 World Cup in Germany, involving a €400m catastrophe bond that transferred the risk of attack to the capital markets.

But the traditional market is still the first port of call. “There is a more sophisticated market now for terrorism and event cancellation than there was after 9/11.”

Demand for event cancellation is increasing – partly as a response to the perceived rise in risk, be it extreme weather, terrorism or pandemic – but also as events draw more advertising and sponsorship. This is particularly true for sports, explains Rackliffe, where the investment in TV rights has increased substantially. “This class of business is growing, but there are risks attached to that. During uncertain times, the need for cover grows.”

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MARKET offers some animal magic

From left: Juliet Redfern, Robert Wells, Jeremy Chaplin, Laura Harrison

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while athletes from all over the world prepare themselves for the 2010 Olympic and Paralympic Winter Games in Vancouver, Canada, the Lloyd’s market is busy behind the scenes placing insurance on behalf of everyone involved. Indeed, the range of demand for sports insurance is wide, from professional athletes to sponsors and clubs, not to mention companies that have little to do with sporting events per se but use them as a marketing tool.

The Lloyd’s market is a specialist provider of sports insurance worldwide. “In some cases,” says Chris Nash, Active Underwriter, Sportscover Syndicate 3334, “almost all insurance for large sports events, such as the World Cup in South Africa and the Winter Olympics, finds its way to Lloyd’s.”

These events usually involve large sums, with premiums running into millions of pounds, which is not something that local markets can easily absorb. “Think about property cover for a place like Wembley,” Nash explains. “People want a secure market. They also need capacity and specialists, and most of them are inside Lloyd’s.”

Sports insurance is a highly specialised market and the range of insurance policies specifically designed for athletes, managers, clubs, sponsors and organisers can be mind-boggling. Professional sports clubs, for example, will look to arrange a portfolio of coverage that includes players’ accident, medical expenses, stadium risk, directors’ and officers’ liability, terrorism, motor fleet and construction, as well as employers’ and public liability insurance.

Clubs and teams lending their main players to their country at an international competition also want to make sure that, if the player suffers an injury and cannot fulfil his or her obligation to the team, there will be enough money in the bank to pay for a replacement.

“Products are bespoke according to the client and the policy will have different wordings, limits and terms and conditions. There are also nuances, depending on the areas of the business we are talking about,” explains James Hands, Executive Director at Aon. “But the principle behind the products is the same.”

Hands adds that, although the type of risks for clubs and their athletes are the same, irrespective of the sport in which they are involved, the type of sport may determine the level of cover required as well as the specific insurance coverage needed. He explains: “A rugby player has more chance of ending his career by an injury than a professional golfer, for example.”

And while amateur clubs still require the same insurance products in terms of running a business – such as employers’ and public liability, directors’ and officers’, and property insurance, for example – when it comes to their players, they do not need such high cover as their professional counterparts.

“If you are Real Madrid football club, your assets are the stadium and your players, so you insure those,” Hands says. “If you bought a player for £8 million, you need to look after that asset, whereas non-professional clubs have no value to transfer in relation to their players.”

PERSONAL ACCIDENT
Regardless of the sport they are in, professional athletes, especially those at the top of their game, will often buy personal accident insurance, including permanent total disablement, temporary total disablement and accidental death.

“They could suffer a career-ending injury,” explains Nash, “and effectively this type of insurance will pay out their salary for many years.”

David Bruce, Head of Specialty at Hiscox, adds: “If you are a 25-year-old footballer, you may not think about buying insurance, but it could be the next tackle that will finish your career.”

The type and level of insurance athletes choose depends on their level, but according to Bruce, even amateur sportspeople can benefit from some form of cover, such as medical expenses. He also points out that, while athletes may be mainly concerned with how well they do on the field, having a policy that covers them for off-duty incidents may be just as important. “Some policies don’t provide cover for accidents that happen outside their place of work. This is prevalent in the US and Canada, for example. So if you are an ice hockey player and you damage yourself away from the rink, then you don’t have coverage. The same applies to racing drivers.”

But sports insurance is not only about the stars. This is a multi-million pound business and events organisers and sponsors will do their best to protect their investment. Organisers mainly purchase liability as well as cancellation and abandonment insurance, while sponsors also look to protect themselves against losses that they may incur if things don’t go according to plan. “There are many advertisement and TV deals that cost a lot of money, so sponsors need cover in case an event has to be cancelled or rescheduled or if their athletes can no longer perform.”

And, with everybody trying to cash in on the sports industry, it is not only those directly involved who need insurance. “For example, a white goods manufacturer in Italy may offer its customers a refund if Italy wins more than four gold medals at a particular event,” Nash explains. “But, really, it could be anything, such as an offer of free gym membership or free car servicing from car manufacturers or dealers, and they would buy contingency insurance for that.”

The Winter Olympics is fast approaching and Lloyd’s may well be in the spotlight, but there is almost always some important sports event taking place, according to Nash. “If you have a passion for sports from a financial point of view, there is no better area to work in!”
Sponsored walks, cycling events, supporting local children and cooking breakfast for more than 200 homeless people – these are just a few examples of what Lloyd’s staff from all over the world got up to in helping hands week in September.

Although many Lloyd’s Corporation staff are already involved in charitable and community initiatives, helping hands week was the first time that volunteers pooled their efforts internationally over one whole week.

“It is a really good way to bring our international team together,” said Vicky Mirfin, Community Affairs Manager at Lloyd’s. “Participants shared their experience via the intranet, making it easier for them to know more about their colleagues in other countries.”

The international Helping Hands week undertaken by Lloyd’s Corporation took its inspiration from Lloyd’s Community Programme, which celebrated its 20th anniversary this year, and volunteer support has been gathering pace.

Team challenges are organised by Lloyd’s Community Programme for groups of market-based colleagues to work together on a practical one-day challenge that will benefit their local community of East London.

“There is no limit to what these challenges can achieve. They are not only support local projects, but they are also great for team building and for staff development,” Mirfin said.

By the end of the year, Mirfin hopes to have at least 500 team challenge volunteers signed up. And if market companies and their departmental teams are up for the challenge, Lloyd’s Community Programme will find the right opportunity for them. “There are hundreds of community organisations that could do with a little help,” she added. “We will find the right project for each team, as long as they are prepared to get stuck in.”

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LLOYD’S HELPING HANDS AROUND THE WORLD

Lloyd’s opens its doors to 6,000

The enduring appeal of Lloyd’s 1986 building was evident in September as the biggest ever London Open House crowd came to Lloyd’s for a glimpse inside.

More than 6,000 people visited the iconic City of London landmark, where, in expectation of record numbers, Lloyd’s Events team had organised entertainment for the crowds.

“We needed to keep visitors amused while they waited, so we hired magicians and street theatre performers,” said Press Officer Emily Hughes. “The public is fascinated by the building itself from an architectural point of view and there is a great deal of curiosity about the market itself and how it works. We constantly receive requests for visits and Open House helps meet that need.”

Open House Project Manager Jeni Hookin confirmed Lloyd’s had achieved top billing: “Numbers were up 10% on last year and because the City is normally very quiet at weekends, Open House at Lloyd’s boosted the local economy tremendously.”

NEW WAVE OF GRADUATES START

Lloyd’s is delighted to welcome the second cohort of graduate trainees to its prestigious scheme, with a new intake of recruits embarking on an 18-month journey to a career in insurance.

The seven graduate trainees were selected from more than 3,000 applicants. They follow the nine individuals who joined in 2008, who are now two thirds of the way through their programme.

“It’s a scheme that offers a mix of Corporation and market experience, so last year’s group has already spent six months within the Corporation and the same period out in the market. We allow them to choose their own path,” said Jennifer Crane, Graduate Recruitment and Development Adviser at Lloyd’s. “Last year’s recruits have just returned from their placements at various managing agencies and, without exception, they have had a fantastic experience.”

The graduates have been blogging about their time spent on the programme; their experiences can be viewed at www.lloyd’s.com/graduates.

“Having the opportunity to experience the market from both sides has given the graduate trainees a valuable perspective,” added Crane. “Many have worked within directories on projects aimed at building best practice into the market, so to also see first-hand how the challenges of meeting best practice exist within the context of a managing agency environment gives them real insight.”

LLOYD’S 2010 DIARIES NOW AVAILABLE

Lloyd’s diaries are renowned worldwide as among the most prestigious corporate gifts available. Handcrafted in the UK from the finest leather, all diaries can be personalised with initials, full name or company logo in gold embossed on the front cover. Visit the Lloyd’s Shop in person or shop online at www.lloydsshop.com

CHRISTMAS CONCERTS

The London Phoenix Orchestra Christmas concert will take place on Tuesday 15 December, followed by the Lloyd’s Choir carol concert on Tuesday 1 December, which will also be supported by some members of the Phoenix Orchestra. You can find concert dates running right through to July 2010 at www.lloyd’s.com/chrismasconcerts
It is not often that I quote from films when talking about the world of insurance.

But I’m afraid that there is no better analogy for the ongoing struggle to reform our business processes than Groundhog Day.

If you are not familiar with the film, every morning the lead character wakes up and relives the same day over and over again.

For the past three years, I have been championing the need to modernise the market’s business processes and use technology more effectively – with varying degrees of success. And just to note – I am not the first Lloyd’s CEO to bang this drum. My predecessor was already speaking about the need to do this in 2004.

If you are tired of hearing it, then I can assure you that I am tired of saying it. But I am not going to apologise for repeating myself – not until people listen.

There is no doubt that progress has been made and we must remember that we started from a very low base. We still have a long way to go before our reputation for processing matches that of underwriting.

It wasn’t so long ago that people were questioning Lloyd’s future. The transformation that we have undergone has been underpinned by a clear focus on standards. The next step in this journey is to introduce clear operational standards that support messages between managing agents and brokers. The Lloyd’s Exchange is a simple vehicle to facilitate this. I am grateful to all of the businesses that have signed up to the Exchange. We now need to translate this commitment into action and start sending live messages across the Exchange.

The Exchange is evolutionary rather than revolutionary but it has the potential to finally deliver the processing improvements that our customers deserve and that are long overdue.

So please, readers – help me break out of Groundhog Day and help Lloyd’s move forward and finally achieve its vision to truly be the platform of choice.