

Welcome to the Winter 2022 edition of Lloyd's Canada Chronicles.

At this time a year ago, I wrote to you about the insurance industry, and our entire Canadian economy and society, cautiously embarking on a new normal. While we have certainly returned to in person, face to face interactions, and recently concluded very busy and well attended insurance conference season, our new normal is also characterized by a level of general uncertainty that has not existed for decades. Whether it is on-going supply chain disruptions; record inflation; risk of recession; the impact of geopolitical conflicts; natural catastrophes or even unfamiliar reinsurance capacity constraints, uncertainty is the “new norm”.

Many would naturally conclude that the current abundance of uncertainty presents a significant challenge. But times of uncertainty also present great opportunities for those bold enough to take on the challenges at hand. Lloyd's stakeholders are familiar with navigating uncertainty and each of you brings an expertise in assessing and responding to uncertainty. It is the environment in which our industry operates and Lloyd's is here to support your business.

Notwithstanding global uncertainty, 2022 will be another strong year for Lloyd's from a financial perspective. At the end of the first half of the year Lloyd's posted an underwriting profit of £1.2bn (HY 2021: £0.96bn) and a combined ratio of 91.4% (HY 2021: 92.2%). Notwithstanding a challenging year of natural catastrophes, the invasion of Ukraine, inflation, and other geopolitical factors, this marks the strongest combined ratio for Lloyd's since 2015.

Lloyd's also leveraged favourable trading conditions to achieve premium growth, with Gross Written Premium increasing 17.4% to £24bn (HY 2021: £20.5bn). Furthermore, prices increased by 7.7%, continuing the trend of five consecutive years of positive rate movement.

During 2022 Lloyd's continued to help global customers make more confident decisions in the face of unforeseen events. In line with the early and realistic action taken on COVID-19, the market has reserved £1.1bn net of reinsurance for customers impacted by the conflict in Ukraine. In terms of responding to natural catastrophes, we recently announced that claims to the Lloyd's market arising from Hurricane Ian are estimated to be in the range of US\$2.3bn - US\$3bn net of reinsurance, based on Q3 data provided by Lloyd's syndicates. Lloyd's estimates its net market share of the total industry loss will be 3-5%. This is within Lloyd's range of modelled outcomes and has no impact on Lloyd's solvency position.

Lloyd's financial results in Canada are no less impressive. Statutory results at the end of the third quarter of 2022 reflect a 6% year over year growth in net written premium to CAN\$4.8 billion. Growth was again fuelled by gains in both the open market channel and delegated authority business. I'm pleased to report that the market was able to achieve growth in Canada while at the same time delivering a 67% combined operating ratio (on a statutory reporting basis). Lloyd's ability to deliver consistent underwriting results in Canada means that the market's support should remain both consistent and predictable. It means that syndicates and Lloyd's brokers will continue to make investments in their knowledge of the Canadian marketplace and continue to bring increased risk capacity to Canada across multiple classes of business. Finally, Lloyd's maintained a BAAT ratio of 230% ensuring that there are ample assets in Canada to pay any and all claims as they arise.

The fall conference season was an incredibly busy time with strong Lloyd's representation from London at both CRIMS and the NICC in Halifax, as well as the IBAO Annual Conference. I was particularly honoured for Lloyd's Canada to host NICC Opening Cocktail Reception, and then join Louis Gagnon, CEO Canada, Intact Financial Corporation, and Alister Campbell, President & CEO, PACICC and NICC 2022 Emcee, to discuss almost two years' worth of changes impacting the Canadian P&C industry.

At the end of September, I was in London to deliver the Canada Market presentation to Lloyd's managing agents and brokers. I am pleased to report that the Old Library was full to hear about the state of the Canadian P&C industry. Based on a week of meetings with various managing agents I can confirm that London remains more interested than ever in underwriting Canadian risks and capacity continues to flow into Canada.

Notwithstanding all of the positive engagement, the highlight of year had to be the Lloyd's Meet the Market event held on October 12<sup>th</sup> after almost a three-year hiatus. Close to 700 coverholders, MGAs, retail and wholesale brokers, joined twenty-one different managing agents and Lloyd's brokers, together with Patrick Tiernan, Chief of Markets at Lloyd's, and Dawn Miller, Commercial Director of Lloyd's. It was a tremendous event providing a forum for the Canadian Lloyd's stakeholders to engage with their London counterparts. We look forward to the next time that we can host a similar gathering.

Also in October, as part of the Future at Lloyd's Delegated Authorities workstream, Lloyd's issued guidance to the market to enable binding authority contracts to be granted as continuous binding authority agreements (i.e. 'evergreen' contracts). Initially, the ability to issue continuous binding authority contracts is limited to those instances where the capacity under the contract is provided 100% from a single Lloyd's syndicate. It is anticipated that the ability to issue a continuous contract where multiple subscribing syndicates are providing underwriting capacity will be possible in the near future. The granting of evergreen contracts and/or the conversion of an existing binding authority contract into a continuous contract is entirely optional and is a commercial matter of the parties involved.

Finally, I would like to take this opportunity to congratulate one of our very own Lloyd's Canada colleagues on a significant award. The great work of Asima Zahid, Market Development Director, was recently recognized at the Insurance Business Canada Awards 2022, where Asima won the "Business Development Manager of the Year". Well deserved indeed.

The holidays are literally only weeks away! From the Lloyd's Canada team we wish you all a restful, relaxing and healthy holiday season, spent with family and friends.

I hope you enjoy the information contained in this edition of the Lloyd's Canada Chronicle and please – as always – get in touch using the details below to share your feedback.

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