## TOUR REPORT INDEX

<table>
<thead>
<tr>
<th>Introduction</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tour Leaders</td>
<td>2</td>
</tr>
<tr>
<td>Profiles</td>
<td>3</td>
</tr>
</tbody>
</table>

**BERMUDA**
- Lancashire Insurance Company 6
- Bermuda Monetary Authority 8
- Ace/ Sovereign 11
- Validus 13
- Amlin 16
- Renaissance Re 18

**NEW YORK**
- AMF Bowl & Willis 20
- Lockton 22
- Mendes and Mount 24
- NYSE 26
- QBE 28
- MDD, Thornton Tomasetti & McClarens 29
- HCC 32
- Empire State and Aon 34
- Locke Lord 36

**BOSTON**
- FM Global 38
- Liberty Mutual 40
- Safe Online 42
- Clyde & Co 44

**MIAMI**
- S-E-A Limited and The Chartwell Law Offices, LLP 47
- Grotefeld Hoffmann and Jack Ward Associates 49
- THB/Amwins 52
- London Underwriters 54

| Conclusion         | 56 |
The Lloyd’s Non-marine Under 30s Group was established some 35+ years ago, and is an organisation that is open to all those under the age of 30 years who are engaged in the Lloyd’s Non-Marine market.

The aims and objectives of the group are to provide a forum for topical comment and to encourage members to be aware of the many rapidly changing facets of the Insurance industry as a whole, and in particular those that affect the Lloyd’s Non-Marine community. The group has always believed that one of the most effective ways of enhancing this awareness amongst its membership is to hold bi-annual study tours. These trips are of great value in strengthening contacts in the market, through brokers, underwriters or clients, and in promoting understanding within the Lloyd’s community itself.

Due to the importance of the North American Insurance Market to London and especially Lloyd’s, the committee has chosen to visit sites and liaise with clients in Bermuda and the East Coast of the USA for the Spring 2015 study tour, visiting: Bermuda, New York, Boston and Miami.

The party was made up of 32 people from a wide section of the market including Underwriters and Brokers of varying classes of Non-Marine Insurance and Reinsurance business, as well as loss adjusters and claims individuals.

On behalf of all the Lloyd’s Under 30’s participants, we would like to thank the many people in Bermuda and the US who have spent a lot of time organising the meetings, visits and activities. It is very much appreciated and we hope that the following reports will show a snapshot of what we all took away on this memorable tour.
This was Lizzy and Krystina’s second Study tour. In 2011, Krystina toured via Seattle, San Francisco, Las Vegas and Los Angeles and in 2013 Lizzy toured via Toronto, Chicago, Atlanta and Dallas. With great ties made with some very generous companies; with colleagues and tourists bonding in class rooms and drink receptions; this year’s Lloyd’s Under 30’s Study Group looked to grow from where they last left off and made a fine impression.
TOUR REPORT PROFILES

DAN STEED
TEAM 1

CHRISTIAN DAVIES
TEAM 1

STEVIE GODDARD
TEAM 1

DAN MCCULLUM
TEAM 1

MEGAN JOHNSON
TEAM 1

KERRIE WYATT
TEAM 1

OLIVIA WRIGHT
TEAM 2

RACHEL ZACHAROW
TEAM 2

OLGA IVANOVA
TEAM 2

FREDDIE TAYLOR
TEAM 2

TOM HUNT
TEAM 2

DANNY COOPER
TEAM 2
TOUR REPORT

PROFILES

ANDREW PICKLES
TEAM 3

AMY SMITH
TEAM 3

TOM HILTON
TEAM 3

JODIE MAJOR
TEAM 3

CHARLOTTE HAMPSHIRE
TEAM 3

JAMES GADBURY
TEAM 3

SAPNA VARU
TEAM 4

RHYS PURCHASE
TEAM 4

DAVE BEAUMONT
TEAM 4

NATASHA MATANLE
TEAM 4

CHRIS DARCY
TEAM 4

TOM RAISS
TEAM 4
Our meeting with Lancashire Group Bermuda marked the beginning of the Lloyd’s U30 tour 2015. We were well hosted by various members of the Bermudan office with James Irvine and Matthew Westerman leading the discussion.

James and Matthew begun with a brief overview of Lancashire as a group and how they operate. The Company was initially launched on the Alternative Investment Market in November 2005. In February 2009 it secured a full listing on the London Stock Exchange. It acquired Cathedral Capital in 2013, gaining access to the Lloyd’s insurance market, and also now have a third arm called Kinesis.

Lancashire Group is based in Bermuda and London and specialise in short tail business. They operate in insurance, reinsurance and retrocession and namely focus on 5 classes of business:

- Property
- Marine
- Energy
- Aviation
- Lloyds

James and Matthew then went through the 3 entities that make up Lancashire.

Kinesis

Kinesis is specialist in the fact that it is a collateralised retrocession fund which offers one limit and becomes second loss on anything else. Although Kinesis predominantly target short tail business, on long tail business Kinesis will offer a warranty rather than a package. James explained that collateralised insurance gives tangible capital to a fund and if there are no losses then all the funds are returned to the Reinsurer. This means there is always an accountable amount of money put aside for each risk.

Targeting short tail business allows them, once they have the money back, to be able to place it in another investment however there can be issues in doing this. An example being the Fukushima power plant disaster where the loss adjusters still can’t asses the loss due to very high levels of radiation long after the loss. This means the capital has to stay in play until the issues are resolved, an obvious downside to this type of investment.

Lancashire’s Lloyd’s syndicate, Cathedral, operates in both different classes of business and on different platforms to Kinesis and Lancashire. Through Cathedral, the company has been able to pursue different strategies. James gave us an example using their ability to sell live Cat loss warranties. This is where the broking and placement of the reinsurance happens real-time as the Storm/hurricane or other CAT event occurs, i.e. when a storm has already formed and it’s potentially going to hit a few locations. James explained that this doesn’t always sell as it can obviously be very expensive to purchase.

James and Matthew then discussed how difficult the current market is. Lancashire is purely return on equity driven, so in the soft property market at present it is very hard to make a good return. This is what has driven the company to make investments in different classes of business and platforms in order to keep diversifying their portfolio. They also highlighted the problems of the reinsurance market which is estimated to be USD200bn overcapitalised. This really highlighted to us on tour just how challenging the current market conditions are.
The Company book sits at:

- 72% Insurance
- 28% reinsurance
- 31% Natural catastrophe exposure
- 69% other

The Lancashire Group, despite not being one the largest of companies, consisting of just 188 employees still manages to write Gross Written Premiums of $244.3 Million (Q1 Results YTD 31 March 2015) and has had a positive risk return of 13%.

Quick Facts:

- 18.9% Return on equity
- Loss Ratio 31.2%
- Combined ratio 61.5%
- Net premium 606 million last year

We would like to thank James and Matthew and all the team at Lancashire for their warm introduction to Bermuda and for kicking off tour with a very informative presentation. It was particularly well received and insightful to those who had not previously been exposed to the Reinsurance market.
We met the following professionals from Bermuda Monetary Authority and were given an overview of the work they carry out with regards to regulating the financial sector within Bermuda;

- Courtney Coddington, Graduate Trainee
- Eneye Jatto, Graduate Trainee
- Jelani N. Scott, Senior Analyst
- Joy Martin, Graduate Trainee
- Tiffany Austin, Graduate Trainee
- Tiara Carter, Senior Analyst

Bermuda Monetary Authority was formed in 1969 following the Bermuda Monetary Authority Act. They are the sole regulator of Bermudian Financial Services and although they are not a Government entity, they work closely with the Government to regulate.

Bermuda Monetary Authority’s main purpose is to protect and enhance Bermuda’s reputation. Their main functions are;

- Issue Bermuda’s currency
- Regulator and supervisor of financial institutions
- Advise government and public bodies
- Other roles and advisory functions

As the insurance market has such a big presence in Bermuda, with the insurance and reinsurance sector forming the largest part of Bermuda’s international business, having reported total assets of over $400 billion in 2009, the insurance sector naturally occupies a lot of the Bermuda Monetary Authority’s resources.

The Bermuda Monetary Authority operates within a risk based framework, focusing on risks to the Bermudan financial institution.

They aim to protect the interests of the public, allocate resources where risk is most pertinent and detect problems early, enabling them to take action on a timely basis.

We were talked through the different departments within the Bermuda Monetary Authority.

**LICENSING AND AUTHORISATIONS DEPARTMENT**

This department processes requests made under Insurance Acts. The licensing unit has an assessment and licensing committee which meets every Friday to discuss licensing requests. If all information is provided and there are no problems, it can take 8 days to become licensed to operate within Bermuda. This unit also provides monthly reports for internal and external stakeholders.

The authorisations unit processes applications to file a compliant Statutory Financial Return, including reductions in statutory capital. The Corporate Authorisations Unit is also contained within this department, responsible for vetting shareholder controllers. This unit deals with change in principal regulations amongst other activities as well as processing applications under the Investment Fund Act 2006.

**BANKING TRUST, CORPORATE SERVICES AND INVESTMENT SECTOR**

On the island of Bermuda there are four banks and one credit union, with the total assets equating $24.1 billion. There are 29 licensed Trust companies and 59 licensed investment businesses.

The Bermuda Monetary Authority operates under the BTCSI Framework for specific licensing requirements and principles of prudential supervision. The core elements of BTCSI are;
1. Prudential supervision – all financial institutions must submit a quarterly financial report which the BMA will analyse to identify trends in risk areas and hold meetings to discuss the findings
2. Quarterly risk assessment – a comprehensive risk assessment is taken out on a quarterly basis, with specific ratings being assigned for capital, liquidity and earnings, providing another opportunity to identify potential or emerging risks
3. On site visits – comprehensive reviews of bank operations, compliance and license requirements are generally carried out on a bi-annual basis, unless the need for more frequent visits to take place arises
4. Capital assessment and risk profile – these profiles are filed annually based on each company’s year-end results. Each company will self-assess their risk profile and produce a required capital level. The Authority will consider these and challenge any assumptions within the assessment.
5. Enhanced monitoring – if required, companies will have to submit more detailed reports on a more frequent basis and meetings will be held between the Authority and said companies to discuss issues.
6. Supervisory relationships – Many of the supervised institutions in Bermuda have operations which are regulated abroad. The Bermuda Monetary Authority will reach out to these supervisors and discuss relevant issues.

INSURANCE REGULATORY FRAMEWORK

The Authority aims for the early detection of problems, with insurance companies having to adhere to the Bermudan Solvency Capital Requirement (BCSR). In order to regulate insurance companies, a risk-based Framework is adopted by the Authority;

1. Planning and prioritising – the Authority considers the size and complexity of the firm
2. Risk impact group – insurers are then assigned to groups based on the level of supervision that is required
3. Fundamental Monitoring – annual reviews then take place, with financial statements being taken into consideration
4. Prudential visits – these then take place, for the Authority to regulate internal functions
5. Enhanced monitoring – if the Authority deems this necessary, further checks and visits will be carried out
6. Supervisory actions and follow ups – If the Authority is not satisfied with a firm they can restrict activities, or even wind up the business
7. Insurance Regulatory Developments – All regulators from all over the world can get together and discuss any relevant insurance groups

MACROPRUDENTIAL SUPERVISION

The Authority adopts a macroprudential framework to analyse and ensure the stability and independence of the Bermuda Monetary Authority, aiming to limit, mitigate and reduce systematic risk. They do this through;

1. Surveillance – detecting, monitoring and responding to emerging risks
2. Address emerging risks
3. Collaborate with institutional partners
4. The Authority has a broad top-down approach, beginning with looking at the sector as a whole. The Authority then considers how the failings of the economy or individual institutions will affect the economy and other institutions within the economy.

SOLVENCY II

Solvency II is a currently a big issue for the Bermuda Monetary Authority due to the strong relationship between Europe and Bermuda, with the implementation being expected be 1st January 2016. The Authority wishes to be seen as a leading jurisdiction and so is working hard for the implementation.
We would like to thank Bermuda Monetary Authority for their presentation. It was extremely interesting to see how such a small island can contribute so greatly to the insurance industry and in turn, to learn how a small organisation like the Bermuda Monetary Authority regulates such a vast sector. This was the first time the Lloyd’s Under 30’s tour visited the company and, considering the size of the insurance industry in Bermuda and the close relationship it has with Lloyd’s, we look forward to continuing this important relationship.
Ace Bermuda formed Sovereign Risk Insurance Ltd. in 1997. Sovereign is a specialized Bermuda-based political risk insurance and reinsurance insurer. In 2001 the subsidiary was elected to be part of the International Union of Credit and Investment Insurers (the Berne Union). The Berne Union was set up in 1934 by private and state export credit insurers from various European countries for the purpose of facilitating cross-border trade by supporting international acceptance of sound principles in export credits and foreign investment.

Ace/Sovereign Hamilton, Bermuda

Following the busy morning of meetings with Lancashire and the Bermuda Monetary Authority, the next stop was the Ace/Sovereign offices in Hamilton. Hamilton is the island's capital and a major (re)insurance hub. Walking around, it couldn't be more different than making your way around the City of London: Bright blue sky, pastel coloured buildings and a sea view.

The Ace office overlooks a harbour area and lunch was kindly provided on the veranda upon arrival. Crystal Clay, Director of Learning and Development at Ace had organised the afternoon for tour group to mix with the hosting party and enable a brief respite to a busy morning. By way of background, Ace was established in 1985 for the purpose of providing hard-to-find excess liability and directors and officers (D&O) coverage. Over the years the company has grown and expanded its product offering to now be one of the leading providers of property and casualty (P&C) cover globally.
After lunch the U30’s congregated inside a meeting room where a panel discussion was about to begin. Crystal had organised it to be an interactive meeting with a panel discussion with both Ace/Sovereign employees and Lloyd’s tour members, rather than a presentation given by Ace. The first panel consisted of four members of the host company:

- Andrew Males, Ace, Excess Liability
- Venetia Furbert, Ace, Professional Lines
- Nicky Borman, Ace, Property.
- Barker Keith, Sovereign, Political Risk

The abovementioned four were asked a variety of questions from Stephen Jones, a D&O underwriter, who moderated the proceedings. These began by being class specific but then evolved into a discussion on how Bermuda differentiates from its peers.

Nicky and Venetia were relatively new in the careers (Two and Four years respectively) in comparison to Andrew and Barker who had both been working within the insurance industry for over 10 years. This was part of Stephen’s opening question on how Bermuda is trying to improve their talent acquisition and in some respect follow Lloyd’s example. Nicky addressed this point, pointing to the generational gaps within Bermudan staff and how there had been a proactive movement to hire more graduates such as Venetia and himself.

Further to this, the panellists gave good examples of the Bermudan ‘capital centric’ model, whereby the underwriting philosophy is decided around the initial capital requirement. This became something of a recurring theme for the tourists whilst on the Bermudan leg of the trip.

Following this, the Lloyd’s tour panellists were up for questioning! Elizabeth Dexter, Krystina Wallis, Dan Steed, Christian Davis and Dan McCullum made up the panel and were asked not only about their areas of work, but also how they profile themselves within the industry and how they ensure they stand out amongst their peers. The panellists were quizzed from members of ACE/Sovereign staff who were keen to know about the Lloyd’s market, with only a select few having had any first hand experience of it. This moved onto the development of the Lloyd’s market and how it can maintain its position as the specialist insurance market within an increasingly evolving landscape. Krystina pointed to the speed and accuracy of the subscription market, whilst Dan Steed highlighted the technological improvements seen within the most recent 5 years. This differed to Dan McCullum who couldn’t really answer as he works in Australia!

The session enabled both parties to learn from each other, giving insights into how both the Bermudan and Lloyd’s markets differ but also gave a fascinating overview of how they’ll be increasingly intertwined in the coming years.
Validus Holdings, Ltd was incorporated in 2005, under the Bermudian laws following Hurricane Katrina with USD $1bn of capital. The company conducts worldwide operations through four operating arms; Validus Re, Talbot Holdings, Western Insurance Group and AlphaCat Managers.

Validus Re is a Bermuda based reinsurer, focusing mainly on short tail lines of reinsurance business. Talbot is the Bermuda parent of the speciality insurance group and operates primarily within the Lloyd’s Insurance Market in London through Syndicate 1183. Western World was an acquisition for Validus in 2014 and is a US specialty lines insurance company whose focus is on excess and surplus lines. The fourth and final operating segment of Validus is AlphaCat who are also based in Bermuda and act as an investment adviser. AlphaCat manage capital for third parties and the Group in insurance linked securities and other property catastrophe reinsurance investments.

The Validus Group has offices worldwide as shown by the map of locations below:
Nick Pritchard, who has worked at Validus Holdings for four years was kind enough to give us an overview of AlphaCat Managers and their development. Nick originally worked on the Talbot Syndicate in Lloyd’s before moving over to AlphaCat. AlphaCat is a wholly owned asset management company that was started in 2008 and has continued to grow – as at 1st January 2015, AlphaCat has USD $1.7bn assets under management (AUM). AlphaCat accesses business globally including the United States and have their own proprietary model for all major CAT zones in the world.

Nick explained to us that as an asset management company you must have a proven track record before you can start investing money. As such, AlphaCat waited until 2011 before going out into the market to ensure they had three years of track record behind them. Following this entrance into the market, AlphaCat have been in growth mode and have thus launched a number of funds over the last 5 years:

- 2009: Diversified Fund - Perhaps the most prominent fund following two sidecars in 2006 and 2007.
- 2011: Saw another sidecar created
- 2012: Launch of PacRe – a hedge fund reinsurer which focuses on low risk business. Nick explained that hedge funds tend to be more opportunistic (ie. 3-5 years) whilst pension funds tend to be more sticky and therefore stay with you for longer.
- 2013: Advantage Fund – medium yield fund which sees return of 10-12%
- 2014: BetaCat – this fund has a passive strategy which means that there is no underwriting involved. This fund only writes cat bonds which are mostly low risk protection. Nick explained that cat bonds are beneficial as they are liquid. This fund was the first step into the finance world for AlphaCat. The fund will take a little longer to gain interest as it will be 3-4 years before AlphaCat have created a cat bond index.

Finally, Nick described AlphaCat’s appetite within the current market. AlphaCat are interested in the single shot retro market which includes worldwide corporate purchases. This is complimentary to Validus Re who do not really have the appetite to write this area of business.

Following Nick’s presentation we were given a brief overview of Validus Re by Andrew Tudor-Thomas and Mark Robinson. Validus Re was formed in December 2005 and is an operating subsidiary of Validus Holdings, Ltd. Headquartered in Bermuda. The company is a global provider of short-tail lines of reinsurance including property catastrophe, property pro rata and property per risk, as well as marine and energy, and other specialty lines. The focus is mainly on CAT business but also looks at a small amount of risk excess business and occasionally proportional business. Andrew explained however that proportional business is not an area that Validus Re focuses on. Validus Re has been very successful and has generated USD $3bn since inception whilst also attaining an A, Stable Outlook financial rating from A.M. Best.

The presentation then turned its focus to Validus Research Inc (VRI), the research arm of Validus which is based in Waterloo, Canada with some teams in New York, London and Minneapolis. VRI supports Validus operations worldwide through the Validus Capital Allocation and Pricing System (VCAPS), a proprietary risk analytical application. This research facility is an important investment for Validus Re in supporting their aim to de-commoditise and tailor their products to their client’s needs. It was also a huge investment when considering that 50% of Validus Re focuses on catastrophe reinsurance.
Validus Research focuses on hazard research and catastrophe modelling and with a 40 person team is one of the largest research teams in the world. The catastrophe modelling team delivers value both through the Validus Capital Allocation and Pricing System (VCAPS) environment and through tailored services to various teams within the group, offering real-time monitoring of the portfolio, and a consistent view of risk measures across the globe. Andrew further explained that Validus Research prides itself on its ability to get ahead of the curve and gain a competitive advantage within the reinsurance market. This was demonstrated by their ability to rebuild the Japanese earthquake model following the Japanese earthquake of 2011 within three months. Comparatively RMS took two years to rebuild theirs. Andrew went on to explain that at Validus Re there is a greater focus on earthquake as a peril than named windstorm. However, the Validus Research team have recently introduced a flood model in order to expand the cat modelling area.

A key area of importance for Validus Research is their clients. There is a unique emphasis at Validus on sharing information with their clients. This is distinct from a number of their counterparts who tend to sell their analysis to clients. Andrew explained that Validus look to share their analysis and research findings with clients through conferences or symposiums. A question often asked by clients is “how do you apply capital to risk?” Andrew indicated that his response would be that, for example, although flood or windstorm may be a smaller driver in terms of AAL, in terms of a huge risk peril they require a far larger chunk of capital. Answering questions like these and sharing information has enabled Validus Re to distinguish themselves from the rest of the Reinsurance community. Furthermore, Validus Research will also check client’s data. Validus Research understand that completeness is crucial with regards to checking this data but believe that accuracy is more important, and thus operates a rigorous approach to model and data quality.

The final part of our meeting saw the attention turn to global emerging markets.

‘Is Diversification worth it if you are not making money?’

Mark Robinson articulated the importance of China as an emerging market internationally. But explained that due to the government controls, insurance penetration is limited. He believes it will be hard to break into and may not happen in our life time but is still one to keep an eye on with regards to long term profitability. Mark has travelled to China on a number of occasions and expressed to us that he will continue to do so owing to his interest and belief in its potential as an emerging market.

We are very grateful to Validus for taking the time to present to us and we thoroughly enjoyed what was interesting insight into the world of Reinsurance.
Our meeting with Amlin was sadly one of the last prior to leaving Bermuda but it was certainly one to remember. We were extremely delighted to receive such an informative and interactive presentation by Rob Wyatt. He broke the ice with an enjoyable quiz on the island, and then presented a detailed overview of Amlin in Bermuda.

Amlin Bermuda specialises in writing reinsurance business through Amlin AG, including reinsurance ceded by its Lloyd’s Syndicate 2001. Amlin has over fifty years of experience in the reinsurance markets, writing business in the Lloyd’s, Bermudan, European, Latin American and Asian markets. They focus predominantly on:

Property and Casualty
Risk Excess of Loss, Catastrophe Excess of loss, Proportional.

Specialty
Engineering, Surety & Credit, Motor, Agriculture & Crop, Structured Solutions, Marine, Aviation & Satellite, Nuclear, Contingency and Terrorism.

Amlin wanted to establish a strong underwriting platform outside of Lloyd’s, so set up in Bermuda in 2005, taking advantage of the flexible regulatory system, lack of corporate tax as well as the increased access to global markets.

We were later introduced to Adam Champion. Adam previously worked at AIR but for the last 3-4 years has focused primarily on Bermuda and is now Head of the Catastrophe Modelling team at Amlin. We were delighted to receive a detailed presentation explaining the basic fundamentals of CAT modelling, how AIR constructs its models and most importantly why they are needed in the Insurance Industry.

The use of models became prominent following Hurricane Andrew (1992). Up until then Insurers had not truly grasped their actual exposures and the impact that a major catastrophe could have. Losses suffered from Andrew were so severe that a number of Insurers went bankrupt. They now realised that they required more knowledge and better understanding of the risks they write.

The models measure three things in particular; Probability, Frequency and Severity. The three key components to a CAT model are; Hazard, Engineering and Financial as per the diagram below. It is imperative that, in order for the model to work efficiently, the ‘Event Generation’ must be correct, and there must always be a relationship between the event and property.

The model is not designed to predict the damage occurred from a single event or to an individual location, but is designed to estimate the damage/loss over a prolonged period of time and for a number of events.
Examples of why we need Catastrophe Models:
- Traditional methods that rely on company claims data may not be a good predictor particularly due to the low frequency of severe catastrophes.
- Constantly changing landscapes and materials used in building construction limit the usefulness of historical data.

Examples of what the Model is designed to answer:
- Where are future events likely to occur?
- How intense are the events likely to be?
- How frequently are they likely to occur?
- What will be the associated damage from these events?
- What is the estimated range of damage and insured loss?

It is important to remember that no model is capable of forecasting exact future events.

Going forward, there is to be more focus on non-modelled events, such as; flood, non-CAT risks, cyber and pandemics. It will be interesting to find out where this research takes them.

We finished off a thoroughly enjoyable morning with some lunch and the chance to taste Bermuda’s infamous ‘swizzle’. We are extremely grateful to Amlin for hosting us. The talk was not only useful to those who use CAT models on a regular basis, but also to those who work in non-property classes of business, that were unfamiliar with the how these models operate.
RENAISSANCE RE

Presented by: Justin Freisenbruch

Our final meeting was hosted by RenRe, who have been great supporters of previous tours and this was no exception. Justin opened with a brief introduction on Renaissance Re which was followed by an in depth, and extremely useful presentation on the core parts of the business.

Renaissance Re are a property Catastrophe insurance company founded 22 years ago in 1993 following Hurricane Andrew. They have remained primarily as a property catastrophe specialist but the book has now changed and diversified to include all lines of business which is further evidenced by the recent acquisition of Platinum in March 2015. They currently have 130 based in the Bermuda office and have had their Lloyds syndicate for 5 years.

Renaissance Re:

- Have 11 balance sheets to serve clients
- A+ (AM best rating)
- $8.4bn claims paid to date, typically paid within 2 days.
- Worldwide offices including Singapore, New York, Bermuda, London and Dublin

Weather Predict Consulting Inc (WPC) are a Risk Assessment company owned by Renaissance Re and based in Rhode Island which help Renaissance Re to stay at the forefront in research of earthquakes and hurricanes. WPC have a team of experienced meteorologists, engineers, oceanographers, and physicists who specialise in science-driven analysis which enable Renaissance Re to make informed decisions.

Renaissance Re believe they have a superior portfolio due to risk selection, customer relations and capital management. Although over the years Renaissance Re have changed and grown, their core values have remained the same which is reflected through the 100% retention of their top clients since 2007.

Despite an influx of capital to the market they still have 341bn of reinsurance limit currently in force although as their book has diversified they do not now hold as much capital as previously. Whilst they do have some, namely some USD 5.8bn capital, they also have devices such as DaVinci Re, Top Layer Re, Medici (which is a bond fund in which they are testing the water), and finally Upsilon (retro business) which total approximately 11 bn. Renaissance Re operate by matching risk with capital and feel they have superior capital management, which approximates to the USD 341 bn mentioned previously.

What impressed the entire tour with Ren Re is their innovation. They are constantly trying to find ways to bring new products to the current marketplace, which is admirable. As an example, they are currently researching the US flood market which as we all know is currently a government risk. However, they believe that this can and will ultimately move into the private market and they particularly would like to be at the forefront of this.

Renaissance Re have managed to retain earnings despite a record high supply of insurers with increased capacity, increased investor demands and this is without mentioning the fact that there have been very few events to truly test the quality of underwriting in recent years.

EMERGING MARKETS

They are not currently in the process of opening any new offices but believe Singapore to be the next emerging market - where they have recently opened an office.
Catastrophe Modelling

It has been 9 years since mainland US has been hit by a major hurricane and therefore the market has not suffered a large Cat Loss. However, Renaissance Re believe that the models are wrong and that there will be events in the US which will surprise the insurance markets in time but would like to think that they are better prepared than some of their peers.

Customer Retention

Renaissance Re are able to retain customers by simply asking what they want, meeting their needs and paying claims efficiently - which is why insurance exists and what really resonates with an insured. During Katrina, they understood that claims would be paid. Their clients had lost everything and were in need of that money, which led them to sending cheques over prior to receiving claim forms which is valued and ultimately, what they will be remembered for.

The Future

Renaissance Re to not have a 5 year plan as they are ever changing, for example they are now writing more casualty specialty than property catastrophe business purely because they are underweight in this area. Again, this is likely to change within the next 5 years and they will write business where they believe is the best place to do so.

After an educational presentation, we were particularly grateful for Justin and his colleagues for taking us on a trip around the island of Bermuda on their spectacular boat, Bravo Zulu, photographed to the right. Thankfully we didn’t bring the typical British weather and it was one of the 364 (!) sunny days annually that Bermuda has, a such it was a very enjoyable couple of hours.
After arriving in New York we made our way to the Bowling Alley where we were greeted by Chip Pagnini and Thomas Johnson. After having a short browse of the wonderful facilities we had the pleasure of listening to the guys speak.

Thomas Johnson who is the Bowlmor Found and CEO was first to speak who gave us an overview on AMF. AMF Bowling Centers is the world’s largest owner and operator of bowling centres. He went on to advise that bowling is the number 1 participatory sport in the United States, with more than 25 million bowling enthusiasts a year choosing AMF as their destination of choice, playing an unbelievable 100 million games annually. AMF have also expanded to include more upscale events and venues which combine bowling with sports bars, bistros and even nightclubs. Thomas also advised us of the different genres of bowling alleys that the Times Square Bowlmor offered, ranging from the very apt Times Square alley to a more quirky theme such as the Singapore alley.

Thomas Shannon had originally purchased Bowlmor in 1992 for $1.4 million with the vision of redesigning the tired business with a hip design, upscale cuisine and then market Bowlmor as a party venue and not just a bowling alley. Tom had borrowed $2 million from friends and family to transform the centre. Following a re-vamp of the alleys including installing video screens, glow in the dark lanes and balls and lane side food and drink service, Bowlmor Lanes Union Square had become the highest-grossing bowling centre in the United States. In 2013 AMF and Bowlmor were combined to form Bowlmor AMF, with Tom as its Chairman, Chief Executive Officer and President.

Chip and Thomas then began to speak about how Bowlmor had been affected by Sandy. They advised us that it took AMF 35 days post Sandy to get the bowling alley up and running. You could really get a sense how impressed they were with how the Insurance Industry reacted to their loss and what a difference this made to their company being able to get back up and running so quickly.

After a very informative chat we were then let loose on the extensive buffet that had been kindly laid on for us. We were then all teamed up and got down to business on the alleys. There were some very strong scores posted but the winner on the day was Rhys Purchase from Beazley with a very impressive score of 172. He is seen below posing modestly with his final score.
We thanked Thomas and Chip for their kind hospitality and informative presentation. It was really rewarding getting to see a thriving and obviously loved business and to think that the insurance industry has aided them in recovering from such a loss and get them back into business during hard times was really great to see.
The group was delighted to be hosted at The Sanctuary Hotel, which provided a fantastic venue for a presentation from Lockton and was a pleasant change to the offices and boardrooms tourists had become accustomed to by this stage of the trip.

Tourists were welcomed by the following members of Lockton US:

- Michael Lombardi, Senior Vice President, International Practice Leader
- Kyle Sliwerski, Vice President, National Property
- Punit Sanganee, Assistant Vice President, Property Broker
- Andrew Cruz, Assistant Vice President, Financial Services
- David Anderson, Account Manager, Financial Services
- Jessica Bushey, Account Manager, Commercial Insurance

Michael Lombardi spoke very impressively as he introduced the group generally to Lockton and how they operate. Lockton were formed in 1966 and are now the largest privately owned broker in the world. Their revenue has increased year on year from roughly USD$700m in 2008 to an estimated USD$1.248b in 2015; Lockton now have 65 offices worldwide and over 41,000 clients. Michael believed Lockton’s success was largely down to their excellent client relationships which lead to market leading organic growth (11%) and impressive client retention rates (96%). It was certainly notable that Lockton were one of the few companies tourists were presented to that put more of an emphasis on organic growth than by looking to grow through mergers and acquisitions.

Michael proceeded to discuss the US market in general and noted that ample capacity is keeping rates steady, whilst the ratio of net premiums written to surplus close to the strongest level in modern history. Overall, prices are flat; capacity and competition are keeping rates at a reasonable level. There are conflicting pressures on carriers – the desire to increase rates versus the fact there is ample capacity.

US PROPERTY

Following this was an overview of the US market by Michael Lombardi and Kyle Sliwerski. Pricing is currently very competitive, with clients benefiting from 15-20% rate reductions and broader wording and terms. Brokers are able to obtain deductible reductions on CAT business and multiyear renewals on multiyear CAT aggs. This competitive landscape is being driven by benign CAT years in 2013 and 2014, markets looking to grow in large limit space and new market entrants such as collateralized reinsurance.

US FINANCIAL LINES

Andrew Cruz gave an insight into the US financial lines market.

D&O

Renewals are coming in flat to 5% increase in rates as competition continues among carriers. Security claims filings are stable and decreasing in terms of numbers filed and severity. The SEC continued aggressively pursuing enforcement actions, obtaining penalties and disgorgement. The private company D&O market has been hardening over the part two year; the recession led to claims frequency rising sharply in EPL, Crime and D&O.

EPL

Claims costs are rising, in part, due to the length of time it takes to close them. Defence costs can reach up to $300,000 and take 18-24 months to resolve. Top litigation generating states continue to be California, New York, Texas and Florida. Carriers continue to evaluate retentions and rates are coming in at 5-8% increase in average.
Cyber Liability
This is currently one of the most discussed issues facing directors and officers and both publicly traded and privately-held companies, with respect to how prevent, prepare for, and handle cyber security related problems. The latest breaches involving large, well-known organisations (Target, Sony, Anthem, Wyndham) have provided examples of how devastating a failure in this area can be – especially reputational damage. There is a growing risk to computerised industrial systems, including those controlling our critical infrastructure, for example oil & gas, power generation, and electric power transmission. Rates are changing as carriers experience losses; Lockton have been seeing between 5% and 10% at renewal, depending on the industry and company-specific exposures. The marketplace is rapidly evolving due to headline risk and carrier capacity.

London market expertise
As risk appetites continue to evolve in each of the respective areas, domestic markets are either requiring significant rate increases, restrictive coverage terms, or exiting a product area completely. The innovation and expertise within the London marketplace is vital to US Financial products due to London placements usually yielding broader terms and comparable to more favourable pricing/attachment points than the domestic marketplace. Organisations with global footprints (whether they are domiciled in the United States or overseas) find the London market especially appealing due to cross selling opportunities & convenience of local policy placements.

US Casualty
Jessica Bushey finished the presentation by giving a brief overview of the US casualty market. Jessica initially gave an overview of different coverages and key considerations and pricing factors, as follows:

Workers Comp
Pricing determined by: Employee classifications and associated rates, payroll by classification, carrier filed rates, experience modification/loss history, taxes and surcharges, terrorism surcharge
Key coverage considerations: monopolistic States, foreign coverage, other States insurance, program structure

Auto Liability/Physical Damage
Pricing determined by: Number/type of vehicles and garage location, Cost new, vehicle use/radius, employee driving records
Key coverage considerations: composite rate, uninsured/underinsured motorist coverage, hired and non-owned coverage, drive other car coverage, symbol 1 vs symbol 7

General Liability
Pricing determined by: revenue, area – square footage, payroll
Key coverage considerations: flat vs. adjustable premium, how aggregate applies, treatment of defense expense, admitted vs. non-admitted paper, claims-made vs. occurrence coverage form, certificate (contractual) requirements

Jessica concluded with a forecast for 2015, predicting that companies with guaranteed cost program structures can expect a 5% to 10% decrease. More volatility may be expected in certain states such as California and New York and also states with terrorism exposure. Companies with low deductibles can expect a 5% increase to 5% decrease, whilst companies with high deductible can expect a flat to 10% decrease, especially if marketed.

We are grateful for the professionalism, energy and time brought to the meeting by Michael and his colleagues. They each demonstrated an excellent understanding of the U.S Insurance market and their individual lines of business and we thoroughly enjoyed the free flowing Q&A session at the end.

This was the first time Michael and his colleagues have been introduced to the Lloyds Under 30s but we hope that we have sparked relationships that can continue into future tours.
On Thursday evening, we were hosted by David Sienko and his colleagues from Mendes & Mount, LLP at a reception in New York. We were extremely lucky to be welcomed by so many Associates and Partners at Mendes & Mount who had all made the effort to spend the evening with us. During the course of the reception, we were all able to introduce ourselves to those at Mendes & Mount and gain insights into their roles, career backgrounds and also their relationships and experiences with Lloyds and the London market.

Those in attendance covered all of Mendes & Mount’s practice areas:

- Aviation
- Comprehensive General Liability
- Counselling Services
- Directors and Officers
- Errors and Omissions
- Litigation
- Marine and Energy
- Reinsurance
- Professional Liability
- Property

It was great to hear and learn more about the existence of Mendes & Mount and London’s relations, with it all beginning at the end of World War II bringing forth a burst of shipping and transportation activity in the US which was largely underwritten by the London insurance market, meaning the Firm’s case assignments grew.

Up until the 1960s Mendes & Mount was the exclusive law firm handling North American claims for Lloyd’s and acted as the general counsel for Lloyd’s. Due to the very close relationship the firm had with Lloyd’s, both Oscar Dibble Duncan and William Mendes were made honorary members of Lloyd’s. In 1946 when Mr Duncan was made an honorary member, the only other living honorary member at the time was Sir Winston Churchill.

Mendes & Mount have been one of the US’s pre-eminent insurance counselling and litigation law firms for nearly 100 years. Their clients range from international insurance providers to individuals. Mendes & Mount pride themselves on being able to bring the appropriate assets to bear upon their clients’ problems, and resolving those problems in the most cost-efficient manner possible.

The evening allowed us to discuss some of Mendes & Mount’s involvement with some of the most publicised and large-scale losses in the past, including the Tacoma Narrows Bridge Collapse, the Great Salad Oil Swindle, the Savings and Loan Crisis, the American Flight 191 Air Disaster, and the World Trade Centre terrorist attacks. Mendes and Mount were also greatly involved post Superstorm Sandy in 2012, as it hit the northeast of the US. We were informed that the walkway to the venue where we were spending the evening was actually underwater as a result of the storm!

David highlighted during the evening the significance of the Lloyd’s tour and the importance of the relationship that Mendes & Mount and London have formed over the years. It was clear for us to all see first hand that Mendes & Mount’s lawyers have an unrivalled understanding of the workings of Lloyd’s and the London market.

Even though we are all fairly early on in our careers in the London market, it is testament to Mendes & Mount that we are all aware of the firm’s name,
showing how well the strength of the relationship has continued to grow over all these years.

For many of us, we were also able to gain our first insight into Ice Hockey in the US. On the big screen featured Game 7 of the 2015 Stanley cup play-offs between the New York Rangers and the Washington Capitals. Those from Mendes & Mount were extremely helpful in explaining the sport to us and to top the evening off, we were all able to celebrate New York’s win in overtime, progressing to the next round of the cup. Go Rangers!

The Lloyd’s under 30’s tour would once again like to thank Mendes & Mount for hosting a fantastic evening in New York. We look forward to continuing the long standing relationship that Mendes & Mount has already established with Lloyd’s and the London market and hope you will visit us soon.
Our next stop was the NYSE located at 11 Wall Street, Lower Manhattan, New York City, made particularly famous to the public by movies such as Wall Street (1987) and Wall Street: Money Never Sleeps (2010). This created much anticipation within the group, which was soon to be rewarded. Our host for this visit were Nicolas Arino, a Director for Global Corporate Client Group for the New York Stock Exchange and Emma Simonich, Capital Markets.

HISTORY

Established in 1792, the New York Stock Exchange is one of the world’s leading equities markets and, combined with the NYSE Group family of exchanges, trades more U.S. equity volume than any other exchange group.

Global Markets

- Networks of 5 regulated markets including New York Stock Exchange, Arca, Arca Options, MKT and Amex Options
- 4 major asset classes including equities, ETPs, options and fixed income
- Strong global network, colocation and market data

Premier Listings Venue

- Ranked #1 in IPOs globally in 2014
- Raised $70 billion from 129 IPOs in 2014
- Listings on NYSE include 90% of the Dow Jones Industrial Average and 78% of the S&P 500

U.S. Cash Equities Trading

- 3 consecutive quarters of options volume growth
- Ranked #1 in Exchange Traded Products volume
- 60% more liquidity than next largest exchange
The Trading Floor

Up until 2007 the NYSE worked on the method of open outcry, which is a method of trading that takes place in the “pit”. In open outcry, all bid / sell and offer / buys are made in the open market for any trader to compete to win. This is in vast contrast to the gentleman queuing method adopted by Lloyds!

However, since 2007, the electronic platforms have taken over the NYSE, and there is very minimal outcry still in effect. This has also opened up the market for competition, and whereas a decade ago 80% of shares in American companies were traded through the NYSE, this has now dropped to approximately 20%. Rather than shying away from technology, the NYSE has embraced it and brokers have become more efficient and effective, providing a better service for customers. Working side by side with technology, they have developed methods to use the speed of technology, with the benefits of human input for important decision making. The trading platforms can perform hundreds of deals in the time it takes a person to transact one. If a trade is outside set parameters, then the broker can step in to make a decision.

One of the most familiar images of the NYSE is the bell, and it is not difficult to see the resemblances to The Lutine Bell found in Lloyds. The opening bell still sounds at 9.30am and closes at 4pm ET. The continued success of the NYSE is partly down to cementing itself in the culture of the market and also remaining relevant. CNBC now do live newscasts from inside the trading platform, and IPO’s continue to be large events. On the day the group was on the floor we witnessed Arcadia Biosciences’ IPO, and the excitement this created in the room. This appears to be a great self-marketing tool, which potentially Lloyd’s itself could learn from.

A few traders were also kind enough to spend time speaking to small groups of 5/6, which gave a great insight to day to day activities and responsibilities. What was particularly impressive was the sheer volume of data available at the touch of a button. Some brokers had up to 9 different screens, and this wealth of data enables brokers to make quick decisions in the best interests of their clients. Every group was overwhelmed with the friendliness and willingness of brokers to answer questions and fully explain how the market operates and has changed over time. The members of the Lloyds Study Tour are very grateful for Nicolas’ and Emma’s hospitality.
Thursday 14th May 2015

On day 4 of our tour we were delighted to receive a detailed and informative presentation from Dave Duclos, the Chief Executive Officer of North American Operations at QBE. Dave Duclos started off the presentation with an overview of QBE Group and how it was founded in 1886 in North Queensland, Australia. By 1890 QBE had established over 36 agencies in locations such as London, Singapore, Hong Kong, New Zealand and the Pacific Islands. QBE established their North American presence in 1991 and they focus on diversification by superior product offerings, unparalleled customer service and distribution. Their insurance portfolio consists of five major segments; Property & Casualty, Speciality, Crop, Financial Institutions and Reinsurance.

QBE Insurance Group LTD is one of the largest 20 insurance and reinsurance companies worldwide, growing its gross written premium from $1bn in 1994 to approximately $17bn. They have grown their group through mergers and acquisitions to help participate in new areas worldwide. They are rated A+ by Standard & Poor’s and A (Excellent) by A.M. They have a strong brand name in the 38 countries they operate in worldwide and employee over 17,000 staff.

Dave Duclos included in his presentation QBE’s mission statement: ‘Our strategic mission is to have a solid global overlay that makes us think and act as ONE company.

ONE QBE speaks to our desire to adopt a consistent and aligned approach to the way we manage, grow and build our business around the globe. Our goal is to become ONE QBE’

The overall message throughout the presentation was how to differentiate yourself and achieve success. The strategies and methods QBE follow are:

- Portfolio Management
- Customer Focus
- Talent and Leadership
- Organisational Effectiveness

Dave described the challenges of dealing with a diverse business mix and how they are continuing to expand into new territories. QBE have a balanced distribution of brokers, wholesalers, aggregators, retailers, MGA’s and believe they should not rely heavily on the ‘big 3’ (Willis, Aon & Marsh)

Dave specified how QBE will concentrate on growing organically in the future and will concentrate on consolidation within.

Dave gave us a brief description of the challenges and strategies of the current North American market:

- The market is continuing to soften
- Rates are decreasing across all classes
- Underwriting quality is key and this should be a main focus
- Try and be selective on new business
- Show flexibility on renewal business
- Regulatory requirements are healthy
- If market continues to intensify, broker schemes will come under pressure

Finally, we would like to thank Dave Duclos for providing us with an informative presentation about QBE Group and giving up his valuable time. Thank you!
Tomasetti, McLarens, MDD and the Sandy Case

On Thursday 14th May 2015, The Lloyd’s Under 30s study tour was hosted by McLarens, Thornton Tomasetti and MDD employees. The hosts were:

- Renata Bauer – Director (Business Development) from McLarens
- Joseph Roskop – General Adjuster from McLarens
- Geovanna Carrasco – Adjuster from McLarens
- George Wasielke – Director (USA Eastern Region and Caribbean) from McLarens
- Amy Macdonald – Associate from TT
- Austin J Allcot – Senior Project Director TT
- Joseph T. Piscitelli from MDD
- Josh Foley from MDD

Part 1: McLarens

The afternoon began with a brief presentation from McLarens employees who introduced us to the history of the firm and explained what they do. McLarens is a Global Claims adjusting firm handling insurance claims for Insurers and Underwriters since 1931. They have 139 offices in 41 countries. Their adjusters have an average of 25 years of experience. Their mission is to provide the highest quality claims services to insurers and self-insureds around the globe. McLarens operates in 9 broad Product Lines: Property, Casualty, Aviation, Technical Services, Marine & Transit, Crime/Specie, Claims Management, Agriculture, and Audit.

Mclaren Companies are:

- McLarens – Global Aviation Claims, Risk & Asset Management

- Norcross – US Regional Mid-Market Loss Adjusting – 2011 acquisition
- Agrical – Specialist Agricultural Loss Adjusting – 2013 merger

Part 2: Thornton Tomasetti

We then had a group of Thornton Tomasetti (TT) given us an overview of their company, projects they have been involved in and their services. TT explained that they are engineering consultants who provide engineering design, investigation and analysis services to clients worldwide on projects of every size and level of complexity.

TT mentioned that they have been involved in various projects, including the tallest building in the world – Kingdom Tower (Jeddah, Saudi Arabia). TT is located on 5 continents and has projects in 54 countries. They have 800+ engineers, architects and professionals in 27 offices.

TT provide property loss consulting services and they follow the following procedure:

- Scope of Damage Determination - services include investigation, documentation, analysis, determination of the extent and severity of damage and recommendations for repair and replacement.
- Dispute Resolution Support – this includes technical support, forensic information modelling and expert witness reports and testimony.
- Cause and Origin Investigation – i.e. source of water intrusions
- Building Code Evaluation
- Risk Assessment – i.e. evaluation of single site or portfolio, assessment of vulnerabilities and potential losses for hurricane, flood, earthquake, etc.
- Sustainability Claims

Part 3: MDD

Afterwards, MDD, forensic accountants, gave us a brief summary of their firm. MDD has been originally founded in 1933 and has got 42 offices.
around the world with 300 professionals / 48 partners. They have vast experience with a wide variety of claims in many industries and trusted and respected by property, CGL and specialty counterparts. They pride themselves for strong litigation and expert testimony expertise skills, quality and user-friendly work product, fair and reasonable billing rates and few, if any, conflicts.

PART 4: SANDY CASE STUDY

Later, the firms gave us a perspective on the damages caused by Hurricane Sandy. Cat-90 Sandy made landfall in New York in October 29, 2012. The Super Storm was totally unexpected and ravaged areas such as Tate Island, Manhattan and large swaths of New Jersey. Power failures, flooded underground transport tunnels, fires, wind and waste water contamination each threatened to turn New York City and the tri-state area upside down. TT talked about the areas affected in the Lower Manhattan, as per below snapshots:

TT also discussed Lower Manhattan growth over time since 1650s and its vulnerability to the sea and wind. We learned that the grown area was mostly affected by Sandy.

McLarens then explained where they come in when the claim has occurred. McLarens report to underwriters on claims findings, management of expert consultants, reserves, reach settlement agreement with insured and recommend for payment, as per below diagram:

There are 5 stages, McLarens goes through;

- Acknowledgement
- Contact
- Inspection
- Fair and reasonable settlement recommendations
McLarens pride themselves for prompt handling of claims investigation. Claims are acknowledged within 24-48 hours. This involves determination of the cause of loss, scope of damage, determination if there are other entities with insurable interest, appointment of experts and subrogation.

McLarens then discussed some of the difficulties associated with Super Storm Sandy, including car pool and commuting, power outage, gasoline. Claims volume was huge and McLarens alone handled over 1,000 claims.

Later, TT explained what they do in case of a CAT event. They evaluate the scope and nature of the loss, analyse structural, architectural and MEP damage and explain their technical findings in expert reports.

TT discussed the Impact of Sandy which was horrific. They estimated between $75 – $95 billion in Total Damage in the US, and an additional $3–$4 billion in other countries. $50–$70 billion of which were just in property damage with $30–$40 billion being insurance related. With regards to lost business activity, the estimate is $25 billion.

TT educated us that Sandy was the second costliest storm in US history after Hurricane Katrina. It is also the second deadliest windstorm with over 230 deaths worldwide and 150 deaths in the US.

CAT-90 Sandy had sustained wind speeds of 80 MPH when it made landfall near Atlantic City, NJ. Wind Gusts were upwards of 100 MPH. At its largest, Sandy’s hurricane force winds extended 175 miles from its center while tropical storm force winds extended 485 miles from its center.

Sandy also caused severe flood damage. Surge level at Battery Park topped at 13.88 Ft., breaking the old record of 10.02 Ft. set by Hurricane Donna in 1960. New York Harbor recorded a record setting wave of 32.5 ft, 6.5 ft taller than the number two wave created during Hurricane Irene in 2011. With regards to service interruption, there were over 8 million customer power outages on October 30th in NJ. At the peak, 65% of customers were without power, out of which 23% in New York. By November 7th, 90% of power was restored.

The other impacts of Sandy were the follows;

- MTA suspended Commuter Rail, Subway, and Bus Services
- PANYNJ Suspends all Train Services
- NJ Barrier Islands from Sandy Hook to Cape May Evacuated
- Low lying areas in NYC were evacuated
- Travel Restrictions throughout NY and NJ
- Curfews instituted in many NY and NJ

Overall, Hurricane Sandy was entirely unexpected meaning that the area was not prepared for it especially when considering that the region has traditionally not been affected by any major windstorms. The extent of the damage was visible in photos immediately after the event but the impact of Hurricane Sandy is truly summed up by the fact that claims are still coming in. Hurricane Sandy not only damaged properties, ruined businesses and led to large insurance claims, but it has also had an impact on a vast array of other facets of life in the area including building codes and other non-tangible changes.

After what was a great day, the hosts kindly organised a visit to the World Trade Center and 9/11 Memorial Museum. This was a fantastic experience and something that stuck with a lot of the group. Following this, the Lloyd’s Under 30’s group were kindly treated to a drinks reception and dinner hosted by McLarens, TT and MDD. We are extremely grateful for the warm reception, the incredible organization and thought that went into our day, as well as the invaluable opportunity to learn more about their role in the claims procedure and Hurricane Sandy’s impact on the community.
HCC SPECIALTY: GENERATING LONG TERM VALUE FOR LLOYD'S

Hosts
Bert Van Wagenen - Senior Vice President of Specialty Underwriting
Buck Kidder - Vice President of Specialty Underwriting.

HCC Specialty are a Lloyd’s MGA and a division of HCC Insurance Holdings. With a combined wealth of experience of over 65 years in the industry, Bert Van Wanegen and Buck Kidder have been underwriting a unique Crisis Management portfolio since the early 1980’s.

This presentation had two key goals:

• Give the group some insight into crisis management insurance
• Demonstrate that generating value is not limited to underwriting profitably but requires additional services, superior product knowledge and top tier service standards.
• The portfolio Bert and Buck manage is made up of three core classes of business:
  • Kidnap & Ransom
  • Product Contamination
  • Restaurant Recovery

KIDNAP & RANSOM

The presentation began with Bert giving an overview of each class of business. Kidnap and Ransom, we learned is broader than the name would suggest and in fact can be triggered by a multitude of event. These being:

Kidnap
Express Kidnap
Hijack
Detention
Extortion
Threat

All of the above require financial loss in order to trigger a claim. However, in some cases, a policy will pay out in the event of accidental death or dismemberment.

In order to generate long term value for K&R clients, HCC employ the services of Unity Resources Group, a crisis response specialist with dedicated analysts and offices all over the globe who have experience in managing Kidnap & Ransom situations.

PRODUCT CONTAMINATION & RESTAURANT RECOVERY

Product contamination and Restaurant Recovery losses can be triggered by:

Accidental contamination
Malicious Tampering
Adverse publicity
Governmental recall
And will pay for recall expenses, the value of the products lost, lost profits, rehabilitation expenses, increased cost of working, extortion costs and crisis consultant expenses.

Unfortunately due to time constraints Bert and Buck didn’t have a great deal of time to spend on Product Contamination insurance. However, the group was provided a copy of the presentation which gave further insight into how Bert and Buck have used their experience to provide both their clients and HCC the best possible service and add a great deal of long term value.

In brief, the presentation made it clear that it was not experience alone that HCC Specialty offer. In order to generate and maintain long term value to its stake holders HCC Specialty believe there are 5 key elements that entail top tier performance.

- Financial strength
- Superior product knowledge and service
- Policy Terms
- Dedicated Claims Management
- Superior Crisis Consulting

The Under 30s found it fascinating to hear about one of the more esoteric classes within the world of insurance.

By far and away the most useful point to note was that whilst the detail can vary significantly from class to class, it is clear to see that in order to excel and generate value, the same rules can (and should!) apply to each class of business.

The Under 30s were hugely grateful for it’s time with Bert and Buck and for the opportunity to share in some of the experience they have amassed over their very distinguished careers.
TOUR REPORT EMPIRE STATE AND AON

SITE VISIT

Hosted by:

Empire State Realty Trust - Vince Sultana
Aon - Peter Tavella, Senior Broker
Henry Weismantel, Broker
Duncan Milne, Broker
QBE - Brendan Cook

BACKGROUND

Empire State Realty Trust (ESRT) is a leading real estate investment trust which owns, manages, operates, acquires and repositions office and retail properties in Manhattan and the greater New York metropolitan area, including the Empire State Building (ESB), the world’s most famous office building.

Headquartered in New York, New York, the Company’s office and retail portfolio covers 10 million rentable square feet consisting of 9.3 million rentable square feet in 14 office properties, including nine in Manhattan, three in Fairfield County, Connecticut and to in Westchester county, New York; and approximately 731,000 rentable square feet in the retail portfolio.

BUILDING INFO

The Lloyds Under 30’s Tour for the first time were given the opportunity to visit one of the most iconic buildings of New York City - The Empire State Building. Previously the tallest building in the world for 40 years until the construction of the World Trade Center in the 1970s. ESB opened on May 1st 1931 and took a total of two years to construct; it is predominantly used as office space but also has retail space on the ground floor as well as an observation deck on the top floor. The building itself is spread over 102 floors and is 443m tall including its spire.

Costing just over USD 40m to build in the 1930’s which is the equivalent of around $630m in this day and age, of the 102 floors, 85 floors are used for commercial and office space and the 86th floor is an indoor observatory and an additional outdoor observatory can be found on the 102nd floor, the remaining 16 stories represent the Art Deco tower. The building is made up of 6,500 windows and 73 elevators and there are 1,860 steps from street level to the 102nd floor.

INSURANCE COVERAGE

Property - for All Risk coverage ESRT portfolio buy a limit up to USD 800m. For the ESB alone have an additional USD 700m provided through the captive

Terrorism - As above, however the additional USD 700m is provided through the captive/TRIA backstop but for ESB only.

Nuclear, Biological, Chemical and Radiological losses are not excluded under TRIA subject to a 15% retention.

Casualty - ESRT buy up to USD 300m per location

ESRT does place some of their insurance within the Lloyds market and we are delighted to have met our client on this trip and we hope this relationship continues into the future!

SECURITY

We were given an excellent insight into the security of ESB by Donald O’Donnerly, head of ESB security and a retired NYPD police officer of over 20 years in the field. This is of utmost importance to ESRT who have learnt many lessons from the tragic 9/11 incidents.
The building is visited by an average of 12,000 people entering through four different entry points a day, all of which are overseen by 170 security staff which are provided by Andrews International who have a 21 year relationship with the building. The office space within the building is occupied by 7 different tenants over 85 floors; the tenants have around 350,000 visitors to their office each year, each of which will go through a full security check. The building has strong ties with the NYPD, its security chief actually served for many years in the force, it has a dedicated NYPD resource on site at all times and a co-operative security approach is adopted at all times.

Some of the Security checks in place are the following:

- Check in at Visitor Reception Desk - requiring valid Identification
- Messenger Center
  - Screening (X-Ray Machine) of ALL Deliveries
- Security Operations Center – “Eyes and Ears”
  - Staffed 24/7 & CCTV
  - Centralized Location – equipment recently upgraded
- Loading Dock
  - Vehicle Inspection (Pre-Entry)
  - Explosive Detection Canine Teams
  - Hoist Operation

**Fire Protection Safety**

The building has been designed so that it can contain fires floor by floor meaning that the fires are compartmentalised and therefore easier to fight, one specific stairwell in the building is completely fire proof. In 2010 the Empire State started to undergo a renovation project costing millions of dollars, part of the project is dedicated to updating the sprinkler systems within the building. Currently around 60-70% of the building is protected by its sprinkler system; this will be 100% by the time the renovation project is complete in 2019. The fire protection system is tested on a week to week basis and there will be at least two fire drills per year at the building.
LOCKE LORD

Whilst in New York the tour was privileged to be hosted by Law firm Locke Lord. We were greeted by several members of the Locke Lord team who had kindly travelled from all ends of the country to meet with us. From the New York office we were joined by R.J. DeRose, Casey Howard, Joe Froehlich, Rob DiUbaldo, Nick Secara and Nora Valenza-Frost, whilst Susan Welde, Laura Bange, Matthew Murphy, Julie Mahaney and Joshua Broudy travelled from offices in LA, Boston, Providence and Hartford.

ABOUT THE COMPANY

Locke Lord is a full service international law firm with a strong presence in the US as well as international offices in, Hong Kong, Istanbul, London and Tokyo.

Employing nearly 1,000 lawyers the firm has an excellent reputation in regulatory, complex litigation and transactional work supporting clients ranging from small emerging businesses to large Fortune 500 companies. Locke Lord has a strong and long standing relationship with Lloyds and has supported the London Insurance market for over 75 years offering expertise in areas such as:

- Aviation
- Business litigation
- Energy
- Environmental
- Financial services
- Healthcare
- Intellectual property
- Litigation
- Mergers and acquisitions

THE DAY

Split into several smaller groups, we were taken to observe a live trial at courts located in both Manhattan and Brooklyn. Below are two accounts, one from each location.

MANHATTAN – NEW YORK CITY CIVIL COURT

The Civil Court of the City of New York has jurisdiction over civil cases involving amounts up to USD 25,000 and other civil matters referred to it by the Supreme Court. It includes a small claims part for informal dispositions of matters not exceeding USD 5,000 and a landlord and tenant/housing part for landlord-tenant matters or unlimited amounts and housing code violations.

Given that we visited the courtrooms on a Friday afternoon, many cases had been adjourned for the weekend and the courthouse was uncharacteristically quiet. However we finally found a court in session and joined during the questioning of the claimant.
As the case was already mid-way through we had to use the information discussed by the claimant and the lawyer to establish the nature of it. It seemed the claimant had tripped or fallen on the NYC subway back in 2006, and due to injuries sustained to his leg, had been unable to work to his full potential since. He was thus suing the MTA for his loss of earnings. The claimant, who was asked detailed questions by the defending lawyer about the incident and the after effects, often stumbled over his answers, differing from the responses he gave in his original disposition. It came to light that the claimant had only sought specialist medical assistance after he had contacted the lawyers processing his case; and had accessed their doctors as he had no medical insurance himself.

At one point the defending lawyer asked the Judge if she could use the Claimant’s medical records in the case. The Judge asked the Jury and Claimant to step out of the room whilst he reviewed this information and made his decision as to whether the records could be submitted into evidence. He took this opportunity to address his captive audience (us!) and offer some background into the New York City justice system. After a short discussion with both lawyers the Judge allowed the medical file to be brought into evidence and invited the Claimant and Jury back into the courtroom.

After the questioning of the Claimant was completed, the Judge concluded the days court session. He advised the jurors that court would reconvene on Monday morning and the one and only witness for the case would be called to the stand. It was disappointing not to see the outcome from the case but none the less thrilling to experience a live case in person.

**Brooklyn – Brooklyn Federal Court**

As we entered the court room we took our seats at the back on the room, and began witnessing Judge Chen as she drew closure on the sentencing she had been working on as we arrived. Judge Chen recognised a large group seated in the court room and enquired after our reasons for attending the courts. Realising we had travelled from London, representing Lloyds, Judge Chen invited us to take a seat at the front of the court room, in the docks, for a quick fire questioning session.

Enquiring after Judge Chen’s experience with insurance related cases, the Judge began to relay a particular instance which involved some contention involving the proximate cause in a car accident. A tipper truck, which had offloaded its tipper bucket onto the motorway following a collision with a low bridge, was involved in a multi car accident. A subsequent car collided with the truck shunting it further into the road causing it to collide with another car. Judge Chen was left to decide whether the car clipping the truck interrupted the sequence of events which then caused the multi car incident. Judge Chen ruled the sequence of events as separate, meaning the insurance company were not successful in suing the company that owned the truck.

Intrigued as to Judge Chen’s background, we also enquired after her experience in the criminal justice system. Having received her degree in 1983, Judge Chen began her career in criminal defence law, transitioning into the Special Litigation Section of the Civil Rights Division as a trial attorney. Judge Chen also spent a period of time serving as a Deputy Commissioner for Enforcement for the New York State Division of Human Rights.

Honoured by Judge Chen’s hospitality and willingness to entertain our questions and enquiries regarding the US criminal justice system, the visit to Brooklyn with Locke Lord was certainly one of the highlights of the under 30’s trip.

Following our courtroom tours Locke Lord kindly arranged a fantastic dinner at a restaurant in Chelsea nestled under the highline where we had the opportunity to thank the lawyers who had made such an effort to meet with us and ask any questions that we might have had following the day’s activities. It was a wonderful opportunity to further develop the long standing relationship that Locke Lord has with the Lloyd’s Under 30’s Study Tour and the Lloyd’s market as a whole.
FM GLOBAL SITE VISIT

Monday 18th May 2015
West Glocester, Rhode Island

Our first meeting on the Boston leg of our trip took us to the FM Global Research Centre, the centre is situated on a 1,600 acre site in the wooded area of Glocester, Rhode Island. The facility was established in 1967, however undertook major renovation 2003 to cater for the ever growing needs and standards of their clients.

Upon arrival at the centre we were met by Jay Cannon, Liz Luzie and Brion Callori, they gave us a presentation providing an excellent overview of the history of the company as well as their on-going modernisation and expansion of the centre.

FM Global are a unique company that underwrites based on a properties ability to withstand exposures, rather than analysing historical weather patterns. They take a very hands on approach with their clients, which is seen by their team of engineers providing constant risk recommendations to help mitigate and minimise the potential for a loss. The centre conducts a range of tests that include fire, hydraulics and explosion hazards. They also test how various building materials withstand an earthquake or windstorm.

Three types of testing are carried out at the FM Global facility; Research and Design of tests, FM Approval Certification and Risk Service, which is ‘in the field’ testing with clients.

FM Global set the standard for risk acceptance through their FM Standards. Almost every fire protection company send their products to FM for testing and approval, on only two occasions have tests been rejected due to the safety factor.

Following a pre-tour safety talk, we made our way down to the floor of the large burn laboratory, this was an impressive space designed to predominantly test sprinklers, measure fire output and understand how materials and fire behave. Spanning 108,000 ft (32,953 m) and with a movable ceiling, FM Global’s Fire Technology Laboratory is the core of the Research Campus. Through sheer size of the facility, this allows researchers to replicate warehouse fires of up to 2,000 ft (610 m). The Fire Technology Laboratory also features several smaller labs for intermediate- and small-scale burn testing.

The Lloyds Under 30’s Tour Group were lucky enough to view a full scale test in the large burn lab to see the speed at which 24 industrial size rolls of paper, when ignited from the centre, could be extinguished.

The experiment involved a team of experienced fireman who managed to disarm the fire in 10 minutes. Safety is paramount at FM Global; all tests are highly supervised and controlled.

Next we made our way over to Natural Hazards Lab which was a short bus journey away, here we witnessed tests involving the perils of Wind, Hail, Weathering and Earthquake.

Inside the laboratory, a hail gun launches ice balls of varying sizes, to simulate moderate and severe hail storms, and a debris cannon shoots simulated windblown wood projectiles at speeds matching those of a real hurricane to determine impact resistance of constructions. To address seismic risk, an earthquake shake table replicates earthquake motions of all intensities. The laboratory is also equipped with a powerful UV accelerated weatherometer to...
measure the effects of the sun's UV radiation on building materials that have been exposed for long periods.

Following the Natural Hazard Centre, we made our way over to the final test of the day; the most anticipated Dust Explosion. The facilities state-of-the-art monitoring systems allow engineers to accurately prepare various size enclosures for explosion testing. On the day, we tested the outcome of dust shavings exposed to a spark and little to say, it went off with a bang!

FM Global were fantastic hosts and it was a pleasure to witness how this unique facility is continuously evolving and developing their research to benefit the ever changing insurance industry. We feel honoured to have been the first Lloyds Under 30s Group to have had the opportunity to visit such a well run and efficient establishment hidden away in the depths of R.I. We can’t thank FM Global enough for the time and effort that went into organising each part of the day. Thank you!
Members of the Lloyds under 30’s 2015 tour were given the opportunity to visit Liberty Mutual Insurance (‘Liberty’) headquarters in Boston. Founded in 1912 and operating in 30 countries worldwide, Liberty is a diversified global insurer, the sixth largest property and casualty insurer in the world and the third largest property and casualty insurer in the US. Liberty Mutual were ranked 78th place in the Fortune 500 after turning over $124.3 billion in assets and $39.6 billion in revenue in 2014, highlighting their success in the market.

The meeting began with an overview from Seth Trier (Director, Product Management). Liberty Mutual employs 50,000 staff across 88 offices globally. The company’s mission statement is ‘to help people live safer, more secure lives’ and the number one concern for Liberty is the fact that their policyholders operate as a mutual. As such, Liberty is the largest affinity marketing group in the US and was one of the first business’ to operate in that distribution channel. Seth also talked the group through the key strategic business units which include:

1. Personal Insurance
   - Personal Lines - Property and casualty insurance products for individuals. Personal insurance lines help to protect individuals from potential losses which they couldn’t afford to cover on their own, examples such as the ability to drive a car or own a home without risking financial ruin. Personal lines insurance and commercial lines insurance each make up about half of the overall insurance market.
   - Safeco Insurance – An acquisition of Liberty Mutual since 2008, Safeco offer personal lines insurance (including auto, home, motorcycle, recreational vehicle, watercraft and more) through independent agents.

2. Commercial Insurance
   - Business Insurance – Liberty offers insurance coverage that protects businesses from losses due to events that may occur during the normal course of business. This includes coverage for events such as property damage, legal liability and employee-related risks.
   - National Insurance - The system of compulsory payments by employees and employers to provide state assistance for people who are sick, unemployed, or retired.

3. Liberty International
   - Liberty International - Local country operations that primarily sell personal and small commercial insurance. This arm reflects the significant global presence of the company, for instance it is the number one carrier in Venezuela and number nine in Brazil.
   - Liberty International Underwriters - Global specialty lines division with primary operations in the U.S., Canada, Latin America and Asia Pacific region.

4. Global Specialty
   - Liberty Specialty Markets: Global specialty, commercial and reinsurance division with primary operations in Europe, the Middle East, Asia and Latin America.
   - Liberty Mutual Surety: Contract, commercial, and fidelity bond division, with U.S. and global operations.

Highlights from the remainder of the meeting included:

A talk from Tracey Coyle-Cipoletta (Human Resources Manager) who discussed the firm’s approach to recruiting talent and career development for existing employees, including an undergraduate development programme and graduate internships. She also highlighted trends in the marketplace that international business’ are concerned with – such as a shortage of skilled STEM (science, technology, engineering and maths) workers, and the large number of ‘Baby Boomers’ leaving the workforce at the same time – and what Liberty is doing to attract them.
An insight into US reinsurance and Cat modelling from Natalie St George in which she educated us on the process of using computer-assisted calculations to estimate the losses that could be sustained due to a catastrophic event such as a hurricane or earthquake.

Lastly, Bonnie Moss and Simon White spoke about their E&S Property and Cyber Liability Insurance programmes. LIU’s trio of cyber liability products provides both primary and excess professional liability coverage for risks surrounding technology errors and omissions (E&O) and data privacy breaches.

LIU’s Cyber Liability Policy Highlights include:

- Capacity of up to USD $10 million on a primary basis
- Minimum premium of USD $10,000
- Minimum deductible of USD $10,000
- Worldwide coverage

Reflecting on how the market has evolved since 1997 when the first ‘internet liability’ policy was written, Simon predicted that by 2020 the market could potentially be worth $5bn – showing how the cyberspace arena has the capacity to be the next big product which insurers can technically develop for policyholders.

In conclusion, Liberty provided a wealth of knowledge and insight into how a global insurance firm is using not only technical analytics, data mining and historic trends to help the business grow and develop; but also how it’s fundamentally people which remain at the heart of the insurance industry and who can drive it forward in terms of embracing entrepreneurial spirit and product innovation for the future.
This meeting was kindly presented by one of our own tour members, Christian Davies of Safeonline (a leading broker within the Lloyd’s market for technology and cyber liability). Christian gave a presentation which worked as an introduction to the nascent market of cyber risks. Cyber insurance is proving to be a popular subject for discussion in the Lloyd’s market in recent years due to it being the most recent new risk to cover and it was certainly a popular subject for questions in many of the other presentations we received on the tour.

The first area that the presentation covered was the threat that is being covered by cyber insurance, Christian noted the many high profile recent hacks including the Xbox Live and Playstation Network outages, the TV5Monde hijack by pro-ISIS hackers, the Target hacking of customer account details and the long term Sony hack. He made the point that very little of the financial loss suffered by the companies involved was covered under their insurance cover. Christian also noted that it is the first truly international risk, a UK website can be hacked from anywhere in the world.

Christian then commented on the coverages which are available in the cyber liability industry at the moment.

- The first cover that cyber insurance provides is First Party Network Loss which would cover any loss to the insured’s own financial status, it would include the loss of business income which results from a denial of service attack, the replacement of data and also the cost of increased working in order to get the business up and running after a cyber attack.
- The second cover which is available is that of Privacy Breach and Security Liability, this would cover the losses that any third party has suffered, public relations costs in order to manage the reputational risk of a breach, notification costs as many countries require a minimum standard of notification to a customer when that customer’s private data has been breached and the forensic and legal fees in order to determine a claim. The third cover we learnt about was Media Liability which covers the damages and costs involved in the publishing of content in print or online. The fourth cover that Christian discussed was Reputation which covers loss which results from loss in sales related to a cyber attack and also the public relations costs involved in rectifying the situation.
- The final coverage which can be bought within the cyber insurance market is that of Cyber Extortion and this covers the ransom costs if an assailant holds data or an insured to ransom with the threat of a cyber attack, it also covers the loss of data; legal fees and public relations costs in relation to the extortion. This means that the sort of losses which will be paid under a cyber insurance policy are losses which are suffered as a result of network or website downtime affecting the production of a business, data breaches, fiscal losses as a result of cyber threats and extortion, losses resulting from malware or traditional hacking attacks and also the fines and penalties which result from being the victim of a cyber attack which has not been defended effectively.

Christian spoke about the motivations behind cyber attacks noting that a staggering 56% are as a result of “hacktivism” - the act of hacking or breaking into a computer system for politically or socially motivated purpose. This is followed by 31% being accounted for by cyber crime which is the use of a computer and a network to commit any crime. A further 9% is accounted for by cyber espionage which is the use of computer networks to gain illicit access to confidential information typically held by a government or a corporation. The final 1% is accounted for by those individuals that are hacking just for the enjoyment of the act, just to show that they can do it.
The next area that the presentation touched on was the industries that are heavily affected by cyber attacks those being: hospitality, retail, ecommerce, financial services, healthcare, social services, educational institutions, technology specialists, government entities and charities. This shows what a wide net the hackers are casting and especially that they are attacking entities where cyber security may well be weak such as minor educational institutions and charities.

It was apparent that Cyber, far from being a hot topic that will require short term solutions, is an aspect of our industry that must be confronted head on. Particularly whilst Cyber insurance is in it’s relative infancy, the (re)insurance world must be keenly aware of the potential issues that it may cause.
CLYDE & CO

Hosted by: James Chin, Taylor Chin, Ellen McGlynn, John Morgan, William Hapiuk, Timothy Jabbour, Anthony Tessitore, Robert Priestly and Christina Terplan

Boston, Massachusetts

For the past few years Clyde & Co have hosted the Lloyd’s U30’s for one of the most interesting and unique days we have on tour. James Chin, Taylor Davis and their colleagues worked very hard to create an incredibly detailed case together for us to observe and for 6 of us to be a part of. Prior to the tour James and Taylor flew over to London to brief the tourists involved with their incredibly detailed character profiles and then to hold individual depositions for each character. These depositions lasted 90 minutes and gave each tourist involved a realistic experience of the intensity, yet exciting environment of an actual deposition.

The lawyers firstly introduced us to what we had in store for the day which was essentially a two part exercise in which we were exposed to both the non-binding mediation process followed by the full jury trial.

Firstly, James explained the processes a claim can go through. These are:

Mediation – This is a voluntary process that parties are not forced into where both parties select a mediator. Mediation involves investing time and efforts into resolving an issue whereby the parties control the outcome and this is less costly than going into litigation. Mediations are also confidential.

Arbitration – Arbitrations are more formalised and, unlike mediations, you are not in control of the outcome, rather it is a third party that decides what the outcome is. Arbitrations are governed by a set of rules and can have panels of one and upwards. The arbitrator or arbitrators involved typically have some degree of knowledge of the law and/or the subject matter in question. Within arbitrations there are limited rights of appeal in that the final result cannot be appealed, but the process can be challenged. However, if outcome is not favourable to either party they can choose for it to go to trial.

Trial – A trial is much more formal and involves the use of a jury. You are not in control of the outcome of a trial. If this method of settling can be avoided that is best as this is the most expensive and time consuming option.

James pointed out that the amount of time and costs of going to trials or arbitrations changes from State to State depending on where the suit is filed. Some states will pay for fees and costs as part of the settlement (for instance, Florida) whereas this is not the case in several other states.

This is an important consideration when pursuing or defending a claim.

THE MOCK TRIAL

We were provided with the brief beforehand but James ran through the case as a reminder for those that hadn’t been deposed and who weren’t testifying in the court room that afternoon.

In brief – the case was loosely based on a number of real insurance cases that have gone to court with the ‘story’ as follows:
MicroChipper Inc, an industrial manufacturer of microchips for use in smartphones and tablets was the victim of a cyber-attack. The hackers infiltrated the software security system and released a virus into their ERP system. As a result of the virus the hardware used to manufacture the microchips malfunctioned causing contamination to the products. Prior to the loss the insured's risk manager sought coverage against physical damage as well as a separate policy focusing on cyber threats. Due to the nature of the loss and the events that took place resulting in the loss, both insurance companies felt that their policy excluded the claim made by MicroChipper Inc. As a response to this MicroChipper Inc filed suit against both carriers seeking a declaratory judgement of coverage under the policies and alleging breach of contract.

The tourists/witnesses in the case were:

Natasha Matanle (Chipper Jones) - Insured's risk manager
Olivia Wright (Iggy Kolar) - Insured's broker
James Gadbury (Reid Barbieri) - Cyber underwriter
Tom Raiss (Sam Snyder) - Property underwriter
Danny Cooper (Alex Smith) - Cyber adjuster
Jodie Major (Sterling Prentiss) - Property adjuster

Once the facts of the case were laid out, we were separated into groups for the mediation; one representing the Insured and one for each of the Insurers. Christina Terplan (San Francisco) acted as the mediator.

It was particularly interesting for the rest of the tourists who were able to rotate around the room and hear the different discussions and reasoning behind the offers and counter-offers. A salient view of the mediation process is how stubborn each of parties can be despite the obvious benefits of settling in this process. This was well evidenced by the fact that the final offer of settlement from the UWs were USD5m from the cyber UWs and USD 26.5m from the Property UWs (bearing in mind that the insured was asking for USD215.5m in damages) which was rejected by the plaintiff.

From the discussions both sides were having, it became apparent that each insurer felt that there was language within their policy wording directly
excluding them from the claim and that the Broker responsible for placing the policies was at fault.

As this case could not be settled at the mediation stage, it was taken to mock trial. The attorneys made their opening cases and then questioned the witnesses in turn. The witnesses performed their parts perfectly under the scrutiny of being in an actual court room with a Judge present!

The stand out point to those watching the events unfold was how easily emails can be misinterpreted, and that it is absolutely essential that brokers fully understand the exact coverage of a given policy and that the UW knows exactly what terms they have given out.

When both sides had cross-examined all the witnesses, the judge was then left to deliberate in a different room. In our case, the judge sided with the property Underwriters as it became apparent that the terms of the cyber policy were broad enough to cover some of the loss. It also became apparent but separate to the case in hand that the broker could have an E&O claim against her due to misunderstanding the coverage of each insurance policy.

This day was an invaluable experience for all participants on the tour as at some point in our careers, we will have to deal with claim situations. It’s a fantastic opportunity to learn the deposition, mediation and trial process as close to the real thing as any of us would like to be!

We are very grateful to Clyde and Co for providing such an excellent learning opportunity and one that they had clearly put so much time and effort in preparing and hosting us for the day, as well as their respective London visits. It is an experience none of us will forget. We will see you in London soon.
Following a couple of action packed days in Boston, we jumped on a plane and headed South to Miami for the fourth and final leg of our trip. From the airport we headed straight to the Florida Marlins Baseball Stadium where we were superbly hosted for the afternoon by S.E.A Limited and The Chartwell Law Offices. Any weary travellers were soon alert and engaged as Paul McCullough (S-E-A) and Nicholas Pasciullo (Chartwell) gave us a fascinating insight into the world of forensic engineering, risk mitigation and claims adjusting.

S-E-A Ltd, is a forensic engineering and fire investigation company that specialises in failure analysis, research and testing. The acronym stands for ‘Scientific Expert Analysis’, and with a vastly experienced team of court-qualified staff, it has been at the forefront of its field for over forty years. Their expertise ranges from mechanical engineering, electrical engineering and civil engineering to fire investigation and environmental and industrial hygiene analysis. With ten offices throughout the US, they operate on a local, national and global platform, to provide independent analysis to support litigation cases. Attorneys, Insurance Companies and Manufacturers all seek their services in an attempt to discover the truth behind a loss generating incident.

Chartwell is a law firm that offers counsel and representation in a wide array of litigation, including insurance and reinsurance coverage, general and professional liability, workplace injury, as well as many more complex issues. Through a number of offices down the East Coast of the US, they are able to take on challenging cases both within the States and throughout the world.

These two firms combined to give us a detailed and interactive introductory lecture on some of the technologies that S-E-A use to assist Insurance Companies in evaluating a claim and the benefits of using such technologies to settle that claim, either in or out of court. The key to making an accurate assessment of what exactly has happened is the preservation of the evidence. They are able to capture environments in near-microscopic detail and convert them into a computer generated visuals for us all to see. There are three elements to the process:

**3-D LASER SCANNING**

The scanners utilise lasers to generate three-dimensional copies of the environment by emitting beams directly into a rotating mirror, whilst rotating 360 degrees themselves. The engineers are then able to measure the length of the infra red waves. Once a successful scan is completed, the scanner is moved to capture another part of the scene.
Animation

Each scene can be stitched together, with the millions of data points being used to generate 3-D models. Colours are overlaid to reconstruct a real life portrayal. Animation can be used to recreate moving events as well, such as a traffic accident. The ability to scan to an accuracy of 2 mm enables them, in this incidence, to map tyre marks, thus determining the exact movements leading up to the incident.

Model Building

They are able to recreate visual aids to communicate the facts surrounding the case. These can be used in court to portray the evidence of a case. Following the talk, a lengthy Q&A session followed, discussing topics such as the cost of implementation of these technologies to the use of drones in loss adjusting. Afterwards we were very fortunate to be invited to have a tour of the stadium, some food and the opportunity to watch, for most of the group for the first time, one of America’s favourite pastimes; baseball. This gave us a wonderful opportunity to meet, get to know and question further many of Paul and Nicholas’ colleagues who had kindly given up their afternoons to spend time with us.
GROTEFELD HOFFMANN AND JACK WARD ASSOCIATES AT THE FLORIDA INTERNATIONAL UNIVERSITY

The day started with the tour members meeting David Evinger and Emily Hennen from Grotefeld Hoffman at the Intercontinental Hotel and taking a coach to The Florida International University. Given their heavy past involvement and enormous support of the Lloyd’s under 30’s Tour the group were very much looking forward to the day ahead.

EXTREME EVENTS INSTITUTE AT FIU

Eric Salna – International Hurricane Research Centre
Dr Richard Olson – Director of Extreme Event Institute
Dr Ioannis Zisis – Assistant Professor at the International Hurricane Research Centre

The IHRC is a multi-disciplinary research and education organization focused on a single mission: to reduce hurricane damage and loss of life through more effective mitigation since 1996. As a University entity, the IHRC conducts both basic and applied research. The IHRC research tries to answer fundamental questions in order to reduce the hurricane threat.

Dr Olson, Mr Salna and Dr Zisis very kindly spent some time with the group discussing CAT events and shared past experiences and knowledge regarding hurricanes in the State of Florida. This culminated in a Q & A with the Lloyd’s under 30’s tour group. Key points were:

- Vulnerability reduction is the key to mitigating a CAT loss
- Storm surge and flooding are the key risks in a hurricane. 80% of deaths are due to these perils.

- The population in Florida are not prepared for the risk a hurricane will bring due to the lack of activity in recent years. It was estimated that only 30% are properly prepared. As Hurricane Andrew was the last major hurricane to make land fall in Florida most people either weren’t old enough to appreciate the seriousness of the event or have lost appreciation over time.
- People rely on Codes too much without considering how up to date and how strict compliance rules are. It is also very tough getting private companies to comply.
- Florida is the 11th highest region for property values exposed to hurricane in the world

Dr Zisis then told the group about a public hurricane loss model which was created in 2001. It is available to insurers but has been used over 750 times by the State. 24 professors and experts have been consulted to ensure its integrity using a multidisciplined system which allows for more accuracy whilst mitigating swings in premium. It also allows scenario analysis for live events and the modelling of various loss mitigation factors. It centres around 3 main components being hazard, vulnerability and Insured loss cost.

Eric Salna then accompanied us for a tour of the Wall of Wind Research Facility

WALL OF WIND

The WOW is an open-circuit wind tunnel. The open jet characteristic allows WOW to test up to failure without worrying about flying debris recirculating into the fan system. It is capable of simulating a Category 5 hurricane (160mph) and is the largest and most powerful university research facility of its kind. It is used by both FIU and is also rented out for external use in hurricane research.
Wall of Wind uses 12 electric fans, each capable of producing a maximum flow of 240,000 CFM at 700 HP, for a combined flow of 2,880,000 CFM at 8000 HP. The WOW is an open return, subsonic wind tunnel facility. The system is a blower type, with 12 fans located at the intake section in an arc-focal arrangement. The fans push air into a contraction chamber that increases the wind speed and smoothes out the speed variations. The flow then travels through a set of triangular spires and floor roughness elements that generate turbulence and boundary layer characteristics.

The WOW was designed to model the turbulent characteristics of the bottommost layer of the atmosphere known as the atmospheric boundary layer (ABL). Matching these characteristics for wind engineering purposes is important due to the fact that most of manmade structures are located within this layer of the atmosphere. After the wind flows through the contraction, it is conditioned by flow management devices that give it desired velocity profiles and turbulence characteristics.

ABL characteristics vary with the conditions of the terrain considered. Three different types of terrain will affect shape and thickness of the boundary layer: open terrain, suburban and urban areas and flat unobstructed areas.

Jack Ward
Joseph Toscano – Senior Fire Consultant
David Cheers – Fields Operations Manager

Jack Ward are a fire and explosion consultancy company from Florida consisting of 22 employees. They regularly deal with Lloyds and also have...
expertise on Natural Catastrophe losses. They summarised their activities in loss consultation in the following points.

• To determine cause
• Identify and co-ordinate assets
• Control costs
• Protect all parties interested
• Provide validated and reliable options

They have managed to build their success on the following principles:

• Retaining appropriate expertise
• Pride in collection and preservation of data
• Not just investigating but managing events

**GROTEFELD HOFFMAN**

David Evinger – Partner at the Minneapolis, MN office
Emily Hennen – Associate at the Minneapolis, MN office
Bill Hoffman – Founding Partner at the Geneva, IL office
John Schleiter – Partner at the Chicago, IL office
Brad Gordon – Managing Partner at the Chicago, IL office
Lindsay Dansdill – Partner at the Chicago, IL office
Anooj Thakrar – Partner at the Chicago, IL office
Mike Scola – Associate at the Geneva, IL office
Amy Hammond – Associate at the San Francisco, CA office
Sally Noma – Associate at the San Francisco, CA office
Dan Berglund – Partner at the Minneapolis, MN office

Grotefeld Hoffmann are a young and dynamic national law firm. They represent Fortune 100 businesses and insurance companies throughout the country in the areas of property insurance and subrogation, catastrophic loss litigation, mass tort litigation, insurance coverage, insurance defence and arson/fraud investigation, corporate litigation and other civil matters. Their firm is headquartered in Chicago, IL with additional offices located in Geneva, IL, Palm Beach Gardens, FL and San Francisco, CA. Over the years they have handled cases resulting from natural or catastrophic losses including representing clients who were victims of Hurricanes Katrina and Wilma; the Chicago Flood, the Northridge Earthquake and California and Montana wildfires.

In the brief time left before our coach collected us Grotefeld Hoffman run through some of the key issues when it comes to subrogation in natural catastrophe losses. These were:

• Lack of pipeline inspection
• Wildfires – Trees entangles in pipelines
• Windstorm – Incorrect fasteners used
• 85mph is the minimum wind speed resistance standard in the USA

They also highlighted the key principles in their line of work being:

• A case is only as good as the experts working on it
• Protection of evidence is key
• Persistence pays off

The Group then boarded the coach back to the hotel and a dinner that Grotefeld Hoffman had very kindly laid on for them. They would like to convey their deepest thanks to all involved in the day and especially Grotefeld Hoffman whose hospitality and company was very warmly received and enjoyed. Before the trip they had been told of their involvement in previous trips and the time and expense they spend to be a part of them. All these positive comments were true and more so. We can not thank them enough for their loyalty, support and passion that keeps the Under 30s Tours going year after year.

David kindly gave a small speech which highlighted the importance of this tour and how the relationships formed were to stand them in good stead for the rest of their lives. The tour would like to thank David again for the kind words he said and look forward to many more successful tours in the years to come.
Thursday Report THB/AMWINS

THB International, Inc. – Miami, US

Friday 22nd May 2015

Hosted By:
Ron Benedit
Carlos Collazo
Scott Wilson

On Friday 22nd May we were very fortunate to attend a lunch hosted by Ron Benedit, Carlos Collazo and Scott Wilson from THB International. They provided us with information on their day-to-day role within their respective markets, with Scott Wilson working on Caribbean business and Carlos Collazo giving us an insight in to the Latin American market place. We were provided with an introduction into their respective roles with a focus on business production and marketing. As the majority of the tourists work predominantly on US business, it was fascinating to learn more about the market conditions of these catastrophe exposed regions. Ron Benedit then gave us an overview of the corporate structure of THB and their parent company AmWINS which completed the acquisition of THB in 2012.

AmWINS

We learnt that AmWINS group, Inc. has been a leading wholesale insurance company ever since its formation in 1998. Headquartered in Charlotte, North Carolina, AmWINS now comprises of 98 offices across 17 countries. The Firm has expertise across the following areas: Property, Casualty and Group Benefit Products. AmWINS is made up of over 30 wholesale brokerages, underwriting and group benefit operations that have been acquired over the last 12 years. With more than USD10 Billion in premium placed into the market, AmWINS now receives over 675,000 submissions a year. We were informed how AmWINS is broken up in to 4 key divisions:

Brokerage Division: The brokerage division focuses on placing commercial risks within the Excess & Surplus (E&S) Insurance market. Its expertise lies within property, casualty and financial services products.

Underwriting Division: AmWINS Underwriting is made up of 11 Managing General Agents (MGA’s) specialising in niche property and casualty insurance programmes. Their MGA’s write and bind insurance for carriers that have given authority to do so.

Access Division: This is AmWINS small business division, which is purely focused on binding authority business.

International Division: AmWINS has an international network with 30 offices across 17 countries that provide full insurance and re-insurance servicing.

THB International

THB is headquartered in London and operates a Lloyds brokering operation which was established in 1968. Over time it has built up a global network, of offices and partnerships, which provide specialist expertise in every continent. THB offers services across the following lines of business:

• Aviation
• Commercial
• Construction and Engineering
• Energy
• Equine/Bloodstock and Livestock
• Financial Institutions/Crime
• Liability
• Life Accident and Health
• Marine
• Motor Fleet
• Professional Risks
• Property & Catastrophe
• Risk Management
• Transportation
• Treaty
The Miami Office

THB’s Miami operation was established in 2008 and focuses primarily on the development of Property, Casualty, Construction and Energy/utility business within the US, the Caribbean and Central America. We learnt of the close relationship they have with their London office with many of their risks containing Lloyd’s capacity. It was interesting to learn how the lack of windstorm activity within the region over the last few years has resulted in an influx of capacity within the Miami market. This has resulted in softening market conditions and they are therefore obtaining significant rate reductions and increased limits on all new and renewal business.

The Lloyds Under 30’s would like to thank THB for hosting us at Nicki Beach, which was an absolutely fantastic venue. Taking the time to sit down with us and gaining an insight into the Latin American and the Caribbean market was a truly valuable experience which was very much appreciated by all.
Executive Summary

London Underwriters LLC “LU” is part of the Major American Marketing International Co., (M.A.M.I.), based in Florida USA. The M.A.M.I. group was established in 1959, and has over 50 years of experience in the Latin American market soliciting, underwriting, administering, and providing U.S. style Major Medical benefits. Being one of the earlier entrants into the international market, M.A.M.I. has acquired an inherent understanding of the consumption habits and use of health insurance by this group both in their country of origin and abroad.

Throughout its relatively long history, M.A.M.I. has always kept a long term mentality. This specifically means targeting long term profitable risk rather than largely unprofitable but grander market share. As their diverse programs expand at a controlled rate, the number one focus will be on minimizing risk. This is due to the fact that the M.A.M.I. group is now a third generation operation and intends to continue for many generations to come. Furthermore they have maintained a book of business consisting of first, second, and third generation insured’s, and they continue to look for the most favourable risks in the market that will meet their strict underwriting guidelines and philosophy.

M.A.M.I. Group

The M.A.M.I. group consists of three significant entities, which perform very different roles:

- **Miami Insurance Brokers “MIB”** was established in 2008. It is responsible for the retail distribution of Personal and Commercial Lines products in Florida to existing M.A.M.I. clients and newly grown organic clientele, whom are not currently on the international major medical program.

- **Miami Specialty Risk** was established in 2013, and is the Lloyd’s approved Coverholder who acts as the MGA for the group. It brings in both binding authorities and underwriting expertise to the risk issuance for US and Latin American A&H, Property, Marine and Casualty Products.

- **London Underwriters LLC “LU”** was started in 2010 and is the wholesale broker distribution arm of the organization. It is responsible for broking diverse property, casualty, motor, and marine to a retail network of over 600 and growing Florida, Texas, CA and Mid-West agents.

Distribution

As we discovered in the meeting, the purpose of having distinctly separate retail and wholesale units within the M.A.M.I. group is to gain access to and focus on different distribution channels.

Miami Insurance Brokers currently have four offices in South Florida, and in 2014 wrote an excess of $20,000,000 in earned Florida premium between their personal and commercial lines. The expected sales for 2015 are upwards of $25,000,000 with the additional premium being brought in via diverse planned acquisitions.

The London Underwriters currently operate from Aventura and service a retail organisation of over 600 agents in Florida, Texas, California and the...
Mid West. In 2014 the London Underwriters wrote excess of $10,000,000 in direct premium and have an expected growth of 40% for 2015. This will be achieved through the development of key relationships, particularly with strategic producers throughout the US.

**SUMMARY**

Dany and the team clearly demonstrated a strong business model and the scope to expand in the future. They not only emphasised the importance of the Lloyd’s market within their business but also the increasing significance of the market within Miami.

Over years of hard work Dany and the team have built strong foundations within the London market and are subsequently utilising Brokers and Underwriters from the tour to place business into the London Market. This was London Underwriter’s first time hosting the Under 30s but we hope this was the first of many. We would like to thank Dany and London Underwriter’s for and for showing us the very best of Miami and for the memories that will stay with us for the remainder our of careers. We are very grateful for their loyalty and presence within Lloyds and we look forward to catching up in November.
The Lloyd’s Under 30’s Study trip could not happen without the hard work from its many supporters and their companies. From management sign off to give each tourist the opportunity to experience these career building events to those company liaisons going that extra mile to host and organise informative lecture, workshops and field trips. We are greatly thankful for all the effort and the true friendships made on this 2015 trip. We hope to continue the associations and build upon them for the next Lloyd’s Under 30’s Trip in 2017 to the West Coast of North America.

For further information regarding the Lloyds Under 30’s and upcoming tours please visit the website; 
http://www.lloydsunder30s.co.uk/

Elizabeth Dexter (Liberty Specialty Markets) & Krystina Wallis (Ambris Brokers)  
2015 Study Tour Leaders and all the Lloyd’s Under 30’s Tourists