

Specialty reinsurance at Lloyd's sees double-digit growth in 2021

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Gross written premium overall for 2021 in specialty reinsurance in the Lloyd's market was £2,512m (2020: £2,211m), an increase of 13.6% year on year, Lloyd's has said in its 2021 annual report.

Specialty Marine reinsurance is the largest sector of the Lloyd's specialty reinsurance business, followed by energy and aviation.

Gross written premium by sector within this specialty business was:

- Marine, Aviation and Transport £1,782m (2020: £1,506m)
- Energy £655m (2020: £702m)
- Life £75m (2020: £3m).

The Lloyd's reinsurance specialty line reported an accident year ratio of 80.9% (2020: 101.1%). Both marine and aviation lines saw considerable improvement in market conditions in 2021 as a result of increasing pricing levels and remediated terms, Lloyd's said, adding that "in lieu of that, an increase in appetite and capacity within Lloyd's has been noted".

Concurrently, claims inflation had been observed, with unexpectedly large claim rewards emanating out of the US. and losses susceptible to increased salvors costs. All energy lines also achieved an increase in pricing levels in 2021 and capacity remained sufficient in the line, to the benefit of the growing renewables market.

Marine reinsurance saw mixed claims experience on prior years, with favourable movements within this line of business for Typhoon Jebi (2018) and Hurricane Sandy (2011), offset by deteriorations on Hurricane Irma (2017).

Looking ahead in the specialty reinsurance sector, Lloyd's said that a continuation of positive pricing levels was anticipated in all lines, "albeit not to the extent achieved in recent years".

Lloyd's said that "green initiatives within marine such as the Poseidon Principles will lead to greater emphasis on sustainable shipping".

With respect to energy, the capacity for traditional oil and gas exposures was expected to remain stable, while some writers' appetites and go-forward portfolios might be impacted by ESG strategies and a clients energy transition outlook in regard to particular exposures.

Opportunity to write sustainable energy exposures is expected to be plentiful given the anticipated investment in wind, solar and battery farms globally.