International Business Day

MS Amlin (Lloyd’s)

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Self introduction

- Previous MSI positions include Chairman of both MS AUL and MSIEU before taking the CEO role.
- Founder of Augustus Specialty LLC (USA) focused on acquiring and managing MGAs in the US market & partner with Apollo Global Asset Management
- CEO of Chaucer Syndicates (then owned by Hanover Insurance Group)
- 16 Years with AIG International
  - Africa 1997-2000
  - Europe 2000 - 2003
  - Japan & Korea 2003 - 2009
  - USA & Latin America 2010 - 2013
Executive team changes

Martyn Rodden
Director of Strategy & Transformation

Andrew Carrier
Chief Underwriting Officer - NEW

Louise Musgrove
Chief People Officer – Group Transfer

Phil Green
Chief Financial Officer

Alberto Verga
Chief Operating Officer

Fred Foreman
Chief Legal Counsel – Group Transfer

Vishal Desai
Chief Risk Officer - NEW

Martin Burke
Director of Underwriting Performance – Group Transfer
AUL & Lloyd’s Strengths

• MS Amlin AUL’s strengths include:
  • Brand recognition,
  • Quality of service to brokers and policyholders,
  • Size and market presence (scale)
  • Claims and UW skills
  • Significant cost management applied

• Significant work has been done in the last three years that has transformed the portfolio. Visible improvements can be seen. (Ref. slide 8).

• Lloyd’s market remains a specialty, high complex and high value insurer. Currently, due to COVID, subject to process efficiency, electronic placement that should lead to lower operational costs.

• Lloyd’s writes 40% of the Excess lines produced in the US
Current Portfolio & 2021 changes

☑️ ORGANIC GROWTH STRATEGY
• Reduce volatility from all Natural CAT events.
• Grow the non-Cat exposed parts of the portfolio to reduce the volatility.
• Improve risk selection and take advantage of the rate improvements.
• Portfolio mix to our appetite and not on what brokers show us.
• Improve the efficacy of the reinsurance purchased. 2021 changes.
• New team to deliver profit through loss ratio and expense improvement

☑️ ADDITIONAL GROWTH STRATEGY
• Target US Based Specialty MGAs
MS&AD Insurance Group Holdings, Inc.

AUL Combined Strategy

- **2021**
  - Q1: Iterate
  - Q2: Performance Targets
  - Q3: Aspirations & Direction
  - Q4: Market Conditions

- **2022**
  - Q1: Performace Targets
  - Q2: Aspirations & Direction
  - Q3: Market Conditions
  - Q4: Financial Assessment

- **2025**
  - Q1: Performance Targets
  - Q2: Aspirations & Direction
  - Q3: Market Conditions
  - Q4: Initiative Prioritisation

**Growth Strategy**
- Product Development
- New Teams
- M&A

**Portfolio Optimisation**
- Define / target portfolio to optimize capital return
- Retrocession efficacy improve
- Acquisition costs / broker review

**Risk Selection**
- Strengthen price per unit of exposure adequacy
- Investment in pricing tool modernisation
- Increased use of risk selection tools
- Analytical underwriting tools

**Pricing, Modelling & Analytics**
- Achieve YOA 97% Net CoR on GWP £1.5Bn
- GWP growth of up to 12%
- Strengthened UW systems, tools & processes

**Strategic Investment**
- MGA Initiatives (M&A)

**Organic**
- Assess further opportunities for 2023 and beyond
- Reassess underwriting strategy beyond 2023

- Performance Targets
- Aspirations & Direction
- Market Conditions
- Financial Assessment
- Initiative Prioritisation
Organic Growth

- Expand Quality Underwriting
  - Better risk selection
  - Adequate pricing
  - Higher Gross margin
- Product Development to enhance current products with adjacent products
- Build / Acquire New Teams with additional UW and management skills
- More efficient Outwards Reinsurance applied in 2021 and further improvements in 2022
Current Portfolio 2021 projections

*Binders – Producers with binding authority, reflect mostly Property risks impacted by small Cat events
Strategic Investments - Targets

Acquire majority ownership in Specialty MGAs / related parties and assist in UW niche segments. Three Tier target – MGAs, Wholesalers & Fronting Cos

1. MGA Targets
   - Established MGAs with a track record, Non-risk income and an ability to move their existing portfolio to AUL.
   - New MGAs as an incubator with high potential and unique criteria

2. Wholesalers Targets
   - Aggregators of Class or segments that diversifies risk and drives a lower LR

3. Fronting Company
   - Natural access to paper for both the above.
   - Diversified sources and not concentrations.
   - First right of refusal on all business.
Short circuit capital to risk

17% - 22% Savings & control over UW
MGA Characteristics

• Exist due to opportunities in the market
  • Merger of large carrier
  • Acquisition of companies (Brokers and MGAs)
  (i.e. covers niche areas where large insurers will not participate)
• By nature focused on single skills and sectors
• Use their own products and Underwriting skills not just broking
• Focused on Loss adjusting as high quality business results in further Profit Commission income
Size of opportunity

MGA Premium Growth Over Time ($bn)

MGA Type of Coverage Offered

- General Liability/Other Liability: 20%
- Auto Liability/Physical Damage: 18%
- Homeowners: 12%
- Commercial Auto: 12%
- Inland Marine/Ocean Marine: 9%
- Workers’ Compensation: 7%
- All Lines: 7%
- Property: 7%
- Fire & Allied: 5%
- Commercial Lines: 5%
- CMP: 5%
- Other Lines: 4%

Source: Conning
(a) Business breakdown by number of lines of business offered, not premium dollars.
(b) CMP = Commercial Multiple Peril for Corporate and SME
**Expected outcome**

- Better loss ratios as a result of direct contribution to underwriting skills
- Outgrowing the Natural Catastrophe volatility with non-CAT exposed business
- Significant reduction in acquisition costs by owning the MGA/Wholesaler
- Expected medium term growth of £1 billion with combination of Organic Growth and MGA Initiatives resulting in a targeted Combined Ratio of 95 – 97%
- No. 1 Syndicate in growth of new business at Lloyd’s over 5 years
- This can only be delivered by executing both the strategies discussed today