



Talisman Report January 2018

2017 was a year of two halves. The first half saw the challenging trading conditions (similar to those of 2016) continue in the Market. During the second half, the Market encountered a series of natural disasters that will make the year one of the costliest on record for the insurance market. Lloyd's has already paid out almost US\$2billion in claims for the hurricane losses.

As expected, rates for insurance and reinsurance are moving upwards, particularly in risk affected areas, although not by as much as underwriters would like. It is anticipated that, as the Market moves through the important April, June and July renewals, further improvement will occur.

Capital remains in abundance and, all the while interest rates remain low, is attracted to the returns that this industry can provide and shareholders of Talisman have enjoyed. The 2015 year of account continues to develop satisfactorily and we expect to have a profit in the region of 8% of capacity. The 2016 year will be affected by claims occurring in 2017 but attaching to policies incepting in that year. We continue to forecast that Talisman will have a profitable outcome.

Managing agents will provide their first estimates at the end of May for the 2017 account and I would anticipate them displaying caution and providing their figures in a wide range, given that many policies do not come off risk until later in the year. Current data would suggest the year closing with a loss of between 5% and 10% of capacity.

Following the hurricanes Harvey, Irma and Maria, Lloyd's had to recapitalise the Market and approximately £3 billion of additional capital was provided by members to come into line last year. Talisman had to add over £2m into its Funds at Lloyd's hence the need to defer the second dividend on the 2014 account.

The Directors of Talisman endeavour to manage the capital and cash flow of the Company so that it can react to such situations which are a fundamental part of our business. Talisman's premium limit has fallen slightly from £23m to £22m for 2018 but the proportion of "A" and "B" rated syndicates has risen to over 93%.

On Brexit, Lloyd's continues to move ahead with its plans to establish a Lloyd's subsidiary in Brussels which will provide access to Lloyd's for brokers and customers after the UK leaves the EU. The application is currently with the Belgium regulator and the new company should be in place to accept business incepting from 1 January 2019.

Lloyd's centrally is focussed on six strategic priorities to make it easier and more attractive for businesses to come to Lloyd's: reduce the expense ratio and costs; streamline market oversight and embrace innovation, technological developments and the use of data to improve the efficiency of the Market. Talisman should benefit from these efforts to modernise the Market by the delivery of enhanced cost efficiencies and opportunities.

2018 is going to be a busy and demanding year and there will be challenges ahead. As ever, good syndicate selection has served us well and we continue to only support those in whom we have sufficient confidence to manage their businesses to the benefit of our shareholders. Further comment on all the above points will be in our mid-year report.