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Investors In Lloyd's Insurance Market Achieved Strong Profit

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Hampden Agencies, the advisor to private investors in Lloyd's, the UK insurance market, said its latest published data shows a record average profit for HAL members of 26.3 per cent on capacity, representing an average return on funds invested at Lloyd's of 65.8 per cent, WealthBriefing can exclusively report.

The data was produced with the closing of the 2006 account, the latest period for which such data is available.

HAL clients underwrite more than £1 billion of underwriting capacity for 2009, the firm said in a statement sent to WealthBriefing.

Accounts for 2007 are forecast to produce an average profit for HAL Members of 12.4 per cent on capacity. This forecast has improved by 1.2 percentage points in the last quarter and represents a forecast 31 per cent return on funds at Lloyd's. Some 57 per cent of syndicates, by capacity, supported by HAL have published their first 2008 forecast. The average forecast for these syndicates is a profit on capacity of 6.9 per cent, although this year is still very immature.

The figures suggest that such Lloyd's syndicates, which in the late 1980s and subsequent decade suffered poor fortunes amid a slew of heavy payouts, have recovered profitability to become one of the bright spots of the London financial market.

"In recent months, the financial press has highlighted the strength of the Lloyd's Market and its continued profits. At a time when many investments are suffering, Lloyd's is particularly attractive to high net worth individuals searching for alternative asset classes," the statement said.

The Lloyd's market closes a year of account, or the year during which a risk is allocated and to which all premiums and claims in respect of that risk are attributed, at the end of 36 months. This allows time for any claims to be settled. Consequently, Hampden reports on a three year basis, providing forecasts for individual years of account until the three years have elapsed, the year of account is closed, and any returns can be distributed to Members.

“Lloyd’s has low correlation with other asset classes and therefore offers an opportunity for diversification within a wealth portfolio, with the potential for significant profits over the insurance cycle. All new Members now join with limited liability, restricting potential losses, and there are tax and estate planning benefits,” it said.

Existing assets (including cash, shares, letters of credit, or bank guarantees) can be used to support underwriting at Lloyd’s, enabling Members to make double use of these assets, from which they can continue to derive income or capital growth.