NAVIGATING SUCCESS IN THE LLOYD'S MARKET: LESSONS LEARNED AS HELIOS' PORTFOLIO MANAGER

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Managing the Helios portfolio over the past 12 months has been a journey of growth, adaptation and continuous learning. The (re)insurance landscape is ever-changing, and navigating through its complexities has provided precious lessons that shaped not only our portfolio's strategy but also my approach as a portfolio manager.

This article summarises the key insights I gained along the way, highlighting the strategies that helped Helios achieve remarkable growth, maintain resilience and adapt to the evolving challenges of the Lloyd's market.

The Importance of Active Management

The most significant lesson from the past year has been the value of active portfolio management. Between 2022 and 2024, Helios' portfolio grew from £245m to £512m - a significant achievement driven by continuous strategy evaluation, adjustment and refinement. This active approach led to reduced natural catastrophe exposure for our 2023 year of account and increased diversification in 2024. Looking ahead to 2025, the Helios portfolio has undergone significant rebalancing, with refined risk appetites across individual syndicates, classes of business, and syndicate maturity levels.

As of 20 November 2024, Helios' planned gross capacity for 2025 is £484m. The reduction in capacity was driven by the sale of £37.8m and purchase of £5.8m of capacity in the 2024 auctions. The 2025 portfolio projects strong profitability, with an estimated Gross Written Premium of £561m and a forecasted Net Combined Ratio of 88.8%. This performance outlook translates to a projected Return on Capacity of 13.3%.

Helios' 2025 portfolio showcases a mature and diverse syndicate composition. With 82% of Gross Written Premium contributed by established syndicates (increasing from 62% in 2024) and 18% from younger syndicates, Helios strikes a balance between stability and growth potential.

The Power of Diversification

As a trained and qualified actuary, I have always known the benefit of diversification but my experience in Helios has further showcased the power of diversification for a portfolio. Diversification is not just about spreading risk – it is about enabling growth and stability. Helios' decision to expand its allocation across a broader mix of syndicates was not merely reactive but strategic. For example, in 2024, we increased our exposure in Australia and Africa, the regions which Lloyd's have so far had limited access to, especially for profitable SME risks.

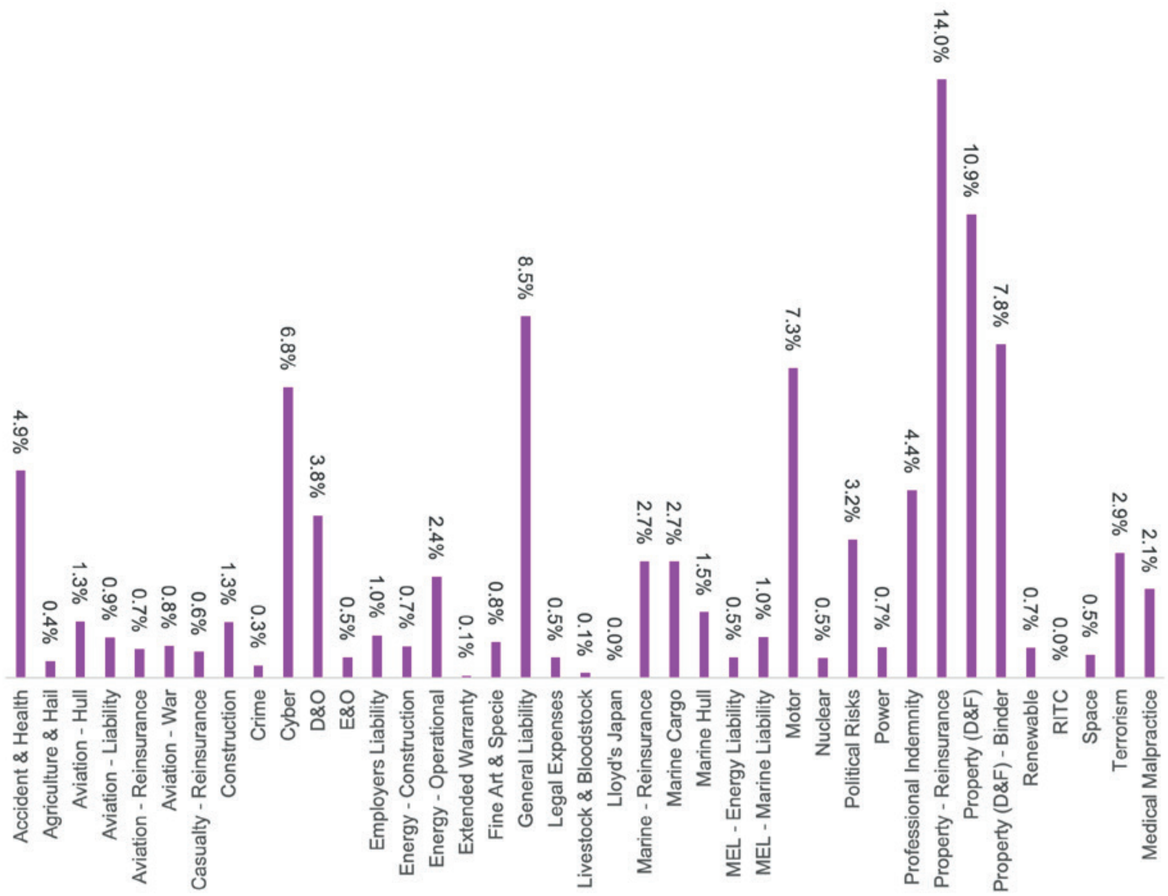
This strategic rebalancing allowed us to enhance capital efficiency, achieve an ECA per capacity of 36% by 2024.

Reactive to Market Cycles

The Lloyd's market is cyclical, and adapting to its highs and lows is crucial. The market reached its peak when I joined Helios in 2023, delivering stellar financial performance. 2024 continued this strong trajectory, with Lloyd's reporting pre-tax profits of £4.9bn in the first half of 2024, up from £3.9bn the previous year. However, the collapse of the Baltimore Bridge and Hurricanes Helene and Milton brought uncertainties. These events reinforced that we must not only react to market changes but anticipate them. Due to our strategic reduction in natural catastrophe exposure in 2023 and increased diversification in 2024, we expect Helios to withstand these events and deliver solid financial results in 2024.

The 2025 (re)insurance market presented both challenges and opportunities. Many classes reached an inflection point, with some softening while others showed robust growth potential. However, pricing adequacy remains generally strong, as most classes have experienced

Figure 1: Helios 2025 Forecasted GWP by Classes of Business



SOURCE: HELIOS

compounded rate rises over the last few years through the Decile 10 initiatives implemented by Lloyd's.

Within Helios' portfolio, smaller syndicates with capacities under £50m are projected to grow substantially in 2025, with a weighted average pre-emption rate of 50%. Mid-sized syndicates, with capacities between £100m and £250m, are forecasted to achieve an impressive growth rate of 54%. In contrast, large syndicates showed limited growth or slight reductions, reflecting a more mature stage in their lifecycle.

As a portfolio manager, identifying and seizing opportunities required constant market analysis and collaboration with syndicates. By closely monitoring rate adequacy and market conditions, we adjusted allocations, reducing our exposure to US Casualty, which has faced reserve deterioration due to increased court awards, and focusing on Property Reinsurance, which benefited from significant compounded rate increases and improved terms.

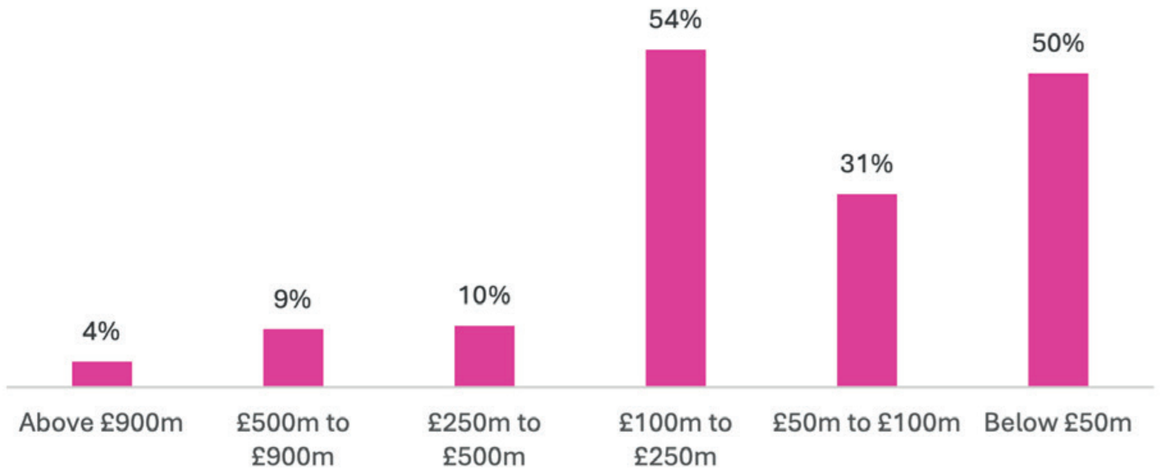
Learning from Market Leaders

One of the privileges of managing a portfolio in the Lloyd's market is the opportunity to work with some of the best underwriters and syndicates in the industry. Collaboration with these partners has been instrumental in refining Helios' strategy and understanding market opportunities and challenges.

For example, nearly half of our 2025 portfolio consists of syndicates in the first and second quartiles based on 2023 GAAP results. This alignment with top-performing syndicates has not only enhanced our profitability but also provided a wealth of insights into what drives success in the Lloyd's market.

I have learned that leveraging the expertise of market leaders is invaluable. It is not just about allocating capacity

Figure 2: Average 2025 Pre-emption



to high-performing syndicates - it is about building relationships, sharing knowledge, and continuously learning from those at the forefront of the industry.

Risk Management is a Constant Priority

Effective risk management has been a central theme in Helios. From managing catastrophe exposure to responding to market shifts, every decision has been guided by a commitment to balancing risk and return.

One key insight I have gained is that risk management is not about avoiding risks altogether - it is about understanding them deeply and making informed decisions. For example, while natural catastrophe exposure slightly increased in our 2025 portfolio due to the decision to back some of the most profitable property reinsurers, this was offset by reductions in Cyber and US Casualty allocations.

The lesson here is simple: risk management is an ongoing process that requires constant vigilance, robust analysis, and the flexibility to adapt.

Embracing Innovation in a Traditional Market

While Lloyd's is steeped in tradition, the market is also evolving with new technologies and data-driven insights. Over the last few years, I have seen how embracing innovation - whether through advanced analytics for risk assessment or the use of machine learning and AI for data ingestion and risk triaging - can enhance underwriting performance.

In fact, the Lloyd's Market Association's (LMA) November 2024 report, "The Growth of Enhanced Underwriting in the Lloyd's Market: The New Normal?", highlights the increasing adoption of portfolio trackers and algorithmic underwriting models within the Lloyd's market. These models, defined as Enhanced Underwriting by the LMA, use data and digital technologies to improve underwriting decisions and streamline processes. The LMA's research indicates a consensus among market participants that Enhanced Underwriting is expected to grow significantly over the next decade, signalling a major shift in underwriting practices within the Lloyd's market. We have seen evidence of this shift within the Helios portfolio, with established syndicates starting new lines of business specialising in augmented underwriting and/or portfolio solutions. In fact, 17% of the Helios portfolio is contributed by follow-only syndicates, positioning Helios well to benefit from this market shift.

At Helios, we constantly seek new data sources, from market and risk trends to real-time hurricane data, to gather insights about the market and individual syndicates. We have also developed automation models that allow our portfolio team to quickly consolidate financial information from every syndicate. This enables us to understand the impact on Helios promptly, informing our decisions and actions.

The key lesson? The market is changing with the adoption of technology and the increased market share of smart follow underwriting. Innovation and tradition can coexist. By integrating modern tools and practices into a traditional framework, portfolio managers can unlock new opportunities, increase efficiency and improve results.

Looking Ahead

As we enter 2025, the (re)insurance market continues to present both challenges and opportunities. With a forecasted Return on Capacity of 13.3% and a highly diversified portfolio, Helios is well-positioned for continued success.

Helios' journey from 2022 to 2025 has highlighted the critical role of diversification, proactive risk management, and strong collaboration. It has also emphasised the importance of active portfolio oversight and innovation in navigating the complexities of the Lloyd's market.

As I reflect on this journey, I am grateful for the opportunity to contribute to Helios' success and to learn from the challenges along the way. These lessons will undoubtedly guide me in the years to come, as we continue to build a resilient and robust portfolio that delivers value to our stakeholders.

Helios Underwriting plc is the only publicly listed investment company providing investors with growth and returns through exposure to Lloyd's of London, achieved via an actively managed portfolio of diversified syndicate capacities. For information on Helios Underwriting plc please visit our website: www.huwplc.com

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