Wealth
Management

An introduction to investing at Lloyd's of London

via LGT Wealth Management

Forward-looking
for generations

Investing at Lloyd's of London

With our client-centric approach to wealth management, our aim has always been to positively challenge the status quo in our industry. We offer a truly bespoke, transparent, whole-of-market service and always strive to exceed client expectations.

We have been working closely with Members of Lloyd's since the founding of our UK business in 2008. We look forward to continuing this tradition as an approved broker of Lloyd's of London with both new clients and the hundreds of Members we already work with.

How does investing in the Lloyd's of London market work?

Today, Lloyd's of London is backed by a variety of capital providers to underwrite insurance:

- private individuals (known as Names)
- corporate capital
- the Central Fund at Lloyd's, an approximately GBP 3 billion backstop funded by its underwriting members, designed to protect policyholders against major industry loss events.

In return for providing capital to the syndicates, a Name will receive a share of profits accrued by the business underwritten by the syndicates. The downside is that, in years where losses are posted, the Name will be called to pay their share of these.

What is the attraction for investors who trade at Lloyd's?

Lloyd's of London is the world's largest specialist insurance market. Historically, Lloyd's has paid all valid claims and continues to do so today.

The main attraction is the double use of assets in uncorrelated asset classes. That is, you can invest your Funds at Lloyd's (FAL) into an investment portfolio, giving you exposure to investment returns as well as exposure to the return of Lloyd's. As with anything, there is a risk/reward trade-off and this two-tiered exposure to the upside can also lead to a two-tiered exposure on the downside.

Because of this extra level of risk, it is generally recommended that FAL portfolios should be professionally invested by a wealth manager and not have a higher risk level than medium.

What are Lloyd's 'syndicates' and what is 'capacity'?

Names (i.e., individuals) support 'syndicates' (formed by one or more members joining together to pool capital and accept insurance risks as a collective), which allows them to build a diversified portfolio of insurance risks. Each syndicate (of which there are 91[1] in total) has its own specialism and expertise and transacts on behalf of its capital providers in investment cycles of one year. Generally GBP 1 of capital can support GBP 2 of premium.

Each syndicate vast majority of which are composite and write a diversified book will have a maximum that they can underwrite in any given year, which is known in the business as 'capacity'.

Benefits of using LGT Wealth Management to invest Funds at Lloyd's

All Members must now appoint an approved broker to invest at Lloyd's, and LGT is one of the select firms able to do this business.

The services that we offer to Names at Lloyd's are:

- discretionary investment management
- execution only services
- wealth planning
- tax reporting
- estate planning

[1] As at 31 December 2023

Are there tax benefits to investing at Lloyd's of London?

Simon Allister, Head of Wealth Planning, says, "Lloyd's can be an interesting vehicle for estate planning, as any long-term interest should qualify for Business Relief, which means it falls outside of your estate for inheritance tax purposes." There may be other tax benefits, depending on how the Funds at Lloyd's are structured.

> **"Lloyd's can be an interesting vehicle for estate planning, as any long-term interest should qualify for Business Relief, which means it falls outside of your estate for inheritance tax purposes.**
>
> Simon Allister, Head of Wealth Planning

An effective wealth planning strategy

For clients who are interested in diversifying their investments and potentially mitigating inheritance tax liabilities on their estate, investing at Lloyd's of London is an interesting proposition. "Lloyd's has changed enormously since the fallout of the asbestos crisis in the Eighties," says Andrew Palmer. "The barriers to entry are much higher than they were, the risk controls are much better and the exposure of private individuals has, correctly, been limited. For the right client, the uncorrelated nature of returns between the insurance market and traditional asset classes which are held in their Funds at Lloyd's is appealing."

Are there barriers to entry?

It is recommended that clients should have a minimum of around GBP 7 million of liquid assets and, because of the associated risks, should underwrite no more than 10-15% of their total wealth. It is also worth noting that, for new Members of Lloyd's, there is no longer 'unlimited liability', meaning that losses are capped within the limited liability vehicle and therefore you can lose no more than the amount of capital invested in Lloyds.

For example, if you wanted to underwrite GBP 1 million of premiums, we would advise that you had liquid assets of at least GBP 10 million. Your syndicate capacity would cost GBP 300-400k, depending on the syndicates, and your Funds at Lloyd's need to be around GBP 350-450k.

In many cases, capacity gives you the freehold rights on a syndicate. Historically, capacity values have generated good returns for Names, although values have risen recently. Lloyd's has a three-year accounting model which means only private individuals who are willing to trade at Lloyds for a period of more than three years or more should consider becoming a Name.

How can an individual become a member of Lloyd's of London?

All private individuals at Lloyd's of London engage the services of a Members' Agent, who are specialist insurance investment advisers. There are currently three Members' Agents: Alpha Insurance Analysts, Argenta Private Capital and Hampden. It is their role to help the Name select an appropriate portfolio of insurance syndicates to invest in and to monitor these on an ongoing basis. The structures for the investment will be either a limited company or a limited partnership.

Contacts

For further information please contact:

Andrew Palmer
Partner, Investment Manager
Phone +44 (0)20 3207 8334
andrew.palmer@lgt.com

Lucy Gore Langton
Investment Manager
Phone +44 20 3207 8160
lucy.gorelangton@lgt.com

> "Lloyd's has changed enormously since the fallout of the asbestos crisis in the Eighties. The barriers to entry are much higher than they were, the risk controls are much better and the exposure of private individuals has, correctly, been limited. For the right client, the uncorrelated nature of returns between the insurance market and traditional asset classes which are held in their Funds at Lloyd's is appealing.

Simon Allister, Head of Wealth Planning

Imprint

Image credits

Cover : LIECHTENSTEIN. The Princely Collections, Vaduz–Vienna, Donatas Dabravolskas/shutterstock.com
Page 3: unknown
Page 8: ©LGT Wealth Management, Sean Ebsworth Barnes
Page 9: Nomad_Soul/shutterstock.com

Important information

LGT Wealth Management UK LLP is authorised and regulated by the Financial Conduct Authority Registered in England and Wales: OC329392. Registered office: 14 Cornhill, London, EC3V 3NR.

LGT Wealth Management Limited is authorised and regulated by the Financial Conduct Authority. Registered in Scotland number SC317950 at Capital Square, 58 Morrison Street, Edinburgh, EH3 8BP.

LGT Wealth Management Jersey Limited is incorporated in Jersey and is regulated by the Jersey Financial Services Commission in the conduct of Investment Business and Funds Service Business: 102243. Registered office: Sir Walter Raleigh House, 48-50 Esplanade, St Helier, Jersey JE2 3QB.

LGT Wealth Management (CI) Limited is registered in Jersey and is regulated by the Jersey Financial Services Commission: 5769. Registered Office: at IFC1, The Esplanade, St Helier, Jersey, JE1 4BP

LGT Wealth Management US Limited is authorised and regulated by the Financial Conduct Authority and is a Registered Investment Adviser with the US Securities & Exchange Commission ("SEC"). Registered in England and Wales: 06455240. Registered Office: 14 Cornhill, London, EC3V 3NR.

This publication is marketing material. It is for information purposes only. Certain services described herein are not available to retail clients as defined by the FCA or the JFSC, as applicable; please speak to your investment adviser for further clarification in this regard. All services are subject to status and where local regulations permit. The wording contained in this document is not to be construed as an offer, advice, invitation or solicitation to enter into any financial obligation, activity or promotion of any kind. You are recommended to seek advice concerning suitability from your investment adviser. Any information herein is given in good faith, but is subject to change without notice and may not be accurate and complete for your purposes. This document is not intended for distribution to, or use by, any individual or entities in any jurisdiction where such distribution would be contrary to the laws of that jurisdiction or subject any LGT Wealth Management entity to any registration requirements. When we provide investment advice it is on the basis of a restricted approach that is to say, whilst we review and advise on retail investment products from the whole of the investment market.

Investors should be aware that past performance is not an indication of future performance, the value of investments and the income derived from them may fluctuate and you may not receive back the amount you originally invested.

LGT Wealth Management
14 Cornhill, London EC3V 3NR
Phone +44(0)20 3207 8000, info-uk@lgt.com

www.lgtwm.com

00238en 0824