



By **Graham Puddephatt** at Reason Global

# FROM COFFEEHOUSE TO GLOBAL MARKET

**E**arlier this year, Fitch Ratings, one of the largest credit rating agencies in the world, awarded Lloyd's of London a rating of A+, revising its outlook from stable to positive – a rare achievement, given the tough economic climate that continues to face the global insurance market. What makes this even more impressive is that Lloyd's has operated in the insurance market for 325 years.

Lloyd's of London is recognised as a pioneer in marine insurance and, alongside the Institute of London Underwriters, is responsible for developing standardised clauses for the use of marine insurance, which are still in use today.

Considered to be the earliest developed form of insurance, the origins of marine insurance can be traced right back to ancient Greece and Rome, but it is more formally attributable to the 14<sup>th</sup> century, when the powerful European city states controlled much of the world's trade.

By 1574, there were 30 sworn brokers in London who produced policies underwritten by London merchants. London wasn't alone; competition in the 17<sup>th</sup> century came from Antwerp, Amsterdam and Hamburg, and from the early 18<sup>th</sup> century it began to attract substantial international business. In 1719, it was calculated that the City of London's overseas commitments in marine risks – which were underwritten by more than 150 subscribers – amounted to several million pounds a year.

Lloyd's of London was formed in Edward Lloyd's coffee house in 1688, and soon became the place to go to obtain marine insurance. It was here that entrepreneurs would meet to share news, find new business and protect their investments. The diarist Samuel Pepys believed that the news exchanged in the coffeehouses was a more accurate source of information than the admiralty.

As the British Empire grew over the next 200 years, so did the needs of marine insurance. In 1730, Lloyd's began to control shipping insurance, and cover provided during the American revolution of the 1770s, and the Napoleonic wars in the early 1800s, proved how vital marine insurance would become. In 1750 a Quaker businessman started a journal, thought to be the first example

## *Lloyd's of London was formed in Edward Lloyd's coffee house in 1688*

of recognisable underwriting. He records that he visited the Lloyd's coffee house and 'subscribed the book at two guineas a year'.

Lloyd's hasn't always had the excellent reputation it enjoys today. In 1768 it was renowned as a gambling den with underwriters enjoying sky-high profits, largely due to the Seven Years' War. As peacetime returned, the profits dried up, driving underwriters to more speculative risks, such as death by gin drinking and highway robbery. In the following year, a breakaway group of professional underwriters established a new coffee house, causing the old Lloyd's to cease trading, and launching the new Lloyd's market.

Today, Lloyd's has 57 managing agents, 87 syndicates and more than 180 placing brokers, many of whom specialise in particular risk categories. Reason Global is the only Lloyd's of London broker dedicated solely to the moving and storage industries.

In keeping with tradition, business at Lloyd's is still conducted on a face-to-face basis, where specialist brokers meet with niche underwriters, ensuring quick and informed decision-making.

