



TOKIO MARINE
KILN

LAUNCHING AN INNOVATIVE MGA WITH TMK



FOREWORD FROM OUR CHIEF UNDERWRITING OFFICER, VIVEK SYAL

THE ADVANCE OF TECHNOLOGY IS NOW BEYOND WHAT ANYONE COULD HAVE BELIEVED WHEN TOKIO MARINE KILN WAS FOUNDED 60 YEARS AGO.

COMMERCIAL SPACECRAFT, CYBER-CRIME AND AI INSPIRED SUPERCOMPUTERS WERE ALL THEMES IN FUTURISTIC MOVIES — BUT TODAY WE INSURE AGAINST THEIR RISKS.





Tokio Marine Kiln has a long history of innovation, and we are proud to have been credited with numerous market firsts.

We were one of the first few insurers to underwrite the threat of cyber risk in 2003, and we launched the first trade disruption policy in the Lloyd's Market in the 1990s. We have continued to adapt our portfolio, responding to changing risk needs across Property, Liability, Political Risk, Trade Disruption, Life Sciences, Aviation, Marine and Energy, as global risk accelerates and evolves.

In addition to providing an Outstanding Claims service when things go wrong, we can also help our clients to mitigate some key risks from happening in the first place.

Being at the cutting edge of insurance gives us a vision of the future, and we have the expertise to assess risks where data is sparse. A key part of keeping that cutting edge sharp is partnering with experts like you to bring the most forward thinking solutions to the market. Collaboration is key to innovation, and we are excited to shape the next generation of insurance with you.

**LET'S WORK TOGETHER
TO CONTINUE TO
INSPIRE CONFIDENCE,
ACCELERATE PROGRESS,
AND INSURE A BETTER
TOMORROW FOR ALL
OUR CLIENTS...**

WHO IS THIS PAPER FOR AND WHY DID WE WRITE IT?

INSURANCE IS AN OFTEN OVERLOOKED PART OF
THE ECONOMY BUT IT IS ESSENTIAL TO MODERN LIFE.

IT ALLOWS PEOPLE TO:



TAKE RISKS



RECOVER FROM ACCIDENTS



REBUILD & CARRY ON

Like all walks of life, technology is allowing the insurance industry to do things better, faster and more efficiently. But crucially, it is also creating new markets where all that new technology – and the people who use it – need protecting from the unforeseen.

Success in those new markets will come from deep understanding of the technology being used. Often, those with that knowledge and expertise are not insurance providers but recognise that insurance is a requirement for getting things done.

These technical experts are then often faced with a choice:

1. Do I sell my knowledge to an incumbent insurer for a fee, following a 'software as a service' model; or
2. Do I sell the insurance product directly but use my industry knowledge to do it better than the incumbents?

There are pros and cons to each model.

Our innovation underwriting team exists to build sustainable partnerships with those who chose the second option.

**THE REST OF THIS
DOCUMENT TRIES TO
EXPLAIN SOME OF THE
JARGON YOU WILL HEAR
ON THAT JOURNEY AND
TO SHARE SOME OF
OUR EXPERIENCES TO
HELP YOU GET THERE
FASTER AND MORE
SUCCESSFULLY.**

WHAT IS AN MGA AND WHY WOULD YOU WANT TO BE ONE?

MGAs (or 'coverholders' in the Lloyd's market) are 'Managing General Agents' who produce and underwrite business on behalf of insurance carriers like TMK. Typically, an MGA would have expertise in a niche area and can access new markets not usually served by insurance.

However, regulations make writing insurance a very capital intensive business so issuing your own policies often isn't an option for a new start up, which is where we come in.

The MGA underwrites on our behalf – issuing policies in our name, collecting the premiums on our behalf, and working with us to ensure claims are settled properly.

In return for producing and managing this book of business, the MGA is paid a commission and often a profit share.



HOW DO MGAS FIT WITHIN THE INSURANCE ECOSYSTEM?

Clients buy insurance from insurance carriers, in return for a premium. The insurance carrier will set the terms and conditions, assess the risk of the client, set the premium and pay any valid claims which arise.

The client will often use a broker to help them with this purchase. If they need something particularly complicated or unusual, the broker may also use a wholesale broker to help the client access international insurance markets. The brokers are typically paid a percentage of the premium (a 'commission' or 'brokerage') for this service.

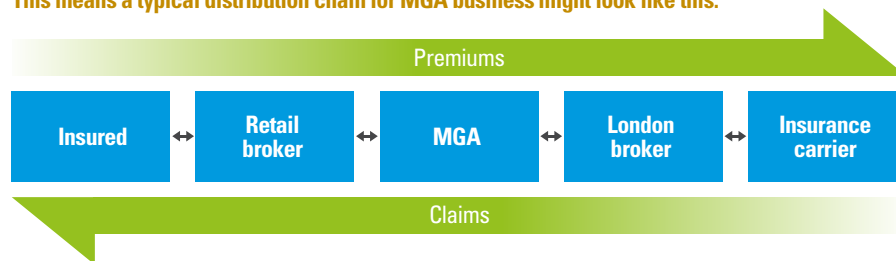
An MGA sits somewhere between a broker and an insurance carrier, and works on behalf of the insurer. There are many variations, but the MGA will probably

assess the risk of the client and will probably also have some discretion over the terms and conditions of the insurance policy (the 'wording') as well as the price charged. The insurance carrier will probably still settle and pay the claims.

Coverholders (Lloyd's approved MGAs) are an integral part of how the London Market – Lloyd's Syndicates, specialty insurers and wholesale brokers – access business around the world.

TMK has coverholder relationships which go back to the 1970s and we actively look to support new MGAs. A new relationship will generally require the use of a wholesale broker, who can help to navigate the nuances and technicalities of the London Insurance Market. We'd be happy to introduce you to some of our preferred partners if you're not yet at this stage – don't let it stop you from getting in touch.

This means a typical distribution chain for MGA business might look like this:



WHY PARTNER WITH TMK?

**AT TMK, WE ARE UNIQUELY PLACED TO PROVIDE
EXPERTISE AND SUPPORT TO NEW MGAS
AS WE RECOGNISE THE VALUE OF PARTNERING
WITH THOSE CLOSEST TO THEIR MARKET.**



Our innovation team at TMK share many fundamental characteristics with insurtechs looking to build something new and would much rather create a new market than compete for business which is already being written at Lloyd's.

We have a long history of innovating and doing things differently with staff who are recognised leaders in their fields.

We use that expertise to help develop the insurance side of your business – technical, actuarial, wording and importantly in navigating the Lloyd's coverholder process.

We want to build a long-lasting partnership and as part of the wider Tokio Marine Group, we have access to experts in 38 countries as well as the financial strength of a \$65bn carrier.

In the right circumstances, this can extend to participation in funding rounds – but we're an underwriting company first, not a VC investor!

**WE HAVE A
LONG HISTORY OF
INNOVATING...**



**...AND DOING
THINGS DIFFERENTLY**

WHO DO WE WANT TO SPEAK TO AND WHAT DO WE WANT TO SEE?

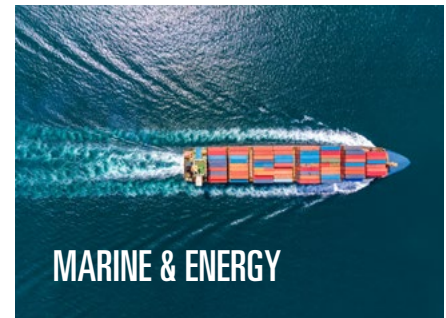
We would like to speak to you if you're looking to do something new in insurance and we would love to hear about the problem you are looking to solve. We appreciate seeing the work that has gone into understanding the customer problem and validating that it is a problem that actually exists.

There might be a gap in the market but is there a market in the gap? Show us!

How do you plan on reaching this market? What expertise do you have to serve this market? Who else is already serving this market and how are you different?

Whilst we're not expecting you to be an insurance expert, basic knowledge of **insurance fundamentals** would be beneficial as well as some understanding of how your product fits within a legal and regulatory framework.

**We prefer products that align
with our existing expertise:**





Don't worry – we know that the really interesting stuff doesn't always fit neatly into one of those categories!

It's also important to talk about what we avoid – no one likes to have their time wasted.

As a specialty commercial insurer, we generally don't underwrite commoditised products aimed at individuals or small businesses. We prefer not to launch new products with significant potential aggregate exposures – that includes natural catastrophe risks and many cyber products.



WHAT TO INCLUDE IN A SUBMISSION

For a first meeting, we just want to get an idea of who you are and what you do. You're more than welcome to just talk, but a pitch deck similar to those you might prepare for a VC meeting is often helpful.

Our due diligence process is necessarily thorough, and it would be helpful if you have at least some ideas about:



**How the product will work,
including an idea of the
insurance policy wording**



**What your target market
will be and how you
access it**



**How you will set the price
for your product, and
what your underwriting
guidelines will be**



**How we will need to
assess and pay claims**



**The legal structure of our
arrangements, including
relevant licencing**

It doesn't matter if these are not perfect, but clearly the more developed they are, the faster the process will be.

HOW LONG WILL IT TAKE?

Insurance is a famously slow-moving industry, where doing new things is hard. The conservatism you see is consequence of the possible downsides for insurers being much higher than the possible upside. It's quite possible to pay out 10 or even 100 times in claims what you took in as premiums.

We recognise that time is money for a start-up and have good experience in bringing things to market relatively quickly.

It is possible to launch a new product in weeks, but we find the usual travel time for a new coverholder is often around 4-6 months; if the product is particularly complex or difficult, this can take as long as a year.

We can give you a **good idea of how long things will take when we meet** – and we often find that those companies using an experienced broker get there much faster than those who don't.

Tangible examples:

There are case studies on [our website](#)

The [Lloyd's Lab](#) is the hub for product development in London, running a globally recognised accelerator programme.

The [Lloyd's product launchpad](#) is a great port of call for existing products looking to expand.

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INSURANCE JARGON BUSTER



One of the things we spend a lot of time doing is explaining how Lloyd's works, and what all the jargon means. There is a tonne of great material out there, but it can be hard to find if you don't know where to look.

So we've put together a glossary of the jargon we use every day. The definitions below aren't necessarily from a textbook; they're how people tend to use the terms, so other definitions are definitely possible!

TERM	DEFINITION
Admitted business	Business which is fully regulated by US state regulators. Tends to be more commoditised business.
Aggregate exposures	The total possible losses across a number of policies, usually from a single event or peril. Used most often when talking about total exposures to a catastrophe event like a hurricane.
Binder	See 'delegated authority agreement'.
Binding authority agreement (BAA)	See 'delegated authority agreement'.
Broker	An intermediary who represents a client to help them find suitable coverage at the best possible price. Usually paid a commission from the premium. The broker will usually facilitate payment of the premium, issuance of policy documents and will often help to settle claims.

TERM	DEFINITION
Brokerage	The commission paid to a broker for arranging and administering a policy.
Capital	Money held by an insurance carrier to pay for claims in the event that they are larger than the premiums collected. Amounts are determined by ratings agents and regulators, but can be substantial.
Carrier	An entity which 'carries' insurance risk, unlike brokers and MGAs who help to transfer it from client to carrier. See 'insurance company' and 'syndicate'.
Claims Adjuster	Someone who assesses a claim to determine whether it is covered and how much should be paid.
Combined ratio	The key measure of profitability for an insurer – the total of claims and loss adjustment expenses, commissions, brokerage and operational costs; divided by premium. This is almost always net of reinsurance (i.e., claims are reduced by reinsurance recoveries, and premiums are reduced by reinsurance spend) but it's usually worth checking.
Commission	A percentage of premium paid to intermediaries for arranging and administering a policy.
Coverholder	An MGA who has met the additional requirements of Lloyd's of London and licenced to underwrite business on behalf of Lloyd's Syndicates.
Customer oversight	The activities undertaken by a UK insurer or Lloyd's Managing Agent to ensure their business is compliant with various rules around 'treating customers fairly' – which is itself an outdated, but very common term for ensuring customers have good outcomes.
Delegated authority agreement (DAA)	A contract between an insurance carrier 'delegating authority' to an MGA or Coverholder to underwrite business on their behalf. The contract sets out the terms of trade, what types of risks can be accepted by the MGA and what should be referred to the insurer. There can be a full delegation of authority, or it may be restricted in some way, e.g., to certain policy forms or prices.

TERM	DEFINITION
Delegated Claims Adjuster	A company who adjusts and settles claims on behalf of an insurance carrier. Also known as a 'TPA'.
DXC	Old name for 'Velonetic'.
E&S business	Excess and Surplus business – business which is not fully regulated by US state regulators, as cover is hard or impossible to find in the admitted market. Tends to be more complex or risky business – the kind which London does well.
Follow line	A 'line' is an agreement of an underwriter to insure a proportion of a risk (literally, the underwriter will write a proportion, a reference number and a signature on a line on the slip). A follow line is an agreement to take a proportion of a risk on the price and terms and conditions set by an underwriter at another company.
Follower	The underwriter or insurance carrier who has placed a 'follow line' on a 'slip'.
Gross premium	Premium, before reinsurance costs, gross of commissions and brokerage – the premium paid by the insured, not including IPT.
Gross Net premium	Premium, gross of reinsurance costs, net of commissions and brokerage – the premium which is received by the insurer after paying acquisitions costs.
Insurance company	A company which issues insurance policies, agreeing to pay claims in return for a premium.
Lead line	A 'line' is an agreement of an underwriter to insure a proportion of a risk (literally, the underwriter will write a proportion, a reference number and a signature on a line on the slip). A lead line will be placed by the first underwriter to agree a risk, who sets the price and the terms and conditions of the contract.
Leader	The underwriter or insurance carrier who has placed a 'lead line' on a 'slip'

TERM	DEFINITION
Line slip	An agreement in which an insurance carrier (or carriers) agrees to underwrite a certain type of insurance placed by a broker on the same terms each time. These can be bulking (where payments are processed together) or non-bulking (each premium is processed separately). Importantly, there is no delegation of underwriting authority in a line slip – each risk must be underwritten and approved by the carrier.
Lloyd's Broker	A broker licenced by Lloyd's of London to place risks with a Lloyd's Syndicate. Usually interchangeable with 'London Broker' and sometimes with 'wholesale broker'.
Lloyd's Managing Agent	A Lloyd's Managing Agent manages a Lloyd's Syndicate and will usually employ the staff, rent the offices etc. For most purposes, a Lloyd's Managing Agent and it's managed Syndicate can be thought of as equivalent to an insurance company (although the legal structure is slightly different).
Lloyd's of London ('Lloyd's')	Lloyd's of London acts as marketplace for insurance in London; an infrastructure provider; a market regulator; and through its New Central Fund, as a reinsurer of last resort – it will pay claims in the event of the insolvency of any Lloyd's Syndicate. This means any insurance underwritten by a Lloyd's Syndicate benefits from the Lloyd's credit rating (AM Best A+, S&P AA-).
Lloyd's Syndicate	The risk-bearing entities trading at Lloyd's of London, which were traditionally 'syndicates' of individuals who pooled their money to share risk. A Lloyd's Syndicate and its Managing Agent together are broadly equivalent to an insurance company.
London broker	Usually used to mean a wholesale broker placing business in the London Market.
London market	The collective names for the (re)insurers, brokers and Lloyd's Syndicates who write specialty (re)insurance in London.

TERM	DEFINITION
Loss ratio	The key measure of profitability for an MGA or insurer's underwriting – Claims and loss adjustment expenses divided by premium. This can be either gross or net of reinsurance costs & recoveries, or gross or net of commissions and brokerage – it's always worth checking which!
MGA	Managing General Agent; an intermediary who underwrites insurance business on behalf of a carrier under a 'delegated authority agreement'.
MRC	'Market reform contract'. A specified and widely agreed template format for a 'slip' which contains the minimum information required to ensure that the contract of insurance is clear and meets certain legal requirements.
Net premium	Premium, net of reinsurance, net of brokerage. The premium which is left to the insurer after paying for acquisition costs and reinsurance. Sometimes abbreviated to 'Net' premium.
Open market risks	Risks underwritten by an insurance carrier one at a time as they are presented by a broker (i.e. not through a line slip or binding authority agreement).
Policy form	See 'wording'. More common in the US, where 'forms' sometimes have to be filed and approved by State regulators.
Profit commission	An additional commission paid to an intermediary if the business written is more profitable than expected.
Rate on line	Premium divided by the limit of the policy. Gives a quick and easily comparable measure of price. Sometimes just 'rate'.
Rating	Can mean either: pricing (in reference to the premium rate payable) OR Financial Strength Rating given to an insurance carrier by a 'rating agency' like AM Best, S&P or Moody's.

TERM	DEFINITION
Reinsurance	Insurance on insurance! You could write a book on reinsurance. And in fact, our founder, Robert Kiln did exactly that.
Retail broker	The broker who deals with the end client (who may not be a 'retail' client in the sense of being an individual); for complicated or unusual risks, the retail broker will engage a wholesale broker or MGA to access the London Market.
Slip	A description of the risk, terms and conditions and premium to be paid, which is signed by the underwriters. See 'MRC'.
Standard clause	A template clause agreed by an industry body. Eg., LMA 3100 is a commonly used clause written by the London Market Association (LMA), which sets out how business in relation to sanctioned countries / entities will be treated.
Syndicated risk	A risk which is co-insured by a number of insurance carriers, who will each take a proportion of the premium in return for paying a proportion of the claim. This allows very large or very complicated exposures to be insured, as no insurer has to take a dangerously large risk. Price and terms and conditions will usually be set by a 'lead' underwriter, with others 'following' by participating on the same terms.
The Bureau	Very old name for 'DXC', still in frequent use.
TPA	Third party adjuster. See 'DCA'.
Underwriting guidelines	A set of rules used by an insurance carrier or MGA to describe what it will and will not insure, and sometimes how different characteristics will affect the price charged.

TERM	DEFINITION
Underwriter	Usually the individual at an insurance carrier or MGA who makes the decision to issue a policy to a client, and on what terms. The name comes from the practice of Lloyd's underwriters agreeing to a policy by writing their name underneath a description of the risk.
Velonetic	The company which provides transaction and settlement services to the Lloyd's and London market. These services are a key part of allowing the 'syndication' of large / complex risks at Lloyd's.
Wholesale broker	A broker who helps retail brokers to find insurers for clients with unusual or complicated risks.
Wording	The policy contract setting out the terms and conditions of the insurance coverage. It's literally all the words used to describe who gets what.
Xchanging	Old name for 'Velonetic', still in frequent use.

**READY TO BUILD
A PARTNERSHIP?**



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[TMKILN.COM](https://tmkiln.com)

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