### Explanation of the SWOT Matrix for LMG

- **Strategies Can Be Categorized into Four Types** — SO, WO, ST, and WT.
  - Each Type Serves a Different Purpose but All Help Create, Implement, and Sustain Competitive Advantage.
  - SO and ST Strategies Form the Core of Competitive Advantage. They Advance Competitive Advantage.
  - WO and WT Strategies Support Competitive Advantage. The Protect Competitive Advantage.
  - Strategies are Identified by Crossing Factors. Strengths Crossed with Opportunities Lead to SO Strategies, and so forth.

### Strengths

- Historic Competitive Advantage
- Underwriting Specialist Expertise
- Innovation in Risk Transfer
- Breadth of Product
- Relations Between Underwriters and Brokers
- Concentration of Market Participants
- Strong Capital Base (Stable)
- Subscription Market
- Claims Payment
- Regulation and Oversight
- Network Effects
- Professional Services

### Weaknesses

- Value Proposition Not Compelling (Vague)
- Old-Fashioned Culture
- Lack of Transparency
- Innovation Not Keeping Up
- Inflexible Policies
- Assumption Specialty Risk Cannot be Commodified
- Information Silo Structures
- High Expense Ratio
- High Acquisition Expenses
- Slow Underwriting Decisions
- Poorly Positioned for High Growth Markets
- Poor at Building Customer Relationships Outside London
- Not Tech Friendly
- Not Customer Friendly
- MGA Network Not Growing
- Individual MGA Regulation
- Poor Market Infrastructure
- Poor Customer Experience
- Weak Analytical Techniques
- Not Investing Enough in Marketing London
- Some Lines Capital Scarce
- Not Leveraging Internal Data
- Need for New Talent
- Reliance on Financial Performance Measures

### Opportunities

- Excess and Surplus Capacity
- London Center for Wholesale Market
- Demand for New Types of Risk Coverage
- Cross-Selling through Partnerships
- Gaining Access to High Growth Markets
- Improve Market Infrastructure
- Realize Economies of Shared Service
- Develop Necessary MGA Networks
- Embrace Alternative Capital
- Big Data Megatrend

### Threats (Risks)

- Preference for Local Placement
- Growth of Emerging Markets
- Limited Access to Emerging Markets (Regulatory and Structural)
- Increased Buyer Power (Price Sensitivity)
- Declining Supplier Power
- Poor Market Infrastructure Disincentive for MGAs
- New Competitors (Lower Barriers to Entry)
- Alternative Centers for Underwriting Expertise (London not Unique)
- Consolidation of Brokers and Carriers in London
- Globalization
- Decline of Face-to-Face Interactions (Alternate Channels)
- Soft Market Conditions
- Superabundant Liquidity
- High Cost Capital Requirements
- High Severity, Low Frequency Risks
- Large Claims
- Demographic Trends
- Rise of Analytical Underwriting
- Carrier and Broker More Important than Hub
- London Viewed as Price Ceiling
- New Types of Risk
- Foreign Regulation Favors Local Markets
- London Regulations Impose Costs
- London Losing Market Share in Reinsurance
- Big Data Megatrend
- Continuing Economic and Financial Uncertainty

### Quadrant I — SO Strategies

**Strategies That Deploy Strengths to Take Advantage of Opportunities. Core Source of Competitive Advantage.**

- For Example, LMG’s “Underwriting Specialist Expertise” (a Strength) Crossed with “Demand for New Types of Risk Coverage” (an Opportunity) Identify Many Different Possible SO Strategies. One Might be to Systematically Develop New Expertise Necessary to Meet Demand for New Types of Coverage.
- Combine “Relations Between Underwriters and Brokers” (a Strength) with “Gaining Access to High Growth Markets” (an Opportunity) to Create a Strategy to Use Those Relations to Push New Types of Coverage to Gain Access to New Markets.

### Quadrant II — ST Strategies

**Strategies That Deploy Strengths to Defend Against or Neutralize Threats. Secondary Source of Competitive Advantage.**

- Combining “Strong Capital Base” (a Strength) with “Soft Market Conditions” and “Superabundant Liquidity” (both Threats) Suggests a Strategy to Deploy its Strong Capital Base as a Defense Against the Two Threats.

### Quadrant III — WO Strategies

**Strategies That Attempt to Build Up Weaknesses (or Neutralize Them) in Support of SO Strategies. Supports Competitive Advantage.**


### Quadrant IV — WT Strategies

**Strategies That Attempt to Defend Weaknesses from Competitors’ Strategies Designed to Exploit Them. Supports Competitive Advantage.**

- Combine “High Expense Ratios” and “Not Tech Friendly” (both Weaknesses) with the “Rise of Analytical Underwriting” and “Big Data Megatrend” (both Threats) to Better Use Technology to Adapt to Analytical and Big Data Needs to Reduce Costs and Improve Technological Capabilities.