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MONTE CARLO TODAY

Syndicates must take responsibility for own actions, be disciplined: Lloyd's CUO Turk

LLOYD'S IS FINALLY SEEING MANY YEARS of hard work bear fruit in the form of strong results. But the onus must now be on syndicates to maintain discipline and make good decisions based on the information available to them—as opposed to the Lloyd's Corporation needing to take direct action.

That is the view of Rachel Turk, chief underwriting officer of Lloyd's. "We may nudge companies. We may make suggestions. But we are providing the market with a lot of high-quality data and insights. That is an advantage of being in Lloyd's. We want syndicates to take ownership of their own decisions," she told *Monte Carlo Today*.

She said the ideal is that Lloyd's does not need to take direct action, as it has at times in the past. Syndicates have the information to avoid mistakes; Lloyd's Corporation should not need to step in, she said. Making high-quality data available should allow syndicates to spot trends and act before they become embedded. They need to take responsibility, she said. 4

Rachel Turk

Bronek Masojada

FAMILY REUNION: Masojada returns as City of London Sheriff

"IT'S BEEN A BIT LIKE A FAMILY REUNION!" That is how Bronek Masojada, the chair of SiriusPoint and the former chief executive officer of Hiscox, described his return to the *Rendez-Vous de Septembre* (RVS) this week—this time as the first Sheriff of the City of London to attend global re/insurance conference.

Masojada follows in the footsteps of the attendance last year by then Lord Mayor, Nicholas Lyons, who was the first City Corporation official to attend RVS. He said the support of the Corporation is important—although that is not always understood by the industry itself.

"In this office, we can reach individuals and have access to places the industry or individual executives cannot," he said. "We have access to governments and global political leaders. As such, we help to promote the City of London and the global re/insurance industry that is based 6

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LLOYDS

Syndicates must take responsibility for own actions

KEY POINTS:
- Lloyd's enjoying fruits of hard work
- Strong interest from new investors
- 'Why are you not in Lloyd's?'

←1 One example of where the Corporation has had to step in was around concerns over a mismatch between the price of inward and outwards political violence and terrorism business. In that instance, Turk said a nudge was required.

Another, more infamous, example was around directors and officers (D&O) liability lines a year ago. Patrick Tiernan, Lloyd's chief of markets, accused D&O underwriters of going from rate inadequacy to a full scale "moronic underwriting approach" and called the market "shambolic". He warned select Lloyd's syndicates could be under a supervisory microscope when capacity was next parcelled out.

"That was a little more than a nudge," Turk, who once wrote D&O business herself, admitted.

Turning her attention to Lloyd's recent performance, she describes the results as the result of "a lot of hard work finally bearing fruit". The market posted a 83.7 percent combined ratio for the first half of 2024, its best in 17 years. Gross written premium (GWP) rose 6.5 percent to £30.6 billion in H1 2024, driven by 5 percent volume growth and 1.5 percent price increases.

Underwriting profit jumped to £3.1 billion from £2.5 billion, driven by strong rate conditions and a favourable claims environment.

Turk noted that it is rare to see a combined ratio that low in the industry. But she also had a warning: "We simply cannot expect our profit to double again by year end. We still have a long way to go through hurricane season, for example. But we certainly have a good buffer now. It has been a very good performance. It is something we can be proud of, but it is also my job to be cautious."

For context on how robust a position the Market is in, she said it could now endure losses in a similar range to 2017's, when insured losses for the industry reached more than $140 billion. That year was particularly costly for weather disasters, with 60 percent of global insurance payouts in the year caused by hurricanes Harvey, Irma, and Maria. Turk said that even if a season with

> " Lloyd's deserves some credit but so does the market. "
>
> Rachel Turk

similar loss levels were to happen in 2024, the market would still post a combined ratio of 95 percent.

"This is a credit to the discipline underwriters have shown," she said. "Lloyd's deserves some credit but so does the market—the bottom line is the underwriting. The Corporation has a role to play, but it is a combination of the two."

She credited the Corporation for its recent ratings upgrade. AM Best in August revised its financial strength rating to A+ (superior) from A (excellent). AM Best said the upgrade reflects Lloyd's ability to attract and retain

> " There are benefits from operating through these codes. "

investors due to its unique value proposition. Turk agreed that it helps the Market's ability to attract investors.

Innovation incentives

On the back of the rating upgrade and such improved results, Turk noted that the Market is getting more enquiries from investors interested in participating in it. Some, she said, are large global players lacking a footprint in Lloyd's. Others are more monoline players, seeking a niche foot in a market.

"There is strong interest. We have had great results, we are a great place to be. The question should now become: 'why are you not in the Lloyd's market?' as opposed to being the other way around," Turk said.

She commented on the importance of the mechanisms that Lloyd's has to encourage innovation. Innovation ICX is a syndicate class of business that syndicates can use to write up to an additional 5 percent of Syndicate Business Forecast GWP. The TCX risk code will allow syndicates to write energy transition risks, such as cover for novel green technology, up to an additional 5 percent of their forecast GWP.

She is keen to explain the nuance of these risk codes. "The oversight Lloyd's uses for these is different from the whole book. It allows syndicates more leniency if, for example, a book will take longer to reach profitability by ringfencing it out of the calculations used to assess the business of the whole syndicate," she said.

"It removes some of the structural barriers in Lloyd's and looks to encourage innovation," she added. "There is a huge opportunity in energy transition, for example. There are benefits from operating through these codes."

Turk joined Lloyd's in November 2023 as chief underwriting officer, responsible for the underwriting function at Lloyd's. She has experience in the Lloyd's Market following almost 15 years at Beazley where she held a number of roles, including group head of strategy and focus group leader of the London-based US D&O underwriting team.

Prior to joining Beazley, she worked as an equity analyst for JP Morgan Cazenove, and is also a qualified Chartered Accountant.

STRATEGY

Confidence in all weathers

Success requires a core set of ingredients, a collaborative culture, and a sophisticated approach to data, Steve Dando of Aon's Strategy and Technology Group tells *Monte Carlo Today*.

"What excited me about joining Aon was the powerful alignment with what I'd been trying to achieve in previous roles—re/insurers look around corners, navigate market cycles, and leverage data and technology to make better decisions," said Steve Dando, UK & EMEA chief executive officer of Aon's Strategy and Technology Group (STG).

Having joined Aon at the start of 2024, Dando has extensive experience in strategic placement and broking leadership and is thrilled about the opportunity STG offers, a unit he describes as a "consulting-led business, powered by data and analytics, enabled by technology".

The value proposition of STG lies in its ability to go beyond the typical re/insurance transaction and deliver a different dynamic to Aon's clients, he said.

"You couldn't just insert STG into another insurance or reinsurance broker, because you need a core set of ingredients, a collaborative culture, and a sophisticated approach to data for it to integrate and work effectively," Dando explained.

"STG turbocharges these efforts with the power and scale that Aon can offer."

Sitting across risk capital (insurance and reinsurance), STG provides a unique perspective within Aon.

This is not just about having the right tools, but about the culture and organisational structure that allows Aon to deliver exceptional value to its clients, Dando said.

"We are able to deliver a differentiated value proposition. STG is not an add-on—it's an integral part of Aon's ability to offer insights that bring greater clarity and confidence, and elevate our offering beyond the complexities of reinsurance transactions," he added.

KEY POINTS:
- Data-driven decision making
- Strategic market navigation
- Collaborative client partnerships

Driving growth in soft markets

"In the UK and EMEA markets, especially within the Lloyd's and London Market, we're starting to see some softening on the direct insurance side," Dando said.

"This represents challenges and opportunities for re/insurers," he noted.

In such a landscape, STG's role becomes even more important. "We're helping clients navigate these market dynamics by supporting them in committing to a clear value proposition for their unique business.

"Whether they are recognised global leaders, or smaller players in niche markets, we help them to stand tall and articulate where they want to be in the insurance ecosystem," he asserted.

> "STG is positioned to provide unique market insights."

STG leverages Aon's data resources and actuarial expertise to help clients respond to the current market environment and to strategically position themselves for future profitable growth.

"Part of the STG team is a 65-strong team of actuaries working hand-in-hand with re/insurers on themes such as portfolio optimisation, capital allocation and more," he said.

"This isn't just 'surviving' in a softening market; it means thriving in it,"

Dando highlighted how STG's insights are invaluable for clients planning their strategies amid shifting market conditions. "We have the ability to look back over 15 to 20 years of data, to see how markets grew during previous cycles.

"We give clients the confidence to execute their plans effectively," he added.

Elevating client collaboration

Collaboration is at the heart of STG's approach, particularly when it comes to working with Aon's broking teams.

"We work hand-in-glove with our re/insurance broking leadership to ensure that they can put their, and Aon's, best foot forward, on behalf of our clients," Dando said.

For him, Monte Carlo represents a crucial opportunity to continue showcasing STG's capabilities. "I'm excited to pull the curtain back on STG, to ensure our clients fully understand the value proposition we represent," Dando said.

His goal is to demonstrate that Aon's approach is more than just transactional—it's delivering a joined-up, collaborative service that leverages the full breadth of Aon's capabilities.

"At Monte Carlo, we'll be focusing on themes that have been top of mind for our clients throughout the year—driving profitable growth, navigating softening markets, and understanding the knock-on effects for reinsurance.

"STG is positioned to provide unique insights on these fronts," Dando explained.

He is eager to demonstrate how STG can support clients in achieving their goals.

"Our brokers understand when to pull the STG lever, and the feedback we've received suggests that our combined client servicing proposition is second to none," he concluded.

Steve Dando is UK & EMEA chief executive officer of Aon's Strategy and Technology Group. He can be contacted at: stephen.dando@aon.com

LONDON

A family reunion: Masojada returns as City of London Sheriff

KEY POINTS:

- Former Hiscox CEO returns to *Rendez-Vous*
- First Sheriff of the City of London to attend
- Can open doors industry cannot

> “We can facilitate important conversations at the very highest of levels.”
>
> Bronek Masojada

← 1 there. We can facilitate important conversations at the very highest of levels.”

He said that is not always understood. “The industry can be its own worst enemy. I have had comments along the lines of ‘we don’t need any help’. But we can speak to global investors, for example, in a way and on a level that others cannot. We can be the conduit to make things happen.”

Masojada admits he too used to be sceptical of the City of London Corporation. He recalls some 10 years ago telling former Lloyd’s chair Lord Levine, who variously served as an Alderman of the City of London as well as Sheriff and Lord Mayor, that the “city never pays any attention to insurance in favour of other financial services”.

When he retired, he decided to do something about that, and he has not been alone. Other senior executives including Aon’s Dominic Christian have become involved. “Our role is to listen, to engage, to help,” he said. “We want to make sure people understand London as an insurance hub, that it remains on the map.”

Specific projects

The corporation has championed some specific objectives. Lyons, for example, was an advocate of loosening the investment restraints on pension funds. The defined contributions pensions market in the UK is estimated to reach £1 trillion by 2030. Last year, two-thirds of this market agreed to invest 5 percent of their funds to unlisted equities by 2030.

“We lit a fire under the pensions system that we believe could stimulate the whole UK economy. But one beneficiary could be the insurance sector,” Lyons told this publication last year.

This year, Masojada will meet with senior re/insurance business leaders to understand views on the London Market and UK competitiveness more broadly. He will also promote the UK’s insurance market internationally, with specific focus on the specialisms of natural catastrophe, cyber, geopolitics, supply chain and artificial intelligence risks.

“I’m delighted to be attending the *Rendez-Vous* as part of the City of London Corporation’s ongoing engagement with the re/insurance industry. As an international centre for risk transfer, the London Market provides a deep pool of capital, enabling it to deliver solutions to a wide variety of insurance needs. The City of London wants to support the global offer of the London Market for the benefit of all risk owners and managers.”

His visit comes as the City Corporation announced its intention to explore hosting an Inaugural Global Risk Summit in May 2025.

A parallel aim for that, and something he is very passionate about, is to champion the industry as an attractive place to work—thus helping it appeal to the best talent. Like many, he admits he ended up insurance “by mistake” but he makes the point that this is an industry dealing with global risks, and which offers the opportunity to see the world.

Masojada is chair of the trustees of the charity the East End Community Foundation, a grant-making charity working to relieve poverty in four boroughs of East London. He said he would love to open up the opportunities the industry provides to individuals from deprived backgrounds.

His other passion, which will also be a theme at the conference, is the adoption of technology and digitisation. He chaired Placing Platform Limited (PPL), the new electronic trading platform for the London insurance market, for five years, stepping down last year. He makes the point that the industry has largely focused, so far, on how digitisation can drive operational efficiencies. “The next step is what insights it can give us into risks,” he said.

“If we combine all the data we have as a market, it is extremely valuable. It can help the industry tackle its other challenge—of relevance.”

Masojada makes the point that the insurance industry’s traditional policies are covering a shrinking proportion of a typical company’s risk and value. He believes data and technology can help solve this but warns: “The way the industry evolves is slow. The problem is, we don’t always know the odds, so we have to experiment and try different things.”

An ancient role

For those uncertain about Masojada’s role, the office of Sheriff is the oldest in the City of London. The name derives from the shire-reeve, who exercised the monarch’s authority over citizens, collecting revenues and enforcing justice. Today their more modern duties involve speaking at Ward Clubs and Livery dinners, sharing the responsibility with the Lord Mayor.

The Sheriff is elected each year on Midsummer Day by the City Livery companies at Guildhall at an event known as Common Hall. One must be an Alderman—the senior representative of one of the City’s Wards, and another elected position—and both Sheriffs need to be members of a Livery company. Their tenure is one year and runs from September to September.

They attend the Courts of Aldermen and Common Council and occupy a central place in the assemblies of Common Hall. They look after the judges at the Old Bailey and make sure that the court’s business runs smoothly. One of the Sheriffs must be present whenever the courts are sitting.

CLIMATE RISK

The power of pre-disaster resilience

Every dollar spent by FEMA on pre-disaster resilience, saved, on average, $16 in damages between 2000 and 2012. Jon Gale of AXA XL Re tells *Monte Carlo Today.*

"Society faces the urgent challenge of adapting to, and mitigating the impacts of climate change, in this era of escalating natural disasters," says Jon Gale, chief underwriting officer, AXA XL Reinsurance, as he described findings from the recently launched research collaboration between AXA XL and CCRS.

The new report, titled "Optimising Disaster Resilience: Protecting society through building codes and investment in infrastructure", offers insight into how pre-disaster investment in resilience can yield significant returns, in terms of financial savings and protection for families and businesses.

One of the most compelling findings from the research is the significant return on investment that can be achieved.

"For every dollar spent on pre-disaster resilience by the US Federal Emergency Management Agency (FEMA) between 2000 and 2022, an average of $16 was saved in damages," Gale said.

This figure highlights the value of investing in infrastructure and resilience before a disaster strikes, rather than focusing solely on recovery after the event.

Gale explained the broader context, noting: "The research seeks to answer a few fundamental questions, such as 'Does disaster preparedness work?' and 'If society invests in pre-disaster resilience, is there a bang for the buck?'."

The answer, according to the results, is a clear "yes".

The report also looked at the impact of building codes on losses. A comparison of three hurricanes similar in size and path (Charley in 2004, Wilma in 2005 and Ian in 2022) highlighted how building codes established after the 2004 event have significantly reduced wind damage impact. 2022 showing similar findings.

CCRS cited a study by the National Association of Home Builders following Hurricane Irma in 2017. The work shows that for buildings satisfying the then latest codes (between 2008 and 2017) 95 percent suffered no damage. FEMA conducted a study post Ian in 2022 which highlighted how building codes established after the 2004 event have significantly reduced wind damage impact.

KEY POINTS:

- A warmer climate is adversely impacting almost all nat nat losses including intense hurricanes
- Investment today in resilience—infrastructure and improved building codes—helps families and reduces future losses

"Pre-disaster spending on infrastructure in combination with strong building codes means families and businesses are much better protected," said Gale.

> "We're encouraging our clients to think beyond immediate premiums."

It's about strategic thinking

For the re/insurance industry, the research offers a clear argument for approaching risk more strategically.

"The link between a warming climate and higher nat cat losses is increasingly obvious Gale stated, adding that re/insurers need to rethink their approaches to underwriting guidelines, pricing and risk management in the face of increasingly severe weather events and exposure growth.

"With this type of analysis and research we are trying to influence our clients to dedicate time to consider the impact of hazard change on their own portfolios now and in the future.

"This involves clients spending time identifying risks that are vulnerable and risks which are resilient and tailoring underwriting strategy accordingly.

"Reports such as this show the clear benefits of building codes and infrastructure and the more progressive clients will build this into their underwriting," Gale explained.

"This is not about just adjusting policies, but fundamentally rethinking how risk is assessed and managed in a world where the frequency and severity of disasters are on the rise," he said.

"Getting families and businesses back on their feet quickly and in a better state is one thing—reducing or avoiding the loss in advance is another and something the re/insurance business is uniquely positioned to help with."

Get clients engaged

Gale spoke to the importance of engaging clients in this strategic shift, saying: "Our role as reinsurers is not just providing financial support after a disaster but being proactive partners in risk management," he said.

"We're encouraging our clients to think beyond the current year and focus on the long-term and incorporating the understanding of vulnerability and resilience in their portfolio. This is about changing the conversation."

He concluded by emphasising the need for a collaborative approach.

"The findings from this research are not just for AXA XL or our clients—they're for the entire industry and other interested stakeholders.

"We want to share what we've learned to help everyone improve their risk management strategies. This is not a competition—it's about ensuring the resilience of communities and economies globally."

Jon Gale is chief underwriting officer of AXA XL Reinsurance. He can be contacted at: jonathan.gale@axaxl.com

ILS

Tradeable tokens: the future of ILS assets

KEY POINTS:

- ILS tokens can be saved in digital wallet
- Smart contracts allow for parametric triggers
- Concept likely to attract new investors

A pilot tokenisation project by Schroders Capital and Hannover Re designed to enhance the way insurance-linked securities (ILS) assets are invested and managed represents an exciting innovation with the potential to widen the investor base in ILS and offer cedants a more efficient form of risk transfer.

That is the view of Flavio Matter, co-head of ILS, Schroder Investment Management, who told *Monte Carlo Today* that he is already seeing strong interest in the development of similar deals. "As a concept, we expect this to gain traction," he said.

The structure enables Hannover Re risk to be tokenised and traded on a public blockchain platform using smart contracts. Each token represents a share in a portfolio of reinsurance contracts. It allows ILS funds to invest via a digitised investment infrastructure and trade the tokens in the secondary market.

The deal uses an element of parametric triggers. By integrating catastrophe data sources into the smart contracts, in theory payments could be automatically triggered, if qualifying events occur.

Matter described a number of benefits the structure could offer the ILS universe. One


Flavio Matter

is that it could attract new types of investors, who are used to investing in digital assets in this way. Investors are able to store their investment tokens in their digital wallets. Another is that the transparency offered by using a public blockchain is appealing to investors and regulators.

"We are a big believer in using technology to make ILS more efficient, not only from capital but also from general risk management and operations perspective," Matter said. "By turning reinsurance contracts into tokens, we are able to make many processes faster and more efficient and straightforward. That includes speeding up investments/settlement, making payments quicker."

He believes there is much potential for growth. The technology could be easily expanded to different products, clients, and regions, making investments more accessible to a wider audience by lowering the required amount for investment and enhancing accessibility, all within regulatory requirements, he said.

"We believe this is a true innovation and will find followers. We are in active discussions on how the pilot can be applied on a broader basis and we are in exchanges with industry peers on next steps."

An early mover

Schroders this year surpassed $5 billion of assets under management (AUM) and is now closer to $5.5 billion. Matter describes this as a "great achievement" having more than doubled its AUM in four years. He said the company's approach to innovation and being an early mover is part of the reason for this success. He cites the strong performance of its funds, its independence from any re/insurer and its long track record.

He is bullish on the future growth of the ILS sector. He said investor sentiment towards the sector remains strong, while noting that, over the past 20+ months, growth in ILS market size has been mainly driven by performance and releases of trapped capital rather than net new inflows into the space.

New investors have entered, but the sector has also seen investors rebalancing their portfolios due to overallocation in ILS (considering volatile equity markets and fears of a downward correction), he said.

On the issuance side, Matter expects the reinsurance market to continue to grow. He argues that cat bonds have become an indispensable risk management tool, and that as a result growth will be in parallel with the overall risk transfer market.

STRATEGY

Carbon Underwriting targets US programme business from new syndicate

Carbon Underwriting's move to establish a second syndicate at Lloyd's—Syndicate 5757—was driven by growing opportunities within the US programme business market, Rob Crocker, active underwriter, Carbon Underwriting, told *Monte Carlo Today*.

He stresses that Syndicate 5757 isn't just an expansion—it's a strategic move to enhance its capabilities in this key area. It is aiming for gross written premiums (GWP) of £119 million in 2025, supported by a stamp capacity of £90 million.

"Our broader goal is to manage nearly £400 million in GWP across Syndicate 4747 and 5757 by 2025, reinforcing our position as a leader in delegated authority business on a global scale," Crocker said.


Rob Crocker

He added that the programme business sector represented an ideal place to leverage Carbon's proprietary technology, Graphene. He said the US market's scale offers numerous opportunities, but its approach is selective, concentrating on niches where its expertise in delegated authority business and advanced analytics can deliver results. "We believe this targeted approach will enable Syndicate 5757 to play a crucial role in our US growth."

He added that the business is exploring further growth avenues. "Any decisions we make will be guided by market opportunities, but we're always looking for ways to expand our footprint and enhance our offerings," he concluded.


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MARKET

Investors seek defined duration, M&A on way

New capital is starting to enter the re/insurance industry, but investors remain wary, preferring to invest via structures that offer an exit after a defined duration, Jarad Madea, chief executive officer, Howden Capital Markets & Advisory, told *Monte Carlo Today*.

"Capital is starting to enter the industry, after a two-year hiatus where rates have been very hard," he said. "But investors remain cautious." He noted the majority of new investment is coming via cat bonds, sidecars or funds at Lloyd's, all of which can offer a set term for the investment, with liquidity at the end.

"Investors are willing to take a risk on where rates are right now, or over two or three years, but they are more hesitant to take a view on where the industry will be in five years' time," he said.

"Deals are happening, but in moderation." He added that private equity (PE), a usually reliable source of new funds for the industry, is either already invested or feels there are better options outside balance sheet re/insurance. "They are seeing better opportunities on the distribution side," Madea said.

Investors have taken time to regain trust in the industry, after a long period of underperformance and losses, he explained. The biggest crunch came in 2022 in the lead-up to the year-end renewal. Supply of cat capacity in particular had shrunk, and rates looked certain to spike. Yet investors remained cautious.

KEY POINTS:

- Investors wary, need clear exit
- Market conditions remain robust
- M&A is in the pipeline

> "PE investors will want to realise their profits."
>
> Jarad Madea

"Investors didn't believe rates would spike as they did. When they did, many still wanted to wait in the wings for another year to see how things would play out. There is more interest now. We are seeing vehicles come to market. But these are not long-term balance sheet plays," he said.

Consolidation

As market conditions start to change, another trend is likely to emerge: consolidation. Madea says four key drivers will make mergers and acquisitions (M&A) between carriers more likely over the next two years.

The first is that rates are expected to plateau. As this happens, carriers will need to seek new ways to grow, and M&A can offer a solution. The second is the profits they will have made over two years of good market conditions. "They will have excess cash to use," he noted.

The third driving force could be PE investors already with a stake in the business but eying an exit plan in the next two years. "A lot of money came in around 2020/21. PE investors will want to realise their profits," Madea explained.

The fourth driver could be inadequate casualty reserves in certain pockets. "Some companies may need a buyer to solve specific problems like that. Others may turn to the legacy market or reserve covers," he noted.

He warned of inevitable impediments to deals happening and noted that the expectations of buyers and sellers around valuations can be an issue, as can the social dynamics of different companies. "You have two CEOs, two different cultures. What works on paper does not always translate into the real world," he said.

LIABILITY

Social inflation is the main growth driver of US liability claims

Social inflation has become the main growth driver of US liability claims, according to Swiss Re's new report, published September 7: "Social inflation: indexing liability claims trends".

Primarily due to a rising number of large court verdicts, social inflation increased liability claims in the US by 57 percent in the past decade and reached an annual peak of 7 percent in 2023.

Swiss Re said in the report that it expects social inflation in the US to continue for the foreseeable future, and that it will remain mostly a US phenomenon. While economic inflation is abating, there are no signs of a letup in social inflation pressures.

> "It will remain mostly a US phenomenon."

It states that its view is that the current rate of increase is unsustainable: Swiss Re estimates that the impact on casualty business in the US will outweigh the earnings benefit of higher interest rates within one to two years.

Gianfranco Lot, Swiss Re's chief underwriting officer P&C Re, said: "We observe continuous increases in aggressive litigation practices that are especially problematic for liability insurance. Over the past five years, US liability lines exposed to bodily injury claims recorded cumulative underwriting losses of $43 billion. In response, capacity available to global businesses has significantly declined, while rate increases have not kept pace with loss trends."

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MARKET

Property surges, casualty shrinks: Swiss Re

KEY POINTS:

- Cyber market 'set to grow significantly'
- Re/insurers must articulate scope of coverage
- US litigation rising, similar in UK, Netherlands

Property insurance demand is rising, while the casualty sector faces pressure due to shrinking liability coverage and increased litigation in key markets, Swiss Re leaders have indicated.

"We see the demand for property insurance on the rise. On average, we see the exposure rise yearly by about 7 percent. And this presents an opportunity for the reinsurance industry," Gianfranco Lot, chief underwriting officer for property and casualty reinsurance at Swiss Re said during a media conference in Monte Carlo.

"The availability of capital and the infrastructure are there and they will meet the increasing demand," he explained.

While property insurance continues to expand, the casualty side tells a different story. Lot noted a significant contraction in liability coverage. "In conjunction with the rising demand for insurance on the property side, we see a contraction on the liability side," he said.

"Over the past 10 years, the limits purchased have dropped substantially. These are examples of industries that have had too many losses and the supply has contracted. The insurance industry is not supplying the limits that it was supplying 10 years ago and that has had an impact on the corporates," he added.

Availability, he said, "isn't there any more"—with litigation worsening the situation. Clients who previously secured $100 to $150 million limits are now getting only $15 to $25 million.

Meanwhile, the cyber market is set to "grow significantly", with Swiss Re forecasting a compound annual growth rate in double digits. "It's hard to estimate and put a precise number to it, but the demand and awareness are up, and we as insurers need to make sure that the scope of coverage is clearly articulated," Lot said.

"It is clearly an area of growth for the re/insurance industry in 2025," he added. Swiss Re believes the cyber market is expected to reach $16.6 billion by 2025, with 50 percent of the risk reinsured.

Swiss Re is closely monitoring trends in geopolitical tensions, inflation, natural disasters, and rising litigation in the US.

"On the inflation side, we're still talking about a 'higher for longer' type of environment."

Urs Baertschi

"A heightened risk of civil unrest is on our minds," said Urs Baertschi, chief executive officer of P&C reinsurance at Swiss Re, citing a "massive increase" in claims arising from civil unrest and strikes.

"US liability claims growth has outpaced economic inflation over the last decade."

"The macroeconomic environment, on the other hand, has calmed down," Baertschi noted. "Inflation seems to be more under control. On the inflation side, we're still talking about a 'higher for longer' type of environment and most of the major economies around the world remain in a fragile state," he added.

More exposures

Baertschi warned that climate change and natural catastrophes are here to stay, with risks and exposures growing. "When it comes to natural catastrophes, there's been an increase here as well. There are the famous secondary perils—they're not so secondary when we aggregate them.

"They tend to make up over half—the primary perils being hurricanes or tropical cyclones and earthquakes," he said.

"US litigation is rising, leading to material loss activity and reduced industry capacity," he added.

In the US, the elevated litigation environment poses a growing concern for the industry. US liability claims growth has outpaced economic inflation over the last decade, according to Swiss Re Institute, driven by a growing number of large court verdicts, and there is no sign of this trend abating. In 2023 there were 27 cases of courts awarding more than $100 million in compensation.

Based on current trends, the impact of claims growth will outweigh the benefit of higher interest rates on casualty lines in one to two years, in which case available capacity may drop further.

"We see similar patterns in the UK, in the Netherlands. A few countries are more exposed to the same phenomenon that we see in the US, but the US is by far the largest driver," Lot added.

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STRATEGY

Reconciliation after dislocation in 2023

KEY POINTS:

- Mapfre has a $2.5bn property-cat placement
- Mapfre Re buys $700m of retro protection
- Buyer says it benefits from deep relationships

> “We see the wider trends and changes in exposures.”
>
> José López

After very challenging renewal discussions in the run-up to January 1 and July 1, 2023, José López, head of ceded reinsurance at retro, Mapfre Re, said the market has settled down in 2024. “Things will be more orderly. It is a period of reconciliation,” he told *Monte Carlo Today*.

López is responsible for the reinsurance placement of Mapfre, the global insurer headquartered in Madrid, as well as the retrocessional programme of Mapfre Re. The former, a global property-cat placement of around $2.5 billion, renews on July 1; the latter, worth some $700 million and one of the biggest retro placements globally, on January 1.

López said the programmes both changed dramatically in 2023, in line with a wider market reset. Rates increased by 35 to 40 percent and attachment points by 40 to 50 percent . He admits the renewal was tough, but as a company that always seeks long-term relationships, he believes the company had an easier ride than some.

“We have always been very loyal to our partners, we are very collaborative,” he said. “Our reinsurance panel is around 30 strong and we have never pushed them into a corner during a soft market, took advantage or tried new structures.

“That paid off in 2023 when perhaps things weren’t as bad for us compared with others. Now, we are again looking at a more flexible market and people are willing to trade again.”

Stable picture

López expects “pockets” of softening in the next two renewals, potentially in top layers, but he stresses that the broad picture is one of stability. “Generally people are holding the line, but everything can change depending on the hurricane season,” he said.

As an insurance group, Mapfre is very reliant on reinsurance. Its reinsurance unit plays an important role in supporting and informing group strategy. “If the group is considering an expansion into a new line of business, for example, one of the first questions could be the viability and cost of reinsurance support for that,” López explained.

“We are fully integrated into the group in that sense,” he said. “We see the wider trends and changes in exposures, which can help the group make better decisions.”

MARKET

Green shoots being seen for earnings protection products: Guy Carp

After a two-year hiatus, reinsurers are again warming to the idea of offering clients earnings protection-type products, Ed Hochberg, head of Global Risk Solutions, Guy Carpenter, told *Monte Carlo Today*.

Hochberg stressed that reinsurers remain very cautious but a “mutual empathy” between cedant and reinsurer is putting the possibility back on the table.

“We are starting to see some green shoots,” he said. “The clients understand that things needed to change when they did, but reinsurers sympathise with the volatility clients are grappling with.

“There are still differences between what clients would like to buy and what markets are prepared to sell, however.”

The market evaporated almost overnight in 2022/23 when attachment points were increased and reinsurers sought to limit their exposure to more high frequency events, including many secondary perils.

Hochberg said this was due to the uncertainty created by an accumulation of small-to-medium-sized losses over several years. “Markets are prepared to look at this again. They want to take the time to understand the risk and they will want quality data. But they want to help,” he said.

> “Volatility can come from sources other than cat alone.”

The solution will probably lie in what structures the market can develop, that can work for both parties, he added. “Plain vanilla structures can be counterintuitive to creating a deal that is mutually beneficial for both parties,” he said.

“The challenge is not only about understanding secondary perils better. It is more about taking a holistic approach that deals with any accumulation of losses. Volatility can come from sources other than cat alone,” Hochberg said.

Commenting on the mood in Monte Carlo, he feels it is optimistic. “Some years the mood here can be subdued,” he said. “But people feel that demand and supply are up. The market is healthy.”

One cloud on the horizon this year has been US casualty. Hochberg said he understands this: “The problem with casualty is you never really know where you are in the cycle.

“The years 2020 to 2022 were worse than expected and the market fears another recalibration is needed. But it is a very nuanced space,” he concluded.

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STRATEGY

QBE Re puts emphasis on sustainability

The market is at an inflection point and needs to show discipline, says QBE Re's Chris Killourhy.

The reinsurance industry is at an inflection point and needs to prove that it has the discipline to sustainably deliver returns beyond its cost of capital to its investors.

That's the view of Chris Killourhy, managing director of QBE Re, who said the 2023 reset of rates, terms and conditions and attachments points needed to last more than one profitable year to secure investors' confidence in the industry.

Killourhy said the reinsurer needed to maintain consistency to earn customer loyalty.

"We're at a very interesting point for reinsurers," he told *Monte Carlo Today*. "Overall, we are in a good space with the market, but I think we're at a bit of an inflection point to see how the market plays out from here."

He said that after Hurricane Ian and going into the January 1, 2023 renewals, the reinsurance industry had to raise rates and attachment points so "there was a clear differential between where insurers and reinsurers play".

"What we need to see now is evidence that this is sustainable," Killourhy said. "We have had times in the past where rates have responded and gone up well and attachment points have moved but if this is going to be a genuine reset, we need to see that this stays.

"The last thing we want is to see the reinsurance market doing what it has done historically—rates go up, we have a good year, capital comes in, discipline slips and we are back on the rollercoaster."

Killourhy said buyers wanted sustainability. "I am very encouraged that the more mature buyers are putting real value on the sustainability of the market. Sometimes people talk about price and they want to find a way of getting more for their cover," he acknowledged. "What 2023 showed, which was worse than higher premiums, was a complete lack of knowledge as to whether capacity was going to be there and at what price.

"Buyers want to have more confidence in the price and availability of the product they're buying from reinsurance. It brings too much uncertainty in insurers' business models otherwise."

KEY POINTS:

- Attachment points are as important as rates
- Insurers need to know capacity will be available
- QBE Re is a transformed company with a unified global presence

Increasing client focus

QBE Re comes into *Rendez-Vous de Septembre* after a significant transformation over the last 18 months and, Killourhy, said the business was focused on consistency for its clients.

"Consistency is more than a goal; it's a core principle of how we operate," he said. "In the reinsurance market where conditions can shift dramatically, we recognised that providing a stable and reliable offering is crucial for our clients and capital providers."

> "Consistency is more than a goal; it's a core principle of how we operate."

The transition has meant the company has evolved from a collection of independent regional units into a cohesive global reinsurer.

"Previously, we operated as three separate businesses: one in North America, one in Lloyd's, and one in Europe," Killourhy explained. "This structure meant we had different approaches and client interactions in each region.

"By integrating these operations, we've created a more consistent and unified global presence.

"We noticed that operating independently in different regions led to inconsistencies in how we managed risks and interacted with clients," he added. "Our goal was to therefore consolidate our operations and provide a more seamless experience for our clients and better manage our global risk exposures."

Reducing the client base

One of the key strategies in achieving this consistency has been the reduction of QBE Re's clients.

"We've significantly reduced our client count from around 1,300 to something closer to 500," Killourhy said.

"This decision was not made lightly: it involved moving away from some longstanding clients, but it allows us to focus on a smaller number of key relationships more effectively.

"By concentrating on fewer clients, we are able to get closer to our cedants and provide each other with a higher level of mutual transparency."

Managing a volatile market

Killourhy described how the decision to streamline the client base had been driven by specific criteria.

"We look for clients who offer strong access to management, team longevity, diversification in their portfolios, and consistency in their buying patterns," he said. "These factors help us build long-term relationships and provide a stable foundation for our clients and ourselves."

In addition to internal changes, Killourhy raised the importance of consistency in managing market conditions.

"The reinsurance market is experiencing various shifts, but our commitment to consistency remains unchanged," he said. "While market conditions fluctuate, we can focus on maintaining a steady approach to how we manage risks and interact with our clients."

Chris Killourhy is managing director of QBE Re.
www.qbere.com

AI

Gen-AI can identify emerging risks in a new way

Gen-AI could capture data about emerging risks in a way that is impossible for the re/insurance industry to do now, says Vanda Giannara of DGTAL.

Generative artificial intelligence (Gen-AI) can be a powerful tool for identifying and pricing emerging risks, according to one of the founders of a pioneering insurtech.

Vanda Giannara, the co-founder and chief client officer of AI insurtech DGTAL, told *Monte Carlo Today* that Gen-AI could be used to capture data about emerging risks in a way that is impossible for the re/insurance industry to do so far.

This would enable the industry to segment, classify and price the risks much more quickly and accurately, she said.

DGTAL is using its product, Driller, to support pricing actuaries and underwriters in identifying and capturing qualitative information in claims that have no historical data, such as emerging risks and trends.

Driller was launched last September and is currently being used by re/insurers for AI audits and as a claims assessment co-pilot. The AI-powered portfolio tool is designed to develop and display a contextual understanding across a wide array of cases and documents. It allows users to sift through massive volumes of data to identify patterns, trends, and insights.

It is particularly powerful at drilling into unstructured documentation which could take weeks or months to be assessed manually, says DGTAL. Instead, it can do it in minutes.

That application is being used by eight companies and another four are carrying out proof of concept testing with the technology.

DGTAL made headlines earlier this year when French re/insurance giant SCOR said it was carrying out a pilot with Driller to assess disability claims. Giannara said SCOR had recently accepted the proof of concept.

"Driller is able to analyse packages of up to 500 pages of claims documents in 35 minutes. It would take a person a week or more to review the same claims packages," she said.

The company is now looking at how Gen-AI can be used to identify emerging risks.

KEY POINTS:

- DGTAL's Driller pilot with SCOR successfully completed
- Can drill down into claims unstructured data in minutes
- Underlying causes of emerging trends can be quickly identified and measured

"Gen-AI is a very competent tool for language understanding, for reading files, processing and giving you this information," Giannara said. "There are three reasons Gen-AI can be used in the emerging risk space that is becoming very important.

"The first is the speed at which things change. We have always had emerging risks in insurance, but right now, by the time you realise something is an emerging risk or trend, it is almost mainstream. I call this 'the new normal'. The present is the past and the future is happening as we speak.

> "Driller is able to analyse packages of up to 500 pages of claims documents in 35 minutes."

"This significantly affects the development of a claim," she said. "You have to have a more powerful lens in order to capture this data.

"With an emerging risk there is not the historical data around it. If you take the example of long COVID, it can be the underlying issue for pneumonia and other respiratory illnesses in the last 12 months," she said.

"You cannot distinguish, unless you read a claims file, whether the underlying cause was long COVID or if there was another cause. Someone needs to read all the claims files to get this understanding but that does not happen, so a pricing actuary cannot deep dive and apply his pricing model.

"AI is able to detect within the last 12 months—from the fresh claims data—the proportion of people who had pneumonia with long COVID as the underlying cause and what the average claims payment was.

"You can have a very good actuarial approach to an emerging risk which is not only probabilistic and mathematical but is complemented with aggregated fresh claims data that cannot be captured anywhere now.

"Then you can apply all your actuarial modelling to it," she said. "You are able to narrow down very nuanced and sophisticated cohorts which is great for pricing actuaries and risk managers."

Changing behaviour

Another way that Gen-AI could benefit the health insurance industry is through the use of wearable technologies such as Fitbits and other health trackers, which could be used the same way as telematics are used to incentivise the behaviour of drivers.

Giannara said if people with wearables were more conscious of healthy behaviours, insurers would be able to reward insureds for good behaviour by reducing premiums.

"Technology has the ability to incentivise or disincentivise behaviour and create great new products based on understanding of risk," she said.

She agreed that such a programme could be devised without Gen-AI, but where it becomes useful is to link claims information with underwriting data in one single source of truth, always with the policyholder's consent, in order to take a personalised and customer-centric approach to product development.

"The tech exists today. Good data need effort and we need to focus more there. Find narrow solid use-cases and keep trying. The results can be astonishing," she concluded.

Vanda Giannara is the co-founder and chief client officer of DGTAL. She can be contacted at: v.giannara@dgtal.io

RENEWAL

Beazley predicts a stable renewal for market

Based on the dynamic between supply and demand alone, the market should be in for a stable renewal this year, Patrick Hartigan, head of reinsurance, Beazley, told *Monte Carlo Today*. He said the correction of the market in the 2023 renewal will be enough to maintain a status quo.

Commenting specifically on property-cat business, Hartigan noted that while demand for coverage was increasing, driven by inflation and higher valuations, reinsurers are able to easily match this. He estimates that Beazley's cedants will be seeking 10 to 15 percent more coverage; Beazley is happy to support them on that.

"We have not seen any new major players coming into cat, which would have adjusted prices. Insurance-linked securities have been busy, but no heavy firepower has come in. There capital base is quite stable on the supply side. There has not been the sort of dislocation we have seen in the past," he said.

Reinsurers remain concerned about the impact of secondary perils, he added. Although 2024 has been predicted as being an above-average hurricane season (which has not yet come to pass), reinsurers feel they understand such modelled perils. In contrast, secondary perils remain a worry.

"For example, in Canada in recent months, four major losses have hit the industry from wildfires, hail and flood. The country's insurers are reeling from flooding in Toronto and elsewhere in southern Ontario, the Jasper wildfire, Calgary hailstorm and flooding in Quebec regions," Hartigan explained.

KEY POINTS:

- Supply and demand should balance
- Reinsurers can serve increased demand
- But secondary perils remain a worry

"The culmination of these events will hit reinsurers, and represent a warning."

Patrick Hartigan

Losses

The four natural catastrophes during Canada's summer season resulted in about five times the amount of claims than the 20-year average. Severe weather in 2023 caused insured losses of more than $3.1 billion Canadian dollars (about $2.3 billion), "and 2024 could be much worse", Hartigan said.

"While attachment points have moved up, shielding reinsurers from some secondary perils, the culmination of these events will hit reinsurers, and represent a warning. The industry must find a way of getting a handle on such events."

Commenting on the US market, which he described as "quite reactive" he expects rates to remain strong with a potential for some flattening in the E&S market. "Inflation is a genie that has never been put back in the bottle. It was a warning that we need to factor in potential inflation as a matter of course," he said.

"We were caught out last time, but we need to be doing this as a matter of course."

STRATEGY

NewRe sticks to business, despite losses last year

Supply and demand should balance out in this renewal, with rates remaining steady and terms and conditions consistent. But the story could be different on loss-affected lines as reinsurers become more discerning, Thomas Braune, chief executive officer of NewRe told *Monte Carlo Today*.

"There has been very little new money entering the market and there remain concerns around things such as secondary perils and the scale of the nat cat losses the industry should expect every year. There is also very high claims inflation. That will mean a balance," he said.

Dirk Herrenpoth, NewRe's chief underwriting officer, property and casualty, added that while there is no shortage of capacity in the market, he believes discipline will hold.

"It is different from the hard markets of the past. We anticipate that things will be stable," he said.

Herrenpoth is sceptical as to whether investors will be attracted to an industry now in a more lucrative part of the cycle. "The industry has earned its cost of capital for only four of the past seven years. I am not sure we are that attractive as an industry in that sense," he said.

Thomas Braune

NewRe posted a loss of €185 million last year due to a combination of cat losses and the need for reserve strengthening on its UK motor book. Braune admits that the reinsurer examined its strategy after that, but concluded that the strategy was sound and only small adjustments were needed.

"Last year was difficult for an EU cat writer, but nat cat is our business and we can bear losses. We reduced our UK motor book a little but overall we are happy to say it is business as usual," Braune said.

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CCR RE

Risks and opportunities in a new era

Three leaders from three corners of the industry met for an in-depth chat at the Monte Carlo *Rendez-Vous*.

KEY POINTS:

- More a 'firm' market than a hard one in US
- 'Hardening' in Europe, bringing equilibrium
- Re/insurers need to be buoyant and profitable

In the face of global challenges such as climate change, escalating risks, social inflation, and tightening regulatory pressures, opportunities still exist for those who can manage capital prudently, build strong client relationships, and focus on long-term solutions. That was the key theme from three industry executives, despite their diverse portfolios and distinct approaches to addressing risk and opportunity.

In a relaxed Fireside Chat moderated by Wyn Jenkins at the Monte Carlo *Rendez-Vous de Septembre*, industry leaders Don Bahr, president, global reinsurance, Markel; Tobias Sonndorfer, CEO, VIG Re (from January 1); and Shevawn Barder, CEO, AM Specialty Insurance Group, shared their perspectives on these issues and the current state of the re/insurance industry.

In attendance

1 **Don Bahr,** president, global reinsurance, Markel
2 **Shevawn Barder,** CEO, AM Specialty Insurance Group
3 **Tobias Sonndorfer,** CEO, VIG Re (from January 1)
4 **Moderator:** Wyn Jenkins, *Intelligent Insurer*

Is it a true hard market?

The conversation kicked off by examining whether the market can be classified as "hard". Bahr, representing North America and commenting on casualty and specialty lines predominantly (Markel's cat business is managed by Nephila), challenged the notion of a universally hard market.

"I would dispute that it's a hard market. Clearly, property is very hard, but in casualty and specialty lines—my focus—it's different." Bahr suggested price hikes in some of these areas had "crested", particularly for directors and officers (D&O) liability, cyber liability, and excess casualty, although the market is now experiencing a rebound in pricing. According to Bahr, it is more of a firm market than a hard one.

From his view on the other side of the Atlantic, Sonndorfer painted a different picture for Europe. "It is not a classic hard market, but it's hardening," he said. The European market, after years of a soft market, "needed correction", bringing prices to what Sonndorfer described as an "equilibrium". He pointed out that nat cat losses in recent years, driven by secondary perils and climate change, have put additional pressure on reinsurers, contributing to rising costs.

Inflation and social inflation

One of the biggest challenges flagged was managing the "loss cost environment". Bahr stressed that the re/insurance industry is grappling with the uncertainty around loss costs, especially in general liability and auto insurance. "The loss cost environment has been very uncertain—a rocky road."

Social inflation, where litigation funding and larger jury awards have put pressure on insurers in the US, has made it difficult to predict losses accurately.

"The social inflation pendulum has clearly swung over to the plaintiffs," Bahr stated, highlighting how litigation funding has dramatically increased the cost of claims settlements in the US. Bahr said this has made it difficult for insurers to keep up with loss costs. "The jury pools are out to punish large corporations right now," he said.

Barder, who leads AM Specialty Insurance Group, agreed with Bahr's concerns, pointing out that several major insurers have exited certain US states due to the impact of social inflation and regulatory hurdles.

"Insurers have to be able to charge an appropriate premium for the risk they're taking on," she explained, noting that a number of national players have exited states such as California because they feel unable to do this.

While these challenges are significant, Bahr

> "The social inflation pendulum has clearly swung over to the plaintiffs."
>
> Don Bahr

expressed optimism about the casualty market, despite the “bumpy road ahead”, especially as the market responds with rate increases and continued limit management. He noted that certain lines of business, such as transaction liability and cyber insurance, are poised for growth. “We’re very bullish on certain lines. Cyber is another area we continue to support as it grows,” Bahr said.

Europe has largely been insulated from the worst effects of social inflation, but Sonndorfer noted that claims inflation is putting pressure on specific lines, particularly motor liability.

“We don’t face social inflation in Europe to the same extent,” he said, but he added that lines such as motor liability were under pressure, primarily in countries like Germany.

“Claims inflation is driven by the cost side, where settlements have become much more expensive than premiums reflect,” he explained. In response, European insurers are increasingly exploring telematics and other technologies to manage claims costs more effectively, although Sonndorfer noted that these solutions are not yet widely adopted. “It’s here and there in Europe, but not a general game-changer,” he said.

Barder highlighted the US trucking industry’s widespread use of telematics, explaining how it has helped reduce disputes and manage claims more effectively. “With cameras in trucks, you can’t dispute what happened. It’s helping manage claims more effectively, especially in litigious environments like the US,” she said.

What keeps leaders up at night?

Bahr noted that while the industry has seen some stabilisation, with markets responding to adverse loss developments, the future remains challenging. “Settlements are significantly up, and getting arms around that is very tough for the industry,” he said.

For Europe, Sonndorfer identified the challenge of maintaining market position and underwriting discipline, particularly in nat cat and motor liability lines. “While we’re in a favourable market environment, casualty or motor liability in Europe is still under pressure, especially in key markets such Germany,” he said.

For Barder, the challenge lies in attracting capital and investor confidence, especially in the US market, where social inflation and regulatory pressures loom large. “Capital is fickle but I need money to grow and build my business, and attracting investment is what keeps me up at night.”

> “With cameras in trucks, you can’t dispute what happened.”
>
> Shevawn Barder

Causes for optimism

Despite the challenges, the leaders expressed optimism for the future of the re/insurance industry. “I’m very optimistic about the insurance industry,” Barder said. “Insurers aren’t the bad guy. They need to be buoyant and profitable—it’s vital for society and the economy.”

Sonndorfer echoed Barder’s sentiment, pointing to the opportunities that come with emerging risks. “The fundamental ingredient of the industry—risk—is ever increasing,” he said. “That’s a great opportunity for innovation, and for collaboration across the industry to tackle those risks.”

He emphasised the industry’s role in supporting societal transitions, such as moving toward net-zero economies, and the need for concerted effort. “I’m very positive. It’s not easy, but it’s important, and it requires work.”

Sonndorfer said his focus is strengthening client relationships and providing more tailored solutions. “For us, this notion of putting the client at the centre of our thinking and getting a relationship-based approach is important,” he said, adding that VIG Re is focusing on deeper collaborations with clients to navigate Europe’s evolving market dynamics.

“For us, it’s about building deep relationships with clients and providing solutions, not just products,” Sonndorfer said.

All leaders stressed the importance of promoting the insurance industry’s purpose to attract younger talent. “This is an industry of purpose—you’re doing genuine good in the world. After every natural catastrophe, the value of insurance becomes tangible. We need to be more outspoken about that to attract talent,” Sonndorfer noted.

Barder agreed, adding: “The insurance industry undersells itself to young people. It needs to market itself more. It may not be seen as very sexy, but insurance is a great career.”

> “The fundamental ingredient of the industry—risk—is ever increasing.”
>
> Tobias Sonndorfer

RENEWAL

Will discipline hold or greed return on 1/1?

KEY POINTS:

- Sustained discipline a main concern
- Equilibrium between reinsurance and primary markets
- Munich Re to remain 'very selective' on expansion

“We've seen a fundamental shift in how risks are being structured.”

Carsten Prussog

As the reinsurance industry approaches the 1/1 renewals, Carsten Prussog, Munich Re's chief executive officer for the UK, Ireland, Netherlands, and Nordics, is keeping a watchful eye on how the market will respond.

“It is a question of whether the discipline seen in the past couple of years will hold or whether, in some areas, greed might return,” he said.

“That would be one of my concerns,” Prussog told *Monte Carlo Today*. “People trying to grow on a not-so-technical pricing can always have a certain impact on the market dynamic.”

With inflation, climate change, and global uncertainties creating a volatile environment, how reinsurers manage risk and growth will be crucial, he said. “Given the high frequency of significant losses, there is a hesitancy that reinsurers are going too close to the frequency, too close to the risks. They want to keep retentions where they are, and the balance where we are currently standing.”

According to Prussog, the so-called “hard market” is not quite what it seems. Instead, he views it as a necessary correction after years of underperformance. Between 2017 and 2022, reinsurers earned their cost of capital only twice, making the current market adjustments long overdue.

“This was an overdue and required correction of the market,” he said. Prussog believes it has resulted in a “much more balanced equilibrium between the reinsurance and primary markets”.

In the market correction, Prussog explained, price was only part of the equation: it's also about how risks are structured. Reinsurers have been forced to rethink their approach. “We've seen a fundamental shift in how risks are being structured,” he said.

In terms of the supply:demand dynamic, he noted that traditional and alternative capital have increased—but demand from cedants has also grown, fuelled by inflation and higher business values.

“There is now quite a good balance between supply and demand,” he said. “We are not seeing a similar kind of distortion of the market as in 2023, with spiking inflation and geopolitical uncertainty.” But he warned: “All this is subject to no significant loss.”

Growing climate risk

Prussog highlighted that the reinsurance market is still highly vulnerable to large loss events, particularly climate-driven ones. Meanwhile, the frequency and intensity of severe weather events—floods, tornadoes, wildfires—are increasing, pushing reinsurers to adapt their models accordingly.

“We've shown how massive this trend is,” he said, adding that climate-related risks must be priced adequately. Munich Re, like other insurers, is working to update its models to account for the growing risks posed by climate change and ensure transparency with clients about why premiums are rising.

Beyond the challenges, Prussog sees opportunities, especially in meeting the increased demand for capacity. “We are extremely well-positioned to bring significant capacity, specifically in difficult times,” he said, noting that the company's financial strength gives it a competitive edge, allowing it to navigate turbulent markets “without depending on retrocession”.

TECHNOLOGY

Insurance industry is still lagging behind on technology

The re/insurance industry is still lagging behind other financial services sectors on digital transformation, Isabelle Clausner, vice president and client executive for EMEA for Xceedance, told *Monte Carlo Today*.

“If you miss the turn on digital transformation you are probably going to be lagging behind and will miss out on a lot of future opportunities,” she said.

“Cultural resistance is still one of the major challenges, but we are seeing some major steps being taken by the industry as a whole to drive the transformation.”

“Cultural resistance is still one of the major challenges.”

She said Xceedance, which provides technology solutions to the insurance industry, was seeing many clients who wanted to leverage their data and were looking at artificial intelligence (AI).

“We have moved away from the time when people were talking about how generative AI was going to replace all our jobs,” she added. “There is now a consensus that it will replace tasks, not jobs, but there is still a lack of knowledge about what it means.

“Training across the organisation and bringing talent in will hopefully counterbalance the cultural resistance and create organisations which are more agile and have moved away from the traditional organisational structures as we know them today.

“To drive digital transformation, you need leadership from the top of the company and to invest in training,” she said.


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DATA

PERILS expands platform with better data visualisation

Switzerland-based data aggregator PERILS has announced a quartet of changes and developments to its offering.

Speaking to *Monte Carlo Today*, Christoph Oehy, chief executive, and Darryl Pidcock, head of Asia-Pacific & cyber at PERILS, explained how the company is building a new platform to offer clients enhanced data visualisation.

"People want to have easier access to data, and it's very important to the next step in the evolution of PERILS, which is providing insights based on the data," said Oehy. "That's something we'd like to do more going forward."

PERILS is also integrating CRESTA CLIX, the industry loss index, which was developed by its subsidiary CRESTA, into PERILS. They said that adding this extended product will provide loss estimates for global coverage except US and for all natural perils. CRESTA CLIX incorporates almost 25 years of data going back to 2000 that will become available in one place.

"CRESTA CLIX incorporates almost 25 years of data going back to 2000."

Darryl Pidcock

The third development is on the perils side. The company is currently in the process of collecting the feedback from its data providers to include hail in Europe in the perils it covers.

Following the CrowdStrike outage in July, there has been a lot of interest in whether PERILS would look to include unintentional attritional cyber events, because the US Cyber index covers only intentional malicious attacks. PERILS is now collecting feedback on whether that component should be added as well.

"The focus by the industry has largely been on the malicious attacks," said Pidcock. "CrowdStrike occurred in July, and now the industry is focusing on what is covered and the implications for cyber modelling. Of course, part of that is the data."

MARKET

Property reinsurance rates stay 'buoyant': Conduit

Property reinsurance rates remain buoyant, and that trend should continue through the January 1 renewals, according to Conduit Re chief executive officer Trevor Carvey, speaking at a Monte Carlo briefing on September 10.

In contrast, the casualty market remains more challenging, but the co-founder of the Bermuda-based reinsurer said his company had not seen adverse developments emerging for the years since 2021 when the company started underwriting.

Carvey said the property risk market continued to enjoy "elevated" rates and terms and conditions. Conduit has less exposure to property-catastrophe reinsurance.

"Our view is that across the various classes that we transact, the market has had a very good run since we came into being in 2021," he said at a briefing. "The majority of those classes have been operating at an elevated level, rating-wise. And by the way we view terms and conditions, they are still very good."

Carvey said there had been some "rate deceleration" in certain classes, adding: "Overall, it is a buoyant market, and through the rest of this year and into 2025 we are having a pretty good run."

Carvey said margins for property risk remained attractive, adding that while rates fell on a risk-adjusted basis in the mid-year wind renewals, Conduit adjusted its position and "wrote around that".


Trevor Carvey

"There is still plenty of wind season to go, so we never count our chickens too early in that respect," he added.

On casualty, Carvey said the company was focused on understanding the loss trend in order to price the risk.

"While certain classes have experienced adverse prior year claims, we would not typify the whole casualty space as being impacted," he said.

He added that the casualty years Conduit had underwritten from 2021 were "tracking through absolutely within our pricing expectations".

Greg Roberts, Conduit's chief underwriting officer, was guardedly optimistic about retrocession.

"A lot of the capacity in the retro market, particularly on the ILS and third party side, is looking forward to a better year," he said. "If you think of the experience of the last five years, 2023 was a good year for the retro market in general.

"One year does not make a trend," he added. "There is quite a bit of capacity at the moment, at those terms and conditions, so the state of the market is stable, which sounds a bit generic, but is fair."

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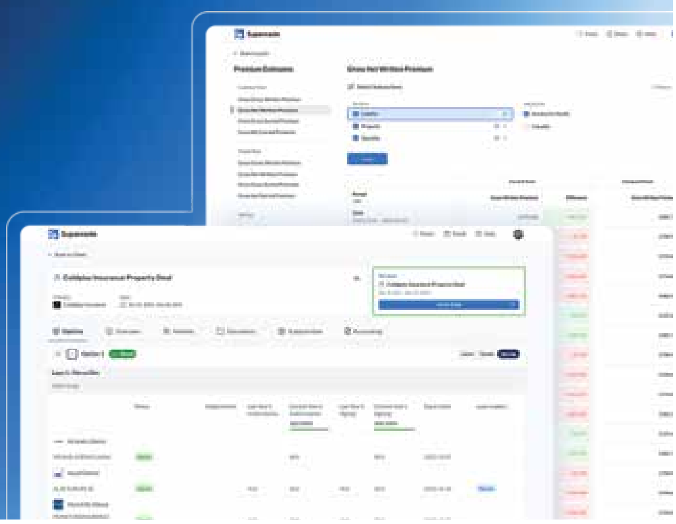


CYBER

CyberCube warns on cyber risk evolution post CrowdStrike

The CrowdStrike incident in July and its relevance to the cyber industry highlights key lessons in cybersecurity, cyber insurance, and the systemic risks posed by interconnected technologies, according to Jon Laux, vice president of analytics at CyberCube.

Speaking to *Monte Carlo Today* Laux pointed out that the incident involving CrowdStrike presents valuable insights into how technology failures, even in their best-case scenario, can have broad implications for businesses and the cyber insurance industry.

First, the CrowdStrike event underscores the importance of recognising systemic risks in the cyber world. Although it was not a malicious attack, but a software error, it demonstrated the interconnectedness of technologies and the potential for cascading effects across industries.

Laux said that CyberCube estimates losses from this event to be between $400 million and $1.5 billion. This is significant, but the event's relatively contained nature—thanks to CrowdStrike's rapid response and resolution within hours—showcases how much worse things could have been.

Most companies recovered quickly, but the incident serves as a reminder of the fragility of complex digital systems.

> “CyberCube estimates losses from this event to be between $400 million and $1.5 billion.”
>
> Jon Laux

Different scenarios

Laux spoke of the value of "counterfactual analysis", a method of exploring what could have happened in a cyber event and how different scenarios might have played out. By examining not just the events that occur but also potential outcomes, organisations can better prepare for future risks, he said.

Another important lesson from this event is the significance of incident response. In the case of CrowdStrike, the company acted swiftly, halting the spread of the bug within 90 minutes and issuing recovery instructions early the next day. Despite this rapid response, some businesses experienced long recovery times. This variation in recovery emphasises the need for preparedness.

The cyber insurance industry, according to Laux, is still in an evolving phase. While some industry players consider it immature others, such as CyberCube, focus on understanding the dynamic and fluid nature of cyber threats. Laux drew a parallel between cyber risks and climate change, both representing challenges that the insurance industry must learn to navigate in an era where risks are constantly evolving. He sees this as an opportunity for the insurance world to adapt to the realities of the information age.

For CyberCube, the CrowdStrike incident serves as both a cautionary tale and a learning opportunity for the cyber and insurance industries.

STRATEGY

Miller plans more international reinsurance expansion

Miller Insurance Services' purchase of Zurich-based 4809 Brokers last month will enable it to expand its strategic advice offering. It is now eyeing plans to further expand its reinsurance services in Europe and in the Middle East and Asia.

In addition to 4809, Miller bought Madrid-based commercial insurance broker Bruzon in May.

Shaun Sinniah, head of reinsurance and capital for Miller, said: "We are looking at international expansion that will drive a significant amount of growth for us. We felt there was an unmet need within our segment, which can best be termed 'strategic advisory'."

He told *Monte Carlo Today* that brokers such as Miller were well placed to offer strategic advice to clients, including on mergers and acquisitions (M&A).

"That was the real driver behind the purchase of 4809," he said. "Within 4809 we have bought a platform in Zurich that will be built up very quickly. It is a company that gives us capital advisory and deep experience of running insurance companies in Europe and in jurisdictions such as Luxembourg and Bermuda."

He said 4809 was strong in traditional spaces such as alternative risk transfer and loss portfolio transfers, and could also advise on M&As from a risk perspective.

"GIC views Asia as an important part of the company's growth strategy."

Shaun Sinniah

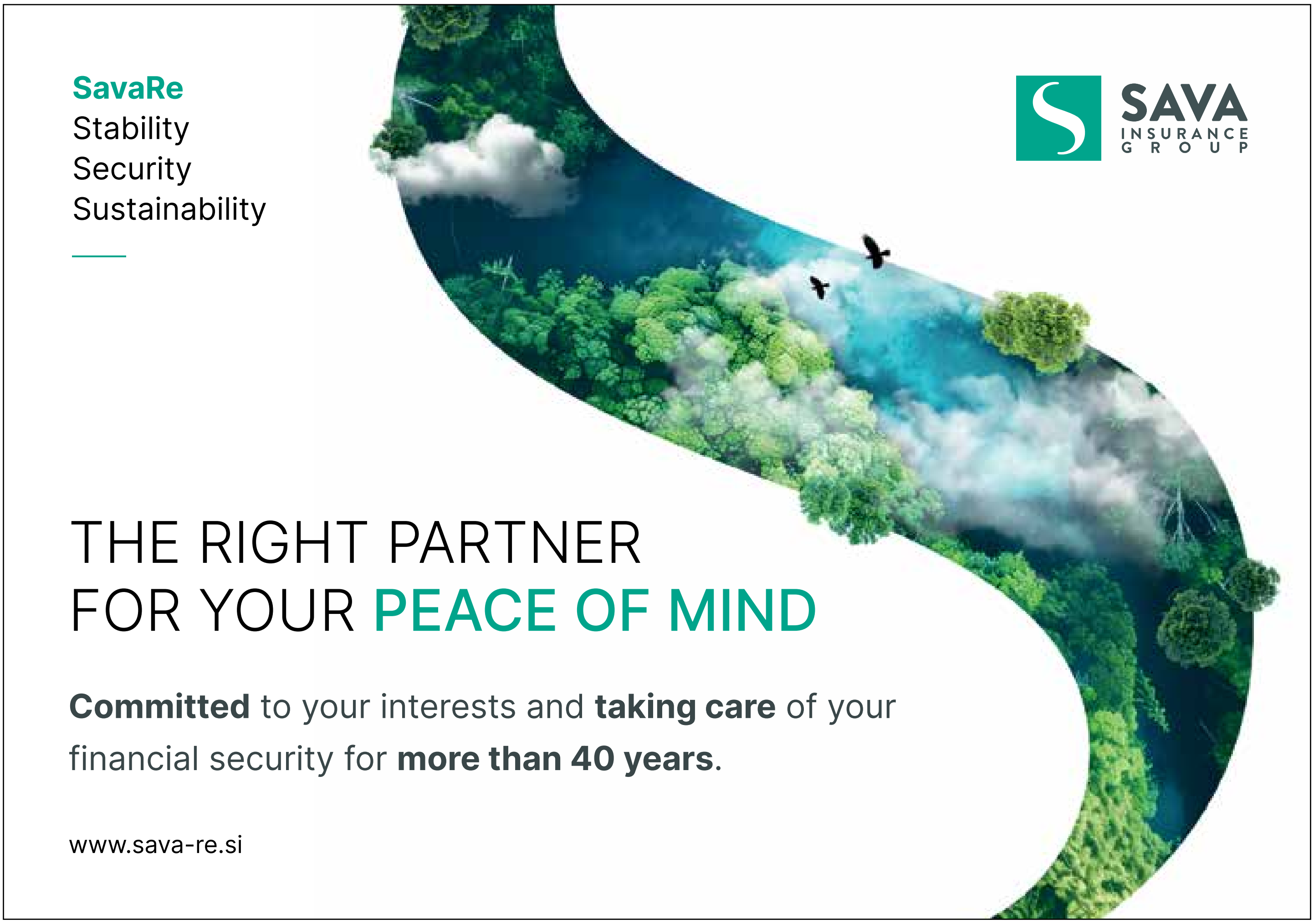
Pierre Guntzberger, head of global facultative reinsurance, will be responsible for rapidly building the Zurich hub.

Sinniah said the legacy market would grow as re/insurers embraced it as a capital management tool. "We see it as an important tool to deploy if you are going to have a holistic capital management discussion," he said.

"As was widely reported, our main investor changed on April 1, when GIC, the sovereign wealth fund of Singapore, took the primary stake in Miller. "

"GIC views Asia as an important part of the company's growth strategy with great potential, and so do we," Sinniah said. "We have a phenomenal team in Singapore and are filling out our teams in the rest of Asia, especially in Southeast Asia."

Miller also sees opportunity in the Middle East which is forecast to have the fastest growth in the world over the next decade.



MGAs

MGAs are 'the future of insurance' if structured properly

There has been a spike in the formation of managing general agents (MGAs) in recent years—but their unique advantages mean they are here to stay for many years to come in the re/insurance industry.

That is according to Danny Maleary, chief executive officer of Pro MGA Global Solutions, who said he believes the agility and efficiency of the structure means it has a permanent place in the industry.

Pro MGA Global Solutions is a service provider to the sector, offering "MGA-in-a-box" packages which enable an MGA's owners to focus on underwriting and capital-raising.

"The MGA will be the future of insurance if it is structured correctly, embraces the right operating model, uses technology, and offers good service," he told *Monte Carlo Today*.

"That nimble approach is ultimately what the customer is looking for, whether that customer is an individual or the corporate. That is where the MGA excites me."

There is no shortage of new entrants into the market, said Maleary, who began the business in 2016.

"We see 10 to 15 proposals a month which is an increase over the last couple of years from the five to 10 we would normally see," he said.

"The popularity of the structure lies in its agility."

Danny Maleary

Of those, Pro MGA typically brings on about 15 new clients a year.

It currently works with 46 MGAs writing $600 million of gross written premium over 30 classes of business.

Maleary said the popularity of the structure lies in its agility and its ability to adopt and use cutting-edge technology.

"We are seeing a significant shift with insurers, reinsurers and alternative risk capital looking to support MGAs," he said. "MGAs are very much at the forefront of the chief underwriting officer's mind in terms of how they grow.

"Whether it is MGAs they own, or MGAs they support as third parties, there is a suite of platforms where they can offer their capital out, and that trend is going to continue to move upwards."

Maleary added that MGAs were attractive to entrepreneurially-minded underwriters who wanted more autonomy than they might get in a large company, and that investors of all stripes were interested in supporting MGAs.

RATINGS

Lower nat cat losses bolster reinsurers, says S&P

The global reinsurance sector has seen a significant shift in outlook in recent years, Johannes Bender, director and lead analyst for insurance ratings at S&P explained to *Monte Carlo Today*.

Bender highlighted a shift from a previously negative view to a more stable one, with positive projections for 2023 and beyond. S&P now expects healthy earnings through 2024, driven by favourable market conditions and strong returns on equity (ROEs).

One key metric for Bender is the combined ratio of reinsurers, which is expected to range between 92 and 96 percent (undiscounted, and adjusted under IFRS 17) when reporting their annual results.

This performance should yield ROE between 10 and 15 percent, a level sufficient to cover the sector's cost of capital. The industry faced a more challenging period from 2017 to 2022, where returns struggled to outpace capital costs. However, the last few years have marked a turnaround, particularly in 2023, which Bender described as "great" in terms of earnings, with the first half of 2024 also showing strong results.

Bender explained that much of this improved performance stemmed from favourable nat cat losses, which were well below industry expectations in 2023. Companies had budgeted for nat cat losses

> "The sector showed reluctance to cover frequent loss events."

to contribute 8 to 10 percentage points to the combined ratio, but actual losses were around 4.4 percentage points. This significantly lower-than-expected impact, combined with robust pricing and changes in reinsurance structures, contributed to the sector's strong results.

Changes in the market

In 2023, there were structural changes in the market, particularly in reinsurance pricing and coverage. Insurers displayed low appetite for aggregate covers and increased attachment points. Additionally, the sector showed reluctance to cover frequent loss events, especially in an environment marked by ongoing nat cat risks. These changes benefited reinsurers, allowing them to adjust pricing and maintain discipline in an otherwise volatile market.

Looking ahead, while Bender believes pricing may soften slightly, especially in short-tail lines, the structural changes should keep the market disciplined. This, in turn, should help reinsurers maintain decent returns through 2024. However, Bender remains cautious due to ongoing risks in the US casualty sector, where social inflation and reserve strengthening have been persistent challenges. Geopolitical risks and financial market volatility also loom as potential disruptors.

CYBER

Cyber market needs to be restructured

KEY POINTS:

- The scale of CrowdStrike was 'meaningful'
- Reinsurance needs to tackle systemic risks
- Insurers are retaining more cyber risk

" Capital providers who wanted more stable returns could support attritional offerings from insurers. "

Daniel Carr

The cyber risk market needs to better distinguish between attritional losses and catastrophic losses to bring clarity to the market and investors, Daniel Carr, head of cyber at Ariel Re, told *Monte Carlo Today*.

Carr, who spent five years at Occam Underwriting as chief innovation officer before joining Ariel Re in 2021, said rates stabilised last year and there was an influx of capacity into the market at the beginning of the year.

Since then, there has been an increase in the frequency of incidents while carriers have reduced cessions and retained more risk.

"We have had numerous smaller catastrophic events, which is creating uncertainty around the pricing and underwriting approach around the product.

"We've now seen events that are impacting multiple insureds," he said. "Are we really pricing for them? Is the coverage catering for that type of exposure at the front end, and is there sufficient reinsurance protection on the back end to mitigate that?

"These are not the huge catastrophe events which makes everybody stand up," Carr said. "There is a lot of chat around CrowdStrike in July, which was a meaningful event. But what was meaningful was its scale.

"It also shines a light on some of the structural, foundational limitations of the cyber market now, and whether that may inhibit the appetite or ability of the market to grow to meet the future demand."

Carr said many companies' digital footprints had moved to being the core business technology infrastructure driving their day-to-day operations.

"Many insurers are focused on attritional losses rather than systemic threats, and they need to develop a more structured product.

"There's a whole other thought process that needs to go on around the likelihood of the broader systemic incidents that could occur outside of the attritional process where it's all running fine, but something existential happens, be that to a particular provider or something that's much larger scale," he explained.

Keep focused

The capital structure for a systemic cyber risk was "in the traditional wheelhouse" of the reinsurance industry, Carr said.

"It helps to retain focus for all constituent parts. That will create clearer and more structured products offerings at the front end, the back end and to capital providers," he explained.

Carr said capital providers who wanted more stable returns could support attritional offerings from insurers. "But then they should be evaluating and engaging in the ability of the insurers to influence and manage the dynamic risk," he added.

"Then at the back end, you might have others more aligned with a reinsurer's investor profile, who are more familiar with volatility events throughout the market and capital.

"That's how investors tend to approach the market, so we should probably structure products and solutions that align with that, and then gravitate towards the two quite separate problems.

"There are significant material benefits from beginning to structure things differently, at least on the back end, to enable us to have the toolset to better attract capital and provide more effective products." ●

CYBER

Executives have something of a blind spot over cyber risk: Beazley

Some 26 percent of global business leaders cited cyber risk as the number one threat they face this year, and 24 percent plan to invest in cybersecurity this year, Beazley's latest Risk & Resilience report: Spotlight on Cyber & Technology Risk 2024, has revealed.

Over the past year the cyber threat landscape has become more complex for businesses to navigate due to increasing sophistication of cyber criminals' tactics, aided by artificial intelligence tools. Beazley's survey of 3,500 global business leaders revealed that despite the growing risk landscape, global executives have something of a blind spot over cyber risk, with only 23 percent ranking cyber as their top risk this year, down from 34 percent in 2021.

" Perceived preparedness against cyber risk is also declining. "

As cyber criminals continue to devise and hone their attack tactics firms need to be on the front foot with their cyber resilience, so it is concerning that 69 percent of global firms surveyed believe that their existing cyber defences are sufficient to deal with a cyber attack.

Perceived preparedness against cyber risk is also declining. This year, 75 percent of business leaders feel resilient against cyber risk, down from 78 percent in 2022. This dropping sense of preparedness is reflected in the fact that 24 percent of global businesses plan to invest in cybersecurity measures this year. In addition, 24 percent intend to explore insurance options that include risk and crisis management services, which are essential to help a business to defend against and recover from a cyber incident.

Paul Bantick, global head of cyber risks, Beazley said: "As our report shows, with technological innovation set to bring about seismic societal change, the growing regulatory burden for firms, and cyber criminals becoming more and more sophisticated, businesses are facing a wave of new threats." ●

STRATEGY

Moody's–Praedicat deal: the inside line

In the wake of the purchase of Praedicat by Moody's, Bob Reville of Praedicat (left) and Moody's Mike Steel map out the road ahead.

KEY POINTS:

- Moody's acquired Praedicat on Sept 5
- Wants its casualty risk modelling expertise
- Data and analytics enhanced for both

On September 5, 2024, Moody's acquired casualty insurance modeller and analytics provider Praedicat. The global risk assessment company said the deal would build out its casualty and liability modelling capabilities and enhance its overall integrated risk assessment strategy.

In Monte Carlo this week Mike Steel, general manager of Moody's Insurance Solutions, and Bob Reville, chief executive and co-founder of Praedicat, spoke to *Monte Carlo Today* to share their insights on how the acquisition will enhance capabilities in casualty insurance and reshape the industry's approach to risk management.

Steel said he was excited about the integration of Praedicat into Moody's Insurance Solutions, highlighting the company's commitment to providing comprehensive data and analytics across various segments of the insurance industry.

"If you think about Moody's, our analytics business has provided data and analytics

> "This connection establishes a foundation for a seamless partnership."
>
> Bob Reville

capabilities that are essential for banks, asset managers, governments, and corporates. However, our penetration in the casualty space had been limited," he explained.

Moody's previously acquired RMS in 2021 to strengthen its capabilities in property-catastrophe modelling. Steel remarked: "RMS has strong credentials in property-cat, but we identified a significant opportunity to enhance our offerings in the casualty domain."

The eyes of the leadership are now set on expanding casualty modelling, leveraging the vast datasets and analytics capabilities that Moody's possesses. Steel emphasised the potential for improved casualty underwriting capabilities, especially in areas such as D&O insurance.

"We're exploring how to utilise our firmographic data—our extensive database of 550 million companies—to inform casualty underwriting decisions," he stated. This data can include comprehensive financials, environmental, social and corporate governance scores, and litigation risk assessments, enhancing the quality and reliability of underwriting.

Reville echoed Steel's sentiments about the strategic fit between Moody's and Praedicat. He said that after the acquisition, with Moody's bringing in comprehensive company information, Praedicat has the tools to significantly expand its evaluation of risk at the company level, which is crucial in the casualty insurance space.

Reville stressed the historical ties between the two, saying: "RMS was among our initial investors, and two of our four co-founders came from RMS, so RMS has always been part of our DNA. This connection establishes a foundation for a seamless partnership."

Strength in partnership

The pair stressed to *Monte Carlo Today* that the shared vision for advancing casualty analytics is timely and necessary, given the rise of litigation finance, mass litigation and regulatory pressures.

As a result, the insurance industry is currently facing a multitude of challenges that necessitate advanced analytics and modelling. Steel articulated the urgency, saying: "The increase in mass litigation is driving insurers to seek innovative solutions. They want to be ahead of the curve and are looking for a partner who can provide actionable insights."

Highlighting the interconnected nature of today's risks, Steel said that as an underwriter, "you always want to be scanning the horizon. What risks are bubbling up that you should be concerned about?". This proactive approach is where Praedicat can significantly enhance Moody's capabilities.

Steel outlined how historical events such as the COVID-19 pandemic have shown the complexity of interconnected risks. "Courts were shut down during the pandemic, causing a backlog of cases that interplays with inflationary effects on settlements," he noted. "Understanding these connections will help insurers better navigate the intricate landscape of casualty risk."

As Moody's and Praedicat combine their strengths, the potential for transformative growth is clear. Steel warned that the market is at an inflection point as it faces these interconnected risks. Moody's goal is to broaden its capabilities within the insurance sector, particularly for casualty, bringing deeper insights and analytics into the market.

Addressing this landscape of interconnected risks—such as climate risk and litigation—will require a collaborative approach across industries, Steel stated.

"We aim to understand these risks holistically and develop solutions that are effective and scalable," he said.

> "Moody's goal is to broaden its capabilities within the insurance sector."
>
> Mike Steel

Reville reiterated the significance of the partnership, emphasising that the collaboration aims to deliver practical solutions for the insurance industry and its clients. By merging Moody's capabilities with Praedicat's expertise, the two can create a common framework, making it easier for stakeholders across the industry to engage and manage risks, he concluded.

Bob Reville is chief executive and co-founder of Praedicat. He can be contacted at: reville@praedicat.com

Mike Steel is general manager of Moody's Insurance Solutions. He can be contacted at: michael.steel@moodys.com

DATA

Pioneering satellite data for insurers

KEY POINTS:

- ICEYE now has 38 satellites
- It's venturing into wildfire risk
- Key partnership with Aon

Earth observation satellite firm ICEYE's recent launch of four new satellites is part of a trend that it seeks to continue, as it keeps growing its offering.

Speaking to *Monte Carlo Today*, Stephen Lathrope, senior vice president of solutions, and Rupert Bidwell, vice president of insurance solutions at ICEYE, highlighted the advances that ICEYE has made in Earth observation and data analysis for the insurance industry.

Lathrope explained the company's foundational technology: a constellation of synthetic aperture radar (SAR) satellites that offer what he says is "unparalleled real-time observation of natural catastrophes, particularly floods and wildfires".

"We've launched 38 satellites so far," Lathrope said, positioning ICEYE as a leader in SAR technology and known for its ability to deliver vital data on a global scale. "This year, our focus has been on further developing our flood product, and we're now able to analyse flooding at higher resolution almost anywhere on the planet."

ICEYE's flagship product, Flood Insights, is designed to monitor and report on flood events. Over the past three years, the company has analysed more than 220 events globally.

"Our strength lies in the detail," Lathrope said, explaining that ICEYE provides the extent of flooding and also water depth—important data for insurers assessing damage.

Stephen Lathrope (left) and Rupert Bidwell

"Within 24 hours of the first high watermark, we report on the extent and depth of the water. Then we update every 24 hours, allowing insurers to make quicker decisions," he added.

In response to the growing demand for even faster information, ICEYE introduced a second product, Flood Rapid Impact, which forgos depth analysis in favour of speed, delivering flood extent data within just 12 hours.

"That gives insurers the ability to react more rapidly to events," said Lathrope. He noted that the product was developed specifically based on feedback from insurance customers who prioritised the speed of information over more detailed data.

One major milestone for ICEYE in 2024 was its partnership with global reinsurance broker Aon, which now uses ICEYE's Flood Insights and Wildfire Insights products to support emergency response efforts worldwide.

Lathrope described the partnership as "a strong development for us", noting that Aon's use of ICEYE's technology demonstrates the value of real-time, observational data. This relationship has helped ICEYE showcase its capabilities to insurers globally. "It's important for us and for Aon," Lathrope said, "because it gives access to our product to so many more insurers around the world."

More than flood

ICEYE's monitoring doesn't stop at floods. The company has ventured into wildfire monitoring, particularly in the US and Australia. "With wildfires, we focus on damage to buildings," said Lathrope, noting the ease with which SAR technology can detect destroyed structures.

"It's relatively easy for us to analyse wildfire damage quickly," he explained, describing how ICEYE can differentiate between manmade structures and natural surroundings, helping insurers assess the impact.

Bidwell pointed towards future plans. "We're working on multi-peril solutions," he shared. ICEYE is currently researching wind and earthquake monitoring, with a pilot wind product potentially launching in 2025.

"We expect the wind product to be launched next year, depending on how this hurricane season progresses," Bidwell noted. The objective is to provide insurers with pre-landfall observations and then compare these to post landfall images of the affected built-up areas to support damage estimates, an area where current models often fall short.

"What we do will fill a pivotal information gap," Bidwell added, pointing out that insurers typically wait three to four days for detailed assessments after a storm, a delay that ICEYE's satellite technology can eliminate.

STRATEGY

Tokio Marine Kiln launches new specialty reinsurance division

Tokio Marine Kiln (TMK) has unveiled a new specialty reinsurance division to support its focus on growth and diversification.

The new division will be led by Phil Taylor, who will be appointed head of specialty reinsurance as part of the company's growth ambitions in the sector.

Most recently global head of specialty reinsurance at Everest, Taylor has previously held various underwriting and broking roles with Everest, Liberty Specialty Markets, Novae and Aon. He will focus on building TMK's global specialty reinsurance portfolio and will join the company in early 2025.

> "We are extremely well-positioned to build our portfolio."
> Vivek Syal

Vivek Syal, chief underwriting officer at TMK, said: "TMK's reinsurance expertise is renowned market-wide and we are extremely well-positioned to build our portfolio. Phil is an exceptional underwriter and business leader, and I'm delighted to bring him on board to work with our heads of underwriting to expand our presence in this strategically significant class and provide an outstanding service to our clients."

STRATEGY

IGI eyes reinsurance being 25% of its GWP

KEY POINTS:

- IGI targeting 25% of portfolio reinsurance
- Best underwriter is human, not AI
- Long tail lines 'under pressure'

Reinsurance is a growth focus area for International General Insurance (IGI), with its chief executive officer targeting its becoming 25 percent of its book—but only provided market conditions remain favourable, and discipline is maintained.

"I would love to get reinsurance to 20 to 25 percent of our book—but only if we can do it properly," Waleed Jabsheh, CEO of IGI, told *Monte Carlo Today*. Currently, reinsurance accounts for about 10 percent of its book, with the company having gradually expanded from 5 percent two years ago.

"We are 90 percent facultative. For us, the challenges are not on the reinsurance side. Our challenges are more on the facultative side, where the market dynamics are different from reinsurance," he added.

Jabsheh said long tail lines are "under pressure", while short tail lines are a "mixed bag". The bright spots for IGI, he said, are construction, contingency, marine lines. "Not hull, but other marine lines of business," he clarified.

Jabsheh admitted that compared with last year, "growth is more muted". In the first six months of this year, the business grew by 3.5 to 4 percent. In the previous five years, it doubled in size.

> “If risk keeps you up at night, you shouldn't be in this business.”
>
> Waleed Jabsheh

"But we operate in a cyclical environment," he rationalised. "Even if you shrink in size, the aim is to create value for business and our shareholders—not to write as much business as you can even if it's not profitable.

"The environment by and large is still conducive to generating the returns we've seen in recent years," he stated. But he acknowledged that the market is not as favourable as it was during the high-growth years between 2018 and 2022. "It's a mixed bag now," Jabsheh said.

IGI's strategy is simple: "Stick to the business that makes sense. Sometimes you have to walk away when the environment becomes more competitive," he said.

"We're bottom line-focused, and we'll walk away from the business when it doesn't make sense," Jabsheh said. "But as long as the business is profitable, we will take as much advantage of it as we possibly can."

He believes the market for reinsurance is stable. There is ample capital, but it's not "new" capital, which is typically associated with more aggressive market softening. "There is more hunger, but it's a disciplined capital," he said.

While Jabsheh doesn't expect any "watershed moments" in reinsurance up to the 1/1 renewals, he emphasised that the market must be prepared to tackle any changes that may arise. "A lot can happen between now and the end of the year," he remarked.

"We operate in the business of taking risks. If risk keeps you up at night, you shouldn't be in this business to begin with," he said.

For IGI, the ability to sleep well at night comes from knowing its risk appetite and tolerances and adhering to them rigorously.

CLIMATE

Industry still underestimating climate risk: Descartes CEO Touffut

The industry is being overly optimistic about the looming scale of losses from climate change, Tanguy Touffut, chief executive officer and co-founder of Descartes Underwriting, warned. "The re/insurance industry is still underestimating the consequences of climate change," he told *Monte Carlo Today*.

He said that even though the market is growing, it's nowhere near fast enough to keep up with the increasing pace of climate-driven damages.

"The uninsured losses are growing faster than the insured losses," he said. "Even with market growth, the protection gap is widening." The industry, he stressed, needs to move quickly to close this gap.

> “Parametric insurance is becoming a vital solution for handling these growing risks.”

One of the most troubling trends, according to Touffut, is the rise of secondary perils such as severe storms, floods, and tornadoes. "Secondary perils are becoming major issues for the industry," he said. The industry's models, he insists, must "catch up" to deal with these changes.

Parametric insurance is becoming a vital solution for handling these growing risks. Unlike traditional policies, parametric insurance offers speed, transparency, and fewer exclusions—exactly what clients are demanding in an increasingly volatile climate, Touffut said.

"Clients want swift payment, transparency, and to reduce the number of exclusions in their contracts," he said.

He sees parametric insurance not just as a complement but as a compelling alternative to traditional insurance. It's not just for natural catastrophes—parametric solutions are gaining ground in areas such as cyber risk, offering a flexible and innovative approach to emerging threats, he concluded.

MARKET

A solution is needed for secondary perils

KEY POINTS:

- Reinsurers need to balance support against profit
- Mapfre Re expects orderly renewal season
- Investors will pull out if market softens

The reinsurance industry needs to find a solution to the lack of coverage of secondary perils, according to Mapfre Re deputy general manager and chief underwriting officer Javier San Basilio.

San Basilio told *Monte Carlo Today* that he was concerned that US regional insurers were facing severe challenges getting reinsurance cover for secondary perils such severe convective storms.

The veteran reinsurer said the concern came against the backdrop of a vastly improved reinsurance market.

"The market is in a good place in many respects," he said. "A lot of actions have been taken in the past two to three years in many markets. Some were a bit more reluctant to have action but they had to come to the table and now the market is in a nice area in terms of coverage, pricing, and attachment points.

"But it is not so good when we see there is a gap in the claims that insurance companies are having in the 'not-so-secondary' perils which they cannot recover from their reinsurance treaties.

"This is a concern that the re/insurance industry, as a whole, needs to address with sustainable solutions.

"We do not want to go back to the time when every single claim was transferred into the reinsurance market because we do not think this is the role of reinsurers, but we also do not like seeing our clients taking an oversized loss over this."

San Basilio said the problem was most common in the US among regional insurers but was also affecting some European insurers.

He agreed some attachment points in Europe still needed to go up, but other European insurers were struggling with the lack of aggregate covers.

"A product for that kind of frequency is what the ceding companies are lacking, but the reinsurers are not able to find a solution that makes sense," he said.

> “We have to consolidate the gains and make sure the market is good.”
>
> Javier San Basilio

"The problem in the US is that it is not easy to raise rates to meet rising claims costs," he added.

He said it was easier to adjust rates in Europe and there had been some meaningful increases.

A sound investment

On the 1/1 renewals, San Basilio said it was possible that reinsurers would drop rates in the upper layers, but they would hold firm on attachment points and terms and conditions.

He predicted renewals would be orderly with enough capacity, provided a major hurricane did not make landfall in the US.

"There will be enough capacity, and there will be some markets such as Italy where there still needs to be a price correction," he said. "A lot of the work has been done but we have to consolidate the gains and make sure the market is good for reinsurers and ceding companies."

San Basilio agreed that reinsurers still needed to prove to capital providers that the industry was a sound investment.

"We've had six quarters of good results—in some cases just four," he said. "Capital costs are not getting lower and there are alternatives for investors to put their money, so we need to show consistency.

"If after one year of good results the market starts softening dramatically, a lot of investors will pull out."

The veteran reinsurer said Mapfre Re's book had done well so far in 2024. He said the book was "less extreme" than those of some of its competitors, but it had seen positive returns from all regions.

intelligent insurer DAY 4 WEDNESDAY SEPTEMBER 11 2024 MONTE CARLO TODAY

INTELLIGENT INSURER'S MONTE CARLO TODAY IS PUBLISHED BY NEWTON MEDIA LIMITED

Registered Address: Kingfisher House,
21–23 Elmfield Road,
BR1 1LT, United Kingdom
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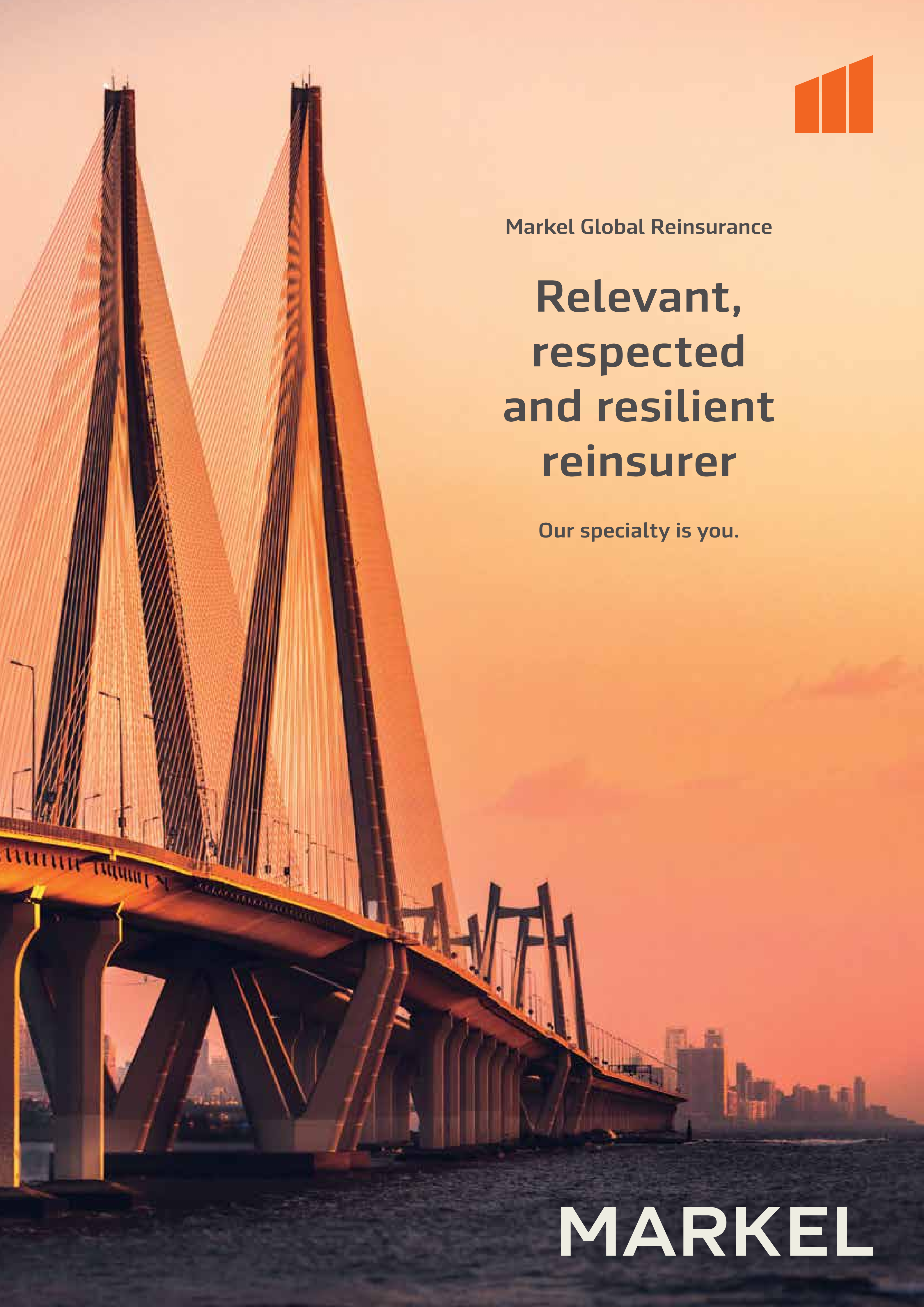
Intelligent Insurer – ISSN 2041-9929



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