



LIME
LONDON MARKET FORUMS

REINSURANCE LEADERS PRACTICE GROUP

IN PERSON BREAKFAST

4TH OCTOBER 2022

THE PRIVATE DINING ROOM,
THE MONIKER (BEHIND THE WILLIS
BUILDING)

25 FENCHURCH AVENUE
LONDON EC3M 5AD

8:30 AM - 10.30 AM



WELCOME & INTRODUCTIONS



Roger Oldham

Founder

LMForums



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Agenda - Claims, Inflation & The Pound

- **8.15am** Registration & Networking
- **8.40am** Welcome and introductions
- **8.50am** A US perspective - Sean Kelly, Partner, Freeborn & Peters
- **9.00am** Q&A
- **9.10am** Live Polling
- **9.15am** Breakfast
- **9.45am** Roundtable
- **10.20am** Conclusions
- **10.30am** Close





Reinsurance Market - Latest View

Since the financial crisis, so-called alternative capital has grown from a niche risk transfer mechanism to comprise almost one-fifth of the industry's capital

The forces of change are stronger than ever. Emerging applications of technology specific to reinsurance, an ever-expanding data universe, reinsurance focussed start-ups and capital markets are combining to drive change more strongly than in the past

Profitability is trending down, adding fresh impetus for change.

Reinsurance Market 6 Identifiable Trends



1. Pivoting to risk transfer plus service model

Reinsurers will strengthen their relevance by pivoting away from providing primary insurers with capacity, which they need less than in the past. Instead, reinsurers will focus on smoothing primary insurers' earnings, protecting them from the 'risk of ruin' and offering them value-added services. These services will include technology solutions that help primary insurers to optimise their business and operating models.



2. Hollowing out of the middle-market

Consolidation will continue among reinsurers and brokers. The epicentre of dealmaking will be in the middle market, leading to the emergence of fewer, larger global reinsurers. The strategic rationale for M&A will be a combination of greater efficiency to defend margins, more flexibility to allocate capital across a broad range of markets and a wider offering to retain key clients.



3. Ongoing influx of alternative capital

The market will witness the continuing influx of alternative capital. It will spread from being tightly focused on property catastrophe to a broader array of risks, lowering the cost of capital for the market in general and the reinsurers that embrace it, in particular. Reinsurers will continue to develop new business models focused on structuring and issuing risk, rather than retaining it on the balance sheet.



4. Blurring of the value chain's boundaries

Insurers, brokers and reinsurers have been repositioning themselves within the reinsurance value chain to defend, create or capture greater value. New technologies and InsurTechs are accelerating this blurring of the boundaries in the value chain. At the same time, due to pricing falling faster than costs, the economics of the value chain have become unsustainable. To address this, incumbents will reshape the value chain based on closer alignment between client needs and their competitive advantages. This will result in three main types of value chain: advice-led, efficiency-led and service-led.



5. Rise of automated placement

The reinsurance placement process has evolved slowly and acquisition cost ratios have been rising steadily. Now, however, the market is seeing the convergence of multiple powerful forces that suggest automated reinsurance placement will be increasingly adopted. These forces range from new technologies to InsurTechs launching in this space to market-modernisation initiatives. Nonetheless, adoption will be gradual, and focused on property catastrophe in the first instance. Automated placement will most benefit distribution platforms and alternative capital providers.



6. Rise of exchange-based secondary markets

Infrastructure providers are building electronic exchanges to facilitate faster and cheaper trading of insurance linked securities (ILS). However, these exchanges face a number of high barriers, such as slow and infrequent reporting on losses affecting traded securities and opaque processes for valuing them. Traders will overcome these barriers, allowing the reinsurers that fully exploit secondary markets to optimise their risk and capital more dynamically.

Reinsurance Market Forces Behind Trends

Forces behind the future trends

Powerful forces are reshaping the reinsurance industry. The most significant over the next ten years will be:



New technology – rapidly-advancing technologies, such as cloud storage, external data mining and analytics, will revolutionise the speed and power with which risk is identified and analysed.

Start-ups will accelerate the adoption of new technologies and ideas by bringing them to market far faster than incumbents. They will develop solutions for specific activities, with this so-called ‘modularisation’ making it easier for new players to enter the value chain and for incumbents to reposition within it.



Capital markets structuring – new structuring techniques will enable a wider variety of property catastrophe and other risks to be packaged into investable assets.

They will also help to overcome the issue of ‘trapped collateral’ (where investors are unable to recover their principal until losses have been quantified and these estimates have stopped ‘moving’). This will encourage a more varied group of investors to invest in insurance and reinsurance risks, accelerating the entry of alternative capital. New platform-based investment intermediaries, such as crowdfunding marketplaces, will provide an additional route for investors to enter the market.



Alternative capital – large pools of capital that are lower-cost than, and alternative to, reinsurers’ balance sheet capital will continue to enter the market in search of yield and returns uncorrelated with major asset classes. This will increase the stock of capital available to back risk and increase profitability for players that take advantage of alternative capital. With the low-to-negative interest rate environment forecast to remain for longer than previously expected, the search for yield driving alternative capital will not abate soon.



Bundling – large reinsurers and brokers will bundle value-added services into their core offerings, which will help them to retain clients and put pressure on smaller, less-differentiated players. Infrastructure providers will bundle services into their platforms, making it easier to set up a reinsurance business and thereby increasing competition.



SPEAKERS



**Roger
Oldham**

Founder
LMF



**Sean
Keely**

Partner
Freeborn & Peters LLP



**Joe
McCullough**

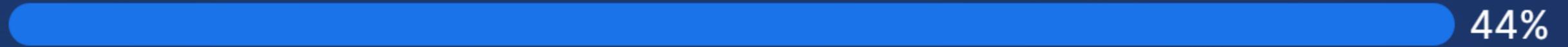
Partner
Freeborn & Peters LLP



POLLING RESULTS

What best describes your role?

Claims



Broking/Placing



Operations/Management



Underwriting



Other



What noticeable changes have you noticed in the reinsurance market over the last 3-5 years?

ID/Cyber/war exclusions

Hardening market

More run-off

Concentration of brokers

TMK withdrawal from market

New types of capital

Technology

Knowledge

Withdrawal of reinsurance Property capacity

Underlying rate increases

Reduction in supply of treaty/ retro capital

Claims handling

MGA startups

Compound rate increase

Knowledge sharing

Is your organisation contemplating a material consequence on the value of claims settlements and book profitability as a result of global inflationary pressures?

Yes



Not sure



No





A USA PERSPECTIVE



Sean Keely
FREEBORN



Joe McCullough
FREEBORN



BREAKFAST

Freeborn 
ATTORNEYS AT LAW



Roundtable Questions

Claims

What trends are you seeing in reinsurance claims quantum levels?

Which classes of business are generating the biggest reinsurance losses and are there any originating identifiable geographies? Have some of the global climate related catastrophes had an impact on your reinsurance book?

Will changes to primary or reinsurance wordings/clauses have a material impact of claims values and policy liability?

Inflation & Sterling/Dollar Depreciation

Discuss what impact that global inflationary pressures will have on the reinsurance market and on claims? Consider the consequences for premium rates, client retention and claims settlements?



CONCLUSIONS & CLOSE



Roger Oldham

Founder

LMForums



THANKS FOR COMING

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