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Hamilton to reduce US windstorm exposure

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**Canopius hires WTW’s Kate Roy as its COO**

London market carrier brings in Willis GB operations chief to replace departing Laurie Davison

Canopius Group has appointed Kate Roy (pictured) as chief operating officer (COO). She succeeds Laurie Davison, who is leaving the business at the end of the month, **Insurance Day** has been told, after less than four years in the role.

Canopius said Roy has “a proven track record” of leading and delivering complex and transformational operational solutions in business units across multiple geographies.

She is also seen as a “staunch advocate for technological and digital solutions, as evidenced by her involvement on the PPL board since the platform’s inception”. Davison is the latest senior executive to leave the London market carrier. In September it announced group chief financial officer Nigel Meyer would be stepping down in March 2022. He will be succeeded by Gavin Phillips from PwC.

In May, Canopius appointed former Axa XL senior executive Neil Robertson as chief executive with a view to him succeeding Michael Watson as chief executive. Watson, who holds the group chairman and chief executive titles at present, will remain as chairman once Robertson takes the top executive job. Roy will join the business in early 2022.

**Marco given green light for RITC syndicate at Lloyd’s**

Legacy specialist Marco Capital Holdings has been granted “in principle” approval from Lloyd’s to launch a reinsurance-to-close (RITC) syndicate, writes Michael Faulkner.

Malta-based Marco launched last year with £500m ($608.6m) of committed initial equity capital and a focus on UK, European and Lloyd’s property/casualty (P&C) business.

The business is backed by funds managed by Oaktree Capital Management. Marco chief executive, Simon Minshall, said the approval was “an important milestone in Marco’s development, which completes our strategic set”.

“Lloyd’s represents a major market place for P&C run-off transactions – comprising RITC (which is unique to Lloyd’s) and other legacy solutions for business written by Lloyd’s syndicates,” he added.

Formal approval of the syndicate is subject to completion of a review phase by the Lloyd’s Council.

In January, Marco completed its acquisition of British Reserve Insurance Company, a UK non-life insurance company, from Allianz. The transaction provided the business with an underwriting platform for property and casualty legacy transactions in the UK and the London market.
Willis Towers Watson unveils second wave of senior appointments

Global leadership team should be complete by November

Marc Jones
News editor

Willis Towers Watson has made a second round of appointments as it continues to reorganise its upper echelons following the collapse of its merger negotiations with Aon. In August the company unveiled a new global leadership team made up of leaders representing three geographies, two segments and various corporate functions.

The three geographies are Europe, international and North America. The two segments, which will become effective January 1, are health, wealth and career and risk and broking. In August a total of 20 people were appointed and now a further slew of positions have been filled, effective immediately.

Richard Goff is now chief financial officer of Willis Limited, the UK regulated entity. Anne Pullum heads Europe risk and broking, Pamela Thomson-Hall is in charge of international risk and broking, and Mike Liss leads North America risk and broking.

The company’s insurance consulting and technology segment is led by Alice Underwood. Simon Weaver will lead the Australasia section and the new business finance lead is John Yim.

A large number of places remain unfilled, including the heads of communication operations, mergers and acquisitions and environmental, social and governance.

In a message to staff, chief executive, John Haley, and president, Carl Hess, who will replace Haley on January 1, said: “This announcement provides clarity on how our segments, geographies and corporate functions will be organised and the roles that will lead and drive them.

“The pace of the selection process differs across the segments, geographies and corporate functions – so we decided to share initial appointments now and expect to share more in November,” they added.

Axis tallies $250m in third-quarter cat losses

Bermudian reinsurer Axis Capital said its third-quarter results will include $250m in pre-tax catastrophe losses, writes John Shutt, Los Angeles.

The pre-tax total includes $175m in losses from Hurricane Ida, $55m in losses from European flooding and $20m in losses from other catastrophic and weather-related events. The losses from Ida and the European flooding are based on the assumption the industry’s respective losses from the two events were $35bn and $13bn.

Axis said it is observing continued improvement in its current accident-year-combined ratio excluding catastrophes and weather-related events, consistent with progress seen during the first half of the year.

Separately, Everest Re Group disclosed its third-quarter results will reflect $635m in pre-tax catastrophe losses. The total includes $415m in connection with Hurricane Ida and $220m from European flooding. Around $555m of the losses were accounted for by the group’s reinsurance segment, while $80m were incurred by the insurance segment.

Everest Re said the estimates, which are net of reinsurance and retrocessional recoveries and reinstatement premiums, are based on the assumption the industry saw $28bn to $30bn in losses from Ida and $12bn in losses from the flooding.

Aon names Forsgård Nordics CEO

Broker Aon has appointed Johan Forsgård (pictured) as chief executive for its Nordic region, writes David Freitas.

Forsgård was previously chief operating officer and chief executive for Sweden at Willis Towers Watson, where he worked for 16 years.

With the new appointment, Forsgård will lead the acceleration of Aon’s strategy for the Nordics as the company looks to capitalise on opportunities in the region.

“Forsgård’s immense experience and strategic vision will help ensure our colleagues across Aon will be better positioned to help clients build more resilient workforces and make better decisions,” Rachael Ingle, Aon’s sub-region leader and Europe, the Middle East and Africa head of wealth solutions, said.
Standing firm on rate is essential to the long-term sustainability of the market

There are compelling reasons why the reinsurance pricing improvements of 2021 must be maintained as reinsurers brace themselves for difficult discussions during 1/1 renewals

Simon Bird
Brit Insurance

A head of the forthcoming January 1 renewals, some industry voices have suggested pricing momentum is slowing, with rate adequacy considered to be sufficient. However, the health of the global reinsurance sector still relies on an improved financial performance. At the very least, reinsurers must be looking to secure the improved terms and higher prices gained so far, but further adjustments are likely to be needed to address the challenging market and the range of factors that look set to affect returns and profitability.

At the heart of the need for rate increases are the major loss events of the past few years. Widely dubbed as a “black swan event”, the Covid-19 pandemic has had a profound impact on all aspects of our lives.

In the realm of reinsurance, its impact has been compounded by the high number of natural catastrophes, with Hurricane Ida, Hurricane Laura, Hurricane Uri, Hurricane Ida, the Californian wildfires (again) and the European floods among the most recent high-profile examples. These events are only exacerbate by the rising and increased impact of secondary perils such as supply chain disruption and high increases in building material prices.

Climate change may have made such events harder to predict but their growing frequency and severity is ever more undeniable.

The rising impact of natural catastrophes and the mounting losses from the Covid-19 pandemic relating to contingency and business interruption have been covered in much detail elsewhere. There are, however, impacts from the pandemic still largely unaccounted for. As governments wind down their state support for businesses, credit insurance losses are yet to be quantified, while additional streams of litigation may yet surface in other casualty areas. This will potentially lead to further pandemic-related losses, highlighting the need to remain firm on price improvements going into 2022.

Finally, there are a series of ongoing issues that should continue to concentrate minds.

Major casualty single-risk losses have been less of a thing of late, particularly compared to events such as the MGM Las Vegas shooting in 2017 and NiSource gas explosion in 2018. However, issues such as the cladding debate in the UK and Australia and the staying power of the opioids phenomenon should remain on the radar when considering pricing.

Once the preserve of the US, social inflation trends have now carried over into countries such as Australia. As societies become increasingly litigious, the risk of long-tail claims emerging from older underwriting years has also grown. Social media activism and heightened scrutiny over ESG issues and disclosures further add to this backdrop of the growing risk of claims activity.

In addition, the low interest rate environment is especially unhelpful, with negligible investment returns doing little to counterbalance the heightened claims activity being seen in most classes.

A sting in the soft market tail
Perhaps a less reported phenomenon is the cyclical nature of the property/casualty (P&C) market. The old adage that “bad years tend to get worse, good years tend to get better” well describes the emerging prior-years deterioration that we are seeing in the casualty sector.

A good illustration of this cycle can be seen by looking at the financial lines class. The impact of the 2008 financial crash on this class was so significant that underwriters were able to re-underwrite from day one and able to impose “retro date inception” coverage limitations. This cut out the historic tail risk on claims-made business, i.e., starting with a clean slate. The performance improved and stop-loss lines returned to profit.

The years following the financial crash from 2009 to 2013 are often considered to be a great run for underwriters. However, the natural course of the underwriting cycle always remains, and lax underwriting can always be found lurking.

As underwriters began to make concessions over the following years, there has been the cumulative impact of softer pricing, weakening conditions and broader coverage.

Central to many reinsurers’ conversations around rate increases is cyber risk, with primary rates continuing to skyrocket while coverage is also under review. Being a complex risk to write and highly susceptible to huge systemic losses, cyber epitomises the trend towards a hardening market. Reinsurers are increasingly reluctant to include cyber in broader casualty treaties and, in the future, it is more likely to be fully segmented into a standalone cyber book. There is a growing need for more creative reinsurance solutions to address this issue and thereby generate much-needed new cyber reinsurance capacity.

In a landscape riddled with increasingly frequent weather events and the continued fallout from Covid-19, underpinned by a series of challenging macro-economic headwinds and structural market issues, higher rates are needed to create a path back to sustainable profitability for P&C insurers. There is a need to continue a robust and technical, but also innovative, approach to underwriting into 2022, with continuous attention to wordings and conditions as well as pricing.

As societies become increasingly litigious, the risk of long-tail claims emerging from older underwriting years has grown. Social media activism and heightened scrutiny over ESG issues and disclosures add to this backdrop of the growing risk of claims activity.
FOCUS/REINSURANCE

Reinsurers must not discount the cyber expertise in the all-risks market

It is critical for the reinsurance market to avail itself of the expertise in related classes to tackle the monumental challenge of cyber risk

Paul Upton and Ram Ramakrishnan
Lockton Re

The real issue with repositioning any kind of cyber risk into the all-risk market is obtaining the buy-in from the reinsurance market

The real issue with repositioning any kind of cyber risk into the all-risks market is obtaining the buy-in from the reinsurance market. Keeping with the malicious acts theme, reinsurers have feasted on margins from this space for 20 years and have continued to back their counterparties’ expertise as the business has developed. Is this not a further progression? This is an opportunity for reinsurers to showcase developmental skills and explore new products.

For instance, insurance-linked securities (ILS) are an area that provides recoveries based on the duration of a cloud outage affecting multiple insureds could be a means to mitigate aggregation of cyber business interruption claims? While the capital markets are still very much in their infancy with understanding systemic cyber events affecting the reinsurance industry, the interest from investors and potential capacity available make it for a promising proposition.

It seems clear we should be using the expertise in related classes in tackling the monumental challenge of cyber. The key will be to engage across the market and take a non-siloed view on finding the best way forward that could benefit all involved. You do not need expertise from an IT perspective to understand risk. You do however need IT/operational tech expertise to understand why a certain control is or is not effective or plausible. This is why centres of excellence are offering limited capacity.

There has already been a lot of research conducted by working parties as to what this index could look like, some thinking that a degree of segmentation may be necessary. With outage information on cloud service providers being publicly available, perhaps a parametric arrangement that provides recoveries based on the duration of a cloud outage affecting multiple insureds could be a means to mitigate aggregation of cyber business interruption claims? While the capital markets are still very much in their infancy with understanding systemic cyber events affecting the reinsurance industry, the interest from investors and potential capacity available make it for a promising proposition.

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Cedants’ reinsurer relationships will ensure orderly renewals

Programme structure will be an area of focus, with lower frequency-exposed layers and aggregate covers expected to experience tighter conditions, with higher retentions

As brokers, we will of course be seeking the best terms for our clients with the best reinsurance providers, emphasising every client portfolio is different and should be treated as such at renewal.

Complex market dynamics

Overall, the dynamics of the reinsurance market are more complex now than they were before emergence of Covid-19. While the impact of the pandemic generated an influx of new reinsurance capital, which has generated greater pricing stability to some extent, clients remain keen to maintain longstanding relationships with key reinsurers, across as many lines of business and programmes as possible.

Recent renewals have seen a strong emphasis on contract wording in the wake of Covid losses and reinsurers have demonstrated significant responsiveness to address contract clarity. In particular, communicable disease exclusion wording modified to better reflect all parties’ intent was fine-tuned in partnership with cedants and reinsurers and widely used at mid-year renewals. With those clients who have suffered Covid losses, discussions regarding present status and ultimate impacts will be factored into final offers.

The recent European catastrophe losses will of course feature strongly in discussions and the accuracy of both client data and available cat models will play a significant part in negotiations. For the most part, we have seen relatively little churn in panels. However, it should be borne in mind some of the new entrants in the market are very experienced, with established underwriting teams, good market knowledge and strong client relationships.

We expect some of them will be successful in re-establishing relationships with key cedants on larger reinsurance panels, particularly as buying patterns shift away from a single annual renewal date.

Cedants are becoming ever more sophisticated in their reinsurance purchasing and year-round renewals are more likely as clients look to manage their capital more effectively, freeing up cash sitting on the balance sheet to support legacy risk, to take advantage of some of the superior underwriting returns available in the market.

Understanding climate change

As we look ahead to the COP26 climate conference in November, it is clear the climate change issue will grow in importance for cedants, as the impact of climate-related shifts filters through.

Climate change is a systemic risk and, as such, is one of the areas where Guy Carpenter believes it can add significant value to our clients, particularly as part of a cedant’s environmental, social and governance (ESG) agenda. There is significant demand for understanding the aggregation of systemic risk across multi-class portfolios and protecting those portfolios against the risk.

The reinsurance sector is in a unique position to assist with mitigating the impact of climate change risk, through providing better data on perils, supporting new technologies to identify or mitigate risk and access to improved modelling and risk transfer capacity, as the industry collectively tries to better understand and quantify the effect on portfolio risks.

How this will play out at future renewals is unpredictable, especially given the unmodelled nature of perils such as flood and wildfire. However, we anticipate an ongoing demand to buy frequency covers to be able to manage that retained loss activity.

This is an area of special focus for Guy Carpenter. We believe tackling climate and weather volatility, particularly in the most exposed and vulnerable territories, is going to necessitate greater use of public-private partnerships and we are investing heavily in this area.

The other area in which we anticipate a high level of interest at upcoming renewals is the cyber market. This class of business is going to continue to be very challenging at January 1 and beyond, particularly as the cyber insurance product is going through a significant restructuring process.

This will have a big impact on re-insurer appetite, as carriers find it increasingly challenging to write a sustainable cyber account.

The ability of cyber losses to correlate across different lines of business is concerning for the market, and there is a lot of work underway to try and understand that systemic nature of the risk.

There is also a notable mismatch between demand and capacity for cyber risk, which cedants are responding to by restructured the insurance product in terms of pricing, deductibles, co-insurance and risk management.

However, we are confident that the innovation and resilience of the industry will ultimately prevail. Reinsurers are undergoing a process of re-education in relation to cyber that will enable them to understand these risks more sustainably in future, and we anticipate that a partnership approach between insurers and reinsurers will be central to finding effective solutions to address the cyber issue.

Massimo Reina is chief executive, Europe at Guy Carpenter
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Hamilton to reduce US windstorm exposure

Carrier becomes the latest firm to make changes to its US property book

Marc Jones
News editor

Bermuda-based Hamilton Insurance Group is to reduce its US windstorm exposure.

The reduction relates to the group’s US property binders book written in London and Dublin, the company told Insurance Day.

A Hamilton spokesperson told Insurance Day the move was part of the carrier’s ongoing portfolio management. “This decision impacts a small subset in one sector of our overall US property binders portfolio,” the spokesperson said. “We remain committed to our clients and brokers and we are working closely with the small portion of those within our portfolio who are impacted.”

The property binders team underwrites on both Hamilton’s Dublin company platform and through Lloyd’s syndicate 4000. The team leads or writes on a 100% basis on a large proportion of the business.

The US property binders book includes small and medium-sized enterprises, low-hazard commercial portfolios, mostly low attrition-al coastal appetite predominantly across the US/North America. It also deals with personal lines business, excluding habitational risks, difference in conditions – flood and earthquake portfolios and specialty financial institutional-al lines – mortgage impairment and lender-placed property. It has a maximum line size of $10m (specialist classes only)/$2.5m (critical catastrophe).

Hamilton is not the only company to have reduced its exposure to US wind storms. Last week Canopius revealed it is cutting US wind exposure from property binders for US delegated authority business.

ArgoGlobal is going further and exiting direct & facultative property in London.

The reduction in wind storm exposure comes as the 2021 Atlantic hurricane season starts to draw to an end. So far this year has seen 20 named storms, including three hurricanes and four major hurricanes. Hurricane Ida could cost the re/insurance industry $30bn or more, according to some estimates.

Axa tackles deforestation with exclusions and investments

Axa is to introduce exclusions on certain insurance policies to tackle deforestation, in addition to investing billions in biodiversity projects, writes Stuart Collins.

Axa said it will strengthen its commitment to biodiversity and climate action by implementing environmental, social and governance (ESG) exclusions on certain insurance policies to tackle deforestation, including exclusion across the US/North America. The reduction in windstorm exposure comes as the 2021 Atlantic hurricane season starts to draw to an end. So far this year has seen 20 named storms, including three hurricanes and four major hurricanes. Hurricane Ida could cost the re/insurance industry $30bn or more, according to some estimates.

Axa is to introduce exclusions on certain insurance policies to tackle deforestation, including soy, palm oil, timber and cattle production in regions where these industries strongly contribute to deforestation.

Axa will implement “specific exclusions on its insurance activities” to protect the main biodiversity reserves identified by Unesco.

The French insurer will also invest €1.5bn ($1.74bn) to support sustainable forest management, including €500m in reforestation projects in emerging countries, enabling a total of 25 megatons of CO2 to be captured each year.

Axa has more than 60,000 hectares of certified forests in its portfolio at present.

Marsh launches cyber risk analytics centre

Marsh McLennan has launched a cyber risk analytics centre, writes Stuart Collins.

The unit combines the cyber risk data, analytics and mitigation expertise of Marsh, Guy Carpenter, Mercer and Oliver Wyman.

It will be led by Scott Stransky, a leading cyber risk and catastrophe modeller, who joined Marsh McLennan from AIR Worldwide earlier this year.

Cyber attacks routinely cause millions of dollars in loss to firms and billions of dollars in loss to the global economy every year.

“IT is no surprise business, government and other leaders continue to rank cyber risk as one of the most pervasive and urgent risks for society,” John Doyle, president and chief executive of Marsh, said. “For many leaders, however, their concern exceeds their ability to measure and manage cyber risk alone.”

He added: “Our investment in the Marsh McLennan cyber risk analytics centre will help clients confront this risk by connecting them with experts and capabilities from across our businesses.”