

TRADING Risk

MONTE CARLO ROUNDTABLE 2018

Promise to pay?

Has the ILS sector made good on its promise to bring stability to the post-event reinsurance market?



Insight and Intelligence on (Re)insurance
Convergence with the Markets
www.trading-risk.com

In association with



INSURANCE EXPERTISE

Risk Capital Market Leader in Bermuda and around the Globe

Conyers is proud to sponsor the Trading Risk
Non-life Transaction of the Year Award.

**For more information about our
Bermuda Insurance team, please contact:**

CHARLES G.R. COLLIS

charles.collis@conyersdill.com
+1 441 299 4918

CHRIS GARROD

chris.garrod@conyersdill.com
+1 441 299 4923

MICHAEL FRITH

michael.frith@conyersdill.com
+1 441 278 7969

SOPHIA GREAVES

sophia.greaves@conyersdill.com
+1 441 294 5929

conyersdill.com



Convergence ruptures

What's in a promise to pay? That was one of the questions that was circulating at this year's Monte Carlo *Rendez-Vous*, as a couple of unhappy cedants clamoured for ILS funds to meet claims that – in the ILS manager's view – had been extinguished.

The issue has arisen as a by-product of gradual loss creep from Hurricane Irma over the course of this year. Collateralised reinsurance typically provides a mechanism for reinsurance buyers to keep back collateral after the end of a contract, using a margin above current reserves to allow for losses to develop.

But in some cases, loss creep had been so extensive that these buffers proved to be inadequate, and the cedants were left bearing the loss.

Even though the ILS and reinsurance markets have made great strides in mingling and converging with each other in the past decade, there remain issues such as this that disturb the fault lines of discord.

Many within the ILS market see a commutation as something that should draw a line under the business – a regrettable but avoidable error, with the onus on the cedant to have managed its reserves better initially.

But within the traditional market – and even pockets of the ILS sector – some are seeking to capitalise on it as an example of companies failing to meet the “promise to pay”.

However, it's a risky play to get into gamesmanship, as it can invite questions or rebound more broadly on the industry.

At the end of the day, there is no way around credit risk of some kind – either you put faith in an A- rating from an agency, or you hope ILS managers will top up collateral funds.

The benefit from these incidents is that they will put more emphasis on paying attention to variations in terms and conditions of cover.

Not all solutions to this issue will be the same – but as always, it will come down to a question of price.

Had Irma been the big Miami disaster

that it initially threatened to be, no doubt reinsurance buyers would have felt more secure with cash in trust accounts in their favour.

But because it was a smaller but more prolonged loss, it turned into the kind of claims event that is more easily handled by rated paper.

Cedants have undoubtedly benefited from hugely discounted cover in the past five years due to ILS competition. But locking up collateral over the long-term may come at a cost.

“Because Irma was a smaller but more prolonged loss, it turned into the kind of claims event that is more easily handled by rated paper”

Fiona Robertson
Managing Editor
Trading Risk



Roundtable participants



Luca Albertini
Founding Partner and CEO,
Leadenhall Capital Partners LLP



Dan Bergman
Head of ILS, AP3



Charles Collis
Director, Conyers Dill & Pearman



Kathleen Faries
Head of Bermuda,
Tokio Millennium Re



Megan McConnell
Director of Underwriting,
Hiscox Re



Des Potter
Managing Director – GC Securities



Tony Rettino
Founding Principal,
Elementum



Paul Schultz
CEO, Aon Securities



Jon Sullivan
Active Underwriter
Syndicate 2987

MANAGING EDITOR

Fiona Robertson
fiona@insuranceinsider.com

SENIOR REPORTER

Lucy Jones
lucyjones@insuranceinsider.com

REPORTER

Sofia Geraghty
sofia.geraghty@insuranceinsider.com

COMMERCIAL DIRECTOR

Sajeeda Merali
sajeeda.merali@insuranceinsider.com

SALES DIRECTOR

Rob Hughes
rob@insuranceinsider.com

BUSINESS DEVELOPMENT MANAGER

Benjamin Bracken ben@insuranceinsider.com

BUSINESS DEVELOPMENT MANAGER

Benjamin Bracken ben@insuranceinsider.com

KEY ACCOUNT MANAGER

Oliver Nevill
oliver.nevill@insuranceinsider.com

SUBSCRIPTIONS SALES EXECUTIVES:

Annie Lightholder
annie@insuranceinsider.com

MARKETING MANAGER: Aimee Fuller

aimee@insuranceinsider.com

HEAD OF EVENTS AND MARKETING

Jennifer Lord jennifer@insuranceinsider.com

CONFERENCE PRODUCTION MANAGER

Matthew Sime
matthew.sime@insuranceinsider.com

EVENTS PRODUCER

Sally Kramers
sally.kramers@insuranceinsider.com

EVENTS AND MARKETING EXECUTIVE

Holly Dudden
holly.dudden@insuranceinsider.com

PRODUCTION EDITOR

Ewan Harwood
ewan@insuranceinsider.com

SENIOR SUB-EDITOR

Tim Peters
tim.peters@insuranceinsider.com

SENIOR DESIGNER

Mike Orodan
mike.oroan@insuranceinsider.com

Monte Carlo

Roundtable 2018

Fiona Robertson

I'd like to start off with your thoughts about whether this year is potentially going to be a disappointing one for ILS investors. And, if so, what kind of reaction might we see in terms of demand and supply for next year?

Tony Rettino

Last year the ILS market delivered on the promise it made 20 years ago: to mute the pricing cycle by bringing institutional capital to the market and by making capital structures more fluid. The important thing, now that the market has shown it can take out the peaks, is that it should also stabilise the troughs. It should put more discipline in the system, where people aren't just relying on property cat, post-event, to make up for losses in property or other lines.

In terms of whether this was a disappointing year or not, I think everyone would like to have seen higher premiums. There was probably a little too much capital brought in and there were some managers and reinsurers that were too aggressive. The market is going to adjust to that, so following the next Harvey/Irma/Maria-type year, it will react a little differently.

Luca Albertini

From my perspective, one point is we had an abnormal period of low activity and the pension funds understand that it was unusual, so if this year we have a little bit of activity, whether it's in Japan or in the United States, within these measures, it has to be accepted by the investor as something more normal than what used to be before.

But when people tell me this year has been quiet, I actually challenge them with, "Yes, but you need to understand the 2017 creep". That has been coming in pretty prominently since Q2 and I'm hearing that there's more to come. There's a question of whether we have settled 2017. The claim rate is not going down – they're opening new claims. And losses that maybe were not perfectly measurable will now be re-modelled. All of that has to be digested before we can move forward decisively.

Paul Schultz

What we have seen from the ILS markets is a different kind of behaviour that offsets and provides stability and leadership post-event. One of the fundamental principles of the market was that you wouldn't see the same type of pricing behaviour that you saw from the traditional markets. So, to me, 2017 was an exemplary effort by this market to demonstrate that leadership and stability.

Having said all that, we still need to gauge the profitability of the product, and when you look at historical rates and compare the types of returns you can get in the ILS market, it's still very favourable. If that dynamic were to change, the pricing methodology would have to change. But let's focus on the profitability of the business and hopefully the long-term perspective. That differential is a significant part of the value this market has brought to the overall reinsurance space.

Fiona Robertson

Dan, have the last couple of years made you rethink what you want from the ILS space?

Dan Bergman

Not really, but we might not be the typical pension fund in this space because we are fairly direct and cost-efficient in our investment style. As a result, we were, in spite of the storms, up 5 percent in dollar terms last year. Although our portfolio proved robust, I think it's fair to say that, from a broader pension fund perspective, last year's ILS experience was mediocre at best. Looking forward, although our staying power remains intact, it may well be that another mediocre year may cause some pension funds in the market to lose patience, and I wouldn't necessarily bank on fresh money coming in, especially given the public perception of climate change and its impact on catastrophes such as hurricanes and wildfires. On the other hand, the pool of



"When people tell me this year has been quiet, I actually challenge them with, 'Yes, but you need to understand the 2017 creep'"

Luca Albertini

pension fund money is substantial and only a small part of it needs to move in the direction of this space.

Fiona Robertson

Going back to a topic that you touched on Luca – the loss creep that we have seen this year. How have ILS managers handled this process and how might collateralised reinsurance be dealt with differently in the future to manage concerns around loss creep?

Megan McConnell

The loss creep this year from 2017 events was not a surprise to us but we are fortunate that our ILS platform has the benefit of leveraging our group large loss process and substantial claims/analytical resources. As a result, we only saw modest deterioration on losses from last year, which ultimately triggered hedge protection that our ILS funds purchase. Having the resources of an insurance company, we generally get a more accurate fair-value loss number.

But with the question of whether collateralised re has worked the way we said it was going to – an almost like-for-like substitute for ultimate net loss, rated-paper reinsurance, except with less credit risk – it's turning out that, depending on the way the contract was written, perhaps that's not the case.

If a cedant is seeing loss creep and doesn't have the collateral to recover from it, then I would argue that's not the value proposition that collectively we sold.

Luca Albertini

Technically, somebody who provides risk-free collateral should be paid more for the protection than somebody who provides rated paper, because it has credit risk and Solvency II even gave you a capital charge for that. Do we get any pickup when we provide cover because we provide risk-free collateral? Sometimes there's even the expectation of a discount.

Tony Rettino

Losses clarify things. They provide us with an opportunity to learn and to measure how people's business models are performing. 2017 is still a work in progress and our perspective is that managers, reinsurers and cedants should be judged by how things ultimately pan out.

Irma tested an entirely new business model in the state of Florida relative to 25 years ago. When Hurricane Andrew hit, the nationwide carriers were the market. Now you have a whole different type of company writing risk in Florida. The thing to take away, when we think about the fair price of risk, is that Florida is a bit of a unique animal. Every event provides feedback for the industry. We don't get these validations every day – we're not trading stocks – but we do get them over time and it's important to learn from them.

Jon Sullivan

Do you think that learning will come through in contractual language or price, or a change in the expected loss (EL) on the original risk?

Tony Rettino

We'll probably see changes in both terms and conditions as well as price. With the EL, I have mentioned to some of the



"Losses clarify things. They provide us with an opportunity to learn and to measure how people's business models are performing"

Tony Rettino

modelling firms my perspective on how some of the risk is captured, and there needs to be a bit of adjustment there. But that's really our job, not the modelling firms'. The best way to control the impact of this stuff is at the source, in the form of mitigation, data capture and a proper environment at the policyholder level.

Des Potter

These are complex events, and every time you have an event, you learn lessons from it. The issue with last year was you had substantial events in close proximity to each other that put demands on different communities to pay and service those claims, and there has been some creep. I don't think the creep in Florida per se is the issue here, it's the question about the adequacy of contract language for a collateralised transaction. Nobody is saying that the ILS community is not honouring its claims-paying obligation. Collateral has been released, contracts have been commuted and then loss creep has happened and we've then had this perverse situation where clients are going back to funds and saying, "Can we now ask you to top up your obligation?"

Luca Albertini

The important thing is that they are in control. When they received your collateral, they made a reserving decision. So it's about how well you know your book.

Kathleen Faries

This could be partially why the move towards a partnership between capital and rated balance sheets can have benefits. For both the cedant and the capital, there are benefits in that longevity. For the cedant it is knowing that the coverage is there regardless of reserve movements. In the case of a fronted alternative capital relationship like TMR,



"TMR invested in building a risk distribution platform so we can efficiently move the risk from our balance sheet to capital markets without a lot of friction in between"

Kathleen Faries

these collateral release decisions are between the fronting company and the capital, not the cedants, and could also be based on a portfolio of risks not just one cedant. Thinking about the Nephila play with Markel, you're starting to see the capital getting embedded in a bigger platform and it's more of a partnership with capital.

Tony Rettino

The answer can't be rigid. If we say, once the collateral has gone, it's gone and we're not going to pay, that's violating one of the fundamental principles here. If claims happen, they should be paid. We don't want the reaction to be making the buffer loss factors higher. That's not going to work.

When we looked at Irma – let's say we had 15 different companies with losses – we had 15 different discussions and probably about 15 different solutions. In some cases, all the collateral was released because we shared with cedants how we fund our business and what liquidity we have. We just moved to a promise-to-pay model. In other cases, we cross-collateralised or funded more – there's not just one solution for every situation.

Paul Schultz

I'm not aware of this being a significant issue. I'm actually surprised we are talking about this as much as we are. There are a couple of examples in the market where it may not have worked to both sides' satisfaction, but this is actually a relatively small issue so there is going to be constant revision to make sure that we do learn from events and we do react going forward.

Fiona Robertson

I want to pick up the topic that Kathleen just brought up. We have seen some interesting ILS-related M&A

transactions recently where you have insurers connecting with ILS capital. What do these kinds of deals mean for the market?

Jon Sullivan

It has to show a focus on access to business as a driver to bring that together. It also shows an understanding of how the carrier allocates the risk among its vehicles. People are more comfortable if that's done fairly and openly and you're going to have three different platforms and discuss with the cedant where the risk goes.

Luca Albertini

I'm all for it. I can see that many of us use a traditional balance sheet as much we can for different reasons. We use them to transform, to take the top layers of risk, to get leverage, to write business with. We use this in so many different ways that being in-house sort of helps, so long as you address the conflicts properly.

Paul Schultz

There's a continuing trend of having risk connect to capital as efficiently as it can. To an earlier question, the market does benefit by having different behaviours and different structures that result from either the combinations or from staying independent. A true market has a perspective that can bring and keep a balance. If everybody looks the same, then you start to get a bias based on structure. Having independent managers as well as managers affiliated with underwriters and having risk go through the traditional distribution network and risk accessed directly – that all keeps the market in balance and drives efficient solutions.

Des Potter

There is a lot of capital that wants to come into the sector but isn't because you can't deploy it for adequate return. What you are seeing is institutional money getting more comfortable investing behind reinsurance platforms – more investors see value in aligning with reinsurers with good access to business, efficient underwriting and claims management operations. For an ILS manager there's a limit to what service they can provide to their clients and there are some coverage issues that can be solved by having a partnership with a rated carrier.

Where I agree with Paul is that it's not a one-size-fits-all model. You need to offer the investors and ceding companies options.

Fiona Robertson

Most ILS funds today that are reinsurer-affiliated are within reinsurance houses. What kind of structures will work for insurance ILS?

Luca Albertini

It is similar. In our case, our partner has insurance as well as reinsurance. If we are starting to look at primary, it's basically how much tail you give them back, it's as simple as that. And how much they want for it.

Megan McConnell

Hiscox is somewhat unique in that we have the whole chain from retail distribution of insurance products, all

the way through to the ILS platform. It improves access but it doesn't totally solve the tail risk problem. That is the fundamental challenge with insurance, but it's inherent to the nature of the business.

I could see structures that shift from a fronted solution, where you have this tail that has to go somewhere, to the ILS that starts looking more like an institutionally-backed balance sheet and that allows you to have the rated paper, as being one potential way forward. But it requires a significant long-term commitment in order to make that work.

Dan Bergman

Can it be that collateralised reinsurance exists largely because Florida and other peak risks have paid handsomely and hence been able to support collateral? If peak rates were pushed down to the level of other rates, wouldn't we all be backing rated vehicles rather than putting up collateral?

Megan McConnell

There's a place for all of it. It's just a matter of investor appetite – what they're looking for in terms of portfolio imbalance and whether there will be a portfolio that fits better on a rated balance sheet than in collateralised re. But that doesn't mean there's not still a home for collateralised re.

Tony Rettino

There's a cost of capital on a rated balance sheet which could be higher in Florida or some other peak zones than putting up collateral. The question is, if you're going to have a balance sheet, do you build your own, do you partner with someone else, or do you become affiliated with someone else? Obviously all three of those models exist in the market right now, and for different types of risk, any of the three may be the most efficient.

Kathleen Faries

That was the original benefit for cedants when collateralised re came in – it allowed them to diversify their panel of reinsurers. But the whole thing is evolving.

The part that we're probably not talking enough about is the cost and the efficiency. As the underwriting margin starts to tighten, the cost becomes unsustainable. AM Best showed that the return globally for reinsurers, without the benefit of reserve releases, is 4.5 percent. I don't think many shareholders think that's a sustainable return.

That was why TMR invested in building a risk distribution platform so we can efficiently move the risk from our balance sheet to capital markets without a lot of friction in between.

Fiona Robertson

How critical is that focus on bringing costs down and how far ahead is the ILS market in this respect? Is this one of its unique points of competition?

Kathleen Faries

These are two completely different models. As a reinsurer we have a global footprint, and we therefore must have the infrastructure to manage a wide range of regulatory and risk management requirements – we're a rated balance sheet.

Fiona Robertson

What about the brokers' role in helping to manage expenses?

Paul Schultz

Brokers are integral to the whole industry. The ILS industry has been disruptive, and going forward, we're going to have to be focused on that whole value distribution chain, figure out where we're adding value and where we're duplicating efforts.

If brokers, underwriters and ultimate risk takers are all doing modelling, that seems highly duplicative and expensive – so can we agree as an industry that there are certain standards we can utilise in the underwriting process? The broker can play a valuable role in that process because they often have a lot of information, resources and tools to help shape that.

It's going to take collaboration among all the different parties but we also have to learn from technology about how to reduce the claims and management costs in the process.

Jon Sullivan

There should be some economies in as much as serving the end client as an aligned reinsurer, the reinsurers have an aligned relationship with the broker across multiple lines. So everyone is benefiting through that alignment. And a holistic view is coming through, rather than just a bespoke product for a specific carrier that wants a specific product.

Tony Rettino

The focus shouldn't be on expense, it should be on value at the end of the day. Twenty-five years ago, people said brokers were really expensive and they were going to be disintermediated, because brokers were 90 percent placement agents and 10 percent consultants. Today it's



"The ILS industry has been disruptive, and going forward, we're going to have to be focused on that whole value distribution chain"

Paul Schultz

the reverse. Brokers have evolved to where they provide modelling, help people figure out how to underwrite their business, their cost of capital, rating – there are tons of services that brokers are providing today that they didn't provide 25 years ago.

Fiona Robertson

Do you think it's possible for managers or underwriters to rely more on some of the modelling that brokers are doing for you?

Luca Albertini

If we are not going to independently underwrite ourselves then we would lose one of our value propositions. Then all of a sudden for some of the broking houses this may be an excuse to start saying, "Well, then I can go to your pension fund myself".

Tony Rettino

Underwriting and risk selection have to be retained. That's what our part of the value chain should be. So the question is who does the modelling and does more of the modelling get done at the manager level? You have to retain the view of risk.

Kathleen Faries

A more open-source modelling platform might be useful, to reduce the duplication. You're still making the decisions about what you want to turn on and off and how you feel about modifying the output, but we're not downloading all the information and uploading it again into the model. Many of us have a vested interest in keeping things the way they are. Eventually the returns are going to force us to really transform. That's why the discussion about disruption is real. There's more partnership and more collaboration happening,

but it still feels like it's around the edges, and we're trying to be a little more efficient in a very small way.

Paul Schultz

The only other cost I would add that no one talks about a lot is the cost of regulation. The traditional markets bear a far greater cost of regulation. The ILS markets have some, and I don't want to discount that, but the state of regulation in traditional insurance in the US, and all the overlays of regulation, are very expensive.

Fiona Robertson

The Lloyd's market is going through a bit of an existential rethink around how to be more efficient and more competitive. How can the ILS market help it get there?

Jon Sullivan

There's advantages and benefits of being in Lloyd's, but at some level there's a limit to the risk you can take. So if we have the access and the contacts and the spread of risks in the different policy contacts with the client, we can take more risk, take it outside of Lloyd's and put it into a vehicle, that's great.

Megan McConnell

Despite some of the current challenges, Lloyd's is still a very attractive platform with the immediate access it can give to rating and licences and the flexibility to walk in and be operational as a full-blown (re)insurance company. We've seen some ILS players do that successfully. If you really want a proper (re)insurance vehicle to write diversified business in lots of different jurisdictions, Lloyd's is great for that. But Lloyd's is a terrible spot for cheap fronting and they've actually put some relatively effective barriers in place to prevent it.

Luca Albertini

The question for Lloyd's is can it not see it is a clearing house, an exchange, where it has a central fund? Can't it look at transforming itself into a place where two Lloyd's syndicates or two members of the exchange can freely exchange in a more liquid and transparent way, so that they are actually trading risk? That is for me a view for maybe 2020.

Des Potter

There is probably not a major syndicate at Lloyd's that doesn't use some form of collateralised capacity for its risk transfer and some syndicates go a lot further in actually owning ILS managers. Lloyd's has a very strong brand and rating. It has tremendous access to business. But it needs to adapt to the evolving needs of its clients and to access the most efficient forms of capital.

One of the criticisms of Lloyd's has been that it's too slow to respond to market opportunities. It needs to think about how it enables participants in Lloyd's to do their job efficiently. Part of that is cutting out cost, and part of that is enabling capital to flow in and out freely and maybe to facilitate more frequent trading of risk.

Fiona Robertson

More reinsurers are trying to collaborate with ILS platforms in the same way that companies like Brit, Hiscox and MS



"Lloyd's is a terrible spot for cheap fronting and they've actually put some relatively effective barriers in place to prevent it"

Megan McConnell

Amlin have done. At what point could a reinsurer say, “I have a meaningful asset management platform, and not just a small retro sidecar”?

Paul Schultz

Many companies are on a journey looking at how to evolve into using alternative capital. The easiest transaction to put in place is a sidecar. Reinsurers have been doing quota shares for a long time, so it's not that difficult to get your head above water to look at that. Then, depending on that experience, there is dilution associated with quota share vehicles where you're ceding away some of your top line. Depending on your experience of that, you then have to figure out whether you want to actually create the more permanent infrastructure of setting up a fund. We advise that as the smart way to think about it, because you are starting to manage third-party capital, even on a sidecar basis. Then you figure out how you want to scale that or make it more permanent.

Des Potter

You're building trust with investors as well. Through the sidecar vehicle, you're able to engage directly with investors and share a lot more detail about your underwriting strategy and how you manage risk. It is a relatively easy first step but people underestimate how difficult it is to build a fund management platform. People who are thinking about a sidecar right now believe they're going to have a fund management platform with \$2bn under management in two or three years. It's a very difficult process and you have to be realistic. It's a medium-term ambition and you need the patience to do the right things. There's not that many reinsurers out there that have meaningful scale for an ILS fund management operation but there are a lot that aspire to it.

Jon Sullivan

These are the steps we are taking. We have a traditional quota share that's been going for 15-16 years, and it's taking the history and the experience and the relationships and moving it to a sidecar and running that for five years. It's great having such a long track record to show to investors and their clients, but as Des says, it's a long-term ambition to grow it.

Luca Albertini

A sidecar is a fantastic way to introduce yourself, not least as a small listed company. Sidecars can react a lot faster than other structures. But with a sidecar comes a considerable amount of tail risk. So how much you scale and what the relationship is between your balance sheet assets and your securitised third-party capital asset is a balance that people need to keep in mind – particularly when they want to look sustainable to their own client base in the insurance platform.

The other point, which is a great opportunity for us and is where we add value, is that many investors have their sweet spot. In order to satisfy investors' demands, we do tailored solutions.

Fiona Robertson

Dan, we've been talking a lot about managed funds versus reinsurer platforms where you might be investing directly. Does it look different to you when you're weighing up whether you go with an ILS manager or direct to a reinsurer?

Dan Bergman

We are a pension fund so our natural habitat is the capital market and that's how we more easily transact. There are two doors in many pension funds – one is the hedge fund door and the other is the private equity door. Or you can go for listed equity but then you could buy any listed reinsurer.

We look at all of these but the reason that we want to be in the market is that we want to have reasonable risk-adjusted returns and to have something that's reasonably de-correlated to the traditional broader capital markets. The latter point in particular speaks against buying a public reinsurance company because that would move to a large degree with broader capital markets, so that pushes us into some kind of private vehicle, collateralised reinsurance, or something similar.

Fiona Robertson


So would you consider doing direct investments with a reinsurer? Or do you need a managed fund entity there?

Dan Bergman

We can go direct. Our experience is that a strategic partnership, where we sit behind or alongside the reinsurer, can be efficient and mutually beneficial. At the end of the day we are a AAA-rated pension fund and our asset base is much larger than our ILS allocation, so we can easily recapitalise after a nasty event. There is an opportunity here for us and potential reinsurance and insurance partners that want to work directly with a large AAA-rated capital markets balance sheet.

Fiona Robertson

For our last topic I'd like to ask what is the biggest change you expect to see in the market in the next couple of years?



“Our experience is that a strategic partnership, where we sit behind or alongside the reinsurer, can be efficient and mutually beneficial”

Dan Bergman

Dan Bergman

The market will be forced to become even more efficient and you will see convergence. The reinsurers will become leaner and more efficient, the ILS funds will broaden their scope and increase their use of rated balance sheets, and, at some point, they will look very similar.

Peak US cat premium still supports much of the low-margin business elsewhere in the world, and as this peak premium is eroded further and pricing becomes more balanced across different lines of business, the trend towards rated balance sheets will continue.

Paul Schultz

I would say there's two changes. The first would be to do with how we grow the reinsurance pie and how the ILS markets contribute to that. We've seen ILS markets this year participate in the World Bank and Federal Emergency Management Agency transactions and so how do we do more of those, scale that and create a product that's interesting to both the risk-taker in the ILS market as well as the sponsor and the benefiting parties? And the second one would be how we expand the product mix beyond property.

Tony Rettino

Technology is going to change the way that business is written at the front end, which means it's going to change the way that reinsurers or insurers evaluate the risk that they're taking. There are going to be disruptions all over the place in terms of the way that the risk is managed. Data is going to change the world dramatically in terms of greater access and hopefully standardisation. That could create cost efficiencies that should lead to more certainty with regard to the underlying risk. And hopefully that also means an expansion of the risk pie as well.

Kathleen Faries

I agree with Tony that the next evolution is going to be

driven by the technology. We now have artificial intelligence coming in, cloud computing – a lot of things that we didn't have 10 years ago, which are going to drive a new wave of transformation. With the margins getting to the level that they are, people will be forced to look at it and, as that evolution continues, hopefully we'll see more collaboration, more partnerships and a true transformation to a model that is sustainable and efficient.

Charles Collis

One thing that I've always been interested in and a couple of people have talked about is the regulator. If you're not getting the proper capital relief from a regulator on a collateralised product, or if the regulator is not allowing a certain type of investment, it really hampers the ability to grow.

On the straight reinsurance side, if the rating agencies are saying that 4.5 percent is what you can expect in the industry these days, how much of that is driven by the regulator? The industry needs to sit down with the regulators more and discuss the future of sensible regulation of ILS products. There seems to be a lag between the industry and the regulator and until the regulator can catch up, everything will continue to move slowly and there'll always be a bit of a drag on the innovation the industry can bring.

Luca Albertini

We are now in the phase where the capital markets and the traditional markets are collaborating and are trying to use the same tools. The way I see it ultimately going is that each of us will end up doing what we're best at. So the part of the capital structure that is the sweet spot for the reinsurance company, for the capital markets, the kind of investment – each one of these categories will find their place in a new reinsurance world where we have converged with the capital markets.

Des Potter

The key point is the market as a whole needs to be far more efficient. It needs to make sure the right risk goes to the right capital at the right price in the most efficient way. That could be ILS and that could be traditional. So you need to drive out cost from the market throughout. That's happening and it will gain momentum and it will be enabled by technology.

The second point is absolutely about growing the pie. You hear a lot of people talking about excess supply; that's the wrong way to look at this market. It's more about a lack of demand for the product.

Megan McConnell

I would say that 2017 served as a gut check for a lot of people. We all complain about cat margins having gone down but at least there's still margin there, and that is not true of a lot of the other lines. It highlighted for people that we're not going to be able to sit and wait for a hard market to come and save us; people need successful, sustainable models in the current environment. That is likely to push more people to a third-party capital manager-type model. I see ILS capital looking to get better access to insurance risk and so I see the two starting to come together.

Fiona Robertson

Okay, so lots of work ahead for you all in the next year. Thank you so much for joining us.



"The industry needs to sit down with the regulators more and discuss the future of sensible regulation of ILS products"

Charles Collis

SPEAKERS INCLUDE:

- Kathryn Gifford, Head of Claims, Chubb Global Markets
- Andrew Horton, CEO of Beazley and Chair of London Market Group
- Clare Lebecq, CEO, London Market Group
- Bronek Masojada, CEO of Hiscox and Chair of PPL Ltd.
- Trevor Maynard, Head of Innovation, Lloyd's
- Matthew Moore, President, Liberty Specialty Markets
- Julie Page, CEO, Aon UK Ltd.

Further speakers to be announced shortly

TO BOOK YOUR PLACE OR FOR FURTHER INFORMATION

Please contact Jennifer Lord on
jennifer@insuranceinsider.com

+44 (0)20 7397 0619

- Subscriber rate: £495 (for named subscribers only)
- Earlybird rate: £595 (available until 30 September 2018 only)

- Full rate: £695

(all prices exclude VAT)



in association with



8 November 2018

08:15 - 15:00

followed by networking drinks

etc. Venues, Liverpool Street 155 Bishopgate, London, EC2M 3YD

www.insiderlondonmarketconference.com

Sponsored by:



Insurance recruitment
specialists



INSURANCE EXPERTISE

Risk Capital Market Leader in Bermuda and around the Globe

Conyers is proud to sponsor the Trading Risk
Non-life Transaction of the Year Award.

**For more information about our
Bermuda Insurance team, please contact:**

CHARLES G.R. COLLIS

charles.collis@conyersdill.com
+1 441 299 4918

CHRIS GARROD

chris.garrod@conyersdill.com
+1 441 299 4923

MICHAEL FRITH

michael.frith@conyersdill.com
+1 441 278 7969

SOPHIA GREAVES

sophia.greaves@conyersdill.com
+1 441 294 5929

conyersdill.com

