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THURSDAY 20 JULY 2017

ISSUE 4,894

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Printed by Stroma, Unit 17, 142 Johnson Street, Southall, Middlesex UB2 5FD

Insurers' stock valuations to be driven by technology IP

Insurers must bring technology expertise in-house rather than rely on vendors, delegates at IIS Global Insurance Forum told

Scott Vincent
Editor, news services

Future insurance company stock values could be driven by the amount of in-house intellectual property (IP) a company can amass from its technology investments, according to panellists at the International Insurance Society's Global Insurance Forum.

Without swift action, though, disruptors are likely to step in and potentially give insurers their own "Kodak moment", delegates were warned.

At a panel discussion focused on the implications of insurtech for the industry, Reza Khorshidi, chief scientist at AIG, said artificial intelligence (AI) and the internet of things were at the core of where the industry needed to make investments. The development of AI could help shift the industry from its present role as claims payer to a wider mitigation service, he said.

> **'There is a consensus within the industry that AI can help insurance. However, insurance companies need their own AI talent to develop their own expertise'**
>
> **Reza Khorshidi**
> **AIG**

"Insurers should see future stock values as being driven by the amount of IP they have," Khorshidi said. "There is a consensus within the industry that AI can help insurance. However, insurance companies need their own AI talent to develop their own expertise.

"Relying on vendors may become a competitive risk," he added.

Matteo Carbone, founder and director of the Connected Insurance Observatory, said advancements in technology provided the industry with the potential tools to move from a loss reimbursement mentality to providing a broader solution to customers.

"I believe one of the largest opportunities is to use AI to sell insurance to close the protection gap. It's not a case of being more efficient, but rather to be more effective," Carbone said.

"This could provide a tool that does the same job as a good agent, for types of cover that are not compulsory," he added.

Chris Wei, global chairman at Aviva Digital, warned the industry had only a limited timeframe to develop technological solutions before disruptors emerge. "Large incumbent digital players are wading into our space.

"I've told our executive team we've got two years to sort this out," he said. "If we are not fast enough, we will be disrupted. There will be a 'Kodak moment'."

Next generation of insurance leaders 'needs to start taking over now'

The next generation of industry leaders should start taking over now ahead of the expected mass retirement of staff, which will see an exodus of talent from the industry over the next decade, delegates at the International Insurance Society's Global Insurance Forum were warned, *writes Scott Vincent*.

Zachary Brown, principal and portfolio manager at consultancy firm Milliman, said the industry needed to recognise the importance of succession. "The average age of an insurance agent in the US is 59. A recent McKinsey study suggested 25% of the insurance industry will retire in the next couple of years. Take the next generation of leaders and get them to start taking over now," he said.

Brown was speaking during a panel discussion in which the need to improve the industry's recruitment drive was a recurring theme. "Insurance is still not that popular a field for graduates. People want to change the world and they associate that with technology companies. However, in terms of changing the world, insurance beats that hands down," he said.

Dawn Miller, president and chief executive at Axa Insurance, said the industry needed to do more to attract the best graduates, pointing out banking and consulting still attracted more talent coming out of university than insurance. "We really need to push the message out. Insurance is everywhere around us – how could you resist an industry that brings such possibility?" she said.

Panellists said individual companies needed to take more responsibility and do more to engage and retain talented individuals.

"Who starts the conversation about career development? My call to action is for a company to be driving that," Monica Tigleanu, senior financial lines underwriter at Beazley, said.

"When there is a dilemma between a chicken and an egg, rather than wait for an employee to come to you, the company should initiate the conversation," she added.

Clemens Philippi, regional manager for market management at Allianz Asia, suggested insurers could use tools such as their own intranets to help engage talented individuals. "The intranet can be refocused to make it more like social media," he said.

"Employees can share experiences and work together through the platform, and both give and receive likes. This will be popular particularly with millennials but also older employees."

NEWS

International cyber event cost 'could far exceed $120bn'

Major loss could surpass the upper range suggested in recent Lloyd's report

Scott Vincent
Editor, news services

Economic losses from a major cyber attack could far exceed the $120bn figure estimated by a Lloyd's report earlier this week, delegates at the International Insurance Society's annual Global Insurance Forum were told.

Panellists at the event warned the Lloyd's figure was "far too low", given the potential scale of economic disruption a major attack could cause.

Michael Bahar, a partner at Eversheds Sunderland, who previously worked as a legal adviser to the National Security Council at the White House, said a major international cyber event could "quickly eclipse $120bn" in a number of scenarios.

In a report published this week, Lloyd's suggested an extreme cloud service disruption scenario could give rise to losses as high as $121.4bn.

For emerging technologies such as autonomous vehicles, Bahar said even a small change to the way software operates could cause economic losses of this magnitude.

He warned of potential "blind spots" when assessing cyber risk, which could leave companies exposed without them realising it.

"Even if you have your own house in order, you are likely to be dependent on a supply chain. There will be multiple components built into that supply chain and it will be a case of making sure these are in order," he said.

Bahar suggested one possible solution would be to insist everyone in the supply chain had cyber insurance. He also also cited a requirement being introduced in New York state, which calls on firms to survey all third-party vendors or clients that may have access to their data to ensure it is protected.

A cyber attack will include both immediate costs and a "slow burn" impact. Immediate costs would include up-front forensics, legal support and getting the business back up and running. The slow burn impact would include damage to share price, reputational impact and any loss of revenue through customer churn.

"The costs associated with the slow burn can significantly exceed the cost of the initial event," said Matthew Martindale, director for cyber security at KPMG.

Peter Hacker, co-founder of Distinction Global, said the extent to which values are now driven by intangible assets such as reputation and intellectual property meant he also believed the $120bn figure was likely to be too low.

Hacker said he believed it was "only a matter of time" before a successful directors' and officers' liability claim was made against board members as a result of a cyber breach or security issue. "A lot of boards think this is still a security member, but every board member has a duty of care to make sure the right set of skills are on that board," he said.

Jimaan Sane, international underwriter at Beazley, said there had been a shift in engagement among clients when buying cyber policies.

"Around five years ago it was mainly an information technology employee presenting the risk and talking about the controls a company has in place," Sane said. "When we are looking to understand the risk and the business as a whole, we need that articulated.

"Now we are seeing more of a joint effort – it might be the chief financial officer or legal department, presenting the risk alongside the IT employee.

"It has to come from the top. There are many functions within the business that have a role to play," he added.

International cyber: a major attack could cost far more than estimated figures in this week's Lloyd's report

Novae: cyber market must evolve as product 'no longer a competitive advantage'

Cyber expertise is no longer a competitive advantage for insurers but a "licence to trade", according to Dan Trueman, chief innovation officer at Novae, *writes Scott Vincent*.

Trueman told *Insurance Day* most forward-thinking insurers were now starting to enhance their cyber capabilities but warned the talent pool for cyber risks remains relatively small.

"There is a need to look outside the industry. For some of the unique challenges cyber presents to the industry, you need a multi-disciplinary blend of both underwriting and other skills."

Trueman, who co-authored a KPMG report that was released last week and focused on the next steps for the industry in creating solutions for cyber risks, said one of the challenges was the lack of expertise at leadership levels.

"There is a relatively limited talent pool, and broadly speaking that talent is not at leadership levels," he said.

'There is a need to look outside the industry. For some of the unique challenges cyber presents to the industry, you need a multi-disciplinary blend of both underwriting and other skills'

Dan Trueman
Novae

One of the recommendations of the KPMG report was for firms to create a cyber "centre of excellence" that sits at the heart of product offerings, both for existing and new products.

"However, there are relatively few people that have been doing it long enough and who are at a senior-enough level to create a position where that centre of excellence can be put in place," he said.

Trueman called on the industry to consider cyber as more than a professional lines class, and expand the focus beyond the product itself. "We forget customers want us to lead with much more than that," he said, citing the importance of education and having market-leading response/crisis management teams in place.

Paul Merrey, partner in the global strategy group at KPMG, said the majority of cyber insurers were still focused on privacy breach, which he described as the "tip of the iceberg".

"There is an increasing blurring of boundaries between product lines, with intangible assets an increasing focus," said Merrey.

"At the moment, cyber risks are relatively well understood by company boards, but it is less clear the extent to which insurers and brokers have articulated solutions which can mitigate that risk. More insurance solutions need to evolve."

VIEWPOINT

The soft market means underwriting controls are more important than ever

All controls need to be in place and checked for effectiveness as there is no margin for error

Jamie Crookenden
Riskscheck.co.uk

In an uncertain world, those of us in the current insurance market can be certain we are living in a soft market. We know this as we live in an environment of reducing insurance premiums, broader coverage, increased capacity, competition between insurers and reduced underwriting criteria.

The "cycle" has been a regular feature of our insurance world, which reflects quite an efficient economic supply and demand model; we supply more capacity in response to low losses and increased returns and this capacity burns up in response to losses and better returns elsewhere. Combine this model with improved risk management and losses in the businesses that we protect and the upward pressures are reduced, which means the soft or downward cycle predominates. Profits may be made as the underlying rates of attritional loss reduce and in some cases as reserves are raided. Combine this with the absence of major catastrophe losses and London benefits from the catastrophe reinsurance it specialises in.

Insurers, including Lloyd's, are increasingly focusing on generalised classes of business that may lend themselves to being treated as commodities in homogeneous groups that appear to require less underwriting expertise and more actuarial analysis of numbers. The London market, with Lloyd's at its core, has generally focused on specialist classes, such as upstream energy, war, marine hull, bankers' bonds, industrial property.

It looks like the commoditisation may be applied to specialised classes. The key element of this process is the reduction in reliance on the expertise, judgement and control of the specialist underwriter. An example is the facilities being placed by brokers and supported by some underwriters where they give full authority to the broker, sometimes with minimal input by the leader, to bind several or many classes of business. Multi-year policies with minimal or no review at yearly anniversaries and all the other hallmarks of a soft market can be characteristics of commodity underwriting.

Underwriting controls

Lloyd's publishes criteria for good control of underwriting. Prevention controls, such as underwriting guidelines, come under most pressure in a soft market. Management may feel the need for income and allow wider criteria for underwriters to accept what would have been marginal or even unacceptable risk in previous years. These can include vague business plans, minimal underwriting procedures or class-specific underwriting guidelines, lack of effective pricing models and a loose approach to contract certainty and wordings. The downwards spiral has thrived in this environment.

The focus remains on conduct risk ("treating customers fairly") and regulatory issues such as these have become high-profile and carry heavy penalties for failure to comply. There is also focus on detection controls; witness the rise of risk management and internal audit and few would argue against the need for follow-ups to ensure controls are complied with and effective. However, the potentially weak areas, in my experience, lie in effective exception reporting and lack of or ineffective independent review.

It is more than 30 years since computer systems were introduced but we still lack the definitive system (and may always do so), and one major area of weakness is in being able to provide effective exception reporting.

Exception reporting and follow-up is a key control that can alert management and underwriters to problems before they occur. It is likely to be a control that needs improvement in most organisations and is doubly important at this time of looser controls

This is not only a constraint of systems themselves but also inherent in the difficulty of defining all levels of authority and control in simple system terms and within the constraints of the available fields in a system. For example, an underwriter may have different levels of authority for classes that share the same risk or other system code but the lowest limit needs to be input causing unnecessary exceptions in reports.

Exception reporting and follow-up is a key control that can alert management and underwriters to problems before they occur. It is likely to be a control that needs improvement in most organisations and is doubly important at this time of looser controls.

Lloyd's is the only insurance organisation I am aware of that recommends independent review but even within Lloyd's this is not mandatory and is met by differing methods with varying review criteria and quality of reviews. However, this is a useful check for underwriting management, giving them insight into whether their underwriting complies with the agreed strategy and also a sense check from experienced former underwriters that the strategy and underwriting is sound.

Hard markets are usually a response to losses and as things improve, management teams focus more on controls over underwriting. Often, this is shutting the stable door after the horse has bolted and perversely may be when the margin for error is larger than ever. The time to focus on controls over underwriting is in soft markets, when margins are thin and becoming non-existent in some cases. It is during the soft market that there is no margin for error and all controls need to be in place and checked for effectiveness as they help to protect insurers' bottom line. ■

Underwriting controls: soft markets may put underwriters under pressure to accept marginal risk but effective controls are crucial to help protect insurers' bottom lines

Jamie Crookenden is a director of Riskscheck.co.uk and is a former marine and energy underwriter

VIEWPOINT

A Brexit trade deal is vital for the London market and Europe

It is in all our interests that a comprehensive trade deal is concluded, establishing mutual recognition between insurance regulators

Dave Matcham
International Underwriting Association

It is fair to say the result of last year's EU referendum came as a bit of a shock to the London market. Ever since then, however, there has been intense speculation about what any future post-Brexit trading relationship might look like and a great deal of contingency planning to ensure business continuity.

Both the UK government and EU negotiators have expressed a desire to sign an ambitious free trade agreement that minimises tariffs and regulatory barriers to cross-border business. In the absence of any such deal the default position would be for the UK to fall back on its membership of the General Agreement on Tariffs and Trade (GATT) and the World Trade Organisation. The prospect of trading advantages for insurance, and financial services generally, under the GATT annex is far from certain since a "prudential carve-out" allows regulators to take any prudential measures they deem necessary to protect policy holders and ensure financial stability.

Thus, a new trade agreement between the UK and EU is by far the best outcome to the Brexit negotiations. The London Market Group (LMG), representing International Underwriting Association (IUA) companies, Lloyd's and brokers, is pushing strongly for a deal that gives specific rights for UK-based insurers and reinsurers to accept business introduced to them by brokers from the EU. At the same time, a reciprocal right must be offered for EU carriers to do business in the London market unimpeded by any additional capital requirements. The LMG's Brexit Roadmap, published earlier this year, also called for regulatory equivalence under Solvency II to be agreed with prudential regulatory regimes remaining comparable, so that companies can continue to be supervised by their home state.

Now, industry representatives and government officials are working together in a London market Brexit taskforce to support these objectives with detailed analysis and proposals. Three specific workplans are being addressed to ensure the UK government is well prepared for its negotiations with the remaining 27 EU members.

First, a baseline scenario is being developed to illustrate how companies currently access the London market, the flow of transactions between the UK and continental Europe and the EU structures and regulations they rely upon. The precise objectives, criteria and priority outcomes for a free trade agreement will then be specified. Both the business scope and regulatory scope of a deal need to be firmly established. Finally, the risks and opportunities of implementing any new agreement are being assessed and mechanisms identified to manage the gap between the UK leaving the EU and commencing its new relationship with the EU.

£6bn
Value of business that was conducted in 2015 by IUA members using existing passporting arrangements to write risks via London

A Brexit implementation plan is vital to minimise business disruption – uncertainty over whether insurance policies will be enforceable is already affecting the decisions of insurance clients

Elsewhere, the IUA is also helping the government plan for future UK trade deals, outside the EU, with key London market client locations such as the US and Japan. Officials from President Trump's administration have now stated they will sign an EU/US covered agreement harmonising rules dealing with insurance and reinsurance transactions. This deal can be an effective blueprint for a UK deal with both the US and other countries.

A Brexit implementation plan is vital to minimise business disruption – uncertainty over whether insurance policies will be enforceable is already affecting the decisions of insurance clients. Many require policies with terms of three years and longer, which means they already need certainty beyond March 2019, the scheduled deadline for Brexit. Even renewals for single-year policies are only a matter of months away and we have seen how this time pressure has driven industry decision-makers to reconsider the future structure of their organisations with plans for the creation of new subsidiary companies in various EU member states.

No single destination has yet emerged as a dominant choice with firms generally opting for locations that put them close to their customer base and fit in best with their existing global structures. Yet the negotiating guidelines for the remaining 27 EU member states insist on a phased approach with progress being made on a withdraw agreement – providing clarity on citizens' rights and a financial settlement – before proceeding to discussions on the future EU/UK relationship. No one, I think, is under any illusions about the scale of the challenge of reaching a comprehensive new trade agreement by March 2019.

What does seem clear is there is a very strong incentive on both sides of the negotiating table to ensure a continued free flow of business between the EU and the UK. Of the IUA's 48 member companies, five are headquartered in the UK while eight have parent companies in Germany. Overall, a quarter of the IUA's membership is accounted for by firms with head offices in other EU member states. We estimate slightly less than £6bn ($7.8bn) of business was conducted in 2015 by members using current financial services passporting arrangements to write international risks via branches in London.

The London market operates as a vital European and global insurance hub, providing risk managers with access to a concentration of expertise and capital that is simply not available in local markets. Clearly, it is in all our interests a comprehensive trade deal is concluded, establishing mutual recognition between insurance regulators. As negotiations begin in the coming months it will be important for politicians on both sides of the table to keep this firmly in mind. ■

Dave Matcham is chief executive of the International Underwriting Association

Cyber risk can be the straw that breaks the camel's back

In this untested market reinsurers may take on more risk than they can bear

This week saw the warning from Lloyd's a global cyber attack could cost as much as $53bn in claims.

The number stole the headlines in many newspapers, but cyber on its own is unlikely to sink a market or re/insurer. What is foreseeable, however, is a higher-than-expected frequency of significant cyber losses could be the straw that broke the camel's back in an above-average year of both natural and man-made catastrophes.

While regulators are rightly concerned by the new exposures cyber losses, perils and events could bring, should they be truly seen as potentially catastrophic? Arguably not – it is the frequency and scope of these new exposures that present the true challenge.

It is less likely a single cyber event would produce the scale of insured loss that would equate to a once-in-a-decade catastrophe. The insurance market controls its exposure to a single loss event that takes place over a long period by imposing time restrictions on the losses you can aggregate. It also requires a specific loss to stem from a specific cause.

Breaking point: a higher frequency of cyber losses in an above-average cat year could threaten re/insurers

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For example, lots of similar but different (legally) cyber events taking place across two months are related but they would not be considered to be a single catastrophe. This affects the extent to which the loss would stay in the direct insurance market or flow into reinsurance markets.

The market has borne single event losses such as the World Trade Center attacks and Hurricane Katrina, where insured losses exceeded $50bn. It also survived larger events such as the Tōhoku earthquake, where the economic loss exceeded $300bn.

In the case of Tōhoku, only around 15% of that loss was insured and perhaps here is an analogy with today's unquantifiable cyber exposures. The key question is how much of those economic losses are insured and, in turn, reinsured.

Presently there is no uniform adoption of cyber insurance or its usefulness in fully protecting businesses for consequential economic loss. It is therefore probable that in the event of a major cyber event a significant percentage of the economic loss would be irrecoverable.

The need to offer responsive insurance products for cyber cat events is an opportunity for insurers and will not go away as society becomes ever more digitised and dependent on the internet as the primary means of transacting business and communicating.

Cyber exposure is here to stay and we will learn from the loss occurrences that happen to shape a workable insurance market. A review of the performance of reinsurance markets in the past 30 years shows what often takes people by surprise is the mechanisms by which unforeseen losses flow.

When the scale of these losses is an existential threat disputes occur. This is not something we have seen for some time. The cyber insurance market is set to grow and to face losses. How it cedes those losses and whether interested reinsurers end up biting off more than they can chew in an already testing underwriting year is a realistic concern. ■

Simon Kilgour is a partner at CMS

Brexit has echoes of the Y2K panic but the insurance industry must still prepare

Since the Brexit result last year the insurance sector has expended a great deal of energy planning for every possible outcome and mapping out the corresponding solutions for the UK's eventual exit.

It does not help that sometimes the insurance sector is not front of mind in Brexit negotiations. Andrew Bailey, chief executive of the UK's Financial Conduct Authority (FCA), recently said the regulator is being excluded from some of the talks at the European Securities and Markets Authority (Esma).

There are echoes of the Y2K panic at the turn of the century; we were supposedly staring over the precipice at what soothsayers predicted would be chaos. The cost of preparing for the end of the world has since been calculated at around $300bn.

Nonetheless, the sector is still preparing for all eventualities when it comes to Brexit and it needs to be remain fully alive to the worst-case scenario. Indeed, insurers and other financial institutions were given until July 14 to provide contingency plans for a "hard" Brexit. It is widely expected passporting rights will not be retained, so companies have begun eyeing up potential post-Brexit hubs in locations including Luxembourg, Brussels and Dublin. Last week, the European Insurance and Occupational Pensions Authority reiterated Esma's comment that financial groups should not see this as an opportunity to set up shell companies side-stepping the impact of Brexit.

In his first detailed speech on Brexit recently, Bailey argued Brexit should not mean an end to open financial markets and should not limit the freedom of firms on choice of location. On the same day, the EU's chief negotiator, Michel Barnier, struck an altogether different tone in ruling out both the possibility of maintaining frictionless trade outside the single market and of participation "sector by sector". That is picking out only a single day in what has become a daily diet of conflicting messages.

It is hoped existing contracts that have long-term liabilities beyond implementation could be "grandfathered", so rights and obligations would not automatically expire. Otherwise the transfers required could take years.

Intensive scrutiny and engagement is required across all affected areas to make sure the sector is to continue meeting the needs of millions of customers and maintaining its compliance legally. This means exiting the EU without a deal is not acceptable, as Association of British Insurers director-general, Huw Evans, emphasised recently. But while hoping for the best, we have to prepare for the worst. Despite all the uncertainty, to wait and see is not an option. ■

Nigel Teasdale is president of the Forum of Insurance Lawyers and a partner at DWF

Preparing for Bermuda's new data protection regime

The Personal Information Protection Act lays out the conditions for the permitted use of personal data by Bermuda-based organisations

Mark Chudleigh, Nick Miles and Alex Potts
Sedwick Chudleigh

On December 2, 2016 the administrative provisions of the Personal Information Protection Act 2016 (Pipa) came into force in Bermuda, establishing the office and powers of the Privacy Commissioner and providing for the method of appointment of the Privacy Commissioner. The substantive provisions of Pipa will not come into force until next year.

One objective of the Bermuda parliament in passing the law was to put in train the process by which Bermuda may seek a data protection adequacy determination from the European Commission. An adequacy determination will be of considerable assistance to Bermuda treaty reinsurers, for example, which may need to import personal data from Europe for underwriting and claims-related purposes.

The resolution of the European parliament in May 2016 regarding ongoing negotiations of the EU-US Privacy Shield, an arrangement intended to replace the now-defunct "safe harbour" decision, has emphasised the importance to a successful adequacy application by a non-EU country that the holder of the office responsible for the administration and enforcement of domestic personal information protection legislation should be independent from government.

This fact was explicitly acknowledged by Bermuda's minister of economic development, E Grant Gibbons, in his ministerial statement on February 3, 2017, announcing the commencement of the administrative provisions of Pipa on December 2, 2016. The minister said: "The creation, staffing and operations of the commissioner's office will be done in a manner to ensure full compliance with those requirements."

Insurers and insurance managers, agents and brokers, in common with all organisations, will need to adopt suitable measures to give effect to their obligations and to the rights of individuals set out in the act, when the substantive provisions come into force.

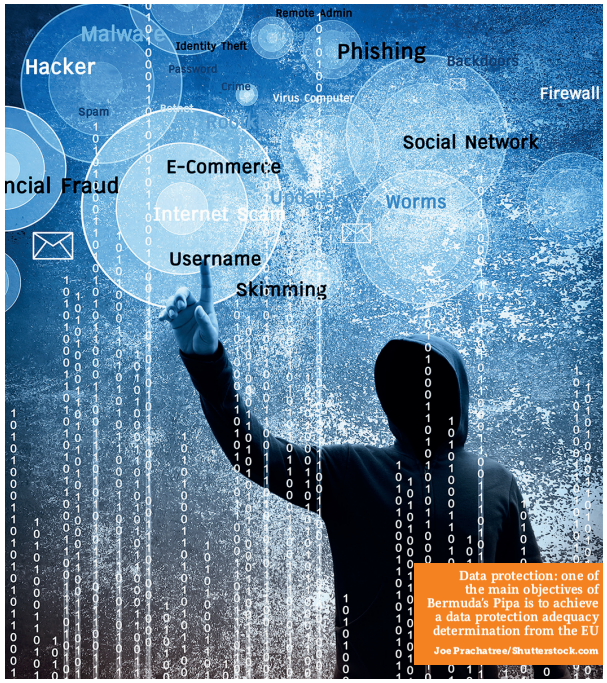
Preparation

It will be difficult to craft measures and policies to ensure compliance until the Privacy Commissioner (once appointed) has published guidance or the minister of economic development has issued a code of conduct, but insurers and insurance managers, agents and brokers should be familiarising themselves with the requirements.

The act applies to every organisation that uses personal information in Bermuda where the personal information is used wholly or partly by automated means or forms or is intended to form part of a structured filing system.

When the substantive provisions come into force, organisations must not use personal information unless one or more of the conditions of s6 of the act are met.

This section includes a number of permitted uses of personal information that do not specifically require the individual's consent, such use for performance of a contract to which the individual is a party. However, assessing compliance will involve a degree of judgment and may be hard to determine in some cases.



Data protection: one of the main objectives of Bermuda's Pipa is to achieve a data protection adequacy determination from the EU

Joe Prachatree/Shutterstock.com

Insurers and insurance managers, agents and brokers will need to adopt suitable measures to give effect to their obligations and to the rights of individuals set out in the act, when the substantive provisions come into force

In practice, therefore, organisations are likely to seek to base their use of personal information predominantly on the satisfaction of condition (1)(a) of s6 of the act, which requires obtaining the knowing consent of the individual. This is because compliance can be tested objectively.

The Privacy Commissioner will have various powers that may be used to assist insurers and insurance managers, agents, and brokers (along with all other organisations) in confirming what they must do to comply. In addition the minister with responsibility for the act may publish codes of practice.

Consequential amendments to other legislation necessary to implement the act are expected to be tabled later this year. ■

Mark Chudleigh is office managing partner and Nick Miles and Alex Potts are partners at Sedgwick Chudleigh in Bermuda

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Nexus makes first foray into US with treaty reinsurance MGA deal

Expansive managing general agent makes third acquisition within a month

Michael Faulkner
Editor

Specialty managing general agent (MGA) Nexus Group has entered the treaty reinsurance market with the acquisition of a US-based MGA.

The purchase of the personal accident treaty reinsurance MGA operated by Lloyd's coverholder Zon Re is the latest in a string of deals by the expansive Nexus Group. It is also the first acquisition by Nexus in the US.

The personal accident MGA, which is based in New Jersey, will now trade as Nexus Re.

It will continue to be led after the acquisition by the existing senior management team of Brian Harrigan, Kieron Farrelly, Chris Holland and Vern Ismen, who will become shareholders in Nexus.

Zon Re will continue to operate a nationally licensed insurance agency under its existing brand.

Newark, New Jersey: Nexus's latest acquisition is based in the Garden State
Roman Babakin/Shutterstock.com

'Zon Re's treaty reinsurance MGA fits the model of profitable, proven, niche MGAs we plan to target with our "buy and build" strategy'

Colin Thompson
Nexus

The acquisition will increase Nexus's earnings before interest, tax, depreciation and amortisation (Ebitda) by more than $3m this year, the group said.

Colin Thompson, founder and executive chairman of Nexus, said: "Zon Re's treaty reinsurance MGA fits the model of profitable, proven, niche MGAs we plan to target with our 'buy and build' strategy."

He said the acquisition would cement "Nexus's position as a multi-product, multi-class, multi-geographic 'virtual' insurance company".

"There will be more acquisitions to follow," Thompson added.

Farrelly, chief executive of Nexus Re, said: "Our core team and support staff remains intact so we can maintain continuity as we grow the portfolio with our current panel of risk partners."

The acquisition is the third announced by Nexus in the past month, following the purchase of Equinox Global last week and Vectura Underwriting at the end of June.

Combined, the three acquisitions will add gross written premiums of £40m ($52.1m) and Ebitda of £4m to Nexus Group in 2017.

Nexus is expected to write gross written premiums of £160m in 2017, with Ebitda in excess of £11m.

Last week it emerged Nexus had secured £30m in loan facilities to support its acquisitions.

Global reinsurance capital rises 2% during first quarter

Global reinsurance capital rose 2% to $605bn during the first quarter of the year, with the growth of alternative capital outpacing traditional capital, according to Aon Benfield, *writes Michael Faulkner*.

Alternative capital rose 6% to $86bn during the three months from the end of 2016, while traditional capital increased by just 2% to $519bn.

The figures do not include record catastrophe bond issuance posted during the second quarter, an increase that artemis.bm calculates has put current alternative capital at or above $90bn.

Aon Benfield said reinsurance demand remained relatively stable during the quarter but the increase in capital has generated excess supply that has led to cost savings or enhanced coverage for buyers. It also said there has been an increased demand for sophisticated capacity in recent months.

First-half nat cat losses well below average

Global natural catastrophe losses in the first half of this year were $41bn, according to Munich Re, *writes Michael Faulkner*.

This was less than half the $111bn in the same period of 2016 and the $102bn 10-year average.

Insured losses in the first half totalled $19.5bn, lower than the previous year's loss of $32bn and the 10-year average of $29bn.

Insured losses as a proportion of total losses were higher than usual, however, reflecting major thunderstorm losses in the US, where insurance density is high.

During the first half of 2017 there were a total of six severe, large-scale thunderstorms, each causing billions of dollars of losses.