

Zeller and Arora fundraising for \$1bn Switzerland-based Alpine Re start-up



Former Hannover Re CEO Wilhelm Zeller and ex-Axis Re CEO Steve Arora are in the process of fundraising for a new Switzerland-based multi-line P&C reinsurer called Alpine Re, which is looking to make a strategic entry early next year to target what is viewed as a significant opportunity in the space, *The Insurer* can reveal.

Sources said that Alpine Re is working with Howden Tiger to raise \$1bn of underwriting capital for a targeted 1 April 2024 start, subject to rating agency and regulatory approval.

Zeller and Arora have a strong existing relationship from their time together at Axis. Zeller sat on the board of the Bermudian for 11 years as a non-executive director before retiring at the end of 2020, with Arora joining as CEO of reinsurance in 2018, based in Zurich.

Banking sources said that there is meaningful traction with the targeted fundraiser, which is considered on track for the proposed launch date.

They added that there is understood to be strong ongoing investor interest as the initiative progresses towards its fundraising target, with positive feedback on the credibility of the team and business plan.

The start-up is understood to be currently assembling a high-profile executive team that is expected to be led by Arora and Zeller.

Zeller, aged 79, would be expected to take the chairman role, tapping a wide network of investor and industry contacts from his time at Hannover Re and before that Cologne Re – which was subsequently bought by General Re.

The executive [Continued on page 6](#)

AerCap deal creates settlement framework that shrinks \$10bn+ disputed Russian lessor claims



Aviation (re)insurers and executives attending the Monte Carlo Rendez-Vous have welcomed last week's landmark AerCap deal as heralding

a framework that could see the industry's overall loss shrivel from \$10bn+ to \$2bn-\$2.5bn via commercial settlements rather than litigation.

AerCap, the world's largest aircraft lessor, last week agreed to settle an insurance claim over 17 jets and five engines leased to flag carrier Aeroflot and its subsidiary Rossiya, part of a wider dispute involving more than 400-owned Western planes stranded or confiscated in the wake of the invasion of Ukraine.

The \$645mn commercial settlement – which was approved by US and Russian authorities – is expected to be a model and framework that AerCap will try to replicate with other Russian airlines and operators and also for other lessors to adopt.

Crucially, it set a structure for other settlements to follow which – if agreed – would see the current ~\$10bn of disputed claims ([see page 36](#)) shrink to \$2bn-\$2.5bn and which could [Continued on page 38](#)

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Ageas Re doubles property cat line size to €20mn; enters casualty ri at 1.1



Ageas Re, the reinsurance arm of Belgian insurance group Ageas, will double its maximum line size in property cat to €20mn at the upcoming 1 January renewals, with the ambitious group also targeting a casualty reinsurance entry.

Speaking to *The Insurer* on the sidelines of the annual *Rendez-Vous* in Monte Carlo, Joachim Racz, group director of Ageas Re, said the unit had been “overwhelmed” by the support of

markets following its 1 January 2023 entry into third-party property cat reinsurance.

“Out of 70 target accounts, we wrote 68 and were signed in full on 64. The support we have received has been overwhelming,” Racz said.

The unit – which underwrote premiums at the upper end of its €35mn to €40mn guidance at 1.1 – will now look to further increase its market share through a “gradual expansion” by both line of business and geography.

In property cat, the business will take up to €80mn of risk per any one uncorrelated event, with an average line of €5mn and maximum line of €20mn for 2024, up from €10mn this year.

Ageas Re, which focuses on mainly

non-Asian markets, will also enter casualty reinsurance at 1.1, Racz said.

“We did push ahead on the property side at 1.1 and our business plan has exceeded expectations but our goal was always to be a twin-engine vehicle – to write both property and casualty. Now the timing is right for us to bring our capacity to that class,” Racz said.

“Our ambition remains unchanged from last year. We want to become a full-service reinsurer in the long term with a presence across all the main lines.”

Led by former Peak Re casualty specialist Stephan Rappaz as underwriting director, Ageas Re’s casualty offering will predominantly serve local and regional European clients with a personal lines profile.

Fronting market surges to \$13bn as “asset-light” structures proliferate

Fronting companies wrote more than \$13bn GWP last year – up from \$9.5bn in 2021 and more than double the level of 2020 – highlighting the increasingly important role that they, MGAs and reciprocal exchanges occupy in the industry ecosystem.

According to new research released by reinsurance broker Howden Tiger and investment management firm Conning, these “asset-light” platforms are “forging a new frontier” within the global (re)insurance market.

The report – *Travelling Light* – also estimates premiums underwritten by non-insurer affiliated US MGAs have more than doubled since 2018, rising to \$33bn in 2022. Overall, US MGAs underwrote in excess of \$85bn in premium in 2022, Conning calculates, which suggests the global MGA market is now significantly in excess of \$100bn. William Pitt, director

of insurance research at Conning, commented: “Asset-light entities are delivering for brokers and insureds, developing new products for some

analytics are increasingly pivotal, these agile entities can often move faster than traditional carriers, identifying and developing attractive niche markets and offering speedier submission turnarounds”.

David Flandro, head of industry analysis and strategic advisory at Howden Tiger, added: “The numbers are revealing ... It is evident that asset-light structures are forging a new frontier, creating new approaches for the industry.” The trend was also acknowledged by Elliot Richardson, vice chair of Howden Tiger, who pointed out last week that fronted premium sourced through MGAs surpassed Lloyd’s premium sourced through coverholders in 2021 for the first time. Richardson – who was speaking at *The Insurer’s* Pre-Monte Carlo Forum in London – predicted the trend will continue.

Fronted market premium development
(\$mn)



Prepared by Conning, Inc.
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of the most challenging exposures in today’s market, including cyber risks and property perils impacted by climate change.”

He added: “At a time when data

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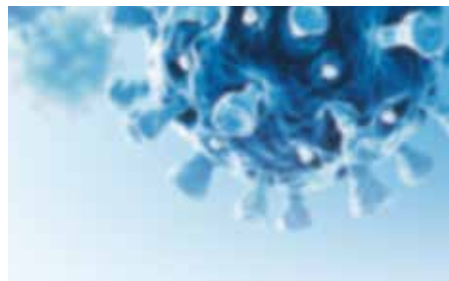
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Vesttoo: A fraud waiting to happen...

The Monte Carlo *Rendez-Vous* is the first major international (re)insurance event to take place since the Vesttoo scandal first emerged in June. No surprise, then, that it was a major discussion point yesterday as the 2023 *Rendez-Vous* opened.

Of course, the immediate priority for impacted parties has been replacing capacity and collateral in the market and, for some, the recovery of funds in the courts.

But as the post mortem continues, arguably the biggest question is around the failure in checks and balances that allowed this seemingly preventable reinsurance fraud to take place.

In other words, how did so many professional organisations fail to notice that LOCs purported to have been issued by NAIC-approved banks on Vesttoo-facilitated deals were not real?

How did Aon allow so much business to be transferred through its White Rock facility when – as now appears to be the case – it was a fraudulent enterprise from the outset? Shouldn't Clear Blue – which recognised a \$16mn Q2 hit on 1 September (see page 8) and is scrambling to replace reinsurance capacity and maintain its critical A- rating – have done more?

The fact that this oversight appears to have gone undetected for so long is still met with incredulity in some quarters

And how did a company emerge from nowhere to write more than \$4bn of business with such opaque structures?

A partial context is provided by the rapid growth and perceived opportunity that has existed in the MGA and programs space – and the related fronting sector – in the last few years.

As our sister publication *Program Manager* recently reported, David Paul, principal and lead analyst at Alirt Insurance Research, summed it up succinctly, suggesting that the flood of money into the sector and rush of specialty insurer and distribution start-ups was a contributing factor to the fiasco.

“Whenever a surplus of eager money meets new ideas and opportunities, excesses are bound to follow. These excesses breed carelessness and, inevitably, shortcuts are taken and cracks begin to show,” he said.

“

[This is] an example of where the basic tenets of reinsurance security were forgotten

”

Another suggests that in the case of Vesttoo, basic tenets of reinsurance security were forgotten in the face of the prospect of innovative structures for transferring risk in areas where other forms of capacity were not readily available, at least at a competitive price. The attractions of new brokerage and fee income may have added to the collective myopia.

A third view posits that while the fraud itself has grabbed the headlines due to its outrageousness, it is the complicated “value chain” around MGA and programs business that is a contributor.

Speaking to *The Insurer TV*, TransRe CEO Ken Brandt questioned the efficacy of a business structure when there are six to eight different parties involved in the distribution chain.

“It starts with a broker, goes to an MGA, goes to another broker, goes to a fronting company, goes to another broker, goes to a transformer, goes to an ILS manager, and goes to some type of

investor. That's a pretty complicated value chain there.

“And what that tells me is you have a lot of people in that value chain, who don't have aligned interests with underwriting and don't have aligned interests with checking things, like LOCs. So it was trouble waiting to happen,” he commented.

Brandt also highlighted a point made by *Program Manager* last month – that there is usually a reason for cedants to take this route – the availability and price of traditional rated cover. “I think it's distressed business or I think it's business that can't find the coverage at the price they want from well-capitalised traditional insurance companies and reinsurers,” said Brandt, suggesting that the Vesttoo affair is also a symptom of the brittle end of the program sector.

That business is not going away, however. And as another senior reinsurance source put it, this means you will always find “bottom-feeders” in the market.

MS Reinsurance CUO Charles Goldie – commenting at *The Insurer's* Pre-Monte Carlo Forum last week – spoke for many when he described the affair as an “industry embarrassment”. The job of the industry is to ensure it never happens again and if that means questioning established structures and approaches to reinsurance security, then so be it...



David Bull,
North
American
editor

Fears of regulatory overreach on LOCs as Vesttoo scandal deepens



As global (re)insurance leaders gather in person for the first time since the Vesttoo scandal emerged in July, fears are growing that heightened scrutiny around letters of credit (LOCs) may see rating agencies and regulators take actions that disrupt a long-established practice.

While perennial industry themes such as market conditions, 1.1 renewals, the use of technology and geopolitical/economic concerns will dominate many of the discussions, the implications of the Vesttoo fallout were not far away from the thoughts of executives at the beginning of the *Rendez-Vous* – not least following last week’s extraordinary revelations.

In the run-up to the event, Howden Tiger vice chairman Elliot Richardson became one of the first prominent market figures to publicly warn of the threat, telling *The Insurer’s* Pre-Monte Carlo Forum: “There will likely be increasing scrutiny of reinsurance

security by rating agencies and regulators, in light of recent issues and fraud allegations surrounding letters of credit posted to collateralise certain reinsurance obligations by a major tech-enabled platform.”

Sources have expressed fears that action could even take the form of applying capital charges to the use of LOCs, which would challenge the viability of using them on transactions where so-called alien reinsurers are required to post collateral to reinsure US insurers.

Amid the fallout from the Vesttoo affair, it was inevitable that the use of LOCs would

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Zeller and Arora fundraising for \$1bn Switzerland-based Alpine Re start-up

was CEO of Hannover Re and E+S Ruck from 1996 to 2009 and was instrumental in reshaping the company as it evolved into a major global reinsurer, including growing premium threefold and delivering an average return on equity of 13 percent.

Arora, who is lined up as CEO, led the transformation of Axis Re from 2018-2022 and was previously an executive at Swiss Re from 2006-2017, joining with its acquisition of GE Insurance Solutions.

In addition to Howden Tiger, Alpine Re is understood to be working with a big four consultancy firm and a tier one global law firm.

Alpine Re is targeting a market opportunity that includes generational attractive underlying insurance conditions, dislocation in reinsurance supply and demand along with high interest rates.

These conditions – the start-up is likely to argue – are ideal for new

company formation and to create value that will be sustainable across market cycles.

The business model and strategy has been described by sources as a strategic market entry guided by disciplined underwriting and low cost ratios with a lean operation from a single location, rather than building a global footprint.

Market sources added that the focus will be on thoughtful product diversification in mature markets with an emphasis on cycle management.

They added that Alpine Re will be a “traditional” reinsurer focused on maximising underwriting income, as opposed to an asset management play, or hedge fund reinsurer model.

The targeted low cost ratio will be based on a lean, tech-enabled and outsourced model to control and reduce operating expenses.

The Switzerland location for the start-up will provide access to global business, as well as a rich talent pool under the watch of a well-respected regulator in an innovative environment that provides tax efficiency, sources said.

Although the start-up’s leadership team wouldn’t comment on the details of the business plan, Zeller said: “From day one, I was fully aligned with Steve to create a reinsurer focused on strong fundamentals – maximising underwriting profit and practising exceptional cycle management in a

lean corporate setting from a single location.

“I have done this before in my career, and the timing is perfect now for the reinsurance market and Alpine Re.”

Alpine Re is expected to continue engaging with rating agencies and the Swiss regulator as it advances company formation and the financing process.



Wilhelm Zeller



Steve Arora

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Clear Blue replaces Vesttoo reinsurance for all in-force business and takes \$16mn Q2 charge



Hybrid fronting carrier Clear Blue has filed delayed Q2 statutory financial statements which include a \$15.8mn charge for the writedown of collateral on run-off business in relation to Vesttoo and Corinthian Group, as it also said that it has replaced all reinsurance on its ongoing portfolio of business.

Although the fronting carrier did not reference the providers of replacement reinsurance capacity in its commentary in the quarterly statement, its Schedule F filing shows that new reinsurers at the end of Q2 included Roosevelt Road Re, MCK Re, XL Re Europe, start-up Northern Re and Canopus Re.

News that the Jerome Breslin-led company has replaced all reinsurance on its live book is likely to be welcomed by counterparties, as the carrier also looks to address concerns that led to a review with negative implications status being applied to its A- AM Best rating.

As previously reported, Clear Blue was the fronting carrier on a number of transactions that involved Vesttoo-facilitated reinsurance capacity that has since been found to be supported

by fake letters of credit (LOCs) posted as collateral.

Clear Blue reported that it recognised a \$49mn reduction in group capital and surplus between the end of the first and second quarters of 2023.

But \$33mn of the reduction is temporary and relates to statutory surplus strain from prepaid commissions on unearned premium that will reduce to zero as premium earns through.

The \$15.8mn charge specifically relates to a provision made for the current best estimate of deficiency of collateral on the run-off business associated with Vesttoo reinsurers and Corinthian Group.

In its statutory filing, Clear Blue confirmed it will retain the run-off business reinsured by Aon's segregated cell platform White Rock and Corinthian Group and will cover the risk associated with the business with cash withheld in the company and in premium trusts.

In a statement to this publication, Clear Blue said its financial statements take into account information learned in the third quarter about Vesttoo, as requested by the Texas Department of Insurance.

Statutory accounting principles actually don't require quarterly filings to adjust surplus for changes in circumstances after the period end, with a number of other carriers that have Vesttoo LOCs in their reinsurance

recoverables understood to have filed as if the collateral was legitimate.

The statement added: "Clear Blue continues to operate without impairment and work towards finalising its permanent resolution of the Vesttoo-caused challenges.

"Management has been working diligently to identify and implement solutions to the challenges caused by the Vesttoo collapse and is working closely with AM Best to ensure Clear Blue's A- rating is upheld. We look forward to continuing to engage with stakeholders, strengthen our business, and move forward as a market leader in insurance programs."

In notes to the 30 June statutory statement filing by Clear Blue Specialty Insurance Company, the firm said that it had been informed that certain LOCs issued by the Corinthian Group – including Corinthian Re and Osprey Re – had been provided by Corinthian to Vesttoo and presumed to be invalid or "obtained fraudulently".

It added that Clear Blue has been successful in securing reinsurance on current year's treaties through third-party reinsurers and an affiliated reinsurer.

Clear Blue said it is in the process of obtaining collateral to support the risk associated with its portfolio of programs that had Vesttoo capacity, stating that it expects to have the collateral in place by the end of the third quarter.

Former Canopus UK CEO Willmont to join Lockton Re

Sarah Willmont, the former UK CEO of Lloyd's insurer Canopus, is set to join expansive reinsurance broker Lockton Re, *The Insurer* can reveal.

Willmont, who stepped down from the CEO role in October last year, will work within Lockton Re's retrocession and property specialty division, as well as supporting London market and global production activity.

The move marks a return to broking

for Willmont, who served as a senior broker at Aon Benfield in its composite global re specialty team, where she was responsible for the production and servicing of global non-marine retrocession business.

She then joined Canopus in 2017 and went on to hold a succession of senior roles at the carrier, including joint active

underwriter, deputy CUO and latterly UK CEO.



Sarah Willmont

While at Aon Benfield, Willmont would have crossed paths with several of her new colleagues, including Bermuda CEO Jonathan Davies and Bob Bisset, chairman, global retrocession and property specialty, Bermuda and market capital.



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Richardson: The modern broker must take the Moneyball approach

Existing structures that have been in place for 20-30 years will be dramatically disrupted and a new approach taken around data and analytics as insurers and reinsurers pivot or change their capital stacks and mix of distribution.

This is according to Elliot Richardson, vice chairman of Howden Tiger, speaking at *The Insurer's Pre-Monte Carlo Forum*.

The modern (re)insurer needs to “adapt at never-before-seen speed” and the winners will be those that can “efficiently match risk to the most appropriate form of capital”.

But the executive directed his greatest call to action at his fellow intermediaries, stating “the middle person in a transaction must bring value”.

He continued: “The modern broker must stop peddling the same things that have been done for the last decade. You need to bring smart partners in from outside the industry to help. You do not need to build everything in-house.”

Howden Tiger is betting that its suite of services – which include capital market expansion and strategic data-led advisory – will allow it to remain relevant to clients in the future.

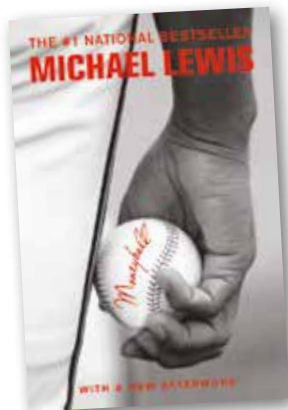
“In the new world of analytics and data, it's time to rip up the old and take the ‘Moneyball’ approach.”

Moneyball is the celebrated Michael Lewis book that charts the improbable success of the Oakland Athletics baseball team following a data and analytics approach to player selection under the canny stewardship of manager Billy Beane. It was later turned into an acclaimed Hollywood film starring Brad Pitt.

Winners, in the reinsurance world, will be those who look at the trends and data and structure their business and offerings accordingly, Richardson explained.

“This will mean a changing market structure, with roles like chief transformation and chief data officer being at the top table.”

“**The modern broker must stop peddling the same things that have been done for the last decade**”



Michael Lewis' 2003 best-seller *Moneyball* examines the data-driven approach of Oakland's Athletics' general manager Billy Beane

The war for talent

There are few better-qualified London reinsurance market figures to comment on the war for talent considering Richardson's involvement in a number of controversial team moves, including a fac team defection from Benfield to Aon that sparked a profit warning from the UK firm in 2006 and a current dispute with Guy Carpenter that sees him and Howden Group founder David Howden as named defendants over a 38-strong European walk-out earlier this year.

But Richardson said: “Just hiring account handlers or producers to grow revenues is not a strategy.

“They must be able to bring value to the overall culture and business and do things they never did before.”

He suggests flexibility by employers, and adapting roles to sets of skills to build organisations for the future.

“Having a single P&L/aligned incentive model is crucial to allowing clients access to a full suite of capabilities in a harmonised way.

“It is imperative to identify people to come and join the business to ‘score runs’ in a way they never did at their previous jobs,” he continued, although he acknowledged “it won't be easy for the wider broker world to make this change”.

The executive believes lines between traditional insurance and the new world order are becoming increasingly blurred, noting that nimble MGAs, utilising fronting carriers and alternative reinsurance capital, are stealing a march on the less-flexible incumbents.

Although he added that incumbents are starting to look to add these elements to their own businesses and adapt their models, and expects this to gather pace.

However, in a nod to the traditionalists in the market, he notes that “the ability to underwrite and place challenging business remains key”.

Richardson, whose broking career started in the 1980s, has no time for standing still though, predicting: “The next five years may bring more change to the industry than the past 25.”

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Swiss Re's da Victoria Lobo: SRCC risks increasingly front of mind for reinsurers



Reinsurers are increasingly concerned about losses from strikes, riots and civil commotion (SRCC) after a surge in political unrest this year, according to Swiss Re's head of P&C reinsurance for western and southern Europe, Nikhil da Victoria Lobo.

Ahead of the *Rendez-Vous de Septembre* in Monte Carlo, *The Insurer TV* sat down with da Victoria Lobo at Swiss Re's headquarters in Zurich to discuss the key talking points for the conference.

SRCC has made headlines across the world, including the recent riots in France.

"When I think about Chile in 2019, that was a property loss of \$3bn-\$4bn from strikes, riots and civil commotion; and South Africa, a few years ago, where it was about a \$2bn-\$3bn insurance loss. France this year – a €650mn loss – and there's also the losses from the [Black Lives Matter] protests in the US," da Victoria Lobo highlighted.

"We're obviously looking at a situation where concern in society around democratic political institutions is manifesting itself in society's unease and in our insurance sector," he added.

Property treaty coverage for SRCC losses has tightened up notably in the past year, but remains available. However, multiple restrictions that should limit loss transfer have been implemented; for example, changes to hours clauses and, of course, rates.

"I think what the industry must do is focus on what are the areas we can provide our intellectual thought to it,"

he said. "So, that's around aggregation and attachment points. And it's also around making sure that we properly price for this, because again, the point is, we need to be able to respond when our insurance clients have coverage issues and face these coverage losses."

However, with rates nudging up across several critical classes of business, comprehensive cover is becoming harder to obtain from an affordability standpoint.

"Look, the affordability topic is always a hard one," said da Victoria Lobo.

"I think the critical function of reinsurers is to independently look at what are the risks emerging, properly price for those risks, then as we plan over the coming months, have a dialogue with our clients around the coverage, the exposure and the relative price to it. We need to make sure that we keep this industry sustainable and responsive," he said.

GC's David Priebe: This is most attractive market for investors in 40 years



Investors are seeing the most attractive opportunities in the market for the past 40 years, according to Guy Carpenter chairman David Priebe, which he predicts will encourage greater participation from the investment community in existing carriers, the 144A market and possible new start-ups.

Speaking to *The Insurer TV* about the current state of the market, Priebe

outlined how increasing inflows – including in equity, where \$4bn has come back to existing reinsurers; ILS, which has had inflows of \$3bn; and the private space, where capital inflows are building – have made the market more enticing for investors.

He claimed that this is the most attractive opportunity in the market he has seen over the span of his 41-year career.

Priebe explained that investors "went through four out of the last six years [seeing] negative returns, and [now] they're looking for profit".

He added: "The market has truly improved."

Priebe also shared his predictions for where new inflows of capital might occur, hoping to see investor

confidence returning in Q1 of 2024.

"We are starting to see now people get seriously interested in investing," he explained. "You are going to see continued inflows into the ILS space, particularly in the 144A market, which has really performed quite well."

And you are going to start seeing some greater participation on either existing carriers or some possible new start-ups."

Indeed, already this year, cat bond issuance has surpassed all expectations, totalling close to \$10bn in the first six months of 2023.

Priebe also expects increasing interest in emerging risk areas such as cyber will be a "massive" opportunity for the sector.



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Continued from page 6

Fears of regulatory overreach on LOCs as Vesttoo scandal deepens

come under the spotlight as counterparties sought reassurances around collateral quality and security.

AM Best quickly came out with a note confirming that it had opened a review into collateral arrangements at the fronting insurance companies it rates.

It said it was monitoring the situation and reviewing fronting carriers and other insurers with material amounts of reinsurance counterparty credit risk and reliance on various forms of collateral, warning that rating actions would be taken “as warranted”.

Clear Blue – ostensibly the fronting carrier most exposed to Vesttoo after its \$1bn strategic capacity partnership announced last year – is among a number of carriers that have significant numbers of collateralised reinsurer relationships on their Schedule F filings.

AM Best put the company under review with negative implications, and Clear Blue has been progressing actions to replace reinsurance and collateral on the programs it fronts for.

In the kind of collateralised reinsurance transactions which MGAs and their fronting carriers are party to, a transformer such as Aon’s White Rock segregated cell platform might be used, with LOCs issued to bridge the gap between premiums held and Schedule F regulatory requirements for collateral.

But the use of LOCs as collateral in reinsurance transactions goes beyond some of the more parochial practices in the programs, MGA and fronting space.

LOCs are widely utilised as collateral in mainstream reinsurance transactions in the US to allow alien reinsurers to reinsure US insurance companies.

The requirement to post collateral applies to all unauthorised reinsurers – including collateralised reinsurers – which have to post 100 percent on

The Vesttoo accused insiders...



Former CEO
Yaniv Bertele



Former chief
financial engineer
Alon Lifshitz



Former senior
director of capital
markets Udi Ginati



Former senior
director of Asian
markets Josh Rurka

transactions, typically in the form of an LOC, single beneficiary trust, or cash.

It also applies to varying degrees to rated non-US reinsurers, depending on whether they have status as a so-called certified reinsurer – where a percentage of cedant liabilities must still be collateralised – or a reciprocal jurisdiction reinsurer (RJR), where they have been approved by a state to be exempt from collateral requirements, subject to meeting various standards.

This is where the concern of some reinsurers lies – that in tightening up controls around fronting carriers’ use of LOCs in a post-Vesttoo world, rating agencies and regulators may also impose restrictions on their wider use, undermining the effectiveness or viability of this form of collateral.

“I think what conceivably comes from ratings agencies is a capital charge, an additional capital charge or different capital treatment from what they receive right now. A more punitive capital treatment,” said a reinsurance executive.

“With regulators it’s probably the same. Maybe regulators start to challenge your internal capital model, to conceivably introduce loads around LOCs. That’s where it would get meaningful for us,” they said.

Multiple sources said that – with the exception of the recent Vesttoo developments – LOCs have performed well as a collateralisation mechanism for decades.

“It would be a shame if one bad actor or a small group of bad actors bring a cloud over a mechanism that has served us all very well for decades. Do we have to now regulate and capital-load potentially to the lowest common denominator? It’s unfortunate because it’s a construct that has served us so well,” a senior source added.

A particular concern is the impact any changes would have on the fronting sector, which proportionately has been a more meaningful user of collateralised reinsurance and other unauthorised reinsurers in transactions.



Talking points

- Vesttoo scandal has heightened focus on use of LOCs to collateralise ceded re for US insurers
- Several billions of dollars of LOCs have been identified invalid in the fallout
- But LOCs have been a long-established functional way of meeting state collateral requirements for alien reinsurers
- Collateral requirements vary by state and according to the status of a reinsurer
- Concern growing among some execs that post-Vesttoo scrutiny could extend to rating agency/regulatory action which could disrupt the use of LOCs

US collateral requirements vary for reinsurers depending on status

Type of reinsurer	Domicile	Collateral requirement	Note
Licensed/ accredited reinsurer	Generally US	None	Reinsurer which is either licensed to write insurance in the state which typically allows it to also write reinsurance, or licensed in another state with similar standards around credit for reinsurance, and which has met various other requirements of the accrediting state
Trusted reinsurer/ accredited reinsurer	Non-US	100 percent	A handful of non-US reinsurers have been authorised through establishing/maintaining a state-approved multi-beneficiary trust (MBT), and meeting other requirements. A trusted reinsurer posts collateral in the MBT for 100 percent of liabilities due to ceding insurers
Certified reinsurer	Typically non-US	From 0 to 100 percent	A reinsurer that has been approved by the state to provide reduced collateral for liabilities due to ceding insurers. Must be domiciled in "qualified jurisdiction" and have two interactive financial strength ratings from AM Best, Fitch, Moody's, S&P or other NRSRO
Reciprocal jurisdiction reinsurer	Typically non-US	None	Reinsurer that has been approved by the state as exempt from collateral requirements for liabilities due to ceding insurers. Must have RBC score of 300 percent (US) and solvency ratio of 100 percent (EU) or equivalent. No ratings required
Unauthorised reinsurer	Can be both	100 percent	An unauthorised reinsurer is required to provide collateral for 100 percent of its liabilities due to US ceding insurers, typically in form of LOC, single beneficiary trust, or cash. The ceding insurer must receive the collateral, or it will be unable to take credit for the reinsurance

Source: Aon, *The Insurer*

Changing collateral requirements

As Aon noted in a report earlier this year, historically, US state insurance laws required non-US reinsurers – or alien reinsurers – to post collateral equal to 100 percent of the liabilities they assumed from US ceding insurers. The cedant would otherwise be hit with a US statutory accounting penalty.

But in the last 15 years there have been significant changes in US collateral requirements. In many instances, state legislatures have reduced the percentage of liabilities reinsurers are required to post collateral at.

In 2018 Florida became the first state to allow non-US reinsurers to post reduced amounts of collateral subject to certain requirements being met, a move that was followed by a number of other states.

In 2011, the National Association of Insurance Commissioners formally introduced so-called certified reinsurers, which are permitted to post reduced amounts of collateral for liabilities due to US cedants.

This was followed by the Covered Agreement between the EU and US six years ago, which aimed to eliminate collateral requirements for EU reinsurers that meet certain prerequisites.

In 2019, revisions to this agreement extended its provisions to jurisdictions outside the EU and UK which have strong insurance laws and regulations, share information with US regulators and waive collateral requirements for US reinsurers operating in their domicile. This led to the emergence of the RJR term. As the table shows, certified reinsurers and RJRs are required to meet a series of conditions and to apply for the status at state level.

The key differences between the two classifications are that certified reinsurers must have two commercial ratings, and may still have to post collateral.

Concerns of LOC change downplayed

At least one reinsurance industry senior executive told this publication that the sector may need to coordinate with rating agencies and regulators to ensure that there are no unintended Vesttoo-related reactions impacting the use of LOCs.

Others have sought to downplay the threat, however.

One senior reinsurance broking executive said that while there will be greater scrutiny among counterparties and users of LOCs to ensure that all the collateral posted is legitimate, there is no underlying reason for regulators to change the view that a valid LOC is as good as cash.

"Would the regulator and ratings agencies be wise to ask the question, 'Have you done these things and can you show it to us?'" they said.

"I think that's an entirely reasonable response to something that appears to be just a massive fraud. Although there's always the law of unintended consequences, I'm not anticipating any change in capital charges."

The executive suggested parties to LOCs are unlikely to object to any request to provide clarification documentation providing evidence that the collateral is valid in order to receive full capital credit.

"I don't think they would object to providing that to a regulator at all, in fact I'm sure they'd actually be pleased to do so," they concluded.

“It would be a shame if one bad actor or a small group of bad actors bring a cloud over a mechanism that has served us all very well for decades”

Is there correlation between major cyber events and broad equity market performance?

Guy Carpenter's Anthony Cordonnier and Erica Davis highlight new research which can help (re)insurers make informed decisions about capital deployment

Is there correlation between cyber events and stock market performance? The latest research conducted by Guy Carpenter and the Marsh McLennan Cyber Risk Intelligence Center sets out to answer this compelling question. The research addresses long-held scepticism among the investment community that a systemic cyber catastrophe event would result in a wide-ranging stock market downturn. This has been the reason behind many ILS investors' reluctance to deploy capital in cyber transactions for the fear of a "double-whammy" in the aftermath of a widespread cyber attack.

The report, titled "Double-Whammy? Examining the Correlation between Major Cyber Events and Broad Market Performance", evaluates four categories of historical major cyber incidents: a mass breach or vulnerability event, mass service outage, critical infrastructure compromise and stock market compromise. Our study demonstrates that the effect of a cyber event falling within the random noise in the market does not cause a lasting impact on stock market performance.

The report also considers the impact of cyber events versus natural catastrophes, as both types of events tend to result in large one-time financial costs rather than long-term strategic shifts in economic activity or investment. As historical performance on key stock indices reveals, both event types do not drastically impact companies' operations and future revenue streams to create a market sell-off. In fact, the average 30-day performance impact of the S&P

500 index after a cyber attack is very similar to the observed results following hurricanes.

The nature and consequences of cyber and natural catastrophe events are in stark contrast with major historical events that have caused significant impacts on stock markets, such as the 11 September 2001 terror attacks, Lehman Brothers' bankruptcy, the Covid-19 crash and the Russian invasion of Ukraine. Such comparisons provide us with the foundation to conduct future research into the likelihood of any counterfactual cyber scenarios that might "escape" into the broader economy and impact investor confidence.

Our research indicates the lack of statistical significance between cyber events and stock market performance. This data-driven support, coupled with the continuous advancement in loss-mitigating technologies such as AI-enabled cyber management tools and risk transfer mechanisms including cyber catastrophe excess of loss structures, presents a prime opportunity for ILS investors to enter the ever-expanding cyber market and diversify their existing portfolios. The broader (re)insurance community can also leverage the research findings to make informed decisions about capital deployment, in order to support the sustainable growth of the cyber market.

Guy Carpenter's global cyber practice is a dedicated team of brokers, product innovators and analytic experts advancing the role of cyber reinsurance and retrocession. Guy Carpenter utilises our global footprint and insights across the Marsh McLennan network to bring superior placement design, peer benchmarking analysis, market intelligence and industry-transforming affirmative and silent cyber aggregation modelling.



Anthony Cordonnier and Erica Davis are global co-heads of cyber at Guy Carpenter

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Reinsurers showing increased cyber appetite ahead of 1.1

The Insurer examines recent developments in the cyber reinsurance market, where appetite is increasing despite continued concerns over systemic exposures

Cyber reinsurance capacity has increased while buying options continue to expand, with event covers emerging and even some alternative capital deals being done – but reinsurers will be keeping a close eye on cedants’ performance and systemic exposures at the upcoming renewals.

The cyber reinsurance market largely stabilised at 1.1.2023, according to Erica Davis, global co-head of cyber at Guy Carpenter. She noted that policyholders have improved risk controls.

“In terms of what that means as we exit mid-year 2023 and head to 1.1.2024, there is increased appetite in the reinsurance market,” she said. “Cyber has been viewed as a favourable trade in 2023, and we expect that to continue at 1.1.2024.”

Davis continued: “We are finding reinsurers receptive to the changes and improvements that cedants have made across their portfolio, not just with pricing but also with heightened technical acumen in the underwriting.”

Chris Storer, head of Munich Re’s cyber centre of excellence, global and North American reinsurance clients, identified two key themes ahead of the upcoming 1.1 cyber reinsurance renewals: performance, and the management of systemic risk.

“For this renewal, I think it’s all about reconciling

short-term performance, profitability, with longer-term sustainability,” he said. “I suspect Munich Re as well as other reinsurers will be quite eager to see how the market has performed over the course of 2023.”

Storer noted that the segment saw several years of pricing remediation in response to skyrocketing numbers of ransomware attacks, followed by better performance in 2022.

“In the meantime, we have observed some not-insignificant rate decreases in the course of this year as [cedants] start to look towards growth again. But we’ve also heard reports of increases in frequency particularly around ransomware, as well as new loss trends like emerging privacy risks and third-party tracking tools,” he said.

Storer suggested that the focus on short-term performance needs to be balanced with ensuring this line of business “is really fit for purpose over the long term”.

“We’ve been quite noisy about the need to manage systemic exposure within cyber in the past, particularly what we would consider unmanageable systemic exposure like cyber war – a truly ruinous exposure that could really not only put Munich Re’s balance sheet at risk, but the whole industry at large,” he said.

Jonathan Spry, CEO of cyber MGA and modelling firm Envelop Risk, said clients are becoming increasingly sophisticated in the way they are looking to protect their accounts.

“We are seeing clients engage with us in detail to discuss the rating and claims environment, and are increasingly assisting clients with portfolio optimisation.”

On rates, Spry acknowledged primary pricing has been under pressure, but he predicted that this would stabilise in 2024, and said cedants also see value in partnering with reinsurers to manage their risk portfolios. “The increase in ransomware is under focus and has helped with rate stabilisation – we are also supplying threat intelligence to certain clients and are seeing a beneficial feedback loop emerging between the supply of data to us as a reinsurance partner and the use of data as a threat intelligence tool,” he explained.



Talking points

- Cyber reinsurers posted 101% average net combined ratio for 2022 (107% gross): S&P
- ~\$12bn global cyber market heavily dependent on reinsurance (50+% ceded)
- Reinsurers have focused on war exclusions/systemic risk management in 2023
- 2023 initiatives include launch of CyberAcuView/Perils loss index; Beazley Cairney cat bond and growing reinsurance capacity
- Growing ILS interest: “We expect to deploy ILS capital into cyber re at the 1.1 renewals” predicts Envelop Risk
- But leading reinsurers Munich Re and Envelop Risk say data quality, models and analytics key to success

War wordings and event definitions

Munich Re – the largest cyber reinsurer – stresses that clarity on cyber war wordings remains one of its top priorities.

“When it comes to cyber war, reinsurers will expect to see progress when it comes to the implementation of new and updated language in underlying policies. We have seen positive developments in the course of this year,” Storer said.

The executive said there have been “slightly different approaches” in London and the US around event definition.

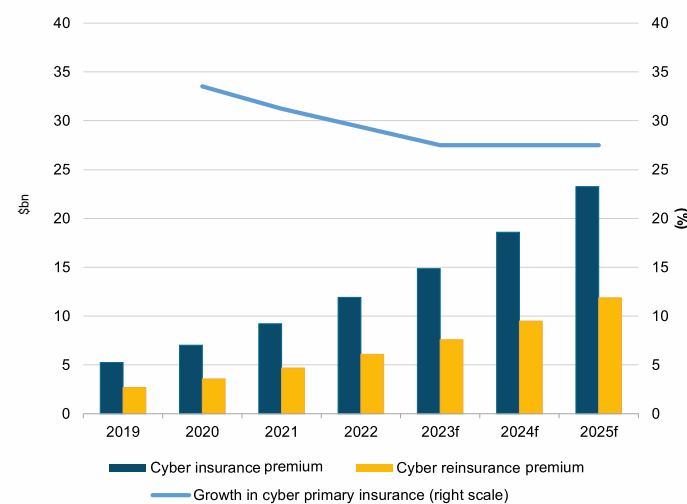
“London has rather pushed a threshold-type approach in terms of determining what is a sizeable event that needs to be excluded,” he said. “We’ve seen the US rather go for a response-based approach. So slightly different ways of going about it, but ultimately trying to put a frame around this particular issue and I think all this has been very positive.

“I think we’ll still see continued innovation in this space so we’d expect to see even more clauses, more iteration in the market. But what’s most important is action. I think any market that chooses not to do anything in respect of cyber war is really running material risk at the moment.”

Munich Re this year

Cyber remains on fast track

Global cyber (re)insurance premium



f--Forecast. Sources: Munich Re, S&P Global Ratings.
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Discussing terms and conditions related to war, Guy Carpenter global co-head of cyber Anthony Cordonnier said that the key from a reinsurance

led a pushback against the revised cyber war wordings being introduced by Marsh's Echo facility.

As previously reported, Marsh is understood to have developed an amended wording to the recently agreed Lloyd's Market Association war exclusions, with Munich Re believed to be concerned with attempts by the broker to redraw the boundaries of the cyber product to include certain aspects of conventional war.

“Our position hasn’t changed in respect of Echo,” Storer said. “This is still an exposure that we do not have an appetite for.”

broker’s perspective is for clients not to have any gap in coverage between the reinsurance cover they buy and the underlying policies that they underwrite.

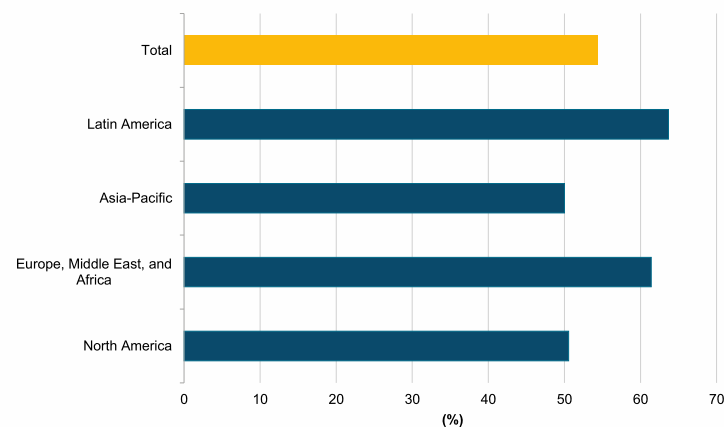
“That is something we’ve been by and large able to secure under reinsurance treaties, mostly by our clients being very transparent with reinsurers on what their approach was,” he said.

His fellow cyber co-head Davis added that better clarity in cyber wordings about systemic risk is being seen across the industry.

“Guy Carpenter has certainly been working with clients for years now

Primary insurers utilise a significant amount of reinsurance capacity

Reinsurance utilization: primary cyber insurance segment (2022)



Data is based on our cyber insurance survey for global multiline insurers and global reinsurance groups.
Source: S&P Global Ratings.
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```

operation = "MIRROR_X":
    mirror_mod.use_x = False
    mirror_mod.use_y = True
    mirror_mod.use_z = False
elif operation == "MIRROR_Z":
    mirror_mod.use_x = False
    mirror_mod.use_y = False
    mirror_mod.use_z = True

#selection at the end -add back the deselected mirror modifier
mirror_ob.select= 1
modifier_ob.select=1
bpy.context.scene.objects.active = modifier_ob
print("Selected" + str(modifier_ob)) # modifier ob is the active

```

in regard to keeping reinsurers and cedants closely connected about the direction of war intent,” she said. “As we look towards 1.1 we intend to continue that work.”

Spry agreed, adding: “We believe general reinsurers are doing a good job in following the fortunes of the clients, while maintaining both discipline but some flexibility in war exclusions. The role of infrastructure exposure in coverage and appropriate aggregation and tail modelling also cannot be overlooked.”

A changed capacity landscape

Guy Carpenter’s Cordonnier said that the capacity landscape has changed over the past 12 months.

“Prior to that, we definitely saw a shortage of capacity as the market was growing massively and undergoing some challenges,” he said. “In the last 12 months actually that trend has reversed, with reinsurers growing appetite and terms and conditions stabilising, as we see signs of positive momentum building in the reinsurance market.”

Cordonnier believes there is potential for terms and conditions to improve at 1.1.2024, reflective of a positive environment following clients doing a lot of work on underwriting measures and performance improving.

The executive identifies three different “buckets” of reinsurers that Guy Carpenter is working with.

The first is significant players that have grown in the past couple of years and are providing more capacity. The second is those that are happy with their market share and will grow more or less in line with the market, which Cordonnier said “are not going to be a major driver of underlying growth going forward”.

“The third bucket is really the one that will support growth and move the needle in the next renewal cycle,” he said. “It is those players that are very small in, or even absent from, the cyber market and have invested in hiring people as heads of cyber, bolstering their actuarial teams, signing up to cat models, and re-engaging with reinsurance brokers.”

Spry acknowledged the growing interest from

reinsurers, but predicted that intelligent capacity would coalesce behind underwriters with proven resources and track records.

“The expertise, particularly in analytics and data science, required to adequately model cyber risk in aggregation and across portfolios will mean that capacity is likely to concentrate where expertise and advanced analytics are found. Take Envelop, for example – we are expecting to add a large handful of additional capacity providers to our panel in 2024, and conversations with potential new entrants are progressing very well.”

Looking ahead, Munich Re’s Storer said he

expects reinsurance pricing to be “rather consistent” at the renewal. “We hear reports of some new capacity but, of course, it’s really questionable whether this is really sufficient to meet the further growing demand,” he said. Storer said cyber is different to other traditional lines of business, as the exposure is growing and there is an opportunity to increase cyber penetration rates.

“We don’t necessarily have a demand issue – it’s really being able to find the capacity to service that demand,” he said.

Guy Carpenter’s Davis noted that there have been 10 consecutive quarters of cyber rate increases on the insurance side, with the broker’s data showing a compounded increase of 182 percent since 2017.

“So while rate change has slowed in 2022 and there have been selective cases of rate being given back in 2023, we’re working off of a much stronger foundation of pricing adequacy going forward,” she said. Cordonnier noted that there may be some changes in structures as clients look at whether they are getting value for money.

Quota share is the predominant cyber reinsurance purchase currently, with stop-loss treaties the main non-proportional cover bought.

“Perhaps 18 months ago they would have been the only purchases available to clients,” Cordonnier said. “But now there are alternatives available, such as occurrence covers, that we are talking a lot about now. On the capacity front we’ve seen ILS markets entering the space, albeit in a selective fashion. All of that contributes to healthy discussions and clients having optionality.”



“We are seeing clients engage with us in detail to discuss the rating and claims environment, and are increasingly assisting clients with portfolio optimisation”



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Black swans in plain sight

Predicting and assessing catastrophe risk is at the heart of reinsurance, but how well has that function been performed this millennium, and what lessons have been learned?

The terrorist attacks of 9/11 22 years ago stand out as terrible man-made events that were unexpected in nature and effect. Since then, we have seen a slew of natural catastrophes which were unmodelled either as to their frequency, or the potential for loss from secondary perils likely exacerbated by climate change.

Catastrophe models are based on mathematical assumptions driven by reliable historical data, but do not work as well for man-made catastrophes, especially for emerging risks such as cyber. Probable maximum loss modelling has always been asked to recognise war and disease as material risks, but the models failed to anticipate the systemic effects of political decisions such as national lockdowns caused by the Covid pandemic, or sanctions leading to over 400 leased aircraft not being returned from Russia to foreign leasing companies.

Are those political decisions and their effects so surprising in hindsight? They should certainly be expected moving forwards, and can no longer be regarded as black swan events. Indeed we are told to now expect, amongst other things, heightened geopolitical risks, more severe cyber attacks potentially allied to kinetic or hybrid wars, more pandemics, more unpredictable natural catastrophes, and generally more uncertainty and risk.

After major unexpected losses the (quite natural) knee-jerk reaction of (re)insurers is to exclude the peril: the underwriting equivalent of shutting the stable door after the horse has bolted. Longer term, however, it is self-evident that the industry needs to offer solutions to risk events if it is to be relevant. Hence, the advent of the Terrorism Risk Insurance Act and a dynamic private terrorism market post 9/11.

Cover for systemic cyber threats in a now largely digitised world has become a major industry topic. However, blanket cyber exclusions cannot work and there remains concern about cover for state-sponsored cyber attacks and the related burden of proving attribution. Coverage for secondary or sub-perils will continue to emerge, however, the extent to which carriers appreciate the potential for aggregated

risk from a systemic cause triggering those covers remains to be seen.

In all catastrophic and systemic loss scenarios, the scope of cover and any applicable exclusions will depend on the drafting of the grants of cover and breadth of the exclusionary terms regarding both sub-perils and indirect causation. Too often, there can arise avoidable dislocations of risk as between inwards and outwards covers, including for the major systemic perils of war, nuclear and cyber. The blackest of swans in the plainest sight include political risks which may not form part of war exclusion sub-perils, an issue highlighted in the ongoing Russian aircraft leasing coverage disputes. There remains an inconsistent approach towards radioactive contamination exclusions.

One would expect that after Fukushima and with the ongoing concerns about the safety of other nuclear power plants in Ukraine especially, there would be greater focus on the limitations of traditional nuclear exclusions, especially as regards consequential or secondary perils triggered by a nuclear incident.

The various natural and man-made catastrophes of this millennium have also confirmed that the reinsurance market's approach to aggregation is cautious and unsuitable for systemic loss scenarios with multiple operating causes. In our ever more complex and connected world, traditional event-based UNL cover will continue to create an uncomfortable hard line for cedants who have had to ingest claims arising from black swan events.

ILS reinsurers have become an important part of the catastrophe market, but are understandably reluctant to provide products for risks which cannot be priced and modelled reliably. We have learned that even if natural cats can be predicted, many man-made ones cannot. The starkest truth is that it is usually what we have not expected that ends up hurting the most. Curiously, there is no definition of catastrophe under English law. This may be a good thing from a reinsurance perspective, as our concept of what it can be is likely to have to evolve as more black swans are discovered...

“ The starkest truth is that it is usually what we have not expected that ends up hurting the most ”



Simon Kilgour is a London-based partner in the insurance and reinsurance group of leading law firm CMS

Simon Kilgour is a London-based partner in the insurance and reinsurance group of leading law firm CMS. He specialises in reinsurance and created the award-winning ReWord database which has been used by many of the leading global reinsurers to get comparative advice on over 1,500 clause variants. ReWord was recently updated to include analysis of war, nuclear, terrorism, cyber and communicable disease exclusions.



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As the dust settles following several years of groundbreaking M&A deals, our annual Top 10 Reinsurance Broker Rankings – based on 2022 revenue estimates – features a more stable line-up, with Gallagher Re and Howden Tiger cementing their positions as the third and fourth biggest reinsurance brokers.

It also comes amid organic growth tailwinds for reinsurance intermediaries that are only expected to strengthen in 2023 owing to a generational hard market in property cat, a resurgent cat bond market and continued strong demand from buyers.

After years of a very predictable picture, Marsh McLennan’s \$5.6bn acquisition of JLT, announced in 2018 and closed in the spring of 2019, was the starting shot for a period of M&A activity which would have a significant impact on the makeup of the global reinsurance brokerage sector.

Aon’s subsequent pursuit of Willis Towers Watson, which began in 2020 and continued in 2021, had looked set to create a new undisputed leader in the reinsurance segment, opening a big gap on Guy Carpenter in second place.

But competition regulators forced the divestment of Willis Re as part of the proposed transaction, opening the door for the positioning of Arthur J Gallagher as the third largest reinsurance broker through Gallagher Re.

Despite the Aon-WTW deal being nixed by US antitrust regulators, Gallagher’s \$3.25bn acquisition of Willis Re went ahead. The proposed \$1.6bn combination of Howden RE and TigerRisk was then announced last year and completed in January 2023, with the new Howden Tiger entity taking fourth place in this year’s ranking.

As the 2022 revenue figures compiled in our latest survey show, the hive of activity among the next tier of intermediaries continues, with all firms delivering double-digit growth as they see the

benefits of rampant hiring through the recent sector consolidation.

However, our Top 10 Reinsurance Broker Rankings now adopts a more defined character with companies at the top of the pyramid cementing their positions, suggesting a break – at least temporarily – from the significant movements of the last few years.

Our survey shows both the “new” big three brokers and the challenger firms are well-positioned for further growth, aided by the tailwinds of a hardening reinsurance market and the consequent increase of broker commissions.

Fair comparisons

So how does the final line-up look for 2022 and what does it tell us about the direction of travel for the sector in 2023?

First a few caveats. For the purposes of our updated Top 10 Reinsurance Broker Rankings – now in its fifth year – we have chosen to present all Willis Re and Gallagher Re pre-2020 pro forma revenues separately in order to offer a clearer representation of the relative significance of both companies before their merger in 2021.

We have applied the same criteria to the new Howden Tiger entity, breaking down revenues separately between TigerRisk and Howden RE – which previously occupied fourth and fifth place respectively.

While the big three revenues are all based on official disclosures or well-sourced information for the year to 31 December 2022, Howden Tiger is among two of our top 10 operating with financial years that span 2022 and 2023.

Howden Tiger’s parent reports with a 30 September year-end. The revenue numbers we have included for the separate and combined firms are consequently ahead of the reporting cycle for the majority of the

Top 10 reinsurance brokers by revenue (\$mn)

		2022	2021	2020	2019	2018	22/21 % chg	Notes
➤➤ 1	Aon's Reinsurance Solutions*	2,190	1,997	1,814	1,686	1,563	9.7%	Aon's Reinsurance Solutions maintains the lead in the table for the fifth consecutive year, opening a slightly bigger gap to second placed Guy Carpenter. It reported 8% organic growth for 2022, driven by strong net new business generation in treaty, as well as solid growth in facultative placements and the Strategy and Technology Group
➤➤ 2	Guy Carpenter*	2,020	1,867	1,696	1,598	1,442	8.2%	Marsh McLennan reported 9% underlying revenue growth for Guy Carpenter in 2022 (including an impressive 11% in Q1, ahead of the 7% of its main competitor). It is worth considering that – contrary to Aon – Guy Carpenter's organic growth figures include fiduciary income. Figures for 2019 and 2018 include JLT Re
➤➤ 3	Gallagher Re **	1,000+	925	745 Willis Re ** 130 Gallagher Re **	1,022 Willis Re ** 100 Gallagher Re **	966 Willis Re ** 70 Gallagher Re **	8.1%	Gallagher Re cements its third position in the ranking – following the acquisition of Willis Re in late 2021 – with our estimate that revenue (excluding fac reinsurance and investment income) exceeded \$1bn in 2022 for the now fully integrated business. In earnings calls following the latest market updates, parent AJG revealed Gallagher Re had grown organic revenues by 12% and 11% in the first and second quarter of 2023
➤➤ 4	Howden Tiger**	450	180+ TigerRisk 170 (115 ex Bowood) Howden Re	140+ TigerRisk (71 ex Bowood) Howden Re	125 TigerRisk (52 ex Bowood) Howden Re	100+ TigerRisk 45 (ex Bowood) Howden Re	28.6%	Consolidated in a single line this year, our estimate represents a 28.6% increase compared to the sum of prior year revenues of TigerRisk and Howden Re (including Bowood). Sources pointed to strong growth in UK specialty treaty as well as casualty treaty globally. Consortia business, international fac, US treaty and SabRE also performed well. The proforma revenue figure corresponds to the financial year started 1 October 2022, a period that lies ahead of its competitors' reporting cycle
➤➤ 5	Lockton Re**	210	155	87	55	50	35.5%	Revenue figure understood to have grown c35% in 2022, the second highest across all brokers on the top-10. The business now has 350+ staff globally. Key new offices in Miami, Zurich and Stamford
⬆ 6	BMS Re**	158.6	113	95	68	65	40.1%	Based on our estimates, 2022 revenue growth amounted to an impressive 40%, allowing BMS Re to leapfrog one position in 2022. Sources said the firm saw strong growth across its US, LatAm and Spanish operation, driven by new business, while its UK platform also grew rapidly driven by its Special Risks Team, the impact of new business, hiring and strong demand. BMS Re's figure for 2020 has been reinstated to include the acquisition of Trean
⬇ 7	Acrisure Re**	150	125	100	80	68	20.0%	Revenues in 2022 represent a 20% increase with respect to the previous year. Growth focused in North America but also London wholesale. Also, Acrisure Re Capital Advisory Solutions business ARCAS – which was launched in 2021 – having an impact in 2022 revenue figures
➤➤ 8	UIB*	80.0	79.7	69.6	65.4	67.4	0.4%	UIB takes up eight place in the rankings with \$80mn in revenues. Reinsurance accounted for around 90% of the full group revenues which surpassed £70mn for the first time in 2022. Growth was reported at 12% (measured in GBP) for facultative and treaty reinsurance, with double digit growth in many offices including Korea, Colombia and Turkey
➤➤ 9	Holborn*	58.8	50.4	47.0	42.0	40.0	16.7%	Net brokerage stood at \$58.8mn in 2022. Good traction in new business, particularly in the regional and super-regional insurance space. The company has also added a number of cyber-based treaties and developed a successful umbrella program for small to mid-sized based insurers. New and existing business growth in the Farm & Ranch sector
	Inver Re**	40	n/a	-	-	-	-	Revenues for the reinsurance broker, which was launched in late 2021 following the acquisition of Corant Global by Ardonagh, were understood to have hovered around \$40mn
	Subtotal	6,357	5,662	4,995	4,893	4,476		

*Official revenue number; **The Insurer estimate

other brokers in the rankings, not making for a like-for-like comparison.

Meanwhile, Lockton Re's parent reports with a 30 April year-end, which also puts its revenue numbers ahead of the rest of the reporters.

The gap between Howden Tiger and Lockton Re in our rankings is not likely to be fully accounted for by the differentiating accounting dates, however.

Yet, a like-for-like comparison between Lockton Re in fifth and BMS Re in sixth could see a meaningful narrowing of the gap given the weighting of reinsurance revenues to the first quarter of the year.

There are a couple of additional considerations regarding the historical data for some of the top players.

We have used the \$745mn 2020 pro forma revenue number for the acquired Willis Re business referenced by Gallagher in its investor presentation when the deal was announced in 2021.

Our 2019 and 2018 numbers for Willis Re were both estimates, with the 2019 estimate including \$350mn of facultative business not included in the sale to Gallagher, while the 2018 number did not include facultative but did include Miller.

As for Guy Carpenter, although Marsh

McLennan's acquisition of JLT only closed at the start of 2019's second quarter, we have used reinstated 10-K revenue figures provided by Guy Carpenter's parent that factor in JLT Re turnover as if the firm had been acquired at 1 January 2018 for full prior-year comparisons.

A view from the top

As shown by the results of our survey, Aon's Reinsurance Solutions continues to lead the rankings for the fifth consecutive year, widening the gap slightly over second-placed Guy Carpenter.

The unit grew overall revenues by 10 percent in 2022 and reported 8 percent organic growth driven by strong net new business generation in treaty, as well as solid growth in facultative placements and its Strategy and Technology Group.

Rival Guy Carpenter grew revenues by 8 percent in the year but reported organic growth of 9 percent – 1 point higher than Aon's reinsurance business.

Guy Carpenter's organic growth advantage over Aon

was driven by an impressive first quarter record of 11 percent, well ahead of its main competitor's 7 percent.

However, it is worth considering that – contrary to Aon – Guy Carpenter's organic growth figures include fiduciary income, something which has had a net positive effect over the last year because of higher interest rates.

Meanwhile Gallagher Re is estimated to have generated revenues in excess of \$1bn for the year and a 8 percent higher than the previous year. It is important to note that Gallagher Re's revenue figure excludes facultative reinsurance which is accounted for outside the reinsurance unit within the AJG group. The figure also excludes investment income.

Gallagher Re is followed by Howden Tiger in fourth position, consolidating the fourth and fifth places occupied by TigerRisk and Howden RE in the previous run of the survey.

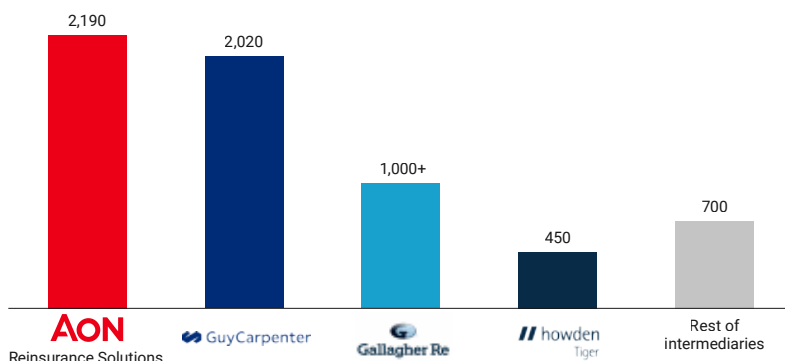
Sources have estimated that pro forma revenues for the year ended 30 September 2023 are likely to top \$450mn (including the Bowood business), a figure that would represent a 28.6 percent increase compared to the sum of the two merged companies.

The firm's growth momentum is understood to have been driven by UK specialty treaty as well as casualty treaty globally. Consortia

business, international facultative and US treaty were also described by sources to be contributing factors, with newly launched global MGA program arm SabRE another standout performer.

The "new" Big-3 plus Howden Tiger account for ~90% of the total reinsurance market...

(2022 revenues in \$mn)



Note: figures for Gallagher Re, Howden Tiger and rest of intermediaries estimated by The Insurer
Source: Company releases, The Insurer estimates

Hard market tailwinds

Another key theme of this year's survey is the opportunity afforded to intermediaries by the hard market and its impact on the top line.

As cat/all-risk reinsurance rates continue to rise, premium volumes coming through proportional or quota share treaties expand, which feeds into increasing commission revenue for reinsurance brokers.

The tighter treaty market, in turn, drives strong demand for facultative reinsurance.

This is a particular positive for Aon and Guy Carpenter with their large in-house facultative practices (Gallagher Re less so because WTW retained client facultative), as well as their competitors including Howden Tiger. Perhaps unsurprisingly, it

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SCOR's Strategic Plan for 2024-2026

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is the challenger firms that have delivered some of the fastest growth in this environment, building rapidly off a smaller base.

Four of the intermediaries positioned below Gallagher Re in our rankings delivered revenue growth of 20 percent or more in 2022.

Fifth-placed Lockton Re is one of the growth stories of 2022, with revenues estimated at around \$210mn, 35 percent higher than in the previous year.

The unit has been building out since being rebooted under a new management team led by Tim Gardner – who joined from Guy Carpenter four years ago – and now has over 350 staff members, with new key offices in Miami, Zurich and Stamford.

BMS Re is the other growth story of the year, and is understood to have recorded the highest top-line expansion across the top 10 reinsurance brokers at just over 40 percent.

As a result, BMS Re's revenues are estimated to have reached \$158.6mn in 2022, leapfrogging Acrisure Re in our latest survey.

Although he would not comment on specific numbers, BMS Re CEO Pete Chandler told this publication: "It was truly a year where our historical investments in talent and analytics, combined with our focused specialist strategies, aligned seamlessly with the firming market conditions to produce a strong outcome in 2022."

It is thought that the firm saw strong growth across its US, Latin American and Spanish operations, driven by new business, while its UK platform also grew rapidly driven by its special risks team, the impact of new business, hiring and strong demand.

Despite being overtaken by BMS Re in our latest survey, Acrisure Re is also understood to have maintained strong momentum in 2022.

The firm is thought to have grown by 20 percent, reaching \$150mn in revenues, with most of the expansion coming from North America as well as from London wholesale business.

Acrisure Re's capital advisory and solutions business, which was launched in 2021, is also understood to have had an impact on 2022 revenue.

UIB maintained its relative position in the rankings – occupying eighth place – as it generated reinsurance revenues of \$80mn with double digit growth in many of

the offices including Korea, Colombia and Turkey.

Meanwhile, New York-based Holborn clinched ninth place posting revenues of \$58.8mn, up 16.7 percent from 2021, with good traction in new business, particularly in the regional and super-regional insurance space.

The company has also added a number of cyber-based treaties and developed a successful umbrella program for small to mid-sized insurers.

It recorded new and existing business growth momentum in the farm and ranch sector as well as securing a major reinsurance program for a leading US crop insurer.

Holborn's revenue figure was reported on a net brokerage basis and exclusive of income from consulting, interest or other income, in contrast

with some of the other firms in our survey.

As we have reported in previous years, there are significant differences in the way companies report reinsurance revenues, with some participants contending that certain figures provided to this publication do not correlate with the

definition of "pure cedant-based reinsurance" that others are reporting.

Inver Re, the new entrant

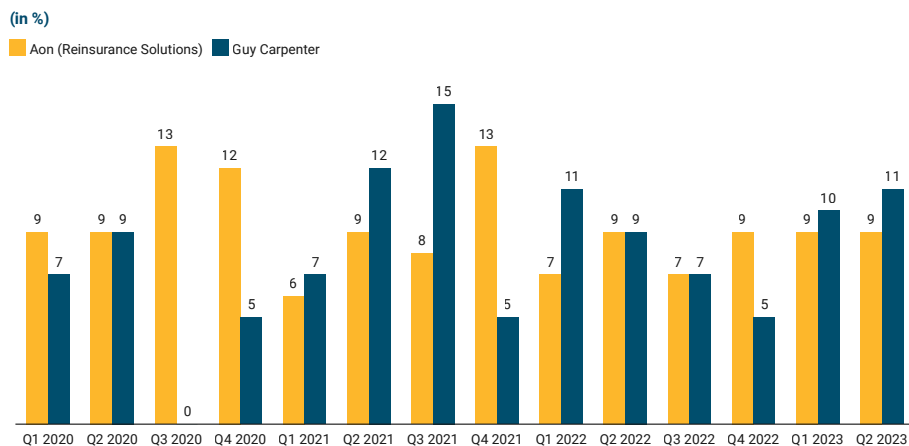
The consolidation of TigerRisk and Howden RE in this year's rankings has meant an uplift for all positions below fourth place as well as opening the door for a new entrant in our top 10.

Based on our research, this place corresponds to Ardonagh Group-owned Inver Re.

Revenues for the reinsurance broker, which was launched in late 2021 following the acquisition of Corant Global by Ardonagh, were understood to have hovered around \$40mn in 2022, putting it in 10th place behind Holborn.

Inver Re was unveiled by the UK consolidator in June 2021 with a bold aim to become a top-five global market player in reinsurance. However, it has suffered from a recent wave of senior departures at Ardonagh, which has included Inver Re CEO Steve Hearn who stepped down in July having joined Ardonagh as part of the acquisition of Corant Global.

Organic growth for Aon Reinsurance Solutions and Guy Carpenter



Source: Companies' quarterly reports



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Hard markets are here to stay

Jill Beggs, head of North America reinsurance at Everest, explains how insurers are reacting to increased insured losses in North America and the company's strategy for this key market

How has Everest's North America reinsurance book grown over the past year?

In North America, we grew about 5 percent from 2021 to 2022 despite pulling back capacity because of lacklustre pricing and terms and conditions. But, given the fundamental reset we saw at 1.1, we have grown about 20 percent through the first half of the year, and that growth is widespread and includes all geographies and lines of business. Growth is being driven largely by increased shares of our existing clients' business, as they are looking to do more with Everest due to our constructive approach to market conditions.

Our margins are expanding and that has continued as cat losses relative to book value remain low and our attritional loss ratio is performing well. But we have cut back in some areas, so it is not only a growth story. For example, we reduced our participation in Florida following our financial analysis of cedants in the state, including their financial stability and their ability to secure appropriate terms and conditions for the risks posed. We have also grown year-over-year in areas like cyber, where we have added talent to selectively deploy capacity to our core clients.

Do you think the hard market will remain?

We expect to see continued and even increased demand for property coverage at prices and terms and conditions that remain elevated. Rates are also up in the primary market for casualty cover. Looking back over the past several years, attachment points are up and terms are better. We partner with the best clients in this space

and recognise that we are in an elevated risk environment. Price-taking has slowed in several lines of business in the casualty space and cycle management is always in our sights.

What are the key renewal topics you anticipate in the run-up to 1.1?

First and foremost, property rates must continue to rise. We can't say that enough. Market conditions and the macroeconomic dynamic will likely remain unchanged, with a significant capital gap between supply and demand, in addition to continued nat cat volatility and heightened risk. So, the market will remain hard well into 2024 and potentially into 2025. Second is casualty – the market needs to push rate due to social inflation and other factors and the increases we have seen over the past several years are not enough and need to continue.

What are Everest Reinsurance North America's goals for the rest of 2023 and 2024?

At Everest, we put our client relationships first. We make it easy for our clients and brokers to work with us. In this environment, we believe having deep business expertise is more critical than ever. So, we are rolling out several ways to enhance our capabilities and improve our assessment of risk, utilising the breadth of data and experience we have at Everest to strategise and optimise our portfolio. Finally, cycle management is critical, especially in certain lines, as we put our new capital to use. The team is very excited to be able to support our clients and brokers in a more meaningful way.



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is head of
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Aon's Marcell: Stable 1.1 cat market expected amid increasing competition

Absent any major cat events between now and 1 January, Aon's newly appointed CEO of Risk Capital Andy Marcell expects a significantly more orderly renewal as he suggested increased competition among reinsurers to deploy capacity could put downwards pressure on pricing for some buyers.

In a wide-ranging interview with *The Insurer* as part of our #ReinsuranceMonth series, the executive also talked about addressing the coverage crisis in places like California; harnessing capabilities to meet the evolving and complex needs of corporate insureds; the retro market; intellectual property opportunities and the talent war.

Summarising his outlook for the 1 January renewal, Marcell said: "Following a period of market challenges, there are currently no factors placing significant upwards pressure on reinsurance rates. But at the same time, capital is not entering in large volumes and greater limits will be sought by insurers, so there won't be a huge softening."

"When we look at Aon's cat portfolio we see rate adequacy – the internal rate of return on capital for reinsurers at 1-in-250 for example looks pretty strong."

Marcell, who also remains CEO of Aon's Reinsurance Solutions division pending the appointment of a successor, noted that while the rate hardening may have made the headlines, it was the structural change to cat programs that was most significant, along with sourcing capacity for secondary perils.

He added that after a challenging and at times chaotic 1 January renewal, a much more orderly market has emerged with a flight to quality in the minds of reinsurers towards the insurers they deem to be preferred partners.

"Given the talk of a flight to quality, there was still plenty of capacity – it was



Talking points

- More orderly cat renewal expected than at 1 January 2023
- Competition for "preferred partners" could lead to some downwards pressure on pricing
- Demand for cat limit from European and US insurers expected to rise 5-10% on average
- Return to strong supply of ILS capacity for cat bonds has benefited buyers
- US casualty market is "robust", but reinsurers expected to push for lower cedes
- Casualty market expected to be stable outside D&O
- Advanced data and analytics key to attracting capital to risk in areas where carriers have been retrenching, such as California
- Marcell's new Risk Capital leadership role oversees Aon's commercial risk and reinsurance arms, and creates a unified risk analytics team

more than adequate to satisfy the needs of most of our clients, and some of those buying protection at 1 January bought additional coverage through the year.

"Reinsurers will now be competing to reinsure a preferred partner, and this may result in some downwards pressure on rates," Marcell suggested.

He predicted that mitigating any downward pressure will be increased limit purchasing of between 5 percent and 10 percent on average for the US and Europe, as well as private transactions that allow some cedants to "optimise" capital lower down to counter the impact of higher retentions on core cat programs.

While there may be some further incremental traditional capital entering the cat space, it will not be sufficient to dramatically change supply and demand dynamics,



Marcell suggested. He also said he does not expect a significant expansion of the retro market, noting that some big users of the product such as Lloyd's syndicates had demonstrated they can operate with significantly less retro than previously purchased with the help of portfolio management technology and tools alongside better-structured cat programs.

But the impact on buyers of a hard traditional reinsurance market has been partially offset by a return to strong supply of ILS capacity for cat bond transactions, with the market on course for record issuance levels this year.

That represents a dramatic shift from late last year, when placing cat bonds of a relatively modest \$250mn size was challenging.

"ILS pricing has decreased to pre-Ian levels due to cat bonds proving themselves as a mechanism that can deal with tail risk, and performing in line with cedant and investor expectations.

"We have helped many clients to navigate potential volatility and find efficiency in buying major limit through incorporating alternative capital into their risk transfer strategies. This has the effect of reducing the stress on their cat programs and transferring risk at stabilised prices, and I think it will continue," said the executive.

Robust US casualty market

Another feature of 2023 has been downward movement on cede commissions on casualty quota shares.

But outside D&O, Marcell said he expects the casualty market to be relatively stable at the upcoming renewals, as he pointed to the health of the underlying business.

"If you look at US casualty, the market is quite robust. Not everyone shares that view, but from my perspective it seems to me that it's a relatively good time to be an insurance company in the US. If you're a reinsurer and a lot of your transactions are proportional – which they are in casualty – there are a lot of tailwinds driving performance," he commented.

The executive said he expects reinsurers to push for lower cedes, with their case built around reserve development, potential frequency and severity, the performance of old years and whether there is pricing adequacy, saying they need to assume the risk at lower acquisition costs for them.

"I am not sure that any reinsurer concerns have

been evidenced in the financial performance of insurance companies over the past eight months. So I would expect the market to be reasonably stable, aside from D&O coverage, which is a much more challenging marketplace because of the precipitous drop in rates," Marcell suggested.



The California issue

A further trend this year has been the retrenchment of a number of large US insurers from some cat-exposed states, most notably California's admitted personal lines market.

In his new role, Marcell is overseeing Aon's commercial risk and reinsurance businesses, as well as the creation of a unified risk analytics team in the Risk Capital division to help create new capacity for risks like climate and cyber.

The aim is to increase collaboration and coordination across the firm to bring capabilities to clients in a way that serves the needs of each individual client.

"Aon is striving to deliver agnostic access to capital for its insurer and corporate clients. This creates greater efficiency in the marketplace and helps clients to maintain business resilience when faced with operational

headwinds. It also provides clients with more strategic options, ultimately driving better business

“**To attract capital to risk requires advanced data and analytics. How else can we quantify the cumulative probability of various outcomes and then segment that analysis into return periods which allow insurers and reinsurers to allocate a certain amount of capital to that risk?**

Aon's CEO of Risk Capital
Andy Marcell

Waging the talent war

According to Marcell, attracting and retaining talent is a core theme for the firm. And he suggested that being able to articulate the culture of the company and what its future will be is key to delivering on that theme.

"If you're a reinsurance broker then compensation and benefits are of course important. However, working in a firm whose culture allows you to serve your clients with superior tools and capabilities – and therefore be more relevant to those clients – means that you will have a more interesting career and a more diversified life in terms of what you can learn and the journey you can take," said the executive.

Marcell also highlighted the advantages in the more "unified" approach Aon is looking to bring with its new management structure to deliver solutions to clients.

"As clients have been forced to take more retentions, it is incredibly important for them to have access to a team of people who have capital models, and pricing and reserving solutions in the same ecosystem, that can be off-the-shelf or bespoke to suit the client. By leveraging those solutions, the Aon team can analyse each client's unique mix of business through strategic consulting and then develop a strategy for those clients as to how they can adjust the mix of business to achieve the desired returns, and provide feedback to stakeholders," he continued.

decisions,” Marcell explained.

Commenting on Aon’s potential role in bringing solutions and capacity to places like California where carriers are retrenching, the executive suggested the key is to provide a better understanding of the risk.

“To attract capital to risk requires advanced data and analytics. How else can we quantify the cumulative probability of various outcomes and then segment that analysis into return periods which allow insurers and reinsurers to allocate a certain amount of capital to that risk?” he added.

Marcell highlighted the firm’s in-house Impact Forecasting modelling capabilities, which have been obtaining licences in peak cat zone states, as well as the use of vendor models.

With Aon developing its own models, it can provide a sustainable view of risk to help clients create their own view of risk, empowering them to make decisions about risk and return when deploying capital – whether that is an insurance company, private equity firm or large corporation.

“That can also be extended to California,” he suggested, noting the “deeply distressed” state of the personal lines segment in the Golden State.

“Our role is to use advanced data and analytics to

help our clients understand potential outcomes and how the wide range of risks with which they are engaging can be measured,” the executive further commented.

Keeping it private

Asked about the trend towards the non-admitted or E&S market as admitted carriers have retrenched, Marcell suggested it represented a “permanent shift”, given the desire among insurers for flexibility of rate and form to try to get a better return.

“The irony of regulation in this particular case is that the more the states seek to control the admitted

rates, the more carriers want to become non-admitted. What we don’t want to happen is for the public market to take an even bigger share of the private market.

“The private market needs to be able to provide solutions to solve coverage issues. In order

to do that, it needs to understand the risk and have the flexibility to change rates to adjust for the ever-changing reality of climate change,” he commented.

Climate change is just one area Aon is looking to address with its new structure, which also sees its health, wealth and talent businesses come together under a Human Capital unit led by Lambros Lambrou.

“We made the structural change in recognition of the complexity of the sectors in which we operate – whether that be, among other areas, cyber, critical cat, rising insurance rates, or the focus of large corporates on their capital positions and the value of the insurance they’re purchasing,” said Marcell.

Bringing together its nearly 1,000-strong reinsurance analytics division with the hundreds in its commercial risk team on a single platform called Aon Advanced Analytics will allow the firm to help clients better understand risk, quality, what they buy and how they buy, with a view to unlocking capital, he explained.

“You can’t fully achieve those objectives when you’re running a series of separate P&Ls – you have to think holistically about that progression, with Human Capital and Risk Capital,” the executive added.

Global reinsurer capital (\$bn)



Sources: Company financial statements / Aon’s Reinsurance Solutions / Aon Securities Inc.

IP demand continues to grow

Intellectual property (IP) has been identified as an area of significant growth potential by Aon in the last couple of years, with the firm acting as one of the market-makers.

Marcell said that despite the recent issues involving a limited number of transactions related to Vesttoo, the demand for the IP product being spearheaded by Aon has not been affected, noting that the beleaguered insurtech was just one source of capital in the nascent marketplace.

“This mechanism is efficient relative to diluting an equity stake, so the thesis holds and demand has actually increased over the past six months, rather than diminished,” he continued.

“When there is a distraction, there’s a slowdown, but it’s not going to be meaningful on the market going forward,” the executive said, adding that the firm has also had interest on the supply side from carriers looking to enter the space.

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Global aviation lessor disputes drop below \$10bn following AerCap settlement

A landmark settlement reached by the world's largest aircraft lessor AerCap has seen the collective value of legal cases launched in the UK, Ireland and US by aircraft leasing firms against insurers over the loss of hundreds of planes stuck in Russia since its invasion of Ukraine fall to \$9.7bn, analysis by *The Insurer* shows

London has emerged as the clear destination of choice for lessors seeking clawback for the loss of trapped aircraft.

The Insurer has tracked 80 disputes filed in London's High Court with a collective value of \$7.4bn against more than 30 separate insurers, reinsurers and MGAs as of 5 September.

London has seen a recent flood of high-value claims filed against insurers, including four separate actions from US-headquartered lessor Aircastle, which now has claims totalling almost \$300mn moving through London's High Court.

Other notable claims made public in the last month include the \$688mn claim brought by lessor Deep Sky as well as the separate \$671mn and \$553mn claims brought by units of Celestial Aviation.

July and August also saw 25 fresh legal claims filed by aviation lessors, parts manufacturers, service companies and their subsidiaries. The claimants – all of whom are being advised by the London "Magic Circle" firm Clifford Chance – include the world's third largest lessor Avolon, China's state-owned lessor BOC Aviation, KDAC Aircraft Trading, GY Aviation, Tobol Aviation Leasing, Falcon 2019 and Sapphire Leasing. Many of the latest actions were filed by subsidiaries or associates of Dublin-headquartered Dubai Aerospace Enterprises (DAE), which is already pursuing an \$875mn suit claim against insurers over recoveries for assets trapped in Russia.

London emerges as destination of choice for lessor disputes

The popularity of London as a jurisdiction for claims can be partially attributed to its prominence as centre for commercial (re)insurance law, and also to its ability to actively manage large-scale and high-value complex test and grouped cases – as it did in 2020 and 2021 in relation to Covid-19-related BI cases.

The UK's commercial court is currently hearing claims concerning Russia-related aviation coverage disputes under two separately managed group claims. The first concerns so-called contingent and possessed insurance policies brought by lessors, while the second concerns so-called operator policies which were taken out by the lessee airlines.

The cases filed in London all similarly argue that aircraft leased into Russia are covered by policies against war or theft, but insurers point out the planes are undamaged and might yet be returned.

Claimants are typically reserving rights on both all-risk and war covers although the claims are complicated by issues of coverage wordings, causation triggers, cancellation clauses and the impact of Western sanctions.

AerCap claim to be tested in 2024 group cases

The first grouped claim will seek to handle areas of principle in a number of disputes including AerCap's claim which remains the largest dispute to date, despite the reduction in its value following the settlement talks.

The five largest UK lessor claims

Lessor	Size of claim	Defendants
AerCap Ireland	\$2.75bn	AIG Europe, Lloyd's Insurance Company, Fidelis, Swiss Re & Chubb
Dubai Aerospace Enterprise (DAE) & others	\$875mn	Lloyd's Insurance Company, HDI, Chubb, Fidelis & 7 others
Deep Sky Leasing & others	\$688mn	Fidelis, Global Aerospace, AGCS, Munich Re & 7 others
Celestial Aviation Trading 10, ILFC Aircraft & others	\$671mn	Global Aerospace, AGCS, Fidelis & 4 others
Peregrine Aviation Foxtrot, Celestial Aviation Trading, AerCap & others	\$553mn	Fidelis, Lancashire, Munich Re & 20 others

Source: *The Insurer*

Following a string of hearings in early March, Justice Christopher Butcher found that five lessors' cases should be heard together in what AerCap's

lawyers described as a "mega trial", which is expected to begin in October 2024.

Lessors DAE, Merx Aviation, KDAC Aviation Finance and DAE subsidiary Falcon 2019 are set to join AerCap in the "mega trial". DAE and Falcon are suing 11 insurers, including Lloyd's, AIG, Chubb and Swiss Re, over 21 aircraft and equipment valued at almost \$900mn under all-risks policies, or for just under \$800mn under war-risks policy limits.

Merx is claiming more than \$255mn over the alleged loss of six aircraft, while KDAC is suing for \$21.5mn over the loss of one jet, court filings show.

Separately, Justice Henshaw in early July ruled to combine claims for 10 lessors, including AerCap, Carlyle, Avenue Capital and Merx Aviation, into a single hearing against several insurers, to be held in February next year. The hearing – which will focus specifically on so-called operator policies which contain cut-through clauses – will determine matters of jurisdiction, but will not seek to determine matters of liability or quantum.

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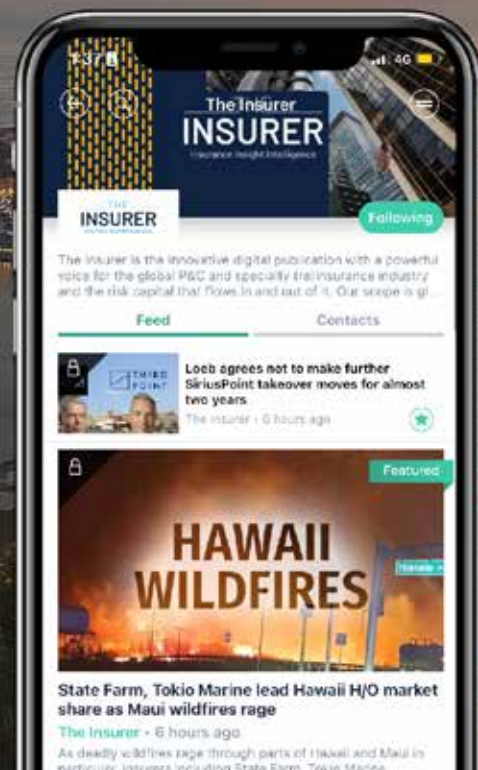
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Continued from page 1

AerCap deal creates settlement framework that shrinks \$10bn+ disputed Russian lessor claims

then be subject to further negotiated settlement between insurers and the lessor companies.

An expert familiar with the structure of the deal explained Aeroflot and its subsidiaries paid around two-thirds of the insured value of the aircraft and engines to AerCap. In addition, AerCap retained its circa 10 percent maintenance reserves, which means the “insured loss” fell to circa 25 percent of the assets in scope.

He predicted that this would then likely be the sum that would be subject to commercial negotiations between lessors and insurers, the latter also being ranged against each other as providing different scopes of potential cover.

Following the settlement, AerCap said it was reducing its claim to \$2.75bn from \$3.5bn.

AerCap is the world’s largest aviation lessor and is widely regarded as a pivotal force in deciding the overall loss picture. It was the first lessor to file claims against insurers and – at over \$4bn in the aggregate – still the highest in total. AIG leads the larger all-risks policy and Atrium leads the contingent war placement.

Executives attending the *Rendez-Vous* privately predicted further settlements will follow, noting that there is commonality of interest on all sides with Russian airlines keen to keep hold of the seized aircraft and lessors equally keen to dispose of assets which have been left unmaintained for over a year.

They also said it was not in anyone’s interest to proceed to trial with the litigation considering the costs, litigation uncertainties and also the fact a settlement framework has now been established.

A source close to the settlement also said that one of the unexpected difficulties was executing on the transaction once it had been signed off, even though this included the



Talking points

- \$645mn deal could be model for future settlements
- Framework sees lessors reduce loss to around 20-25% of insured value
- Settlement approved by US Treasury and is “consistent” with sanctions
- Commercial settlements between (re)insurers and lessors would reduce gross claims further = potential for \$2bn loss (or less)
- \$10bn+ of disputed claims currently: most in London

US Treasury.

“Finding banks willing to process the settlement was very difficult but we got there in the end,” the source explained.

Speaking on the eve of the *Rendez-Vous*, Beazley CEO Adrian Cox welcomed the settlement: “I think it’s pleasing that settlements are happening before this thing goes to trial. It is a very complex situation, but no one wants this stuff dragging through years of litigation through courts and the like. So I think it’s positive that settlements are beginning to happen and I hope more will follow.”

Beazley is a significant aviation war underwriter through its support

for London MGA Hive, although Cox was keen to downplay the group’s net exposure.

Lloyd’s CEO John Neal also welcomed the deal, saying: “It’s good news for us too, it means we can sit down and start to have the conversation about what is the claim.”

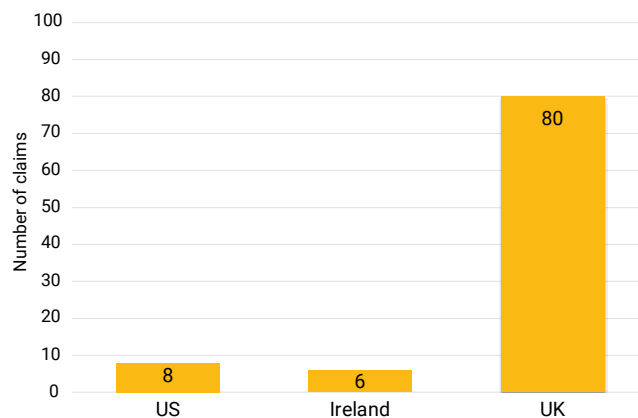
Lloyd’s is a leading aviation all-risks and war (re)insurer and a number of syndicates have potential exposures, including Atrium, Beazley, Blenheim and Cathedral.

The Insurer has tracked more than 95 legal actions filed in the UK, Ireland and the US – with 80 filed in London alone – and claimants are typically reserving rights on both all-risk and war covers, although the claims are complicated by issues of coverage wordings, causation triggers, cancellation clauses and the impact of Western sanctions.

London (re)insurance legal expert Jonathan Sacher, a partner with Bryan Cave Leighton Paisner, said: “I personally believe that a settlement between lessors and (re)insurers will be likely in many cases. This would be a preferable outcome for many lessors.”

However, he warned there is always the risk that in cases of multiple litigation there is always the danger an “outlier” does go to litigation and creates an unhelpful precedent.

Russia/Ukraine aviation claims worldwide to date



Source: Solomonic

The Insurer Comment:

Clearly good news. There is still the intriguing battle, of course, between all-risks cover and aviation war, where self-interest is largely determining one’s view on liability (if at all). Does a commercial settlement between corporate parties which reduces the loss suggest the cover is more all-risks than war? It is certainly an argument that aviation war-exposed (re)insurers are likely to put forward...

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Facultative reinsurance takes its seat at the table



Acrisure Re's Ghassan Mansour examines the rising prominence of facultative reinsurance

Reinsurance renewals have come under considerable pressure and scrutiny this year. The prolonged hard market terms and conditions across certain lines, especially property D&F, continue to serve up challenges for (re)insurers, giving facultative reinsurance an even more important role to play in major placements.

The global market is all too aware of the factors contributing to this challenging environment, further heightened by inflation and the geopolitical dynamic. Very few indicators suggest that the benign market conditions of the past, underpinned by consistent capital influx, will return anytime soon.

US severe thunderstorms, European floods and the Turkish earthquake generated more than \$100bn in economic losses during the first half, and the recent Europe and Hawaii wildfires will add billions to this tally. Against this backdrop, fac will continue to play a greater role within insurers' overall net and treaty reinsurance strategies.

Whilst it has traditionally been considered a peripheral afterthought, insurers have been buying fac more strategically over the last 12 to 18 months, not just on single risks, but alongside treaty solutions on a selected portfolio basis. The combination of the global fac market capacity, the flexibility that fac brings and its complementary nature to treaty structures has increased demand and interest for fac solutions, allowing insurers to consider it as another lever in their toolkit. Never has there been a better time for fac as part of the reinsurance spectrum.

The entrepreneurial nature of fac

In recent months, insurers have increasingly appreciated fac as an integral part to the overall reinsurance strategy. Its adaptability allows reinsurers to create tailor-made solutions, from net retention solutions to structured treaty top-up covers, all of which allow buyers to use its flexible nature to their advantage.

“
Never has there been a better time for fac as part of the reinsurance spectrum
”

Fac reinsurers and brokers have continued to innovate as a result and invest further in their businesses, addressing some pre-conceptions of fac as nothing more than a transactional solution of last resort. It has therefore become a strategic tool, enabling the best possible outcomes in terms of placement solutions and market positioning.

Fac has rightly earned an important seat at the table and as treaty programs continue to relent to the pressures of current market conditions, buyers are capitalising more on its dynamic nature, using it to fill gaps and alleviate pressure points.

New capacity continues to make its way into the fac marketplace, albeit at a slower pace than in previous years, creating new opportunities and giving buyers a diverse choice.

Sustainability of strategic fac

The evolving use and growing recognition of fac in both reinsurance single risk and portfolio solutions has resulted in increased appetite from a wide spectrum of buyers, some of whom are considering fac more strategically.

At Acrisure Re, we are witnessing a surge in the demand for strategic fac solutions, cementing its position as a sustainable option for buyers and, although fac faces similar market challenges to the wider sector in terms of appetite and capacity, it remains a go-to area for consideration. The Acrisure Re global fac team's deep experience and expertise, and access to global market relationships, provides the value and differentiation that buyers seek in this challenging placement environment.

The integrated nature and holistic proposition of Acrisure Re brings about a natural and close-knit collaboration between treaty, fac and capital advisory, removing barriers that often prevent the best possible outcomes for clients. As the tough market conditions continue to persist through to 2024, fac will play a key role for buyers in solving some of their needs against the backdrop of pricing and capacity volatility – and Acrisure Re remains perfectly positioned to help clients navigate through these elements.

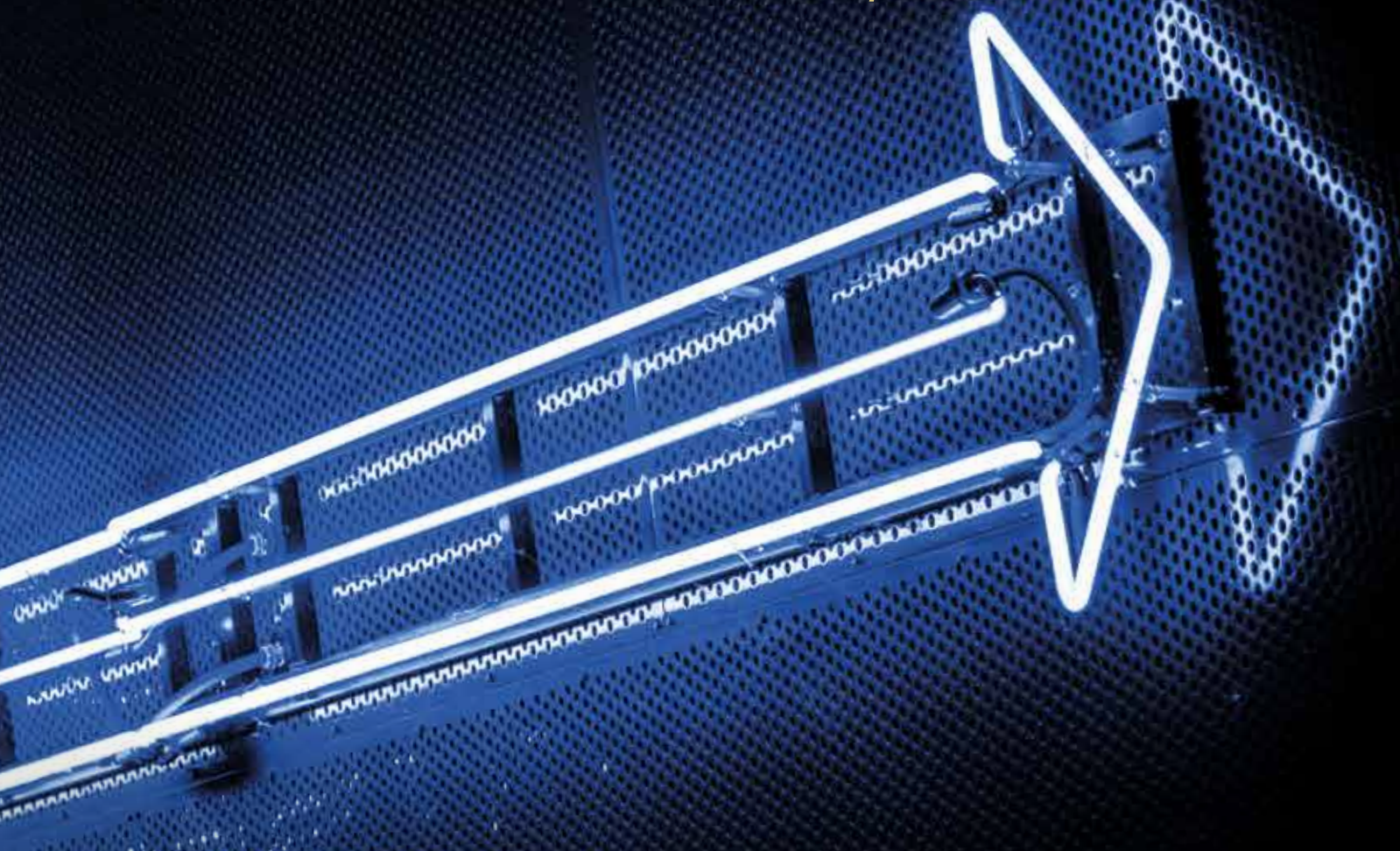


Ghassan Mansour is managing director, head of facultative international at Acrisure Re



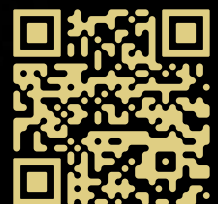
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A time to shine

Camilo Rodriguez, head of international credit and surety at Axis Capital, considers the latest developments and challenges in the credit and surety reinsurance sector

What have been the biggest developments in 2023 within credit and surety reinsurance?

Two outstanding developments we are following closely are the efforts to control inflation by central banks around the world and the effects of the ongoing Russia-Ukraine war – both of which continue to profoundly affect geopolitics, wider economic and fiscal policy, and credit and surety.

With Covid, the impact can be classed not as what happened but rather what didn't. In the beginning, when cases were beginning to rise and stories of the pandemic swept the media, we were preparing for a doomsday scenario on par with the global financial crisis. However, mainly because of government intervention, losses did not fully materialise. As it relates to the Russia-Ukraine war, the economic crisis management by various governments has been strong, and the actions of central banks are still combating the worst excesses of inflation.

From a credit and surety angle, we are seeing signs that the market is picking up. This is largely due to major investment in infrastructure from governments, which creates activity for surety lines. From the credit side, inflation translates into higher credit limits that the different markets need to cover.

What are the biggest challenges within this space?

There are always challenges, and there is always risk. That is what makes our sector so interesting.

For example, a significant aspect of the ongoing macroeconomic challenges we face is diagnosing political tension correctly. Looking at the Russia-

Ukraine war, what some originally thought could be a short conflict has morphed into something longer-term.

In a wider sense, we must also concern ourselves with the trajectory of economic recovery. We are seeing encouraging signs concerning inflation, but the pressure from increased interest rates can affect financial performance within companies that could stress the credit and surety market. We also continue to see more insolvencies, but this has yet to fully translate into losses.

What opportunities do you foresee for growth in this space?

Credit and surety benefits from uncertainty, so it is important to see these somewhat ambiguous times through the lens of opportunity.

In historical terms, previous generations have taught us that an economic crisis has always been followed by an impact on credit. But we appear, so far at least, to have skipped a cycle, which is a unique opportunity. Governments are getting much better and quicker at economic crisis management, as displayed during the Covid pandemic and the recent banking and inflation crises. Further, credit insurers are becoming far better with risk selection as well.

A more specific opportunity exists within the credit space, particularly with European banks and capital relief transactions. The strict regulations assess how much capital banks can have at risk. Many are looking for an opportunity to assume more risk, and we anticipate seeing more coming to the table over the next few months. We are in an era in which credit and surety underwriters can distinguish and elevate themselves – a time to shine by making the right risk selections during a period of relentless uncertainty.

“
From a credit and surety angle, we are seeing signs that the market is picking up
”



Camilo Rodriguez,
head of
international
credit and
surety at Axis
Capital



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The better the answer.
The better the world works.



Building a better
working world

Reflecting a changing market

A modernised reinsurance industry requires a streamlined approach that isn't hampered by manual processes. Howden Tiger's George Harris Hughes and Michelle To explain how the firm's in-house REflect solution is transforming how long-tail reinsurance is procured in the casualty market

Advanced digital solutions can help brokers find a competitive edge and allow cedants to identify opportunities – and challenges – ahead of schedule. The benefits are clear, with companies able to extract tangible value through deeper engagement with their data.

Many firms are still impeded by manual processes that are time- and resource-intensive. These archaic processes can make buying reinsurance a woefully inefficient exercise. The motivations, data and structures involved in long-tail reinsurance purchases have become more and more sophisticated. We don't believe the placement process has evolved to keep pace; more time should be spent discussing the qualitative elements of a portfolio and less time establishing the quantitative, which is why we decided to innovate.

A game changer

Frustrated with the status quo, we decided to create REflect, our in-house reinsurtech platform that provides greater speed, accuracy and insight during the placement process. REflect uses modern data science to automate the quantitative processing involved in a typical renewal, giving us back more time to better meet our clients' objectives. This solution has been developed to address inefficiencies that specifically affect the casualty reinsurance market, and we expect to roll it out across other classes in the future.

It's worth looking at how long this all normally takes to get an idea of the impact of REflect. Ideally, our clients cut their data four to six months before a renewal, and then spend another month or so working with us to refine it. We then run our analysis. For a 1 January renewal, you might start in the summer and aim to be in the market by the autumn, a lead time of 12-16 weeks in all. There is a reliance on manual (human) cleansing processes throughout, and it is not uncommon to unearth data issues at a late stage, which can mean starting the whole process

again. In reality, data is often cut much closer to renewal, compressing the timeline into a matter of weeks. The current lack of time, data accuracy and simplicity creates a huge amount of deal friction.

Instead, REflect cleanses, validates and enriches client data to provide a simpler and more useful proposition – taking weeks instead of months and giving back valuable time for analysis. The system collates technical results into an easy-to-access, consistent format, giving cedants a clear view of their portfolio as it evolves and allowing them to alter structures and understand impacts in real time. Cedants can interrogate their reinsurance on a granular level (justifying each unit of reinsurance spend), aiding portfolio optimisation and driving more informed purchasing decisions.

Innovation through agility

Reinsurance is an area already targeted by insurtech start-ups. However, we have the scale, distribution and agility to give this kind of solution the heft it needs to make an impact. Unlike other reinsurance brokers, we aren't afraid of change and have invested time and resources into allowing innovation to thrive.

We are developing REflect with our proprietary market insights data platform NOVA. Since 2021, NOVA has provided clients with access to unique global market insight and strategic consultancy, combining unique datasets from over 300 sources including placement data and wider market financials.

Now we are building on this progress with REflect. Fundamentally, it's about showing cedants where every unit of their reinsurance spend goes. This streamlined process means more time to do real analysis, with clients benefiting from the transparency needed to take an objective view of how risk is priced.

The technology is also reflective of the shifting role of brokers and growing focus on advisory services. The portfolio optimisation and market insight elements of REflect will form a core pillar of our capabilities as we evolve into advocates.

One of the most exciting parts of this is the potential to further innovate and enhance this system. What role will AI have, for instance? And how could migration to a fully cloud-based architecture supercharge client insights? This all awaits us, but based on the REflect journey so far, we can't wait to see what the future holds.



George Harris Hughes is managing director at Howden Tiger. Michelle To is head of business intelligence at Howden Tiger



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Reinsurers look to regain more ground on casualty and professional ceding commissions

The last year has seen a reversal in the direction of ceding commissions for long-tail lines quota shares, with the upcoming 1 January renewal likely to see reinsurers push to accelerate the downward pressure on cedes.

According to a wide swath of executives, quota share treaties with significant public D&O exposures could see the past two years' gains on ceding commissions – in some cases as high as 4 points, and sometimes spanning multiple renewals – reversed entirely.

Both broking and underwriting executives were more sanguine about potential price changes for casualty and other professional liability business, where the downward movement in cedes is expected to be more muted due to a more stable renewal environment.

Market sources have given preliminary indications that ceding commissions on deals with heavy public D&O exposures are falling 2-4 points, marking a major reversal on their upward climb just 18 months ago.

On the other hand, casualty and E&O deals are said to have been more resistant to downward pressure, with the persistence of underlying rate gains making it more tenable for those deals' economics to remain intact.

Reversal of ceding commission surge witnessed beginning in 2021

The dynamics that have begun pressuring ceding commissions are now well-established.

Hard market conditions on underlying business began in 2019, initially driven by the shortening of limits by industry giants AIG and Lloyd's, and later accelerated by the pandemic loss cost uncertainty that followed. These conditions strengthened projections of portfolio profitability.

The improved economics on underlying portfolios led to an unusual shift in reinsurer appetites, leading casualty and professional liability quota share deals to become attractive diversifying classes as reinsurers have been handed consecutive loss-making years on property cat deals.

The heavy demand among reinsurers for long-tail lines proportional deals led ceding commissions to surge at 1 January 2022 and 1 June 2022 renewals, with cedes in many cases going up by 2 points, or as high as 4 points in some instances.

Ceding commissions in the mid-30s became viewed as the "new benchmark" for reasonably well-performing portfolios, as brokers and reinsurers found agreement that persistent underlying rate gains had created significant new margin on many deals.

At the same time, the market witnessed aggressive buyer and broker behaviour with cedants slashing cession rates substantially, in a move to retain more of the increasingly profitable underlying business net.

In some cases, reinsurers wrote deals with ceding commissions as high as 38 percent, a point at which others walked away. These moves have been viewed by some as cynical bids to get a foothold on deals, and as a way to extract greater leverage when commissions would inevitably fall.



Talking points

- \$645mn deal could be model for future settlements
- Framework sees lessors reduce loss to around 20-25% of insured value
- Settlement approved by US Treasury and is "consistent" with sanctions
- Commercial settlements between (re)insurers and lessors would reduce gross claims further = potential for \$2bn loss (or less)
- \$10bn+ of disputed claims currently: most in London

Long-tail lines adverse PPD, cat hard market gives reinsurers more leverage

In the past year, as prior accident years have begun to develop adversely and underlying rate increases have slowed to the extent that they have failed to meet cedant projections at earlier renewals, reinsurers that gained leverage on panels by writing deals with higher cedes have put themselves in the driver's seat.

At last year's renewal the challenging market for cedants to fill out loss-impacted property cat programs allowed reinsurers that tolerated high long-tail lines ceding commissions to extract increasing concessions on casualty and professional liability deals, putting downward pressure on cedes.

In a noteworthy example of the market trajectory, *The Insurer* reported last December that Zurich North America had trimmed the ceding commission on its D&O treaty by 2 points while keeping the commission on its casualty quota share essentially flat – pointing to the diverging outcomes in the two lines of business.

Additionally, Markel lifted the annual aggregate deductible on its 1 December financial lines treaty by 4 points to 35 percent from 31 percent, effectively lowering the ceding commission on the deal.

Gallagher Re's mid-year renewal report this year highlighted the divergence in downward pressure on casualty versus professional liability treaties, where it showed ceding commissions for professional liability

business renewed between down 3 points and flat.

In contrast, commissions for US general liability quota shares renewed on average down 1 point to flat.

As reinsurers aim to impose broad, market-wide downward pressure on commissions, the common refrain among brokers that each deal is unique is likely to get louder for casualty and professional

liability deals, specifically at 1.1.

Industry executives largely expect that the most aggressive buyers in recent years – those that pushed most heavily on commissions and also those that drastically cut cessions – could potentially face the most downward pressure on cedes.

That said, market appetite amongst reinsurers for long-tail lines deals remain strong, and the oft-held market dynamic where commissions tend to go up faster than they come down is likely to remain true.

Perhaps the biggest question mark that loomed at the last 1 January renewal – whether cedants will increase cessions into

the market – once again hangs over the upcoming renewal, likely to an even greater degree.

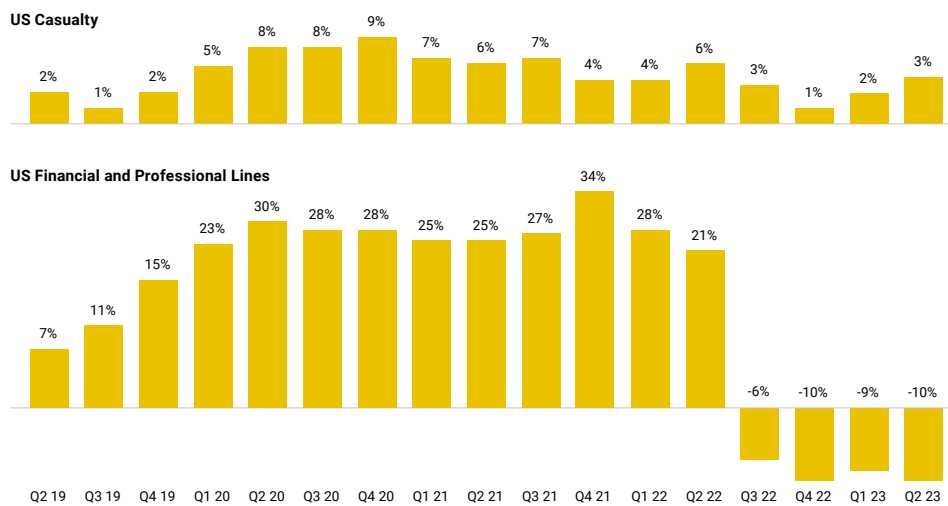
The question in the minds of both brokers and underwriters will be the extent to which cessions will grow and panels will expand to forestall a greater drop in cede, and to bring in more capacity for difficult-to-place deals – such as property cat – by satisfying markets with more attractive casualty deals.

Casualty rate movements - mid-year 2023

Territory	Pro rata commission	XoL – no loss emergence % change	XoL – with loss emergence % change
China	n/a	+7.5% to +20%	n/a
International – Liability and Professional Lines	0%	+3% to +5%	+5% to +12.5%
United States – Healthcare Liability	-2.5% to 0%	-2.5% to 0%	+2.5% to 10%
United States – General Third Party Liability	-1% to 0%	0% to +5%	+5% to +15%
United States – Professional Liability	-3.0% to 0%	0% to +10%	+5% to +15%
United States – Workers' Compensation	n/a	+12.7%	+12.7%

Note: Movements are risk-adjusted
Source: Gallagher Re

US composite insurance pricing change – by major coverage line



Source: Marsh Specialty and Global Placement

Scor's Nudo: Reinsurers not being compensated for heightened US liability risk

A deteriorating US tort environment, loss trend inflation, prior year development and flattening or reducing primary rates are all taking their toll on the US casualty market

Nick Nudo, chief underwriting officer for Scor US P&C treaty, does not believe reinsurers are being adequately compensated to assume the heightened risk.

His company views the US casualty reinsurance market as having “several major issues that are not being recognised in current reinsurance terms”.

“It feels like the established reinsurers are maintaining their casualty portfolios just for the main benefit of getting access to their clients’ other lines, specifically property cat,” Nudo noted.

The most challenged segments within US liability are financial lines, in particular public D&O and auto liability, Nudo said.

“In addition, the large Fortune 1000 business that is uniquely affected by class actions and the nuclear verdicts that we’re now seeing all the time, has made this space too volatile,” Nudo noted.

Ceding commission pressure

Other business segments within US liability “present the potential for profit”, Nudo said, although much of this is dependent on ceding commissions continuing to reduce, and primary rates not falling behind loss trend.

“Depending on the line or class of business, primary rate increases need to be close to or above double digit,” Nudo suggested.

“The need to reduce ceding commissions is also there, and we think that this pressure is only going to increase in the short to medium term,” he stated.

Both D&O and excess casualty/umbrella quota shares “are due for some pretty large reductions in ceding commissions”, Nudo said.

“Most public D&O portfolios, or D&O-dominated portfolios, still have ceding commissions in the

mid-30 percent range, which need to reduce to accommodate a more equitable partnership between reinsurers and clients.”

Nudo also forecasted that even portfolios with ceding commissions in the low 30s “are going to be challenged to come down”.

“When you consider the current US tort and business environment, the pressure to reduce casualty commissions is there to create better alignment of economic interests,” Nudo said.



Forecasted primary rates under scrutiny

Closer scrutiny on the primary rates forecasted on business covered within casualty quota share treaties is also needed, Nudo suggested.

“In general, we’re seeing more forecasted primary rate misses than we are rate hits, meaning most cedants are not achieving their budgeted rates for 2023,” Nudo stated.

However, clients are being disciplined in how they deploy limits, said Nudo.

“There is thoughtful deployment of capacity and attachments and ventilation. Further, there is recognition by standard markets [that they need] to relinquish their appetite for challenged classes like habitational, and let E&S carriers handle those exposures.”

When you consider the current US tort and business environment, the pressure to reduce casualty commissions is there to create better alignment of economic interests

Scor's Nick Nudo on the need to reduce ceding commissions

Standalone cyber stance

With ransomware losses ticking up, the sector is once again reckoning with the challenges of underwriting such a fast-evolving sector as cyber.

Scor is adamant the peril needs to be written on a standalone basis, and not within broader casualty or liability treaties, Nudo stated.

“Cyber is a unique market, and it is a unique line of business. It needs to be modelled and PML allocated to it, so it is best not to combine it with a D&O portfolio, or an excess/umbrella portfolio. Those are different lines that need to be analysed and monitored separately.

“Cyber exposures require complex analysis, and terms that are unique to that portfolio and market,” Nudo stated.



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Rising verdict severity ripples through casualty lines

As liability/casualty writers adjust to ever-increasing verdicts, TransRe's Rich Henderson analyses the causes and consequences of such decisions

The frequency of large verdicts has increased significantly in recent years across all product lines. As liability/casualty underwriters adjust to “aberrational”, “nuclear” and even “thermonuclear” outcomes, the era of \$100mn+ verdicts is upon us.

Because only a small percentage of claims are actually tried to conclusion, the overall financial impact of verdicts may seem small. However, trial outcomes also impact claim/legal strategies and send strong societal signals to which the insurance industry must be alert, even if the awakening is a rude one.

This discussion focuses on medical malpractice verdicts but much of the commentary is equally applicable to other areas of the casualty world.

Analysing the verdict data

Over the past 20-plus years TransRe has built and maintained a substantial proprietary database comprising thousands of medical malpractice verdicts, compiled from various sources and regularly cited and used (with our permission) by claims, underwriting, actuarial and legal professionals.

For the purposes of this discussion, we look first at the rising frequency of \$10mn+ and \$25mn+ verdicts between 2012 and today (as of 31 July 2023).

It is clear the number of \$10mn+ and \$25mn+ verdicts is increasing. Each of the three years prior to the Covid-related interruption of trials set a new record for such verdicts. As trials resumed in 2022, juries picked up where they left off by equalling the prior record for \$10mn+ verdicts, and surpassing

(by far) the previous record for \$25mn+ verdicts. Put another way, 2022 saw an average of one \$10mn+ medical malpractice verdict every week and (of those) a \$25mn+ verdict every two weeks. 2023 is already shaping up to equal or exceed these records.

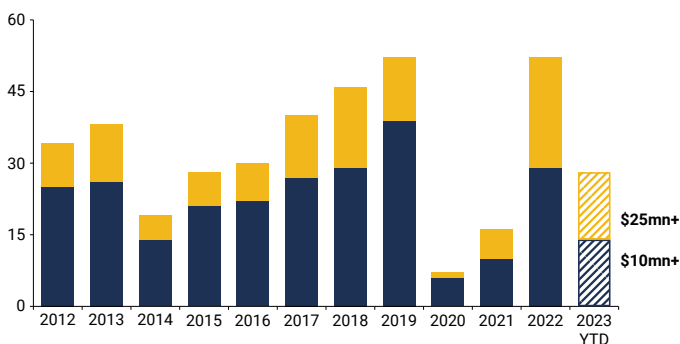
Another way to view the data is by taking the 10th, 25th and 50th largest verdicts in each year. This view takes us past the headline verdicts and into the ‘working layer’ decisions that may not reach the media, but which affect industry practitioners.

The data is consistent. Pre-Covid we see a steady increase in the number of substantial verdicts, particularly the 25th and 50th largest verdicts. This shows it is not just a handful of mega-verdicts that are skewing the overall outcome. As the courts reopened for trials in 2022, the results in all three bands reached or exceeded the prior records. Those who believed in (or rather hoped for) a “halo effect” because of the efforts of medical professionals during Covid have been disappointed. Note the data for 2023 is on a year-to-date basis, with another four full months of trials to inflate current levels.

Social inflation and other explanations

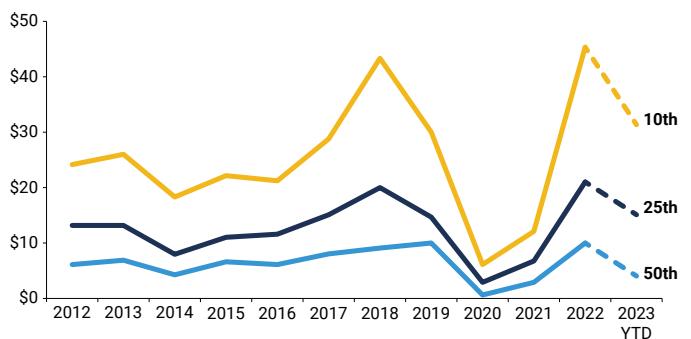
Social inflation is not a new term but is regularly cited as a major factor driving up the frequency of large verdicts, in medical malpractice as well as other product lines. On the flip side, there are others who argue that social inflation either does not exist or is, at best, an over-referenced excuse for other factors.

\$10mn+ verdicts 2012-2023



10th/25th/50th largest verdicts

2012-23 \$mn



We do not attempt to determine whether social inflation exists. However, it is clear that many of the variables cited in respect of social inflation are also variables which might lead juries to return large verdicts. Such variables include evolving views of social responsibility and the righting of perceived wrongs, as well as desensitisation to the value of money (the salaries of athletes and entertainers, \$1bn lottery awards etc.). Significant media coverage and advertising around large verdicts plays a part, as does the lowered trust in corporations in general. Hospitals and medical professionals are not immune to this phenomenon. Highly polarised debates concerning mask mandates and vaccinations are examples of Covid-related tensions and stress that can impact the public perception of medical professionals, including in the courtroom. If there was a “halo effect”, it has quickly dissipated in the eyes of jurors.

To seek evidence for or against the social inflation narrative, we sorted the data into blocks of three years: 2012-2014, 2015-2017 and 2018, 2019 and 2022 (we excluded 2020 and 2021 given the massive disruption to trial calendars). We then looked at the percentage of verdicts of at least \$10mn which also exceeded \$25mn. Within the world of medical malpractice insurance practitioners, it is commonly assumed that defendants continue to successfully defend ~80 percent of claims that go to verdict. That may still be true, but we wanted to look more closely at the verdicts in favour of the plaintiffs. Are the amounts involved rising?

The answer is a resounding “yes”. For 2012-2014 and 2015-2017 29 percent of \$10mn+ verdicts also exceeded \$25mn. In 2018/19/22 35 percent of \$10mn+ verdicts also exceeded \$25mn. As courts reopened, that figure increased to a record 44 percent in 2022 alone, and so far this year the results are even more ominous, with more than half (53.5 percent) of verdicts of at least \$10mn now reaching or exceeding \$25mn. Thus, while the frequency of defence verdicts has remained generally consistent, the severity of adverse verdicts has significantly increased.

This trend has a ripple effect throughout the (re)insurance of medical malpractice, creating challenges for underwriters, actuaries and claim/legal professionals. Should we settle or defend? How are demands to settle within limits/“hammer” letters to be addressed? When is national counsel necessary, and how should they be woven into the defence? What’s the right attachment point? How much coverage should we offer, and at what price? It also affects clients as they decide how much coverage to buy and fear the exposure if they don’t buy enough.

In addition to the increased severity of verdicts, we have also seen a significant increase in the frequency

of both \$10mn+ and \$25mn+ verdicts. In 2018/19/22 there were 150 verdicts of at least \$10mn, compared to 98 such verdicts in 2015-17, and 91 in 2012-14. Of those 150 verdicts, 53 exceeded the \$25mn threshold, compared to 28 in 2015-17, and 26 in 2012-14.

Social inflation is one proposed explanation for the rise in the size of jury verdicts. Other explanations focus on the plaintiffs’ bar and its ability to tap into factors that anger juries, the increased use of so-called “Reptile” strategies, and more effective anchoring techniques. Conversely, the defence has been more reluctant to put forth defence anchors and cohesive damages arguments. It may be a common defence refrain that mentioning “damages” is a display of weakness that will “set a floor”, but there is growing evidence that proper defence anchoring and well-constructed damages defences help mitigate the downside verdict potential.

To conclude this analysis, the causes of verdict inflation may be debated, but the effect is clear. Although final settlements rarely approach the verdict amount, rising verdicts lead to higher settlements in those cases that go to trial. As those verdict amounts rise, so too do the settlement demands in future claims, which can both increase the size of such settlements and also prolong litigation, adding to the legal expenses.

Possible solutions

We may disagree on the significance of medical malpractice jury verdicts, but they cannot be ignored. The increasing frequency of ever-larger verdicts ripples through all casualty lines. Will the current trend of rising verdict severity slow down? The legal standard of care has not changed, but the factors which influence juries continue to evolve and today’s world is not the same as pre-Covid. The defence bar and those managing medical professional claims should take every opportunity to better understand why juries are responding the way they are, and we should adjust our approach based on these insights.

The plaintiffs’ bar has done an excellent job of effectively communicating successful outcomes and the approaches used. Which tactics worked? Which did not? Can we quantify the impact of each tactic? For many years TransRe has shared our experience with the defence bar and medical malpractice professionals. We work closely with our business partners, using our database to offer insights on claims. We host industry webinars and podcasts and publish articles and analysis. We actively participate in American Legal Connections, a platform that brings medical malpractice professionals together to share knowledge and best practices. We welcome every opportunity to discuss these issues in more depth.



Rich Henderson leads TransRe’s medical malpractice claims group and can be contacted to discuss any aspect of this paper, including the work of American Legal Connections



The GenAI revolution in insurance – how carriers can deploy widely based on strong governance

EY's Anita Sun-Young Bong, Ed Majkowski and Phil Vermeulen examine the impact of GenAI on the (re)insurance sector

Few, if any, technologies have achieved mass adoption in a shorter period of time than ChatGPT, thanks to its massive accessibility and highly intuitive interface. Not only has ChatGPT harnessed the extraordinary power of generative AI (GenAI), but it's also incredibly easy to use. That's why GenAI will be adopted widely across the business, and why strong governance models are necessary to guide adoption as the technology is democratised.

Insurers are already using GenAI to automate processes and integrate diverse datasets, analyse customer behaviour and tailor marketing communications. In actuarial and underwriting, GenAI streamlines the ingestion of large datasets, freeing underwriters to focus on high-value analytical and risk assessment work. In IT, cyber teams use GenAI to analyse operations data for attempted fraud, monitor network security and document attacks for regulatory reporting.

More sophisticated deployments are not far away; smarter “co-pilot bots” will make knowledge workers in underwriting, actuarial and claims even more productive. GenAI will streamline decisioning in life insurance underwriting, replacing today's lengthy application processes. It will automate many compliance and risk management activities. Translation and regeneration of code across languages is potentially transformative for carriers with COBOL-based applications.

The biggest impacts will come in customer-facing operations. More precise analysis of market trends and customer sentiment will enable insurers to personalise and, ultimately, individualise customer experiences. Virtual sales and service agents will soon be able to resolve complex issues and provide tailored advice and even a personal touch in digital

channels. AI-generated recommendations for next-best actions will enable call centre reps to have more empathetic customer conversations, rather than simply collecting information. Such “human-in-the-loop” processes are among the most compelling use cases.

Optimising adoption and ROI via effective governance

To boost returns on their investments in and promote responsible use of GenAI, insurers will need to deploy widely across the business and develop robust governance frameworks.

Embedding GenAI more deeply within products, processes and applications requires adding new data (including content and images) and integrating existing data sources into the AI models that produce quality outcomes. Insurers must design and manage those models carefully, ensuring that outputs are accurate and that customers' confidential data is protected at all times. Monitoring third-party data feeds can help minimise the risk of data breaches and the introduction of “bad data”.

Insurers will also need new talent (e.g., prompt engineers). AI “factories” or technical centres of excellence (CoE) can centralise scarce skills and promote organisational policies and ethical standards. CoEs can also provide change management support by communicating the “why” behind adoption and the “how” of implementation.

Robust governance frameworks are essential for responsible usage of GenAI – that is, in alignment with ethical business objectives, company values and compliance with regulatory requirements. Given the interconnected nature of GenAI applications, the complex ecosystems in which they will be deployed, and the need to scale, insurers will need ever more sophisticated controls. Such a controlled approach to adoption won't be easy, but it's the right way to democratise high-impact technologies, such as GenAI.



Anita Sun-Young Bong is EY Asia-Pacific insurance sector leader; Ed Majkowski is EY Americas insurance sector and consulting leader; Phil Vermeulen is EY EMEA insurance leader

A woman with dark curly hair, wearing a yellow sweater, is sitting at a desk and looking at a laptop. She is holding a blue pen to her chin, appearing to be in deep thought or listening intently. The background shows a bright window with a view of a city skyline.

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GenAI and the Intelligent Risk Platform – Accelerating insights for risk decision-makers

Moody's RMS' Moe Khosravy on the role of generative AI in enhancing risk insights

For the past few years, Moody's RMS has been hard at work delivering the state-of-the-art Intelligent Risk Platform and integrated suite of applications. It's been an incredible journey and despite all the success, we are relentless in innovating ways to boost productivity for users.

Generative AI, or GenAI for short, comes at an opportune time. Leveraged appropriately by machine learning experts who know the craft, GenAI can transform business productivity and reduce time to insights.

As a consumer, once you've used ChatGPT or other large language models, it's hard not to judge today's search experience as archaic and time-consuming. It seems crazy that I'm expected to specify keywords only to drown in a sea of links that may not even have the answer to my question!

I believe search is already in a state of evolution where keywords and adverts will be replaced by new rank and relevance algorithms that can dynamically select content providers capable and willing to help answer a user's question given the context of the session, resulting in a curated, 'answers' marketplace. Consumers' demand for productivity is already forcing this transition. So as risk professionals, should we not demand leap-frog productivity gains from today's solutions?

As I recently demonstrated at our Exceedance conference in New York, we've been thinking about how to best bring GenAI into the Intelligent Risk

Platform to do just that. We showed how to get answers within seconds to questions such as "What is my exposure to an event similar to Hurricane Ida in terms of total insured value?" or "How many properties in total would be impacted, in which state?" and more.

We did this not by simply calling public application programming interfaces to get untrusted, hallucinated data or exposing sensitive data, but by using several state-of-the-art GenAI patterns to

condition the interaction between the user and a secure interchange of data securely locked in our solution. It has been incredible to hear the feedback from clients as we iterate on this.

In another early proof of concept featuring GenAI, we are exploring reducing the time it takes to go from data to insights to actions through a bot that generates answers to the plain language question and produces all the reports, charts and visualisations

directly from the data on the platform.

The results have been very encouraging! Imagine an event approaching and being able to say things like "Write a formal tone email in 500 words summarising our top 10 loss drivers. Include a chart of ..." without ever leaving the platform.

I encourage you to watch our demonstrations and as with all our early innovations, we'd love your feedback to evolve it. Please email RiskLabs@RMS.com if you'd like to find out how you can engage and expect a lot more innovation in this space from us.

We'll soon be launching a new Risk Labs page to showcase early innovations while continuing to deliver on the exciting roadmap of models and software.

“Leveraged appropriately by machine learning experts who know the craft, GenAI can transform business productivity”



Moe Khosravy is executive vice president of engineering at Moody's RMS

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UK BI litigation enters final act with Stonegate and ExCeL appeals to dominate

It is now almost three years since the Supreme Court handed down its largely policyholder-friendly judgment in the Financial Conduct Authority (FCA) test case, but for many insurers, their reinsurers and policyholders, uncertainty remains over Covid-19 business interruption (BI) exposures.

The UK watchdog ran a test case in July 2020 with a group of eight sample insurers – Arch, Argenta, Ecclesiastical, Hiscox, MS Amlin, QBE, RSA and Zurich – in a bid to resolve the most common pandemic-related BI claims disputes between policyholders (typically SMEs) and insurers.

The Supreme Court later upheld the findings of the High Court, ruling largely in favour of policyholders in January 2021. And while the test case was successful in clarifying various issues common to many Covid-19 BI claims, there remain a number of areas of uncertainty created by the variety of policy wordings used and the lack of legal clarity around their application. This is demonstrated by the queue of high-profile disputes still under scrutiny by the courts.

Legal sources have highlighted a plethora of unresolved issues – namely non-damage denial of access (NDDA) extensions, issues of aggregation, causation, furlough and policy triggers – noting that a series of “very significant” and high-value claims (and appeals) are scheduled to be heard in the fourth quarter of 2023, with others waiting in the wings.

Q4 2023 appeals

The Insurer is aware of more than 26 live BI cases currently making their way through the UK court system, but Peter Hardy, partner at Reed Smith, says it is the developments in the claims brought by hospitality groups Stonegate and Various Eateries – earmarked for appeal towards the end of 2023 – that the (re)insurance sector should be most fixated upon.

Hardy noted that the “key issues” of aggregation, additional increased costs of working and the correct treatment of government financial support will be examined by the Court of Appeal.

The multi-million pound suit brought by Stonegate against MS Amlin, Zurich and Liberty Mutual, and Various Eateries’ dispute against Allianz were heard last summer and concerned a Marsh Resilience wording – a policy which came under scrutiny during the FCA test case.

The actions were heard alongside the £150mn claim brought by baker Greggs against Zurich as



Talking Points

- Issues of aggregation, denial of access and government support set to be tested
- Q4 2023 to hear appeal hearings in Stonegate, Various Eateries and ExCeL
- Lawyers warn that continued uncertainty is impacting reserve releases

part of a coordinated group action. Zurich reached a confidential settlement with Greggs earlier this year.

While insurers welcomed the rulings, the High Court found in favour of both insurers and their claimant policyholders in various aspects of all three cases and Justice Butcher handed the parties permission to appeal earlier this year.

“The court will hear a full range of arguments on these key issues and it is not at all unlikely that there will be a level of analysis and commentary that will provide an opportunity to open up old debate and previous analysis,” Hardy explained.

ExCeL and Kaizen appeals to test “at the premises” wordings

The UK is also set to play host to the appeal of the 16 June finding in a test case analysing so-called “at the premises” (ATP) wordings. The test case included the £16mn claim brought by London International Exhibition Centre Plc – the owner of London’s ExCeL centre – against the UK arms of Allianz, Aviva, Chubb, CNA, RSA and Zurich.

Policyholders for the remaining cases included Hairlab, Muscleworks and Bodylines, Mayfair, Kaizen, Why Not Bar and Lounge and PizzaExpress. Insurers named in these cases included Axa, Ageas, HDI Global, Zenith Insurance, QBE Europe, Liberty Mutual and XL Insurance.

In his pro-policyholder judgment, Justice Jacobs found the Supreme Court’s 2021 ruling on disease clauses also applied to ATP cover, and that claims should be paid out under such clauses based on government guidance rather than having to prove there had been a localised outbreak.

The insurers on ExCeL have been given permission to appeal the ruling, with only RSA declining to pursue the appeal. The defendant insurers on the remaining claims have until 11 September to file their notices of appeal.

“As the appeals are concerning the issue of causation and policy construction, this remains one of the most landmark cases since the FCA test case,” said Iryna O’Reilly, head of BI at Barings Law, the claimant law firm representing a number of test case participants including Kaizen.

Although these cases are going to determine some of the most complex legal issues surrounding the BI cases, O’Reilly noted that not all policy wordings will be captured.

“It is therefore inevitable that further litigation is likely to arise from other policy wordings in an attempt to obtain clarity from the courts on their policy constructions,” O’Reilly added.

Corbin & King ruling to be placed under the microscope

The lower court ruling in *Corbin & King v Axa* is to be tested in an October 2023 test case concerning eight separate claims brought against Liberty Mutual, its subsidiaries and a number of other insurers including Allianz.

The test case will be led by Gatwick Investment Ltd and will include the Hollywood Bowl Group, PizzaExpress, Fuller Smith & Turner, Starboard Hotels and International Entertainment Holdings.

It comes after the High Court ruled that Corbin & King, the owner of upmarket London restaurants The Wolseley and The Delaunay, was entitled to a payout for losses incurred at each of its premises following government-mandated closures in March, September and November 2020.

The judgment was significant as it provided clarity on the proper application of NDDA wordings and policy limits in cases where there are multiple insureds and numerous premises affected by lockdown regulations.

But some insurers consider that they are not bound by ruling, arguing Corbin & King will not be binding until there is guidance from a higher court, or that

the wording is sufficiently distinguishable from others in the market.

“The NDDA cases are significant because they affect many policyholders, and the cases are likely to go to the Court of Appeal to provide the market with the certainty of a higher court guidance in relation to the Corbin & King issues,” explained Joanna Grant, partner at Fenchurch Law.

Finally, there are a number of cases where wording-specific issues will be resolved. These include the Burger & Lobster case, concerning matters including the meaning of “policing authority” in the context of Covid-19 lockdowns; and the Oaxaca and Flat Iron cases brought against QIC, which will consider whether the words “immediate vicinity” impact on the type of coverage provided by insurers in NDDA wordings.

Reserving challenges

Jonathan Sacher, partner and co-head of the insurance practice at Bryan Cave Leighton Paisner, noted that the Q4 hearings could have a “significant impact” on the amount paid to policyholders under BI clauses depending on how the Court of Appeal rules.

“Further, depending on the terms of the settlements already entered into between insurers and policyholders, it might also mean that policyholders try to re-open claims that insurers had closed in order to try and claim further sums,” he explained.

There is already some delay in releasing reserves, which is of concern to some insurers, Sacher said – but more so to reinsurers, particularly in the ILS world.

“There are some mainstream UK insurers who are maintaining significant reserves pending the outcome of Stonegate and other cases, which has meant that they are unable to properly account to reinsurers who are keen to make an assessment of their exposure now, some three years on.”

UK business interruption disputes poised for appeal in 2023

Date	Claimant	Insurer	Notes
Autumn 2023	Stonegate	MS Amlin Liberty Mutual Zurich	The UK’s largest pub group is seeking £1.08bn from the insurers. Tipped by legal sources as being a bellwether for future claims. Key issues: Aggregation of loss; Causation of post policy period losses; The treatment of increased operating costs; The impact of government support
Autumn 2023	Various Eateries Plc	Allianz	The owner of UK restaurants Coppa Club and Tavolino is seeking up to £16.4mn. Key issues: Aggregation of loss; Covid-19 as a single ‘event’, or multiple
Autumn 2023	Kaizen Cuisine	HDI Global SE HDI Global SE - UK	A group of UK restaurant owners filed a legal claim against the UK arm of HDI Global. All three restaurants say their insurance coverage protects against BI losses of £500,000. Key issues: Dispute over two in-force policies

Reinsurance uncertainty as UK Covid BI disputes continue: BCLP's Sacher



Bryan Cave Leighton Paisner (BCLP)'s Jonathan Sacher says reinsurers continue to face uncertainty over their ultimate exposure to Covid-19-related business interruption (BI) losses, adding that the sector's preference for arbitration has prevented important legal precedent from being passed down to the market.

Speaking at *The Insurer's* Pre-Monte Carlo Forum, Sacher, a partner and co-head of the insurance practice at BCLP, noted that a steady stream of pandemic BI claims continues to enter the UK courts almost three years after the Supreme Court handed down its largely policyholder-friendly judgment in the Financial Conduct Authority test case.

Using data from Solomonic, Sacher noted that more than 20 fresh claims – mainly from UK SME hospitality businesses – have been filed in the year to date, which he said served to highlight the “significant uncertainty” that remains over the market's exposure to BI losses.

“The outcome of those cases continue to track into the reinsurance world,” he said. “And while there is growing clarity on the primary side, there is considerable uncertainty in the interpretation of wordings on the reinsurance side and a lack of precedent is compounding this.”

Sacher noted that in a reinsurance claims context, most disputes are resolved by arbitration or commercial settlements and as a result there is “very little” precedent to determine outcomes and guide disputes.

“That's either because there is a lack of disputes or a preference for arbitration,” he said. “It's a combination of both but I'd say predominantly the latter.”

“Covid-19 gave us a good insight as to why the courts remain a

good place to settle disputes. While these have been dominated on the primary side, these cases track to the reinsurance market,” Sacher said, adding: “Uncertainty will prevail and what this means for reinsurers is further uncertainty.”

The growing number of (re)insurance disputes emanating from Russia's invasion of Ukraine is also driving uncertainty for reinsurers, Sacher said, pointing to the claims lodged by aviation lessors against insurers over trapped assets.

The Insurer has tracked 80 disputes filed in London's High Court with a collective value of \$8.12bn against more than 30 separate insurers, reinsurers and MGAs as of 5 September. This is up from the 55 disputes with a collective value of \$7.7bn documented in a previous analysis by this publication carried out in July.

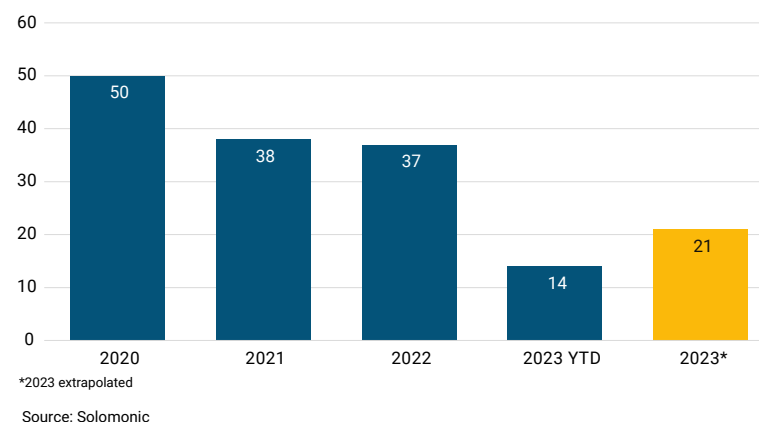
Using data from Solomonic, Sacher confirmed this publication's analysis, adding that a further eight claims have been filed in the US courts and six in Ireland.

Sacher noted that the cases filed by aviation lessors in London all similarly argue that aircraft leased into Russia are covered by policies against war or theft, but insurers point out the planes are undamaged and might yet be returned.

He noted that the claims are “complex” but suggested that it is “unlikely” that many will reach the courts.

“I personally believe that a settlement between lessors and (re)insurers will be likely in many cases. This would be a preferable outcome for many reasons,” he said, adding that the situation is not an “either/or” with settlements made possible by court rulings in a number of the most high-profile cases.

Covid-19 related English claims filed: Multiple Parties in each





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PFAS: Causal link to personal injury could open litigation floodgates

The Insurer explores the industry's approach towards managing exposure to PFAS liabilities

As carriers look to manage potential liabilities associated with per- and polyfluoroalkyl substances (PFAS), brokers and buyers alike are drawing comfort from the fact that reinsurers are not yet introducing broad exclusions for the chemicals.

Speaking to *The Insurer*, Casey Petersen, head of US casualty at McGill and Partners, explained that PFAS exposures are more likely to be underwritten on an individual account basis rather than being slapped with broad-brush exclusions.

"In most cases, (re)insurers are not excluding coverage across the board," he said. "They are looking to underwrite each account individually, which is what buyers and brokers prefer."

For example, a carpet manufacturer using a water- or stain-repellent coating known to contain PFAS will likely have an exclusion in their policy going forward, whereas original manufacturers of the compounds will struggle to find coverage at all.

Petersen affirmed: "We need insurance for PFAS to cover for the unknowns. The insurance industry has a lot of surplus right now, so we should be able to get coverage on a recurring basis as long as capacity remains and carriers are willing to write new business."

Adam Grossman, vice president of emerging risk and modelling and senior scientist at Praedictat, noted that in terms of insurability, this stratification of insureds based on where they sit in the PFAS chain of commerce is a simple way to address different exposures.

"Risk stratification is something that we know resonates in the insurance industry as a reasonable approach," he said.

"But we also know some insurers are trying to get broadly worded exclusions. That's obviously a way to go, but it's not necessarily a way that maximises the insurance industry's value to its clients. The more you exclude from the insurance contract, the less valuable that contract is."

Future uncertainty

The need to provide coverage for PFAS to some degree is derived from the fact that there is still a significant amount of uncertainty over just how many substances belong to the chemical family.

And while the US Environmental Protection

Agency (EPA) has developed methods for testing known chemicals in groundwater and drinking water, the national testing strategy is often updated with new methods and sample sites.

In addition to uncertainty over the number of chemical compounds classified as PFAS, the absence of a 'signatory' disease linked to exposure challenges the often-touted suggestion that PFAS could be the next asbestos for the insurance industry.

Tom Lee, a partner at law firm Bryan Cave Leighton Paisner who serves as a member of the energy, environment and infrastructure practice group and founder of its PFAS team, noted that although this is a popular comparison owing to the wide-ranging industrial footprint of both exposures, there is currently no causal link between PFAS exposure and a disease.

"Whereas with asbestos they were able to develop a clear causal link between exposure and mesothelioma, we don't have that same causal link for PFAS yet. That's something that I anticipate will be extensively litigated and it's going to be tested in the bellwether trials," said Lee.

With the EPA website prefixing any suggestion of reproductive impact, endocrine disruption and increased risk of cancers with "may", this lack of causation leads Petersen to reject the comparison to asbestos, as he believes the risk is still emerging.

"PFAS is a complex and evolving risk. We have known about it for 20+ years and while we have made some progress in understanding it, there are still many unknowns. We don't know how widespread it is, what's being tested, or how to best manage it. This makes it a challenging risk to address, and it is likely to be a problem for years to come."

Lessons from asbestos

The good news, according to Petersen, is that the industry now is much more sophisticated than when it faced asbestos claims in the 1970s.

"The 70s were very rudimentary – data aggregation was slow and there wasn't as much information-sharing across the industry as there is today. Now, monitoring the aggregation of exposure is more sophisticated, as are treaty contracts, facultative purchasing and the spread of risk across many carriers."

Praedicat's Grossman added that, from a risk modelling perspective, a key lesson from the asbestos crisis is to be more proactive.

"It seems like it's not clear that the insurance industry has taken that lesson. There's a lot of reactionary actions going on right now, such as trying to introduce exclusions in response to litigation."

Grossman also rejects the label of PFAS as an evolving risk, arguing that the advent of litigation demonstrates that the risk has already passed that stage.

"Another lesson from asbestos is looking for early warning signs in places like scientific literature," he said. "That's where the risk starts emerging – it doesn't start to emerge once people file lawsuits in court."

"By the time the case has emerged and the claim is already in an insurer's system, they're reduced to arguing about coverage, how much they're going to pay, and working with the insured to help them find a settlement."

PFAS litigation

Owing to the volume of PFAS-related cases and a lack of precedent, several thousand cases based on exposure to aqueous film-forming foam (AFFF) – a type of fire suppressant – have been consolidated into multi-district litigation (MDL).

As part of the MDL, manufacturer 3M in June reached a \$10.3bn settlement for claims relating to public water systems contaminated by AFFF. However, Petersen noted that this eye-watering figure is highly unlikely to be borne by the insurance industry.

"Pure manufacturers may not have had insurance for PFAS for a while because general liability

policies typically exclude coverage for pollution, and in many cases, products," he said.

But drinking water contamination is only one area of AFFF-related litigation, with the next scheduled set of bellwether trials focused on personal injury.

"These are personal injury claims based on the consumption of drinking water allegedly contaminated with PFAS from AFFF. It's the first and

broadest test of personal injury and causation claims, so that'll be very interesting," said Lee.

If causal link is established between exposure to PFAS and personal injury, this may well open the floodgates for further sectors to be subject to litigation, such as cosmetics, textiles, cookware and other consumer goods.

"We know this is a potential risk to a number of industries, but at this point it's still hard to clearly define what that risk is going to look like until the legal theories are more established," said Lee.

Grossman takes a more concise view: "If an insurer is waiting for the bellwether trial to adjust their underwriting approach to PFAS, they're looking way too far back in the rear-view mirror."

"For any company already involved in PFAS litigation, you should assume their entire tower is at risk. Changing underwriting approach for companies like that is way too late."

Grossman concluded: "Insurers need to be thinking about this

from the basis of exposure to these latent risks. Understand what past risks are in your book now, how that relates to ongoing premiums and reserves, and then figure out what pricing you need to make those contracts sustainable. It's not necessarily uninsurable full stop."

US Environmental Protection Agency's actions on PFAS

Date	Details
Feb-19	Published formal PFAS Action Plan, including development of a maximum containment level for states and local water utilities via the Safe Drinking Water Act, and developing new and better methods to detect the chemicals in drinking water, soil and groundwater
Dec-19	Announced new validated Method 533 for testing PFAS substances in drinking water, taking the total number of measured chemicals to 29
Feb-20	Updated Action Plan to outline actions taken to address and mitigate PFAS chemicals in the environment. Proposed regulations on imported products containing PFAS chemicals used as surface coatings, under the Toxic Substances Control Act
Apr-20	Proposed the first Clean Water Act aquatic life criteria for PFOS and PFOA. Also issued a memo to permit authorities to reduce PFAS discharges at the source and obtain better monitoring information
Jun-22	Issued first test order under the EPA National PFAS Testing Strategy, designed to provide key information on more than 2,000 similar PFAS that fall within these categories
Aug-22	Proposed designating PFOS and PFOA as hazardous substances under the Comprehensive Environmental Response, Compensation, and Liability Act
Dec-22	Proposed a rule to improve the reporting of PFAS to the Toxics Release Inventory by removing the reporting exemption for chemicals used in de minimis concentrations
Jan-23	Expanded ongoing study of PFAS discharges from textile manufacturers, as well as a new study of publicly-owned treatment works
Feb-23	Announced availability of \$2bn from Biden's Bipartisan Infrastructure Law to address PFAS in drinking water nationwide, allocated to states and territories
Mar-23	Proposed establishment of legally enforceable levels for six PFAS known to occur in drinking water

Source: EPA website

Maintaining discipline and momentum in an uncertain reinsurance market

Liberty Mutual Re's Chantal Rodriguez on the importance of maintaining discipline against an uncertain backdrop

This year marked a significant shift for the reinsurance market.

After several years of above-average loss experience and below-average returns, reinsurers took the required actions to reposition themselves as resilient industry leaders, adapting strategies for long-term sustainability and returning to their core role of providing capital protection.

Beyond one-time measures

Many of the external factors that precipitated the reinsurance market shift in 2023 have not disappeared or reversed. While reinsurers are in a strong position to deal with these trends and have shown themselves to be adept at adjusting to a changing risk landscape, it is important to remain focused and disciplined.

Climate trends

Climate change remains at the forefront of today's evolving risk landscape and the industry needs to continue to advance its capability to analyse this risk. We need to stay focused on exposure management and rigorous portfolio stress testing, while adequately reflecting climate and volatility trends in pricing and terms and conditions. Several events this year have reminded us to expect the unexpected, with the extreme weather in New Zealand, the Hawaii wildfires and Storm Hilary being just a few examples.

Geopolitical uncertainty

The heightened geopolitical uncertainties have also not subsided. Strike, riot and civil commotion risk is ever present and evolving in an age of social media, as highlighted most recently by French riots. In addition, we must not only grapple with the direct consequences of geopolitical tensions but also anticipate the far-reaching implications that they may have on macroeconomic conditions. We therefore need continued discipline to assess these risks through holistic, forward-looking approaches. What we have seen in the past is different to the challenges we face today.



Chantal Rodriguez is chief underwriting officer at Liberty Mutual Re

“ Climate change remains at the forefront of today's evolving risk landscape and the industry needs to continue to advance its capability to analyse this risk ”

Inflation and interest rate trends

While certain inflation trends at the macro level have moderated compared to a year ago, continued elevated loss trends and the evolving dynamics between inflation and interest rates remain pivotal risks that need our continued attention. The discipline that the industry has built, focused on maintaining up-to-date exposure and valuation data, as well as conducting continual pricing assumption reviews, needs to be upheld. Analysis needs to remain meticulous, reflecting the significant variations in inflation trends across countries and the distinct underlying inflation drivers that impact various lines of business to varying degrees.

The current interest rate environment is of course also elevating the cost of capital, which will require sustained focus on rate momentum.

Casualty lines in focus

Against a backdrop of increasing natural catastrophe losses and the war in Ukraine, the hardening of the reinsurance market was particularly pronounced for property cat, political violence and war-exposed treaties during the last 1.1 renewal season. While not entirely 'new news', the continued adverse developments on pre-pandemic years for casualty lines, coupled with the post-pandemic resurgence of corporate nuclear verdicts and uncertainties around forward-looking views on loss trends and emerging liability risks, mean these lines remain sharply in focus at the upcoming renewals.

Maintaining discipline going forward

As highlighted in these examples, we are operating in a fast-changing world with evolving risks and uncertainty. As we look forward to the upcoming renewal season, therefore, it is important that momentum and discipline are maintained, and that risk is assessed on a forward-looking basis with both insurers and reinsurers remaining focused on long-term sustainability.


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Are we at an insurtech inflection point?

As venture capitalists associated with reinsurers come to the fore, Gallagher Re's Andrew Johnston explores a significant shift in global insurtech funding and investment

Between 2012 and 2021, investors poured an impressive \$42bn into insurtech firms.

A substantial portion of these investments came in the dynamic years of 2019 and 2020, when the insurtech theme gained remarkable momentum. We saw a surge in interest from generalist tech venture capitalists and private equity firms, which flooded into the insurtech investment landscape. However, many of these investors were notably lacking a specific concentration in insurtech or a deep understanding of our industry.

At the peak of this insurtech investment craze, inflated valuations became commonplace. However, as we moved into a higher interest rate environment in 2022, the consequences of these lofty valuations became evident, causing significant and long-lasting damage.

Our Q2 2023 insurtech report estimates that up

to a third of the insurtech ventures present during that exuberant period have since ceased to operate as viable businesses. These findings underscore the importance of prudent investment strategies and industry knowledge to ensure sustainable growth – as well as resilience in the ever-evolving insurtech landscape.

Has the \$42bn been worth it then?

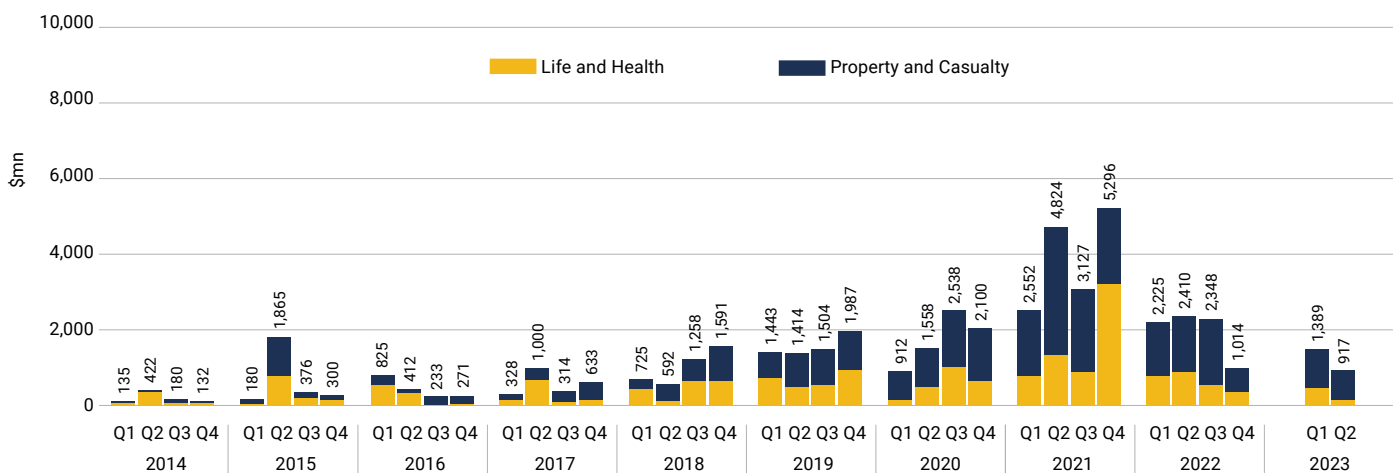
For insurtechs that have struggled, or the investors that backed them, probably not. What it has done, however, is dramatically spur the understanding and adoption of digital innovation among the insurance industry's established players.

Many large P&C carriers have been trying to harness AI, for example, since 2010. At that time, AI would have been confined to a few small, specialised companies with limited applications. What the first wave of insurtech did was bring these types of innovations to the attention of the incumbents – and may have encouraged in-house investment in tech solutions.

So much of the digital innovation we now see in the marketplace may not be due to the insurtech firms' own solutions being implemented, but it could

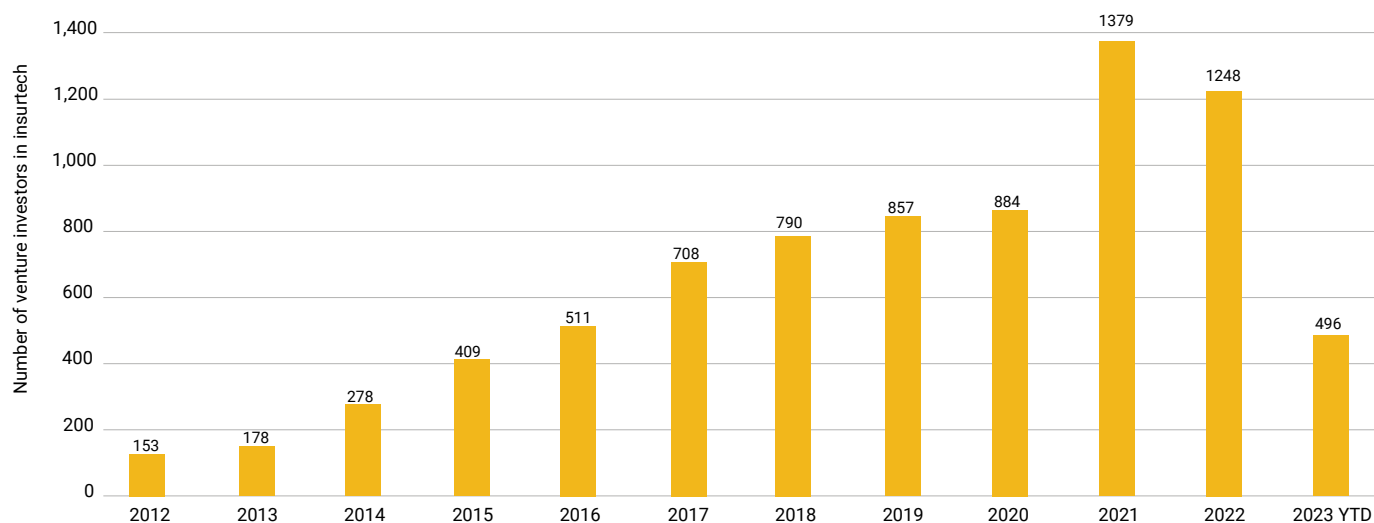
“ A good portion of the cash that flooded in during this first phase came from investors prepared to see it used to test and fail ”

Quarterly insurtech funding volume – all stages



Source: Gallagher Re

Number of venture investors in insurtech



Source: Gallagher Re

still be largely attributable to their existence.

Importantly, a good portion of the cash that flooded in during this first phase came from investors prepared to see it used to test and fail.

This means that despite all the insurtechs that were unsuccessful, the net benefit to our industry has been significant – arguably a good return for roughly a decade of research and development. That \$42bn was spent to foster innovation in an industry that processes some \$6trn of annual global premiums. Or to put it another way, a 0.07 percent research and development spend per year of our industry's global premium.

Corporate venture capitalists (CVCs) – or VCs associated with (re)insurers – now represent a larger proportion of total insurtech investors than they ever have. Many of the world's largest (re)insurers now have some kind of dedicated fund for insurtech deployment, or are at least being represented in an insurtech-specific investment fund (as a limited partner, or LP).

In numerous instances, (re)insurers have gleaned valuable insights from the investment strategies employed by pure tech VC and private equity funds. Consequently, they have fine-tuned their value proposition, directing their focus towards the tangible business outcomes achievable through insurtech, rather than being swayed solely by the allure of shiny technology in an industry that is often overestimated to be 'ripe for disruption'.

Notably, a select few (re)insurer CVCs have taken a proactive approach by involving underwriters in the investment decision-making process, thereby placing the core business objectives squarely at the forefront of their endeavours. This shift towards

a more business-centric approach demonstrates the commitment of these (re)insurers to leverage insurtech to its fullest potential and drive meaningful industry transformation. As an example, Munich Re Ventures led corporate venture activity among (re)insurers in Q2 2023, with six investments.

This type of sensible, measured activity, where experience and expertise are put at the heart of innovation efforts, is a very welcome evolution in the insurtech journey. It is certainly preferable to being led to believe that the blockchain, for example, is going to revolutionise our industry on the strength of its technological sophistication alone.

If Q1's results are any kind of indication for the rest of this year, 2023 is set to be the largest year on record for (re)insurers to make private investments into insurtechs.

The data points to a clear conclusion. The emerging (re)insurance-related VCs have undoubtedly reaped the rewards of the substantial \$42bn investment in research and development over the last decade. Equally vital, they have adeptly learned from past failures, prioritising a comprehensive understanding of the 'what' rather than succumbing to the allure of the 'how' and inflated valuations.

This strategic approach puts insurtech on a promising trajectory, with a keen focus on business outcomes – a critical necessity for sustained growth and prosperity.



Dr Andrew Johnston is global head of insurtech at Gallagher Re

The above is an extract from Gallagher Re's Q2 2023 Global InsurTech Report, which highlights a significant shift in global insurtech funding and investment, published in August 2023.

The high cost of low-quality reinsurance data

Supercede's Jerad Leigh highlights how bad data can lead to higher costs and lower trust

A newly released report from Supercede sheds light on the detrimental effects of inconsistent and inaccurate data on the reinsurance industry. Garnering insights from candid discussions with underwriters, actuaries and brokers, the report reveals the issues arising from unreliable data exchanged between cedants, brokers and reinsurers.

The overarching consensus: bad data erodes efficiency in the global reinsurance value chain, leading to higher costs and lower trust.

The price tag of uncertainty

One of the most immediate consequences of sub-par data becomes evident during renewal season. The veil of uncertainty cast by such data compels reinsurers to implement significant “pricing loads”, often to the tune of 5-10 percent or more. Reinsurers have no choice but to penalise bad data, and it means cedants end up paying more.

Additionally, the very integrity of submissions comes under scrutiny, leading underwriters to sometimes withhold capacity. Moreover, this data dilemma also impedes the growth of new tools designed to improve the industry – tools which need good data to work effectively.

Looking closer, we see professionals are spending more time fixing mistakes rather than using data to get helpful information. Instead of harnessing data to draw valuable insights, practitioners find themselves ensnared in the daunting task of wrestling with spreadsheets.

This means excruciating cycles of error detection and rectification that test both patience and professional relationships. And the ones bearing the brunt of this work are often the understaffed underwriting teams who, in their bid to prioritise, delay addressing problematic accounts, naturally focusing their attention on the cedants with cleaner data submissions.

Reinsurtech and revolution

While there's excitement about emerging data

platforms, technology in isolation isn't the magic bullet. Cedants should be diligent in the data shared to their partners, and reinsurers and brokers must clearly and transparently articulate what they need in order to secure the best terms and pricing.

The newer generation of professionals, who are innately more attuned to data-driven processes rather than manual drudgery, are frustrated. They see the huge potential of leveraging AI-enabled platforms but are held back by the bad data they receive, and the systems used to organise that data. This issue affects everyone across the reinsurance value chain. Clear and easy-to-use data will unlock unparalleled efficiency, orders of magnitude greater than what practitioners use today.

Elevating standards for collective gain

The main message is clear: good data is not just nice to have, it's essential for best results. And cedants are in a key position to drive this change. By championing data integrity, they can pave the way for brokers and reinsurers to step in as true collaborators. Alternatively, cedants can continue to send poorly structured and opaque data into the market to absorb the inflated premiums and reduced value provided by their most trusted partners who will move them further down their to-do list in favour of their competitors. The choice seems obvious as the rewards of upholding elevated standards promise a brighter, more efficient future for all stakeholders.

The repercussions of poor reinsurance data are far-reaching, affecting every aspect of the industry. With increased costs, strained relationships and hindered technological advancements, it's evident that quality data is vital moving forwards. As the digital age continues to evolve, it's crucial for all players in the reinsurance sector, especially cedants, to prioritise data integrity. By doing so, they not only streamline operations but also pave the way for innovation and collaboration, ensuring a prosperous future for the entire industry.



Jerad Leigh
is CEO at
Supercede

Access the full whitepaper *The Reinsurance Data Crisis* at www.supercede.com.

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A rapid data response to wildfires

ICEYE's Penelope Kourkouli and Stephen Lathrope address how satellite technology offers a potential game-changing capability for wildfire loss assessment

2023 has witnessed a surge in major wildfires due to warmer, drier conditions intensifying events globally. Even regions previously considered too wet or humid are now increasingly exposed to wildfire events.

In recent months, Canada has been tackling one of its worst wildfire seasons to date, while the island of Maui in Hawaii has been devastated by fires. Greece, Italy and Spain have also experienced multiple major events.

As air temperatures continue to rise and urbanisation near increasingly dry wildland-urban interface zones expands, so the frequency, spread and severity of wildfires will grow, making the question of insurability an increasingly pertinent one for the insurance sector.

Data limitations hampering response

The complexity inherent in wildfire events makes them incredibly challenging for insurers to monitor and manage effectively. Wind and fuel conditions can quickly alter the size and direction of an event, and distance from built-up areas can change very quickly, dramatically altering an event's exposure potential.

While a few wildfire data sources exist, their effectiveness is hampered by the time taken to access impacted areas, the limited availability of information as an event develops, the effects of smoke on aerial imagery and the need to pull insights from multiple different sources.

This data shortfall stalls multiple critical phases of the insurance process, including speed of assessment, policyholder communications, proof-of-loss capabilities and claims processing.

How SAR satellite technology is piercing the smoke

The development and deployment of miniaturised synthetic aperture radar (SAR) technology marks a step-change in how companies can monitor wildfire events. SAR imagery can pierce smoke and provide high-resolution ground imagery as an event evolves. Further, being miniaturised, it can be integrated into satellites much more efficiently and cost-effectively.

“The complexity inherent in wildfire events makes them incredibly challenging for insurers to monitor and manage effectively”

An SAR satellite constellation can target wildfire events anywhere within hours, acquiring radar images of the same location every 24 hours, which enables an unprecedented level of change detection as the fire evolves. Monitoring criteria can then be applied to trigger high-resolution data capture when a wildfire reaches a specific distance from a built-up or highly populated area.

Applying algorithms to the SAR imagery and location intelligence data enables an accurate assessment of the number of individual buildings destroyed and undamaged in an impacted area within hours. This means insurers can conduct rapid loss assessments, communicate immediately with impacted policyholders, target resources effectively and accurately allocate funds for property loss and accommodation costs.

While only recently launched, ICEYE's Wildfire Insights solution has been actively used by government agencies and insurers to gain rapid situational awareness during recent events, including the wildfire in Maui.

Fanning the potential

Offering near real-time hazard data can greatly enhance the insurance sector's response capabilities. While the application of SAR technology to wildfires is in its relative infancy, the scope of uses will likely evolve quickly.

Insurers will be able to monitor wildfire activity globally, mapping portfolio data to hazard information almost instantaneously as particular fires develop. ICEYE is also exploring ways to extend the impact data beyond properties to include motor and agricultural losses.

Further, the rapid access to accurate, verifiable, ground-level data will also inevitably act as a catalyst for the development of wildfire-related parametric structures as the public and private sectors explore innovative and responsive solutions to the challenges of insurability.



Penelope Kourkouli is Wildfire Insights product manager and Stephen Lathrope is global head of insurance at ICEYE

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The measured approach

IGI CUO Chris Jarvis explains how a commitment to discipline has helped the company outperform its peers

IGI's combined ratio has been below 90 percent in eight of the last 10 years – how do you achieve such consistency?

Our consistency in performance comes up a lot in conversations with industry professionals. They always want to know what our 'secret sauce' is. The answer is always the same: hard work, discipline and underwriting focus.

We have strong core principles that we stick to, one of which is understanding the business we write at a granular level. We work collaboratively and approach our business with a 'single hub' philosophy. The market has experienced a lot of so-called black swan events in recent years, and the firms recording outsized losses have done so mainly because of understating the materiality of their aggregate exposures or not fully considering the maximum possible downside. IGI takes a cautious and measured position in every business class in which we operate.

Our approach has proven extremely effective over time, especially during soft market cycles. But to continue underpinning IGI's long-term profitability, this approach may need to be adjusted slightly to allow us to fully capitalise on improved market conditions and pursue a higher-growth model. However, our fundamental principles for managing risk and exposures are the backbone of our achievements and an unwavering part of our DNA.

How so?

We recognise that hard market conditions are emerging in some classes, but not all sectors, so a more nuanced approach is required. We see harder conditions in areas such as short-tail property and reinsurance, and adapting to a new landscape is the challenge we now face but is something we have always done well. Despite our growth, IGI is still a relatively small fish operating in a big pond, but our size enables us to be truly nimble and move quickly

when required while remaining selective about new growth areas. For example, IGI entered the E&S market in 2020, and compared to some of our peers who are writing hundreds of millions of dollars of business because of attractive conditions, IGI has remained focused on a narrow segment of this business, which we are confident we understand.

What areas will you be targeting next?

We have built an excellent platform for supporting a diversified portfolio of specialty business, and we are in a strong position to tackle any new opportunities and build out existing lines still in their infancy.

We have increased our reinsurance treaty segment materially for 2023. Historically, IGI has had a modest treaty reinsurance offering, around 5 percent of the overall group premium – our current strategy is to increase that to at least 10 percent, given the improved conditions and opportunities. But as with everything we do, we will proceed cautiously in a measured fashion with close attention to our maximum possible downside.

What will we see from IGI's underwriting strategy for the rest of 2023 and going into 2024?

Our strategy will remain as it has always been: a cautious and measured approach to disciplined and focused underwriting in every class of business. The focus on underwriting diligence is central to everything we do, which has helped sustain our profitability throughout the years.

With that in mind, we are enhancing several pricing tools and processes to improve pricing techniques, especially in some of our smaller classes. We are investing in exposure management to provide us with greater control and access to real-time data for the enhanced management of our overall portfolio. And we are also growing our internal delegated underwriting framework, resources and controls to give us better insight, control and management of our delegated underwriting facilities, which will create the right environment to underpin growth in this area.

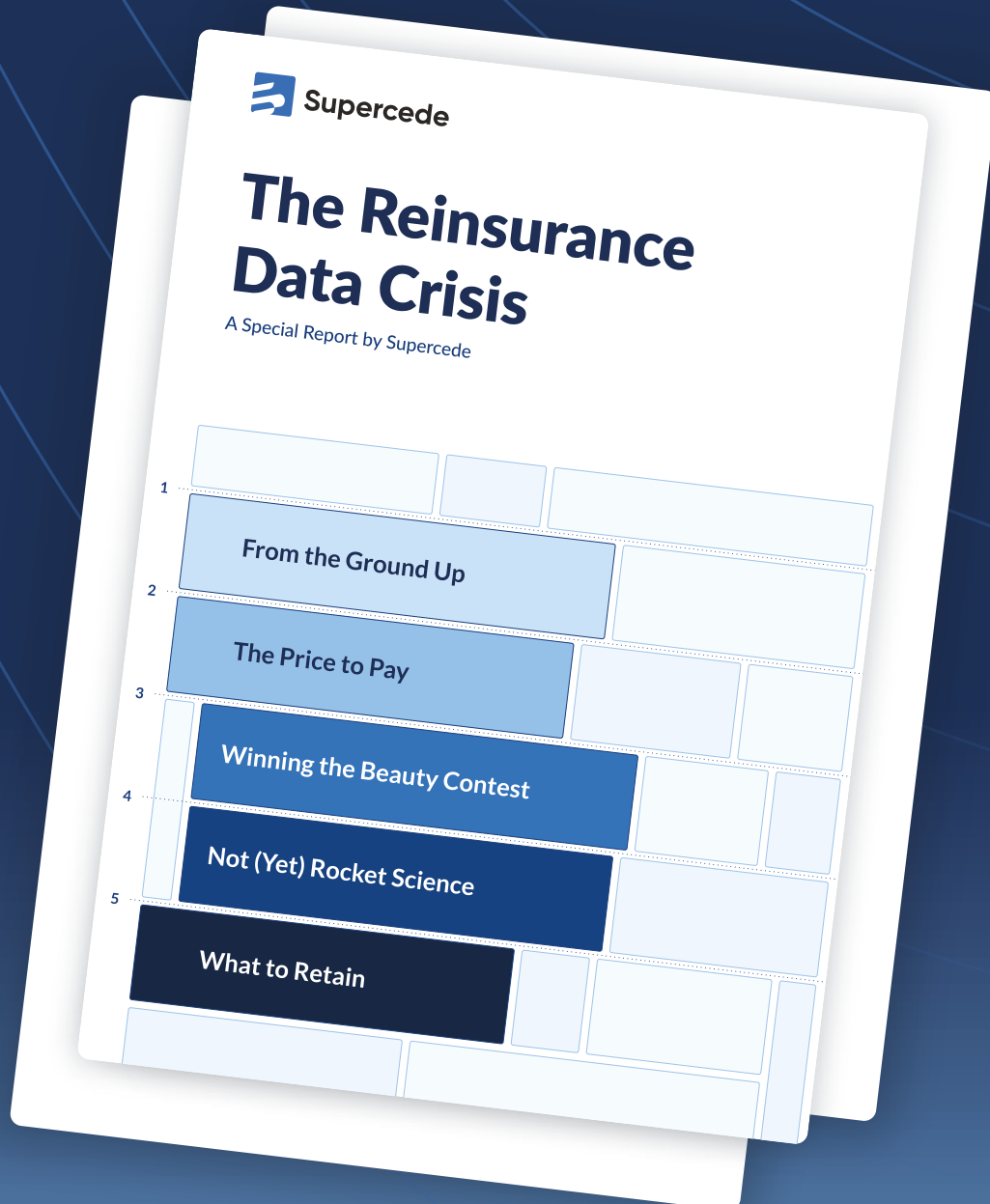
“ **We have increased our reinsurance treaty segment materially for 2023** ”



Chris Jarvis is
CUO of IGI

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Unravelling uncertainty in the changing risk landscape

Russell Group's Suki Basi on why understanding the rapidly changing risk landscape requires a new kind of thinking

As I outlined in my first article for *The Insurer* at this year's Monte Carlo *Rendez-Vous*, Russell Group has been engaged in a number of connected risk projects with Lloyd's managing agents to quantify intangible risks within plausible threat scenarios such as Russia-Ukraine, China-Taiwan, digitalisation and casualty clash.

This is a landmark moment for Russell. It connects long-standing clients with the journey to unravel uncertainty and deliver opportunity, through collaboration and forward-looking analysis – something we enabled 30 years previously with our work on Lloyd's Equitas and subsequently with the aviation reinsurance market questionnaire.

Client solutions

The project connects multiple in-phase initiatives at Russell that incorporate much of our thinking over the past few years. It is part of our transformation journey to collate and process data, and then use it to drive and develop solutions which align with our strategy to build client value for the existing (re) insurer and new corporate client base. For example, the Russell team works with 15 data supplier partners to ensure that the latest data is available, cleansed and name-matched to provide the insights that clients require to visualise their exposures across the aviation, marine, energy and casualty classes.

It is through this investment in and connection of multiple data sets that we aim to provide our clients

with holistic connected risk insights and continued value, in a manner already demonstrated to the world's media during the events of recent years. A clear example of this was our analysis of the impact of disruption to the flow of trade (\$3.4trn) in the Malacca Strait caused by a potential geopolitical event involving China, Taiwan and the US. This is why an enterprise-wide view of outcomes is required by exposure managers and (re)insurers to model the exposure and manage their risk transfer requirements. Forward-looking connected risk insights enable future analysis and the ability for

companies to handle risk proactively across their portfolio and build resilience.

“ **Understanding this rapidly changing landscape requires a new kind of thinking and the development of new skills** ”

Connected impact analysis

Understanding this rapidly changing landscape requires a new kind of thinking and the development of new skills. Russell has quickened our machine learning and artificial intelligence journey. We now have the capability to provide a connected impact analysis, helping clients and their teams to understand consequences of disruption caused by grounded airline fleets, war, clash, claims inflation and business interruption, for example. What are the threat scenarios? Once understood, we can generate scenarios for global threats to apply to client portfolios. Is it insured or not? We want to determine covered and uncovered exposure. What is the gross/net calculation? This knowledge will help to calculate covered scenario exposure gross and net of (re)insurance for client portfolios. Lastly, is our model forward-looking? If so, we can then identify current and future exposure concentrations within a portfolio for an event, location, industry sector or supply chain.



Suki Basi,
managing
director at
Russell Group



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Today we continue to look back at some of the industry titans we have lost over the past 12 months and remember a pioneer of Bermuda's insurance industry...

Michael Butt



Michael Butt, who passed away in February at the age of 80, enjoyed an illustrious reinsurance career that saw success in both the London and Bermudian markets.

Announcing the news, Axis' then CEO Albert Benchimol described the erstwhile Eagle Star CEO and Sedgwick chairman as a "towering figure" in the industry.

Butt had joined Axis in the months after the firm was co-founded by John Charman and longtime Marsh McLennan executive Bob Newhouse in the wake of the terrorist attacks on 11 September 2001.

He served as the company's chairman on joining in 2002, returning to the role in 2012 following Charman's departure from the company and remaining until September 2020.

Alongside his roles at Eagle Star and Sedgwick, Butt's career also encompassed a stint as

CEO of MidOcean, as well as director roles at XL Capital and Farmers Insurance Group.

Benchimol said Butt had "played a pivotal role" in Axis' development, "guiding Axis from a start-up into an established player in our industry".

"Over the course of his five-decade career, he was a builder of businesses, a builder of markets, and a passionate voice on issues such as climate risk and building a more sustainable world," Benchimol wrote to staff.

"In 2008, Michael was awarded the Bermuda Institute Lifetime Award," Benchimol noted, while adding that in 2011 Butt was appointed an Officer of the Order of the British Empire (OBE) in recognition of his contributions in building the Bermuda reinsurance industry.

He was voted into the International Insurance Society's Insurance Hall of Fame in 2019.

Before his Bermuda achievements, Butt had enjoyed a successful career in London, including as chairman of Sedgwick Limited and vice chairman

of Sedgwick Group before moving on to become the chairman and CEO of Eagle Star Holdings and Eagle Star Insurance Company. A popular industry figure, Butt was known for his urbane presence and charm.

Benchimol: "More than a captain of industry"

Benchimol also touted Butt as a "passionate advocate for education", highlighting Butt's support for his alma mater INSEAD – where, in 2022, Axis celebrated the executive's service by establishing the Michael A. Butt Fund for Business and Society to support the work of the Hoffman Global Institute for Business and Society.

Butt had been the chairman of the INSEAD International Council from 1988 to 1991 and also held board positions with the Association of Bermuda Insurers and Reinsurers – including periods as its chairman and vice chair.

However, Benchimol highlighted that, "on a more personal note, Michael was so much more than a captain of our industry".

"He was a counsellor and a mentor, a compassionate leader, and a wonderful friend. He cared deeply about helping others and opened doors for countless

young professionals, particularly those from disadvantaged backgrounds," Benchimol shared with his colleagues.

"For a man of his stature, Michael was incredibly humble – and incredibly human," Benchimol continued.

"Beyond being a brilliant business leader who always carried himself with charm and elegance, Michael was also a lot of fun – smart and intellectually curious, with a razor-sharp wit," he said.

"It gives me some comfort that in his final days and months, Michael was surrounded by loved ones, including his wife Zoe and his family," Benchimol added.

He concluded his remarks: "Please join me in saying farewell to Michael and perhaps savouring a glass of Johnny Walker Black in his honour."

Over the course of his five-decade career, he was a builder of businesses, a builder of markets, and a passionate voice on issues such as climate risk and building a more sustainable world



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