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Peter Mills: 'We were unable to align the total capital required at the relevant times'



MGA Pyrrhic Re fails to launch

Company unable to raise sufficient capital



Marc Jones
News editor

Would-be reinsurance start-up Pyrrhic Re is to close after failing to raise the launch capital it had planned to obtain.

The company labelled itself as "a new specialist reinsurance-only business, which will underwrite a diversified portfolio of treaty and facultative reinsurance business" when it was founded in 2019 by reinsurance industry veteran Peter Mills.

However, it was reported to have failed to raise the full amount its

executive team had planned for to go into business.

Before founding Pyrrhic Re, Mills was chief underwriting officer for Tokio Millennium Re and Endurance.

In a statement, the company said the senior executive team had worked hard for more than a year to launch the business and came very close to success on two separate occasions.

While it described the potential venture as "ambitious", it added it had also had a robust, fully developed five-year business plan, a highly experienced senior team and a cost-effective business model.

"I am deeply grateful for the loyalty of my senior team, the invaluable support and advice from our capital advisers and encouragement from long-stand-

ing brokers and clients," Mills said in a statement posted on Pyrrhic Re's page on LinkedIn. "We are proud of achieving significant interest (more than \$700m of total indicative support) from the investor community during the life of the project, going multiple rounds with several highly respected investment committees.

"We received highly positive feedback from potential investors and were praised for the quality of our senior team and our differentiated strategy. We nearly succeeded both as a de novo start-up and later with a revised M&A strategy.

"However, in the end, we were unable to align the total capital required at the relevant times and hence we have taken the decision not to proceed further with this venture at this time."

Vantage Group acquires US surplus lines insurer

Recently launched Bermudian re/insurer Vantage Group Holdings has acquired a US domestic surplus lines insurer and its 47 state operating licences, writes *John Shutt, Los Angeles*.

Vantage announced the deal two months after launching its US insurance offering by entering into a strategic partnership with an unidentified property/casualty insurer operating in the US.

The acquired business has been renamed as Vantage Risk Specialty Insurance.

The group said the partnership has enabled its underwriting teams to write selected lines of business with full access and authority to highly rated paper in all 50 US states.

"This acquisition is a critical step in developing our US business opera-

tions, enabling our teams to underwrite through our own subsidiary," Vantage chief executive, Greg Hendrick, said.

AM Best has assigned Vantage Risk Specialty Insurance an A- (excellent) financial strength rating and "a-" (excellent) long-term issuer credit rating, matching those of Vantage Group.

Terms of the deal have not been disclosed.



Vanessa Hardy Pickering will help steer Arch Re's financial strategy as CFO

Arch Re hires finance chief

Arch Capital has named Vanessa Hardy Pickering to lead the financial operations of its reinsurance division, writes David Freitas.

Hardy Pickering was most recently group treasurer of Hamilton and chief financial officer of its reinsurance operations, where she worked for more than eight years.

Hardy Pickering has also held senior financial roles at Ariel Re and Rosemont Reinsurance.

"Arch Re has experienced tremendous growth over the past few years with the help of an improved market and will greatly benefit from Hardy Pickering's knowledge of the Bermuda market and experience with global reinsurance companies' opportunities and challenges," Jerome Halgan, Arch Re's chief executive, said.

The new role is effective September 1.

Munich Re allays concerns with €1.1bn Q2 result

German reinsurance giant's result ahead of analysts' expectations



Lorenzo Spoerry
Deputy editor

Munich Re has allayed analysts' concerns over its exposure to European storms by booking a €1.1bn (\$1.29bn) result for the second quarter.

The company said its major loss expenditure in property/casualty (P&C) reinsurance was "below average, mainly as a result of comparatively low losses from natural catastrophes".

Jefferies analysts said the result was well ahead of consensus expectations of €808m.

"We had some concerns central European storms in the last week of June could be costly for Munich Re and Ergo," the analysts said. "Today's pre-release suggests these storms did not derail an otherwise benign quarter".

Covid-19 losses in P&C reinsurance were in line with expectations, although they were "clearly higher" in the life and health reinsurance business owing to the high mortality rates in India and



The aftermath of flooding in Rech, Germany

Thomas Frey/dpa/Alamy Live News

South Africa, Munich Re said without giving details.

The pandemic only had a "minor" impact on Munich Re's primary business, Ergo.

At the half-year point, Munich Re has earned €1.7bn and is on track to achieve its annual target of €2.8bn. However, it warned the likelihood of achieving the €400m sub-target for life and health reinsurance had decreased.

Munich Re will report its definitive figures for the second quarter on August 10.

The ongoing European floods, which occurred following the heaviest rainfall in a century, could cost reinsurers between \$2bn and \$3bn, according to estimates by Berenberg.

Germany has been the worst-affected country, but Switzerland, Belgium, Luxembourg and the Netherlands have also been hit by floods.

In Germany, insurance losses are thought likely to be the highest on record from catastrophes since the widespread flooding of 2002.

The 2002 flooding led to claims of €4.5bn gross of reinsurance.

Fitch estimates the 2021 floods could add up to five percentage points to German non-life insurers' net combined ratios.

The rating agency expects the "vast majority" of the flood claims to be covered by reinsurance.

At the time of the last significant European floods in 2013, Munich Re was the reinsurer that paid out the second-highest amount to cover losses. It disbursed €350m, behind only Swiss Re's €600m.

Private equity appetite drives up European insurance valuations as deals surge

Private equity interest in the European insurance market is driving up valuations in the sector, writes David Freitas.

Deal value and volumes have risen across the European insurance sector this year, mostly driven by private equity's appetite for businesses with models showing resilience to challenges brought by the pandemic.

Many insurance players have been able to withstand such headwinds, and some have grown their European businesses.

Private equity and venture capital have closed insurance sector deals worth €1.38bn (\$1.62bn) in Europe this year to date, compared with €28.4m for the same

period last year, according to ThomsonOne data.

This increase has been supported by a larger number of deals. In Europe, there have been 36 deals so far this year, representing a nine-deal increase over the same period last year.

In the US, private equity and venture capital buyers have closed around €11.4bn worth of deals, compared with €4.32bn in the same period last year. There have been 111 transactions of this type in the US so far, against 94 for the same period last year.

Will Greer, a partner at Deloitte's financial advisory practice, told *Insurance Day* financial sponsor appetite for insurance

deals is testament to "the resilience of the insurance sector to the challenges of trading through the pandemic". It also "highlights a number of strong tailwinds driving private equity deals in insurance", he added.

Insurance business models offered "inherent enduring attractions" and that market conditions, which are making for affordable debt markets, have also facilitated the deployment of capital from private equity players towards insurance, Greer said.

In addition, recent broker consolidation efforts are also driving insurance deals in Europe as are the opportunities presented by

the disposal of non-core assets by insurers, Greer added.

Broker Howden, which is looking for acquisitions in Europe, is seeing acquisition multiples rise as a result of private equity's interest in the sector.

"Lately, we have seen a lot of private equity funds coming into the picture and trying to do the same gold rush that happened in the US, so private equity [insurance acquisitions] are a reality of the European market," Luigi Sturani, chief executive of Howden's insurance business, told *Insurance Day*.

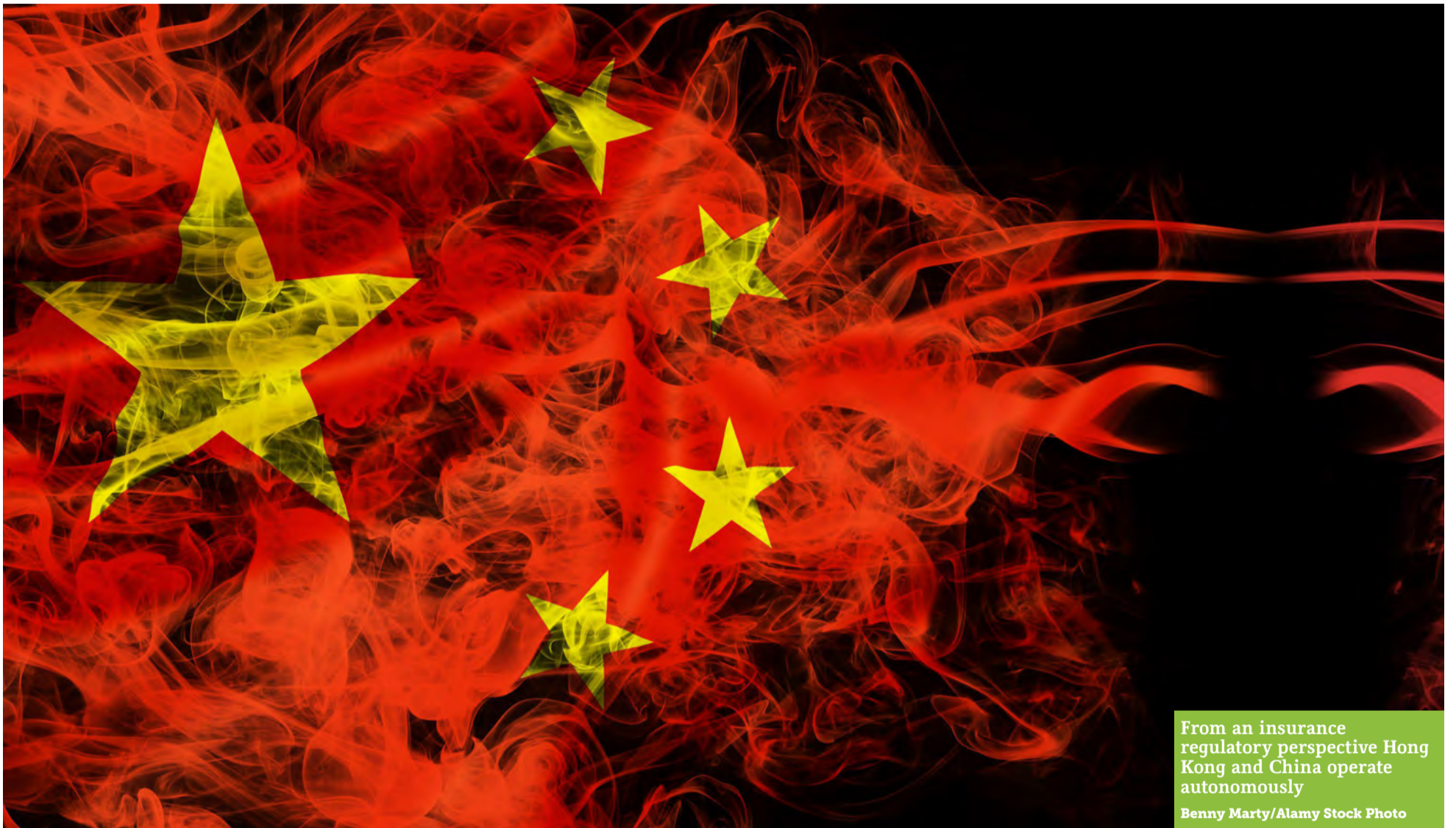
"We think there is a rush to aggregate brokers mainly with a financial focus, both from the

large ones and the PE funds."

Sturani said PE interest in the insurance sector does not conflict with the Howden's acquisition strategy. While PE firms seek to acquire a business and exit at a certain point in time, the broker intends to acquire new businesses to leverage the brand names and the expertise in the markets where the targets operate.

"PEs are not helping the pricing of the companies we are looking to partner with, but if a target company in a country is more interested in joining a PE proposition rather than an industry-focused corporation like ours, probably it is not a fit for Howden," Sturani added.

ANALYSIS



From an insurance regulatory perspective Hong Kong and China operate autonomously
Benny Marty/Alamy Stock Photo

SME sector and tech products to drive China W&I growth

International private equity firms drive M&A transaction rebound in China and Hong Kong in wake of favourable regulatory changes



Rasaad Jamie
Global markets editor

Demand for warranty and indemnity (W&I) insurance in China and Hong Kong was rising in the three years leading up to the coronavirus pandemic, which brought an abrupt but temporary halt to merger and acquisition (M&A) activity in the region.

Both markets, responding to pent-up demand, rebounded in the second half of 2020 and the first few months of 2021 as China managed to bring its Covid infection rates under control faster

than other countries. More recently, corporate M&A activity in China has settled down to a less hectic pace, but the volume of deals is expected to expand around 10% in 2021, after an increase of around 30% in 2020.

Growth in M&A activity in China in 2021 is largely being driven by a convergence of domestic, international private equity and state-backed investment, experts say. A number of factors are driving this unique convergence of capital, including the demand for investment to further unlock the economic potential in regional clusters such as the Greater Bay Area, where Hong Kong is located.

At the same time, China remains engaged in the process of upgrad-

ing its industrial capabilities by investing in advanced manufacturing technologies. There is also increased investment in the Chinese high-tech and renewable energy sectors, which includes the production of electric vehicles. Private equity is playing a pivotal role in M&A transactions as the sector responds to favourable regulatory changes in China.

Opportunities

Insurance businesses are keen to tap into the opportunities presented by burgeoning M&A activity. Fusion, a specialty M&A re/insurance platform, recently entered into a strategic partnership with Ping An Property & Casualty Insurance Company of China to offer W&I solutions to clients in China and Hong Kong, establishing Fusion Specialty Asia, the only licensed M&A insurance managing general agent (MGA) in the region. Fusion Specialty Asia will be based

in Hong Kong, but will have the ability to underwrite M&A risks in China through Ping An's W&I policy forms, which are pre-approved by the regulator, the China Banking and Insurance Regulatory Commission (CBIRC).

Killian McDermott, Fusion co-founder and executive partner, says even before the more recent decline in deal values and

in the volume of cross-border M&A deals due to Covid and geopolitical factors, international private equity firms, M&A advisers and international insurance brokers had built up a presence in centres such as Hong Kong, Shanghai and Beijing. "The presence of these companies has served to foster an awareness of the benefits of W&I cover and has contrib-

'Hong Kong will remain as an attractive location for both inbound and outbound investment, particularly for Chinese companies seeking alternative options due to growing regulatory pressure in the US'

Killian McDermott
Fusion Specialty Asia

'Despite the pause in outbound deals' growth, we have issued policies for China and Hong Kong insureds acquiring targets in the US, Europe and Asia, along with buyers/insureds for Chinese assets, respectively, over the past 12 months'

David Rogers
Fusion Specialty Asia

uted significantly to the increase in demand for the product among buyers in China, particularly for outbound deals," he adds.

Investment hub

Despite Covid and recent geopolitical uncertainties, Hong Kong continues to be a hub for investment by international private equity firms and foreign multinational investors that are acquiring targets in China, as well as for large-scale private and public investment in public equity deals. This trend is facilitated by legislation that enables private funds to be registered in the form of limited partnerships in Hong Kong, which maintains its own law for M&A transactions that is closely based on English law.

"Hong Kong will remain an attractive location for both inbound and outbound investment, particularly for Chinese companies

seeking alternative options due to growing regulatory pressure in the US," McDermott adds. Fusion Specialty, a Lloyd's coverholder, operates MGAs in Australia, Hong Kong, Singapore and the US.

Both McDermott and David Rogers, Fusion Specialty's other co-founder and executive partner, worked with Ping An to provide cover for M&A transactions before the launch of Fusion Specialty in 2018. "With that strong relationship already in place and the growing knowledge of the W&I product in China, both Ping An and Fusion felt the time is now right to formalise our partnership to better serve the Greater China and regional M&A ecosystem," Rogers says.

The timing could not have better, according to Rogers. "We are seeing renewed activity in 2021 for China outbound transactions in Asia, which will lead to further

growth in the W&I market. And, despite the pause in outbound deals' growth, we have issued policies for China and Hong Kong insureds acquiring targets in the US, Europe and Asia, along with buyers/insureds for Chinese assets, respectively over the past 12 months," Rogers says.

Inbound M&A activity by Asian investors is also increasing in 2021, which for Fusion Specialty has resulted in more W&I submissions and policies issued. There are also signs the pace of development in China's domestic W&I market is accelerating. "We are already seeing a number of examples of this," Rogers says.

Critical element

McDermott regards the small to medium-sized enterprise (SME) sector as a critical element in the development of the W&I market in China. Indeed, Fusion and its related company io.insure have developed what McDermott describes as the first W&I insurance online marketplace to fill the risk protection gap in the SME segment of the W&I market, a segment that is underserved not just in China but globally. "The total addressable global market is estimated at \$12bn-plus in premiums," McDermott says.

Fusion Specialty is initially targeting Australia in August this year for its online W&I product and the US markets from October 2021. The company also expects to launch the product over the next 12 months in Hong Kong, Singapore, the UK and Europe.

'Speculation of freedom of services regime between China and Hong Kong'

The insurance market in the People's Republic of China is an admitted policy regime. Insurers in China are also obliged to maintain their core underwriting and claims functions in-house. Solicitation of insurance business in China must be conducted by intermediaries who are licensed in China.

In this regard, although they are very actively trading, collaborating and conducting business together, from an insurance regulatory perspective Hong Kong and China operate autonomously. For example, there is not at present the equivalent of the EU freedom of services legislation, according to McDermott.

"We hear speculation this is something that could develop for the Greater Bay Area, with a population of 70 million people, whose GDP is higher than the San Francisco Bay area and closer to that of the New York and Tokyo bay areas," he adds.

As things stand, Fusion's strategic partnership with Ping An means China-domiciled insureds, therefore, have the benefits of a Ping An admitted policy. Conversely, Ping An accesses reinsurance capacity in Hong Kong through Fusion on behalf of Fusion's other capacity partners such as the Hong Kong branch of Allianz Global Corporate & Specialty (AGCS) and Markel syndicate 3000 at Lloyd's.

Unlike China, Hong Kong allows non-admitted policies to be issued. For Hong Kong insureds, Fusion offers co-insurance capacity on behalf of AGCS's Hong Kong branch, Markel syndicate 3000 at Lloyd's and Ping An. "The programme is also supported by Zurich Singapore. It is likely we will expand this programme, with the addition of further re/insurers that are aligned with our strategy to develop this market opportunity. We have already had expressions of interest in this regard," McDermott says.

"The major brokers have teams in Hong Kong and in China. The teams on both sides co-operate closely on transactions. The China teams manage the China-domiciled client relationships and the Hong Kong teams transact with the global insurers in Hong Kong, Singapore, Australia and London," McDermott adds. ■



Benny Marty/Alamy Stock Photo

The company has developed a version of its SME W&I insurance online marketplace focused on the real estate segment, for which McDermott and Rogers believe there will be significant demand in Asia.

As the China W&I insurance market develops in tandem with the growth of its M&A market, Rogers is confident Fusion Specialty's data- and technology-driven W&I solutions could well accelerate the development of the China W&I domestic and SME W&I market also.

However, the support of Ping An will be critical, he adds. "It is a highly sophisticated group and an early adopter and innovator in the deployment of data and technology-based insurance products and solutions in China," Rogers adds.

Rogers predicts demand in the inbound and outbound China and Hong Kong W&I insurance market could increase at least fivefold over the next five years. This is

based on the growth trajectory of the product in the more developed W&I markets of the US, London, Europe and Australia.

"If you compare that trajectory with the size of the Chinese economy and its projected growth and the increasing sophistication of the M&A ecosystem leading to ever-increasing awareness of W&I, our estimates are likely to be on the conservative side," Rogers says.

Fusion and Ping An would expect to have 20%-plus share of this W&I market. That, according to Rogers, does not take into account the potential of the domestic market, which could see exponential growth of the product over the coming decade. "In addition, data- and technology-enabled insurance could be the catalyst for significant growth. This projected development of the market is also strongly correlated with the demand for capacity and expertise delivered by the partnership with Fusion." ■

VIEWPOINT

Augmented intelligence will shape the future of catastrophe risk management

As insurers increasingly deploy AI technologies in their catastrophe exposure management frameworks, the cleansing and validating of input data are becoming more critical



Sue Barenbrug
Pro Insurance Solutions

While augmented intelligence is already in use across many industries, it is projected to grow exponentially in the future. That is certainly the case in the world of re/insurance, which uses lots of data and repetitive processes and has been an early adopter of machine learning, partnering with technology firms and investing in start-ups for many applications.

There is now an endless stream of new augmented intelligence applications being developed and companies everywhere are keen to invest as they see the opportunities to automate processes, streamline operations and enhance the customer experience while achieving efficiency gains, cost reductions and significant benefits to their business, operational and financial strategies.

The bottom line is augmented intelligence has the potential to transform the re/insurance experience from often frustrating and bureaucratic processes to something fast, on-demand and affordable – and the key is ensuring it is a genuine value-adding enabler, not a distraction to achieving a company's strategic goals.

Before looking at some of the applications of augmented intelligence and how it affects re/insurers, it is worth reminding ourselves of the difference between artificial intelligence (AI) and augmented intelligence. AI is essentially the use of machines to replace human activity – to work and react like a human in a specific situation. Augmented intelligence uses the same learning machines but with a different approach – to enhance the human worker and work with them. It is an important distinction and allows us all to work better and smarter.

Combining the wealth of available data above and beyond what traditional AI tools can manage with the human touch is what



Augmented intelligence can provide increased insights into new exposures

Skorzewiak / Alamy Stock Photo

makes augmented intelligence technology so powerful for the re/insurance sector.

What is beyond doubt is that re/insurance companies have had to embrace and adopt augmented intelligence and new technologies to keep up with the frenetic pace of change across the industry to remain relevant and differentiated for their staff, customers, business partners, regulators and shareholders.

Insurance application

The application of augmented intelligence is almost limitless and covers areas such as underwriting, claims and cyber, as well as issues such as supply chains, economic and climate risk – where machine learning helps to assess risks more efficiently, quickly and effectively. By automating day-to-day activities and improving a company's understanding of the correlation between risks, business leaders can better recognise and appreciate the opportunities augmented intelligence brings in allowing them to concentrate on the customer-focused, value-adding activities across their organisations.

This is particularly important in areas such as exposure and catastrophe risk management,

where underwriters need to be able to make informed decisions based on quick, readily available and reliable data.

The 2021 north Atlantic hurricane season, for example, is widely tipped to be an above-average year (the 1995 to 2020 average number of named storms was 15.4, hurricanes 7.7 and three major hurricanes) and augmented intelligence can provide increased insights into new exposures, enable risk managers to give better risk advice and allow real-time responses to customers and business partners in these critical situations.

Another topic that is rightly rising rapidly up boardroom agendas is that of climate risk. Re/insurance carriers are increasingly (and hurriedly) having to build the impact of climate change into modelling for the frequency and severity of natural catastrophes.

They are grappling with the challenge of finding the best methods to reflect climate change in their predictions and pricing as central banks, regulators, rating agencies and shareholders are increasingly asking questions about this topic.

Since cat models traditionally look at historical data and apply it into the future, some underwrit-

ers are understandably concerned their present approach may not have fully taken account of the impact from climate change that is already happening.

Not surprisingly, the Bank of England has asked the UK's largest insurers and banks (as part of its Climate Biennial Exploratory Scenario) to provide detailed information about how their 2020 year-end balance sheets would fare under three hypothetical policy scenarios with a view to improving risk management and organisations' understanding of vulnerabilities.

It also wants to find out what effect climate risk is having on the financial system as a whole and to use the findings to inform policy. This will serve as a further reminder to companies that climate change and environmental, social and governance reporting are not box-ticking exercises, and they will not get away with publishing glossy brochures highlighting their "ambitions" in these areas. It will also require re/insurers to clearly evidence they have exposure management under control.

AI and augmented intelligence will play a critical role in defining the winners and losers in relation to many of these issues – compa-

nies that are embracing change and using augmented intelligence wisely will, undoubtedly, have a significant competitive advantage. The key is good-quality data and the insights this brings, as well as minimising repetitive tasks to allow management teams to focus on strategic decision-making that adds real value to their various stakeholder groups rather than getting bogged down in the weeds.

Optimisation

Our industry wastes a lot of time cleansing data and this is an area that is in need of innovation and simple solutions – spending unnecessary time and resource fitting data into another system is never ideal, particularly in areas such as exposure and catastrophe risk management.

As an example, large numbers of SOV files can be cleansed one year but when they are re-submitted for renewal, in many instances, they are re-cleansed from scratch even if they contain only minor changes. This is not a good use of time or resource and it surely makes far more sense to have a platform that recognises whole files and data types within files and reapplies the cleansing process – which can significantly reduce the effort required to process a file compared with manual processes.

Poor-data quality and reliability can affect a re/insurer's bottom line and tasks such as cleansing and validating data can be an unwelcome drain and distraction. Instead, companies want to be targeting resources to priority areas which bring the most value to employees, customers, shareholders and the communities in which they operate including underwriting discipline, outstanding customer service, strong risk and reputation management and superior financial performance. Embracing augmented intelligence as a key business enabler will allow companies to achieve this goal. ■

Sue Barenbrug is global head of data management and risk modelling at Pro Insurance Solutions

Risk selection is critical to a sustainable financial institutions market

The market's low-frequency, high-severity risk profile, together with the lack of homogeneous data, is creating a highly challenging environment for underwriters

Dmytro Olegovich Zakharchuk/
Alamy Stock Photo



Chris Brown
Mosaic Insurance

Insurance clients in the financial lines sector face a fragile and hazardous environment as 2021 unfolds amid a hardening market, a global pandemic and an uncertain economic outlook.

Sophisticated financial sector companies must navigate an unprecedented landscape of diverse, unique and fast-shifting threats, perhaps most obviously exemplified by the exponential rise in cyber attacks affecting all sectors. Customer claims and regulatory investigations are also on the rise and, increasingly, individual directors and officers of firms are being held personally liable, leaving organisations and their executives vulnerable to a plethora of emerging risks. Risk is certainly up and, coupled with unpredictability, a continuing hard market is the overarching theme in the foreseeable future.

The commercial insurance market started firming in 2018 after nearly a decade-and-a-half of price reduction, only briefly interrupted by the global financial crisis. The arrival of Covid-19 in 2020 turned up the heat and the market changed gear from price correction to outright hardening. Portfolio rate increases of

between 25% and 40% were recorded across the industry, with examples of underpriced individual risks facing a dramatic 300% to 500% adjustment. Axa XL's withdrawal from financial lines and directors' and officers' liability in London added to this.

The result of corrective pricing over the past three years would have succeeded in putting the market on a sounder footing had it not been for the impact of social inflation, reserve deficiencies and the Covid-driven amplification of economic uncertainty.

Inflation threat

After a decade of quantitative easing (QE) and the recent reopening of economies in the US and Europe after lockdowns, inflation is now the threat that could provoke a change in policy. It is worth underscoring the tight correlation in this class of business between economic shock and operational loss activity – stock market volatility, combined with an economic downturn, serve to expose crime losses and spur claims against this sector's institutions for financial loss and compensation.

QE and the low interest rate policy response that followed the financial crisis have had the effect of stimulating asset prices – stock markets are trading at an all-time high, with valuation multiples some economists feel bear all the hallmarks of a bubble. There are plenty of conflicting signs that are

encouraging – for example, the pick-up in economic activity most starkly evidenced by recent estimates private equity companies have struck merger and acquisition deals worth more than \$500bn in the first half of 2021 (the highest since records began in 1980). However, there remains concern if the policy response to rising inflation is to raise interest rates in markets that have grown used to them being at historic lows, fragile economies could go into shock and asset prices could crash.

For the short term, such drastic economic threats are likely to be held at bay, although the outlook is unclear. Another interesting trend is the gathering pace of the shift of global trade to the East, after centuries focused on Western interests. What might the world's changing economic centre of gravity mean for financial institutions and their risk exposure profiles?

How should underwriters respond to these fluid risk dynamics and complexities in general? The pace of rate change grabs attention, but the most important pricing metric is rate adequacy. The ability to price risk appropriately is a key determiner of success for an underwriter. In addition to price adjustments, carriers are certainly demonstrating more discipline, reducing both line size and concentration in layers written. For small and medium-sized enterprises and asset management business, only two years ago an insurer would

need to write 100% of a primary \$5m layer to be credible. Now, it is normal to see a lead line restricted to 50% or even 25%. Increased discipline and capacity constraints are leading to a renaissance of the subscription market.

At Mosaic, we believe by having a broad portfolio that avoids concentration, we are better able to withstand systemic exposures to any particular financial sector, economy, jurisdiction or regulator. Underwriting strategy must begin with a rational portfolio framework that governs the deployment of capacity before we begin the critical individual risk selection work within it.

Barrier to entry

The low-frequency, high-severity risk profile of this class of business, together with the lack of homogeneous data, creates a barrier to entry and means considered judgment is required to underwrite this portfolio successfully. Experience certainly helps refine critical thinking, so long as one is open-minded and prepared to absorb lessons. We have built a team around industry veterans at Mosaic; experts who bear the scars from the early 1990s, the dotcom bubble at the turn of the last century and the financial crisis. We have certainly been to school.

Risk selection and careful analysis of financial institutions is fundamental from our perspective – although a big challenge.

Contract language, coverage attachment points, capacity deployment and premium decisions are all vital parts of the underwriting process, but differentiating potential clients by culture, operational risk, business model and financial strengths and weaknesses best determines the performance of an underwriting portfolio.

Syndication is another way to mitigate against unknowns, especially in the capricious environment surrounding financial institutions these days. We have created our company with a hybrid model to share exposure and make our offering more robust through market cycles; it combines our London syndicate with a global syndicated capital management structure, enhanced by an agile insurtech platform, essentially taking the Lloyd's subscription market virtual.

It is unusual but effective: by taking a share of risk for Mosaic 1609 and matching that with capital from third-party partners, we create syndicated blocks of capacity to distribute worldwide. In times of economic uncertainty, spreading cover in such a way offers more powerful portfolio protection, especially to address clients' operational risks in today's climate. ■

Chris Brown is executive vice-president, global head of financial institutions and executive vice-president, syndicated capital management at Mosaic Insurance



Travelers returns to profit in Q2

Company benefits from fewer catastrophes in latest quarter



Marc Jones
News editor

US carrier Travelers returned to profit in the second quarter of the year on the back of an improved underwriting result.

Second-quarter net income rose to \$934m, a recovery from the loss of \$40m it made in the same period of 2020.

Higher underlying underwriting income and net favourable prior-year reserve development, as well as a lower level of catastrophe losses, all contributed to an improved result.

The carrier reported an underlying combined ratio of 91.4%, while its investment portfolio generated net investment income of \$682m.

Underwriting losses from catastrophes totalled \$475m in the second quarter, down from the \$854m it reported in the same period of 2020.

In April, Travelers revealed it had burned through nearly half of the retention on its aggregate reinsurance treaty in the first three months of the year, following record catastrophe losses



in the first quarter of 2021 that included the February winter storms that hit Texas.

The results took Travelers to a first-half 2021 net income total of \$1.67bn, again up substantially on the \$560m net income figure it reported for the first six months of 2020.

Net written premiums for the second quarter of 2021 came to \$8.1bn, an increase of 11% on the

\$7.3bn it reported a year earlier.

“Our excellent top- and bottom-line results this quarter and for the first half of the year demonstrate the continued successful execution of our strategy to grow the top line at attractive returns, as well as the effectiveness of our well-defined and consistent investment philosophy,” the company’s chairman and chief executive, Alan Schnitzer, said.

“Our focused innovation agenda has been an important contributor to the growth and profitability we have achieved and we will continue to relentlessly pursue our priorities of extending our lead in risk expertise, providing great experiences to our customers, distribution partners and employees and improving productivity and efficiency,” he added.

Chubb board authorises \$5bn share repurchase

The board of global re/insurer Chubb has authorised a new one-time share repurchase programme of up to \$5bn through June 2022, writes John Shutt, Los Angeles.

The \$65m remaining in the group’s existing \$2.5bn share buyback programme will be used for repurchases before the new programme commences.

Chubb said the volume and timing of any share repurchases will be determined by management at its discretion in accordance with the group’s capital management strategy.

“Our core capital management philosophy is to maintain capital flexibility for risk and growth and return to shareholders capital in excess of that,” Chubb chairman and chief executive, Evan Greenberg, said.

“We have been good stewards of capital and this action is consistent with our strategy and reflects our strong confidence in both our near- and longer-term earnings power and momentum.”

\$65m

Remainder of Chubb’s earlier share buyback programme

Atrium provides PV capacity to Africa Specialty Risks

Africa Specialty Risks (ASR) has secured an additional \$10m capacity for its political violence and terrorism (PVT) division from Atrium Underwriting, writes Michael Faulkner.

Africa-focused managing general agent ASR launched its PVT business line in April 2021, appointing Zouheb Azam from Axa XL as head of the division. The division offers products that cater to the specific requirements and challenges of PVT risks in Africa, covering a broad range of

perils and extensions.

“PVT cover is more important now than ever before and this extra capacity will allow us to further support our clients across Africa,” Azam said.

ASR has been expanded rapidly in recent months, launching a parametrics division and a licensed reinsurer in Mauritius to provide additional capacity.

In February, the group announced it had secured additional multi-year binder capacity of up to \$25m per risk through a part-

nership with GIC of India and annual capacity from Peak Re.

Stuart Harmer, head of terrorism and political violence at Atrium, said: “We very much look forward to working with ASR in providing risk solutions for their clients in the region.”

ASR was launched by Helios Investment Partners in partnership with Mikir Shah, former chief executive of Axa Africa Specialty Risks, and Bryan Howett, former chief executive of Old Mutual’s pan-African reinsurance operations.

Willis Towers Watson sells Northern Ireland business

Global Risk Partners (GRP) is to acquire Willis Towers Watson’s commercial risk and broking business in Northern Ireland, writes Marc Jones.

On completion, the business, which has £57m (\$77.6m) in gross written premiums, will be integrated into ABL Group, GRP’s Northern Ireland brokerage, headquartered in Belfast. ABL became a part of GRP in 2015. All Willis Towers Watson staff involved with the portfolio will move to ABL.

The acquisition follows a number of recent deals completed by ABL, which combined with organ-

ic growth has taken the unit’s total gross written premium to well over £50m.

Willis Towers Watson has been divesting itself of a number of subsidiaries, as it tries to reassure regulators its planned merger with Aon will not diminish the amount of competition in the broking market.

ABL chief executive, Maurice Boyd, who will lead the combined organisation, said: “Not only is the portfolio made up of high-quality commercial business and an excellent team, it also underlines the importance the group attaches to Northern Ireland.”