Winter 2017/18

THE INSURANCE Insider

BERMUDA ROUNDTABLE 2017/18

Capital concerns

Will Bermuda be awash with capacity again in 2018 or could trapped capital lead to a crunch?

Insight and Intelligence on the London and International (Re)insurance Markets

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A great time to be on the island

Dear friend,

The reinsurance migration calendar doesn't usually bring me to Bermuda in December.

But now that I've visited in the last month of the year I don't know why I didn't come before.

It's a great time to be on the island and I'm not just talking about the particularly pronounced temperature differential with London and New York at this time of year.

Most people you want to see are busy, but will fit you in if they can. They don't have many other visitors at this time and I think they feel they could do with a light break from piling through the renewals.

But the key is they are all on the island. The great paradox of a Bermuda trip at less busy junctures is that half the people you want to see are busy travelling themselves.

This trip was particularly fruitful. Bermuda was abuzz. A new government, major US landfalling hurricanes, the Paradise Papers, the ILS challenge from London and the Trump tax reforms were all making waves.

I found a Bermuda that was as ready for business as I have seen it for a long time. This place is so adaptable and resourceful we should never doubt its long-term stickability in the global (re)insurance world.

The group of senior executives we pulled together for this roundtable was an excellent cross-section of the new Bermuda. The entire spectrum was represented from ILS and alternative asset management through high-end run-off and more traditional P&C. We also had a broker to keep them all honest.

It was a wide-ranging discussion. Given all the Q3 and Q4 cat activity and the fact that renewals were in progress we started where we had to start.

But once we had heard from our broker that the HIM tide was not one that was lifting all boats and that capital was still abundant and happy to reload, it was only natural that risk carriers might want to change the subject.

The debate therefore went far and wide, straying into cyber insurance, InsurTech and onto regulatory questions, tax and Trump.

The rare combination of expertise, brain power, eloquence and candour around the table make for excellent and informative reading.

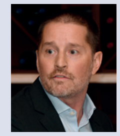
I commend it to you while thanking our friends at EY for their expert contributions to the debate.

My 2018 calendar already has a few days in December pencilled out for this year's trip.

Enjoy the read.

Mark Geoghegan
Managing Director
The Insurance Insider

ROUNDTABLE PARTICIPANTS



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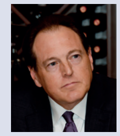

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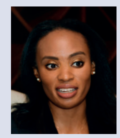

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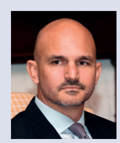

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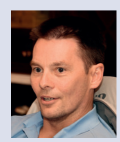

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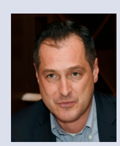

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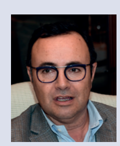

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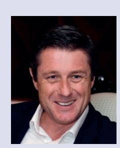

Charles Withers-Clarke
Partner, JLT Re

The Bermuda Roundtable Winter 2017

Mark Geoghegan
Let's begin with the obvious question: it's been a hell of a year so what's going on with the renewals?

Charles Withers-Clarke
On property cat and property retro, we're seeing increases obviously on loss-affected layers, but this is not a tide that's lifting all boats. There is still a lot of capacity in the market, so we're not seeing dramatic increases, and most other markets are towards the flat side.

Speaking to my insurance colleagues, on excess liability and professional lines they believe the market is flat at this point. We're seeing some movement on energy, but the broader classes are not really moving. We're seeing maybe a bit more resolve, but that resolve was already there before the losses on the property cat side.

Justin O'Keefe
January is obviously a busy renewal time for the property cat market. RenRe is still one of the largest Bermudian cat writers in the US, international and assumed retro space, and all three of those markets are behaving a bit differently. But the renewal is as late as I've ever seen it in 20 years in the sector so, as of right now, we only have about 25 percent of our portfolio actually in the marketplace.

Generally speaking, in the global cat space we haven't seen anything down – that's a good sign relative to the last five years. There are more price increases on the retro side and, second to that, peaks on US cat, and third on international cat.

[The reason for the late renewal is] partly just that insurers, over the past five years, have been able to place programmes very easily and therefore they have been completed quickly. This year buyers and brokers have needed more time and more meetings to review quotes and reach a final decision.

Simon Kimberley
Also there might be a strategy at play where people are delaying firm orders because they don't want to be first out of the blocks. They're thinking: "If we keep ourselves in line with everyone else, we won't be unfairly treated or we won't be made the test case." With clients who come out early, there is a worry that they could be the bellwether for the rest of the market.

Richard Lowther
It comes down to supply and demand of capital. From the insurance-linked securities (ILS) perspective, this isn't naive capacity coming to the market. It's coming with return expectations and after taking some relatively meaningful losses. Our investors want to see signs of rational market behaviour. We, like many other ILS funds, are couching the opportunity as attractive going forward, but we won't draw on the money if we can't put it to work at the right prices.

Andre Perez
To the point about the strategy of coming first to the market, I can see people who had loss-affected contracts wanting to come in late just to see the lie of the land. But those who are maybe loss-free or are in a relatively well-priced programme, I would have expected them to come in already – but we haven't seen them come to market yet.

Butch Agnew
At Tokio Millennium Re we're also seeing late firm order terms and authorisation, so there's not much in the market yet. There's not many high water marks to gauge where pricing will go. There is a lot of ILS capital waiting to be deployed. It will be deployed if there are rate increases, but a lot of it will not make it to market without significant rate increases. Brokers are doing a good job on non-loss-impacted programmes of holding the line and trying to keep rates flat, or down on a risk-adjusted basis. And that's delaying the process of deploying capital in the most opportunistic fashion.

Mark Geoghegan
Picking up on what Richard said about return expectations, do you think they're realistic?

"JUST BECAUSE ILS FUNDS AND REINSURERS MADE MONEY FOR THE LAST FEW YEARS DOESN'T NECESSARILY MEAN THAT THE RATES WERE SUSTAINABLE IN THE LONG RUN"

RICHARD LOWTHER

Richard Lowther
In our business, you can have a benign set of cat years which can mask the fact that market pricing is inadequate. Just because ILS funds and reinsurers made money for the last few years doesn't necessarily mean that the rates were sustainable in the long run. It's also what we learn from these kinds of events. The industry has seen unexpectedly high levels of demand surge in Puerto Rico given the logistical rebuilding challenges. Loss adjustment expenses also spiked after two large hurricanes impacted the US in quick succession. There are also pricing lessons from poorly modelled or non-modelled perils. The hurricane-induced precipitation that caused massive flooding in the wake of Hurricane Harvey, for instance, wasn't necessarily accounted for very accurately and will now impact the view of such risks going forward.

Simon Kimberley
Another dynamic is that there has been a long period where clients have been getting reductions year on year. Some brokers are reluctant to go back to clients and tell them that they might have to pay more money and so are putting pressure on underwriters. If a firm order is given out, the brokers are hoping that the resolve of the underwriter will wane over time.

Justin O'Keefe
The actual versus expected results in the business you're referring to are huge. Funds and third-party capital investors were able to easily make double-digit returns in low loss years over the last four or five years at, on an expected basis, returns that are just not sustainable for the investors.

When you're managing investors in a fund and you're constantly seeing 10, 15, 20 percent returns, it is very tough for your boss to tell you not to reallocate or put more in. We've seen that time and time again, where suddenly it's become negative – and maybe even more so from the standpoint of capital locked up – and maybe you're not sure if you're going to have losses or not.

Adolfo Peña
That point about the capital being spooked – it depends on what you've been selling. If what you've been selling to the investors stacks up to their experience, there isn't any nervousness. If you've been selling a riskless proposition and then you have a 50 percent drawdown, of course your investors are going to jump. We spend most of our time educating investors so that whenever this happens, it's not a surprise for anybody.

Mark Geoghegan
What about the dynamics of the marketplace? In retro, we have people who have bought more as the market has softened, but if the market hardens, they may retain a lot more and start selling retro. Have you seen any of that?

Charles Withers-Clarke
We've certainly seen that from a broker's perspective. We've seen rated carriers offering paper rather than collateral looking at the retro space. If the rates don't get to where they believe they should get to, they won't commit. But we are definitely seeing interest from rated carriers that we wouldn't have considered in the past as being retro players, which is good.

"SOME BROKERS ARE RELUCTANT TO GO BACK TO CLIENTS AND TELL THEM THAT THEY MIGHT HAVE TO PAY MORE MONEY AND SO ARE PUTTING PRESSURE ON UNDERWRITERS"

SIMON KIMBERLEY

Andre Perez
In general, even with a loss-free programme, the price of capacity has just gone up. At the end of the day, especially when you look at new capital coming in, they are not going to invest at the same expected return as they did last year. So at some point, and especially with retro where it's global capacity, capacity is more expensive and that is the way it goes. An analogy to this would be with banks: when Fed rates go up, everybody's borrowing rate goes up – even if you have great credit.

Justin O'Keefe
There is a risk that on 1 January investors wake up and absolutely do not have the returns they thought they were going to get. JLT said in one of its recent publications that this could be one of the outcomes of this market cycle. Most of the investors we have seen in this marketplace and who we talk to all the time have been patient and they've been sold this notion that the market will increase again and that that's when you can increase your investment and make more money over time. If that's not happening, there will be a big backlash come the first quarter.

Mark Geoghegan
We've been talking about trapped capital for a long time – this is the first time we've actually had some. How big a factor is that in the renewals at the moment?

Adolfo Peña
For us it hasn't really been the case. There's leverage you can have, but I can't say that it's seamless or like nothing has happened – there's a lot of work behind the scenes sorting out what you need to do to not fall into that trap. But I don't know about others. Everybody you talk to says people have been able to reload.

"IT SEEMS AS THOUGH A LOT OF CAPITAL IS COMING INTO THE INDUSTRY RIGHT NOW AND PEOPLE HAVE BEEN ABLE TO RELOAD PRETTY SUCCESSFULLY"

DAVID BROWN

David Brown
The trapped capital is probably going to have an impact but it seems as though a lot of capital is coming into the industry right now and people have been able to reload pretty successfully. So I do not anticipate that much impact on pricing at this stage.

Charles Withers-Clarke
It's fairly early at the moment. As we said, we haven't seen that many orders and so that may be a test of that. The posturing we're seeing at this point is that there's plenty of capacity available but when orders come out, will there be a crunch? It's difficult to say. But the way the posturing is at the moment, we don't see that whatsoever and we think it will be fairly smooth.

Andre Perez
I think it's going to be a horror show.

Justin O'Keefe
I have asked every major brokerage firm in the world to show me proof that for retro I buy at 1 January I'm going to have collateral at 1 January, and I have not been able to have confirmation of that yet.

Andre Perez
We have a live example of one of our investors who is probably going to halve their renewals because they don't have free cash as a fair bit of their assets is in trapped collateral. So we haven't seen enough reloading, definitely on the ILS side, to cover what technically has been lost.

Richard Lowther
And keep in mind the year isn't over yet, as we've seen with the wildfires in Southern California. That level of uncertainty for collateralised reinsurance is not helpful. As market terms softened a lot of aggregate retro was sold, so those programmes are likely already exposed. This means that every dollar of loss that comes out of the December California wildfires could go straight into aggregate retro programmes and make the loss and the valuation uncertainty worse. Historically, many collateralised ILS funds would ask cedants to let trapped capital serve double duty and offer top-ups if more collateral was needed to fund adverse loss development. With late-occurring events buyers are just going to say: "Forget it, I'm trapping your capital and you'll have to reload to get on the renewal."

Simon Kimberley
I believe the trapped capital dynamic will have an impact. The fact that there is a suggestion that it won't is symptomatic of the fact that we're not sure who's bleeding at the moment. As we go through 2018 and underwriting results fully materialise we'll really start to find out has performed worse than others.

Butch Agnew
Trying to find the silver lining here, as a fronting carrier we are seeing ILS markets trading through trapped collateral issues through the use of leverage and fresh assets under management/investor capital. As a result they are going to be able to trade out of some of the trapped capital. On the retro side there are some significant potential lock-ups where there is uncertainty as to whether the triggers are going to be met or whether they're exceeded. On the ultimate net loss reinsurance side, many of the more sophisticated ILS managers, through the combination of tools they have, are trading through the situation and they'll survive it and come out the other side quite well.

Mark Geoghegan
With the 2017 cat losses that are already on the books, what's the feeling about where those numbers are going to end up now that some of the modelled estimates have come down, and about how the models have performed?

Simon Kimberley
It's interesting to see the AIR numbers that came out today (6 December) for the Maria loss. There's still quite a significant range, between $27bn and $48bn, and uncertainty about how business interruption will play out. With Irma, there's potential litigation associated with the claims and, I believe, the potential for a significant tail. For Harvey, the flood component is a large element of that loss and as we know, that's not captured in the model.

Charles Withers-Clarke
The Maria loss initially looked very large and everyone was taken aback when those numbers came out. And then as writers in that area started to give out their numbers, it didn't seem to be adding up to what had been estimated. So that loss looked pretty logically like it was going to come down.

David Brown
The Q3 hurricanes were a unique set of events, to a certain

degree, because with Harvey you had the flood component and obviously with Maria you had what's happened with Puerto Rico. We originally thought that flood was going to be where the biggest uncertainty was, but it's turned out that it was Puerto Rico. Most of our clients would generally say the losses were within their expectations for similar-type events.

Richard Lowther
The models are an extremely valuable tool, but they aren't necessarily the only basis for an underwriting decision. As a whole, the industry does an excellent job of understanding the limitations of the models. There are very few sophisticated reinsurance groups that didn't understand what can happen in a Harvey-type scenario as far as hurricane-induced precipitation, demand surge and loss adjustment expenses are concerned.

Adolfo Peña
That being said, did you ever look at the pricing for the National Flood Insurance Program? One big objection to that was: "You guys are not taking into account by any stretch of the imagination hurricane-induced flooding. You're treating it as an uncorrelated risk, and it isn't."

Mark Geoghegan
Moving on – with the latest iterations of US tax legislation, is there much for Bermuda to fear?

David Brown
There are always challenges and Bermuda has a history of being pretty resilient to most of those challenges. When you look at the possibility of tax reform in the US, if I were a betting man I would say tax reform will be passed. Obviously when you look at Bermuda, some of the island's affiliated reinsurance structures are going to face changes. We'll probably have to look at structures and that type of thing. At the end of the day, a lot of you have operations in the US and with a 21 percent tax rate versus 35 percent, there may be opportunities.

Cordelia Davis
Has the Paradise Papers leak generated any interest around cyber risk and related coverages? Is there more of that type of business coming through?

Mark Geoghegan
I don't know where that market might go in terms of carrying through to ILS, but at some point there's going to be a massive capacity crunch. But how do you view the aggregation of a cyber event? Can you get mutually exclusive events within cyber?

Andre Perez
I think you can. We've certainly bought more cyber insurance! The truth of the matter is that cyber is definitely being looked at. I don't know about some of the other ILS funds around the table but a few of our ILS funds are looking at it and we're actually in the process of assisting with setting up a cyber ILS fund platform.

Richard Lowther
It depends obviously on investor aims and goals. A lot of our investors come to us for the low correlation to broader financial markets and the event-linked, more traditional, predominantly catastrophe-driven funds. So they wouldn't want to find necessarily that cyber had crept into those portfolios, but on a dedicated fund or a standalone fund basis, then absolutely.

Justin O'Keefe
From an insurance/reinsurance perspective, we're absolutely seeing the cyber market developing. There's a couple of issues and number one is the pricing of it. Where is the experience to understand what you're really pricing for? And two, is it really a product or is it a peril? The market still hasn't really figured that out yet. From a reinsurance perspective, just in the past week, I've seen for the first time a cover where it's being treated as a peril. But I don't see RenaissanceRe at any time in the near term putting together separate funds or using ILS to support that risk, for a lot of the same reasons – our investors want diversification from the normal asset classes.

Charles Withers-Clarke
There's about $3.5bn of premium now in cyber and that's estimated to rise to $20bn in 2025, but the biggest tower currently bought is $600mn, which just seems completely inadequate considering the exposures and the risks that are out there. We took a look two years ago at Bermuda's insurance capacity for cyber and there were about 10 players that could probably stack up about $100mn of capacity. We looked at it again this summer and it was the same. Meanwhile, Lloyd's has now got 70-plus syndicates writing cyber and about $500mn of premium, compared to

"WE'RE ABSOLUTELY SEEING THE CYBER MARKET DEVELOPING [BUT] WHERE IS THE EXPERIENCE TO UNDERSTAND WHAT YOU'RE REALLY PRICING FOR?"

JUSTIN O'KEEFE

Bermuda at about $30mn-$50mn. So Bermuda is being very conservative in its approach.

Scott Maries
Lloyd's could take a huge loss on cyber. You could have 70 guys who don't really know what they're writing given that the exposure class is so new – they're just following the other syndicates. It's better to make a bigger play after that first event when you actually know the risks and when everyone else has been cleaned out. Then you've got a proxy for how to price the risk. Obviously you can't price the entire sector off of one loss, but I'm sure there's going to be a massive loss and it's going to wipe out a lot of capital.

Chris Maiato
Insurance is historically a backwards-looking industry; looking at previous losses to predict future events. Cyber, at least from my perspective, may not be as well understood, as an event that occurs today doesn't necessarily have the exact same look, feel or challenge as an event tomorrow because the technology has changed. To Scott's point, there are certainly going to be big losses and then people are going to come out writing it as an opportunity with the data that's been collected up to that point. But because all the technology it was based on has shifted and moved, there will be new vulnerabilities that didn't exist before.

Scott Maries
I would guess that Lloyd's is probably being aggressive on cyber because many other lines of business are under pressure, and cyber runs zero losses until it runs a 1,000 percent loss ratio.

Simon Kimberley
I was going to say the same – it's a form of diversification for the syndicates that can't write more property cat but which can write another line to get a reduced capital load for perceived diversification.

"ONE OF THE PROBLEMS IN OUR INDUSTRY IS ALL THE DOLLARS THAT GET LEFT BETWEEN THE BUYER OF INSURANCE AND THE ULTIMATE BEARER OF RISK. SO THAT SEEMS TO BE A GOOD PLACE TO FOCUS TECHNOLOGY"

ADOLFO PEÑA

Andre Perez
But you've got to admire Lloyd's courage on that. You could say it's suicidal but at the end of the day, they are taking chances. Anybody around the table who suggests they have the right answer even on cat pricing would be foolish to say that. Everything has a lot of uncertainty and in that particular line of business Lloyd's has been a lot more adventurous and a lot more innovative than the market in Bermuda, which is supposed to be the innovative market.

Charles Withers-Clarke
You're spot on about it being a diversification play, because it's not 70 underwriters with a shingle out there saying they're writing cyber, it's consortia. And so the actual exposures that they're putting their syndicates out to are limited because it's very well spread and they're just taking positions.

When a Lloyd's realistic disaster scenario is set up and asks for your 10 largest exposures in cyber, it gives you room to be able to potentially write around the sides of that, but it seems to be spread and people aren't taking massive lines.

Mark Geoghegan
Now that we're potentially getting a hardening market, does that mean that underwriters who have been wanting to either exclude, or name and aggregate cyber, are getting the chance to do that?

Butch Agnew
The commercial buyers are going to drive take-up of cyber when they realise their current policy doesn't cover the big cyber events. When people can see the risk and potential exposure, the buyers will start to say they need a separate policy and that's when the reinsurance market will respond.

Mark Geoghegan
Let's talk about the London ILS regime. It's the first time we've had a major onshore jurisdiction heading into this space. Does anyone see this as a threat to Bermuda?

David Brown
Bermuda has been the clear ILS leader. And when you're the leader, people are going to chase you. So it is a threat but Bermuda has to focus on the things that made it the leader in the first place: the people around this table, and having a strong, nimble, agile regulator. As long as Bermuda can focus on those two things, it will continue to be the leader. But at the same time, it is something that needs to be taken into consideration.

Richard Lowther
It's a sign that ILS has arrived as an asset class in the mainstream. It's now dominated by institutional investors and capital – sticky money. It's not interested in opportunistically timing markets per se. I think this actually legitimises ILS.

Andre Perez
We're jurisdiction neutral, so we probably will set up in London as well. We don't have one view of one jurisdiction.

We like the fact that there's several jurisdictions available, not only for our clients but also for the fact that it keeps everybody honest. People tend to forget that prior to having the special purpose insurer regulations in Bermuda in 2009, the Cayman Islands actually had 100 percent market share. Bermuda became the leader in ILS a lot later. It's a fickle market, so I don't think any particular jurisdiction should take anything for granted.

Mark Geoghegan
Moving on – we have just come from the InsiderTech event in New York, the first such event we've done this year. I'm sure all of you have been to at least one InsurTech event this year. What is your take on this?

Chris Maiato
The primary carriers that are direct to consumer are where we are seeing the biggest swing. It's about how you get access to the customer and make product distribution and product acquisition by the customer as simple and as fast as possible. That's given rise to a couple of interesting business models with markets that are basically electronic agents which are not actually writing any of the risk.

In the commercial space, the trends have been more focused around analytics: how do you analyse information and data that's coming in from these new front-end sources – everything from connected devices and the Internet of Things to telematics. How do you use all that data when you're looking to reinsure it?

In the reinsurance space, the biggest discussion points are usually around blockchain and distributed ledger technologies. But it hasn't moved as quickly. There's also a lot of development in the modelling space, which people don't necessarily consider as InsurTech, but which falls under a broad definition. And obviously the pricing hasn't got to where it needs to be, so we've seen a lot of (re)insurance companies focusing on costs. One of the ways they're taking costs out is through the use of technology to get their underwriting done faster and more easily.

Adolfo Peña
One point of focus is reducing frictional cost. One of the problems in our industry is all the dollars that get left between the buyer of insurance and the ultimate bearer of risk. So that seems to be a good place to focus technology. On the modelling, there are all these technologies that you can use to improve it, but how good are they? It goes back to the whole thing of where you have one event that models as being \$2bn and ends up being \$20bn, and another that models as \$25bn and ends up being \$12bn – is technology really going to fill that gap?

Chris Maiato
It was really interesting after some of the recent cat events – for example in Puerto Rico and some of the islands – that the first reviews of damage were performed by drones. Primary carriers were deploying drones to see the state of the property and there are companies that have popped up which are doing just that. So the first adjudication of claim is coming in very soon after the event and that will tie back into some of these models. You will be able to get much more definite numbers faster.

"[IN CYBER] LLOYD'S HAS BEEN A LOT MORE ADVENTUROUS AND A LOT MORE INNOVATIVE THAN THE MARKET IN BERMUDA"

ANDRE PEREZ

Adolfo Peña
I see that as more to do with making things cheaper. Because the other option is to have an underwriter go and inspect the property. I don't consider that modelling, it's more like making things more efficient.

Justin O'Keefe
It's absolutely about efficiency. What we really need to look at is expenses, and technology is very helpful for that. It's interesting that almost every time I see the word InsurTech, the word disruption is included. RenRe doesn't feel that it's disruptive at all. It may displace some processes, tools and people, but people and businesses still need insurance. So the high level of (re)insurance is not disruptive to the business, it's an efficiency processing platform.

Richard Lowther
Look at the disruption ILS has created in our market. I would argue that ILS became an investible asset class because of technology. It was always uncorrelated. What unlocked it as an investible asset class was the ability to pass on to investors some quantifiable way of looking at the risk because of the modelling tools and other technology that we've been able to bring to bear.

David Brown
To Chris's point about how insurance will be bought in the future, especially with our children and their children buying property insurance on smartphones – obviously a lot of technology companies will jump up and take advantage of this to a certain degree. But nobody has really got great traction yet. What will be interesting is whether the Amazons or Yahoos or Googles, whatever the case may be, are going to be a real disrupter to the industry.

"ON PROPERTY CAT AND PROPERTY RETRO, WE'RE SEEING INCREASES OBVIOUSLY ON LOSS-AFFECTED LAYERS, BUT THIS IS NOT A TIDE THAT'S LIFTING ALL BOATS"

CHARLES WITHERS-CLARKE

Butch Agnew
If the take-up rate on driverless cars and the reduction in accident rates happens, big chunks of insurance portfolios won't be needed any more in some cases and that could be a huge disrupter for the insurance space over time.

Chris Maiato
I agree with David. Part of the other element of disruption, as technology infiltrates the insurance sector more and there is more automation, is that it does open it up for different players to come into the market. Maybe not on the commercial side or the reinsurance side at first, but definitely in the front lines, like we saw with Apple and Google getting into payments.

Mark Geoghegan
Does anyone think we'll get automation in underwriting and/or claims payment?

David Brown
Obviously artificial intelligence and robotics are developing and will continue to develop. When you consider robots processing bordereaux information for reinsurance companies, it won't be long before a lot of that can be done. It's amazing how much of the payment processing can be done. People are taking different processes and taking it from half a month to a few hours.

Andre Perez
Auto insurance is the perfect example of where it is rule-based, and if you have correct programing you actually don't need anyone to do anything. That's why you're starting to see all those online auto platforms. For anything that's more data intensive, reinsurance is still a people business.

Richard Lowther
We're not in a one-size-fits-all dynamic when you are looking at reinsurance. You are looking for bespoke solutions. And to your point Andre, it's very hard to build an algorithm to capture that.

Justin O'Keefe
We're big proponents at RenRe of open-source modelling, shared tools, systems, etc. Lloyd's used to be good at it and it's trying to get better again. But we'll see that creep in, certainly with InsurTech.

But the other point is that there's a lot of private equity-funded InsurTech out there and those investments aren't necessarily doing that great. That whole idea of dislocating a very large insurer for a new insured to come and take their business – the existing insurance marketplace will be there to change and evolve with that.

Chris Maiato
I agree. Many of the largest players have set up incubation houses to help develop the technology, so there isn't necessarily going to be a dramatic shift in the names of the players in some instances.

Andre, I like your parallel to the auto side of the table but that's because you can get a lot of data. What's happening now is on the property side, where you can also get a lot of data, and we're going to see that underwriting move more to a systematic and automated process.

Scott Maries
I'm sceptical that insurance companies can win out against an Amazon which decides it's going to be in insurance. Because those guys – Google and Apple too – have got so much money and when they decide they're going to dominate something, they dominate. So Justin, when you refer to those funds, I suspect some of them are insurance-focused funds which have recently announced that they're going into InsurTech. I'd rather put my money in a tech fund that has decided it's going to get into insurance, because the tech guys are going to be the winners.

Chris Maiato
They've got the skills and the technologies to teach them the insurance.

Justin O'Keefe
Well it's the difference between an aggregator and a risk taker and I'm not so sure those firms want to be the risk taker. That's where companies like RenRe will be involved – in the underwriting and access of that risk.

Scott Maries
Partnering up will be a very smart thing to do.

Justin O'Keefe
Whether it's Google or XYZ insurance company.

Mark Geoghegan
On that bombshell, it only remains for me to thank all of you.


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