The specialty market is a game of limits

Pressure in the specialty market, as a result of increased competition, is a game of limits rather than a price war, Bryon Ehrhart, CEO of Aon Benfield Americas, told *PCI Today.*

Ehrhart said that new, large entrants into the US specialty market have increased pressure for the broker's clients.

"We have a few new entrants in the business—some have large gross primary lines, which gives a little more for our specialty clients to worry about," he said.

"Reinsurance is the most effective means to help them gross up underwriting capacity so they can match what is happening in the competitive space of specialty property and liability business. It's not only growth capital, but protective capital too."

However, as Ehrhart explained, competition in the specialty market is not a price war, but rather the entrance of companies with larger limits that will operate on a primary basis.

"If you were an insurer helping a group of insurers working through a wholesale broker working on say $100 million of capacity, you might have had seven or eight different insurers," said Ehrhart.

Bryon Ehrhart

"We have a few new entrants in the business—some have large gross primary lines, which gives a little more for our specialty clients to worry about."

"However, now, some of these larger entrants may come in and offer to write the first $50 million of that, leaving the need for only two other insurers. So the three or four other insurers which are now out of the picture need to do something about that.

"It's not necessarily more cat loss, it's more specialty property and liability limit, which is an interesting dynamic. It's not your typical cyclical change."

Ehrhart also spoke of the abundance of capital within the reinsurance market, saying that it has the potential to bring great opportunities to clients willing to explore new offerings with reinsurers.

"These opportunities exist anywhere there has been a previous resistance, ie, where there have been generational lows in pricing. In the US, 70 percent of the population growth is occurring in coastal states. You can't really have a growth plan without a coastal plan, where you're going to get some catastrophic risk and reinsurers have plenty of capacity to help you manage the portions of those risks which you don't want to take," he said.

Ehrhart also spoke of cyber risk, saying that he expected it to be a big talking point at the conference. ■

Willis platform simplifies access to cat bonds

Willis Capital Markets & Advisory (WCMA) has established Resilience Re, a cat bond platform aimed at simplifying client access to cat bond capacity.

Resilience Re will offer clients low cost access to reinsurance capacity sourced from the capital markets. Clients will benefit from cost efficiencies and expedited timelines to secure capacity, in part as a result of simplified processes and documentation for qualifying risks. The platform will provide access to dedicated reinsurance transformers with standardised reinsurance and securitisation processes.

Bill Dubinsky, head of insurance-linked securities (ILS) at WCMA, said: "We believe that Resilience Re's seamless integration with the reinsurance placement process will make it inherently more scalable than previous ILS private placement efforts."

John Cavanagh, global CEO of Willis Re, added: "By adding another source of capacity, Resilience Re will make our clients' reinsurance programmes themselves more resilient. The simplified process can integrate with the standard reinsurance placement or operate on a standalone basis."

Tony Ursano, CEO of WCMA, said: "Efficiently transforming reinsurance risk to the capital markets expands the universe of risk transfer capacity for our clients and at the same time broadens the universe of available risks for investors.

"WCMA has developed a leading ILS platform and Resilience Re will further our involvement in underwriting, arranging, and trading insurance and reinsurance risk.

"Resilience Re reflects Willis's commitment to innovate and capitalise on opportunities in the growing ILS market," he said. ■

Bill Dubinsky

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