Experienced players are becoming complacent

Some seasoned insurance underwriters are now relying too much on risk models, leading to widespread complacency when it comes to preparing for the next big cat event, Chris Donelan, president and CEO of Endurance Re US, told *PCI Today*.

He added that there is not enough fear in the industry—or at least not enough for the industry to anticipate so-called black swan events effectively.

More trepidation among insurers would help innovation and lead to more new products being developed.

"There's no simple answer," said Donelan. "Those in the industry may be too reliant right now on models that didn't exist 15 years ago.

"It's all much more technical, but the real risk is always the unmodelled, unthought-of risk. The black swan is something out there that you never thought would happen in your wildest dreams, but when it does, it becomes all so obvious.

"Everyone is aware of the potential pitfalls of making bad decisions," said Donelan. "But they are also aware that there is only so far you can go."

He explained that because balance sheets are not stressed, because of benign cat activity, it has become easy to sell products at a low price. This has led to complacency in the industry.


Chris Donelan

"Companies need to have enough capital to deal with the next big cat event and continue."

"Insurers have a feel for what is the right thing to do, but if you don't have a lot of losses, the right thing may be a little different from what it used to be," said Donelan.

"Trading works around an equilibrium: if it goes too far up there becomes another overreaction."

Donelan observed that while there are large amounts of money waiting to come into the industry after the next big event, much depends on how the industry copes with that.

"Companies need to have enough capital to deal with the next big cat event and continue," he said. "It's usually the companies with the most capital that have the most to lose, but it's not going to take a lot to turn their thought processes around." ■

Aon Benfield launches Houston facultative branch

Aon Benfield has opened a facultative property branch in Houston and appointed Andrea Mulvey and Justin Conway as associate directors. Mulvey will be Houston-based, while Conway will be based in Chicago.

Together Mulvey and Conway will help to further build expertise and capabilities in their respective regions, delivering best-in-class property reinsurance solutions to Aon Benfield clients supported by the full resources of the wider firm.

In her new role, Mulvey will also help to strengthen Aon Benfield's US facultative energy practice.

Mulvey previously worked within Aon Risk Solutions, where she focused on marketing services and strategic account management in the energy sector, while Conway served as a facultative property broker at reinsurance intermediary JLT Re. Prior to JLT Re, he worked as a terrorism insurance specialist at insurance intermediary Willis.

"These appointments reaffirm Aon Benfield's commitment to our facultative strategy, and we are thrilled to welcome them aboard."

Kelly Smith, president of Aon Benfield's US business, said: "Andrea and Justin both bring valuable industry experience to our team, complementing and enhancing our key strengths. Their energy, enthusiasm and leadership will broaden our platform in Houston, Chicago and throughout the Midwest. These appointments reaffirm Aon Benfield's commitment to our facultative strategy, and we are thrilled to welcome them aboard."

Robert Crabb, head of US facultative property, said: "The investment we have made in opening the Houston branch and bringing Andrea and Justin into the team demonstrates Aon's continued commitment to maintaining an industry-leading facultative service across the US, while also positioning ourselves as a local broker to ensure that we can deliver capabilities directly to our clients."

The appointments of Mulvey and Conway follow the senior facultative appointments of Jackie Bolig and Michael Hughes as senior managing director and managing director, respectively, within Aon Benfield's US business earlier this year. ■