

Evolution not a choice in changing market

Adopting a long-term strategy able to adjust to a rapidly changing reinsurance landscape should be top of the agenda for reinsurers—but there are players that refuse to evolve.

That is the view of Andrew Bustillo, president and CEO of BMS Intermediaries. He told *PCI Today* that the future offers both challenges and opportunities, but he added that he has been surprised to see some players refuse to change.

“Fundamentally, the economics of the reinsurance broking model and the transfer of that risk has changed and become more competitive. This is causing huge amounts of pressure within the industry and it brings an opportunity to think about where we want to be in the next five years and how we want to play in this new world,” he said.

“But, what has surprised me is that some people haven’t accepted that things are changing. It is fair in some ways—it can be hard to change your business.”

With regard to the main issues worrying



Andrew Bustillo

clients, Bustillo said that distribution and growth opportunities are top of the list, as well as trying to understand how the influx of alternative capital may affect their futures.

“By and large, reinsurance pricing is not a key concern of mine. More of an issue for me is finding the right structure for where we want to go. There’s also interest and concern around the

scary losses such as terror, systemic or pandemic losses and cyber,” he added.

Speaking about the PCI annual meeting, Bustillo said that the focus on technology had been well received, specifically referencing cyber risk and the challenges surrounding it.

“Buyers and sellers of cyber are all struggling to understand how to underwrite the risk and what the risk is. But, over time, as losses do occur, there will be data around how to best manage the risk and how to provide meaningful re/insurance capacity, so the theme of the conference has been very apt,” he said.

Talking of the US markets, Bustillo said that BMS is in regular discussions about how and where clients can expand their global footprint.

“We’re having lots of discussions about how we can access, for example, the Lloyd’s Market more efficiently, or what can we do in Canada. Overall, I think US companies are looking abroad and seeking our input in those areas.” ■

Industry must be proactive for cyber to succeed

The re/insurance industry needs to play its part in driving forward the implementation of regulation relating to cyber risks if effective products transferring the risk around this threat are to be developed.

That was the view of a number of industry leaders speaking at a reinsurance panel discussion held at the PCI annual meeting. They said that while cyber represents a huge area of opportunity, it is also an area where re/insurers must be sensible and not jump in and underwrite risks they do not fully understand.

Nancy Bewlay, Swiss Re’s head of casualty underwriting for US and Canada, said that there is a responsibility on the insurance sector not only to provide products on cyber, but to cooperate with governments as well to set cyber regulation.

“As a re/insurer, jurisdiction matters, and coverage changes depending on where you go in the US,” she said.

“We need to do a better job of aggregating the information we currently have to model an entire economic effect. Innovation is there, but we



The reinsurance panel discussion

Liz Lynch, photographer

cannot do it independent of regulation—it’s up to us to influence what our government can control.”

Andrew Marcell, CEO of US Operations at Guy Carpenter, said that reinsurers need to run to risk, not away from it, and be especially helpful in deploying capital.

Tad Montross, president, chairman and CEO of Gen Re, added that there is no definition of cyber reinsurance.

“While we can be hard on the industry, I feel that we’ve been pretty responsive in developing a set of cyber responses in the last few years,” he said.

“Part of the problem with the liability side of

cyber is that there has not been an appetite at some premium levels that have been available to purchase.”

Montross added that the industry must be careful not to confuse innovation with a market-clearing price, as the exposure increases daily at a geometric rate.

Bryon Ehrhart, CEO of Aon Benfield Americas, added: “Severity on the cost is important, and there is definitely a growing need for it, I just don’t know how the reinsurers and insurers are going to come up with a product that’s cheap enough for people to buy.” ■