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World **risk** insight

INTERNATIONAL RISK NEWS & OPINION OCT 14 2015

CYBER

Cyber threat changing warns insurer

Businesses have been warned that they need to prepare for a new generation of cyber risks which are fast evolving, moving beyond the established threats of data breaches, privacy issues and reputational damage to operational damage, business interruption and even potentially catastrophic losses.

Allianz Global Corporate & Specialty (AGCS) has issued a new report "A Guide to Cyber Risk: Managing The Impact of Increasing Interconnectivity" to highlight the current and future threats.

"Cyber risk is a major and fast-increasing threat to businesses with cyber-crime alone costing the global economy approximately \$445 billion a year, with the world's largest 10 economies accounting for half this total. In the UK, the cost of cyber-crime as a percentage of GDP is .16%, with an estimated cost of \$4.3bn (£2.8bn)," it stated

"As recently as 15 years ago, cyber-attacks were fairly rudimentary and typically the work of hackers, but with increasing interconnectivity,



globalization and the commercialization of cyber-crime there has been an explosion in both frequency and severity of cyber-attacks," says AGCS CEO Chris Fischer Hirs. "Cyber insurance is no replacement for robust IT security but it creates a second line of defense to mitigate cyber incidents.

Increasing awareness of cyber exposures as well as

regulatory change will propel the future rapid growth of cyber insurance. With fewer than 10% of companies currently purchasing cyber-specific policies, AGCS forecasts that cyber insurance premiums will grow globally from \$2 billion per annum today to over \$20 billion over the next decade, a compound annual growth rate of over 20%. ●

ASIA

Broker chief warns over growth inertia

Aon Benfield's CEO for the Asia Pacific Region has told underwriters that moves to reduce risk taking in the current challenging markets will also thwart growth.

Speaking at the 14th Biennial Hazards Conference, hosted by the reinsurer Malcolm Steingold, CEO of Aon Benfield for Asia Pacific, said: "Over the past decade, the market has become more complex with increased regulatory, rating agency and shareholder pressures. This has resulted in some re/insurers adopting a 'zero failure' mindset, which may seem to offer a degree of protection, but does in fact stifle innovation and growth. Strategically, the industry has the

ability to meet client needs, innovate and create an entrepreneurial environment that will bode well for business to rise to address the challenges it is facing.

"There is plenty of capital in our industry today, but there is also plenty of risk that is not currently being addressed by our industry. By developing the skills, capabilities and talent to address these risks, re/insurers will grant themselves new, long-term revenue streams."

The theme of the 2015 conference, Beyond Tomorrow..., builds on the theme of the previous event, THINK outside the Risk, which explored ways to improve risk management in an increasingly complex world.

As global reinsurance capital remains at a near-record level of US\$65 billion, and with sustained pressure from alternative capital sources, re/insurer margins are being placed increasingly under pressure, he added. ●

LLOYD'S

Everest's new Lloyd's hub gets green light

Asta Managing Agency (Asta) has today confirmed that the Lloyd's Franchise Board has granted 'in principle' approval for them to establish and manage a new dedicated corporate syndicate backed by Everest Re Group, Ltd, with initially £102m gross premium for 2016.

Everest and Asta said they are working to secure the final approvals to commence underwriting business incepting January 1, 2016. The new syndicate will write a diversified book of business and will be the hub of Everest's international insurance operation. The business will be predominantly new to Lloyd's. The Active Underwriter will be Andrew Carrier.

Julian Tighe, Asta CEO, said: "We are very pleased to have received 'in principle' approval from Lloyd's. Everest has an impressive Insurance and Reinsurance platform and we are proud to partner with them in establishing Syndicate 2786."

Daryl Bradley, Head of International Insurance at Everest Re Group, added: "Syndicate 2786 provides Everest with the platform to develop our international insurance business. We have a strong track record of building profitable insurance and reinsurance businesses and look forward to working with Asta and Lloyd's to ensure we maintain that success." ●

“Syndicate 2786 provides Everest with the platform to develop our international insurance business.”
DARYL BRADLEY, EVEREST RE GROUP

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Worldriskinsight

INTERNATIONAL RISK NEWS & OPINION 09.07.2015

Reinsurance facing new reality says A M Best

The rapid pace of change within the reinsurance sector over the past few years has given way to the permutations of a “new reality” that is being shaped by abundant capacity from traditional and alternative sources, according to rating firm A.M. Best.

The firm has issued its annual special report on the global reinsurance industry entitled “It is Not Your Father’s Reinsurance Market Anymore – The New Reality,” which cites additional contributing factors such as low interest rates and intense competition that is driving thinner margins as demand for reinsurance cover diminishes.

“The new reality for the reinsurance market looks to be more of an industry where returns are less impressive and underwriting will have to become a larger contributor to profits and

returns,” A.M. Best Vice President Robert DeRose said. “This will lead to more conservative risk selection, more diversification of product offerings, a wider geographic reach and conservative loss picks.”

Mr DeRose added A.M. Best is holding its outlook for the reinsurance sector at negative, citing the significant ongoing market challenges that will hinder the potential for positive rating actions over time and may translate into negative rating pressures.

The cheaper sources of capital entering the reinsurance segment won’t necessarily result in winners across the board, he explained. Those deemed winners at the end of the day must be able to walk away from bad business, have the capital and expertise to write new, more complex lines of business and provide the products and services that clients want in a global economy, according to the report. ●

World risk Opinion: Jon Guy



Risk to the fore as business woes continue

There has been some fear from the underwriting community that as pressure remains in their clients’ business performance the drive to reduce costs will see a curb on risk management and maintenance spending.

However the feedback from risk managers in Venice last week at the biennial FERMA Forum was that the business community is acutely aware that to scrimp on risk management is a false economy. The biggest fear remains that of reputational damage be it from any cause, in a world where brands count for so much there is an acute awareness that the growing value reputation and intellectual property can be quickly devalued.

The forum also highlighted the demand from risk managers for products that reflect the risks they deem as the most pressing for their businesses.

The message was that innovation and relevance are rising up the risk manager’s wish lists as is the recognition that those who invest in risk management procedures should be rewarded at renewal.

The challenge for the insurance industry is to provide the innovation and relevance the risk community seeks at a time when technical price remains elusive in many classes.” ●

Jon Guy, Editor

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“The fact people are living longer and have more wealth to protect presents insurers with an opportunity.”

ASIA

Mapfre opens in Singapore

Spanish underwriter Mapfre RE has opened two new branches in Asia as it looks to push further into the region.

The branches have been opened in in Labuan (Malaysia) and Singapore, with the aim of strengthening its reinsurance business in Asia, according to the firm’s Chairman and CEO.

The Malaysia branch has been operational for a period while the Singapore office has been this month. The underwriter already has offices in Manila and Beijing.

Pedro de Macedo, Chairman and CEO of MAPFRE RE said: “Our desire to be a global reinsurer close to its clients and the volume of business that the Asia Pacific region already entails for us more than justify these new openings. We



Mapfre RE has opened up for business in Singapore

think we can contribute the capacity and quality of service in the region which characterize us in other regions of the world where we have leading positions.” ●

New scheme launched by Lloyd’s and FERMA

The Federation of European Risk Management Associations (FERMA), and Lloyd’s have launched the third edition of the FERMA-Lloyd’s Professional Development Programme.

The programme is targeted at promising European risk managers, is comprised of three, two-day sessions over the course of a year and provides a mix of practical and interactive sessions. Topics covered include: Lloyd’s and the London insurance market, risk management, exposure management, performance management, international markets, emerging risks, the international regulatory context and claims management.

Benno Reischel, Lloyd’s Head of Europe, who coordinates the programme said: “I am delighted to be launching the third training

programme at the FERMA Forum. So far more than 40 risk managers from 14 different countries across Europe have taken part and the feedback has been excellent.

“We want to make sure risk managers can access the knowledge and experience they need to support them in their jobs. This programme gives them a great opportunity to learn about how insurance can support their business and share knowledge across borders and industries. We are looking forward to receiving the new delegates for the third edition in 2016,” said Benno.

Also as a result of demand, FERMA and Lloyd’s now also envisage a ‘masters’ day’ in the third quarter of 2016 when experienced risk managers can meet senior representatives of the London market to share knowledge and understanding. ●

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